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Mahfel Huq & Co.

Chartered Accountants

The first registered accounting firm in independent Bangladesh

PRIVATE & CONFIDENTIAL

ZEAL BANGLA SUGAR MILLS LIMITED

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

As at and for the year ended June 30, 2022



Mahfel Huq & Co.

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Independent Auditor's Report to the Shareholders' of Zeal Bangla Sugar Mills Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Zeal Bangla Sugar Mills Limited which comprise the statement of financial position as at 30 June 2022, and along with the statement of profit or loss and Other comprehensive income and 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 effect described in the basis for qualified opinion paragraph the accompanying statements and financial statements of the company give a true and fair view of the statement of financial position of the company as at 30 June 2022, and of its statement of profit or loss and other comprehensive income and its statement of cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the company act 1994, and other applicable laws and regulations.

Basis for Qualified Opinion

1. The Company has been incurring loss year after year. Its accumulated loss was Tk. - 5,586,768,576 for the year ended 30 June, 2022 and, as of that date the Company's Total liabilities exceeded its Total assets by Tk. 5,434,227,879. These conditions or events indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue its operation in foreseeable future and it also seems that the company is unable to run its operation without government support.
2. In note 18.00 of the financial statements regarding Long Term Loan (Secured) in respect of SM & RFS Seed Multiplication & Research Farm Scheme, ADP Loan for BMRE, Golden Handshake loan, amounting to Tk. 35,248,125 we were unable to obtain sufficient appropriate evidence.

Emphasis of Matter

1. In note 7.00 of the financial statements and Annexure-G regarding cane growers loan amounting to Tk. 24,642,860 were carried forward for a long period of time and the corporation did not take any action to recover the said amount from the cane growers. There



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is a significant doubt that this amount will be recovered. As a result, assets overstated and income understated.

2. In note 8.00 of the financial statements regarding Advance Income Tax, amounting to Tk. 5,311,981. This amount has been cumulating from the financial years 1991-1992 to 1994-1995 and lying unadjusted for all this time. However, after the year ended 30 June 2022, the Tax authority had started the adjustment procedure against the tax liability.
3. In note 25.00 of the financial statements, the company had disclosed sales amounting to Tk. 311,450,924 which is net of tax amounting to Tk. 3,344,768.
4. Tax deducted on source from sales to the Ministry of defense amounting to Tk. 1,039,540, we were not provided with sufficient appropriate evidence.
5. As disclosed in the note 23.00 of the financial statements regarding provision for doubtful advances amounting of Tk. 783,879 was carried forward for a long period of time and the corporation did not take any action to recover the said amount. As a result, assets overstated and income understated.
6. During the audit, we could not confirm the share capital amount in the financial statements from Schedule-X, as the company has yet to update its annual return to the Registrar of Joint Stock Companies & Firms (RJSC).

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 in addition to the matter described in the basis for qualified opinion section we did not determine any additional matters described below to be key audit matters to be communicated in our report.

1. Revenue Recognition	
See note 16.00 to the financial statements	
Risk	Our Response to the Risks
<p>The company reported total sales of Tk. 311,450,924 as 30 June 2022.</p> <p>Sales decreased by Tk. 19,494,007 which shows 6% higher revenue compared to last year. Moreover, the disclosed sales are net of source tax, therefore the calculation of tax is important during the audit.</p> <p>We focus on the risk of material</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 Gross Sugar and Molasses sales, as well as source tax on these items to derive the Net Sales amount; • segregation of duties in invoice creation and modification; and



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<p>misstatement in the recognition of revenue, as a result of both fraud and error, because revenue is material and is an important determinant of the company's profitability, which has a consequent impact on its share price performance.</p> <p>Revenue is derived from sales of Sugar and Molasses as disclosed in note 25 to the financial statements.</p>	<ul style="list-style-type: none"> • 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 at the yearend date to determine whether revenue was recognized in the current period; • Critically assessing manual journals posted to revenue to identify unusual or irregular items; and <p>Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards.</p>
<p>2. Valuation of Inventories</p>	
<p>See note 5.00 to the financial statements</p>	
<p>Risk</p>	<p>Our Response to the Risks</p>
<p>The company had inventories of Tk. 183,421,443 at 30 June 2022, held in factory premises and warehouse.</p> <p>Inventory value is measured at the lower of cost and net realizable value. As a result, the Directors apply judgment in determining the appropriate values for value in use and working progress.</p> <p>The provision of Work in Progress is calculated within the company's accounting systems using an automated process. Where local systems require manual interfaces and inputs, there is a risk that inappropriate management override and/or error may occur.</p>	<p>We challenged the appropriateness of management's assumptions applied in calculating the value of the inventory provisions by:</p> <ul style="list-style-type: none"> • evaluating the design and implementation of key inventory controls operating across the company, including those at a sample of warehouses. • 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 and comparison to the associated provision to assess whether inventory provisions are complete; and • challenging the completeness of inventory provisions through assessing actual and forecast sales of inventory to assess whether provisions for slow-moving/obsolete stock are valid and complete, if any
<p>3. Trade and Other Receivables</p>	
<p>See note 5.00 to the financial statements</p>	
<p>Risk</p>	<p>Our Response to the Risks</p>
<p>The company has Tk. 121,737 of trade and other receivables as at 30 June 2022, which has decreased by 99% from 30 June 2021.</p>	<p>For trade and other receivables recovered during the period our key audit procedures included the following:</p>



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<p>The company has a large number of dealers, therefore the size of the trade receivable balance and the high level of management judgment used in determining the impairment provision is a significant issue.</p>	<ul style="list-style-type: none">• We performed trade receivables balance confirmations from the dealers on a sample basis;• We analyzed the aging of trade receivables; and• We obtained a list of long outstanding receivables and assessed the recoverability of these through inquiry with management and by obtaining sufficient corroborative evidence to support the conclusions.
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Other Information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. We have not been provided the Director's report and other information contained within the annual report except the financial statements to the date of our auditor's report. We expect to obtain the remaining reports of the Annual report the date of our auditor's report. Management is responsible for the other information.

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.

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

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

Management is responsible for the preparation and fair presentation of the financial statements of the Company 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. The Company Act, 1994 and the Bangladesh Bank guidelines require the managements to ensure effective internal audit, internal control and risk management functions of the Company. The management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

In preparing the Financial Statement, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We



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are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

Report on other Legal and Regulatory Requirements

In accordance with the International Financial Reporting Standards (IFRS), the Companies Act, 1994 and other applicable laws and regulations, we also report that:

- (i) we have 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;
- (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 company's statement of financial position and statement of profit or loss and other comprehensive income together with the annexed notes dealt with by the report are in agreement with the books of account and returns; and
- (iv) the expenditures incurred were for the purpose of the company's business for the year;

Place: Dhaka

Date: 20 October 2022

Md. Abdus Satter Sarkar, FCA

ICAB Enrollment No. 1522

For and on behalf of,

Mahfel Huq & Co., Chartered Accountants

Firm registration no. P-46323

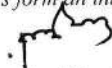
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ZEAL BANGLA SUGAR MILLS LIMITED
Statement of Financial Position
As at 30 June 2022

PARTICULARS	Notes	Amount in BDT	
		30 June 2022	30 June 2021
ASSETS:			
<u>Non-Current Assets</u>		124,107,733	121,275,351
Property, Plant & Equipment	4.00	124,107,733	121,275,351
<u>Current Assets</u>		270,779,573	358,015,884
Inventories	5.00	183,421,443	256,083,786
Trade & Other Receivables	6.00	121,737	16,269,726
Loans & Advances	7.00	45,873,198	34,873,479
Advance Income Tax	8.00	5,311,981	5,311,981
Deposits	9.00	856,311	644,059
Current Account with BSFIC Enterprises	10.00	3,471,675	5,360,090
Cash & Cash Equivalents	11.00	31,723,228	39,472,763
Total Assets		394,887,306	479,291,235
EQUITY & LIABILITIES:			
<u>Shareholder's Equity :</u>		(5,434,227,879)	(4,904,595,710)
Share Capital	12.00	60,000,000	60,000,000
Capital Reserve	13.00	1,815,056	1,815,056
Equity Fund	14.00	90,725,636	90,725,636
Grants (Phase - I & II)	15.00	5	5
Retained Earnings	16.00	(5,586,768,576)	(5,057,136,407)
<u>Non-current Liabilities</u>		2,966,755,304	2,671,716,137
Bank loan (Agriculture)	17.00	2,167,042,356	2,000,630,451
Long Term Loan (Secured)	18.00	786,019,690	658,156,248
Deferred Tax Liability	Annex-H	13,693,258	12,929,438
<u>Current Liabilities</u>		2,862,359,882	2,712,170,808
Creditors	19.00	204,240,453	217,937,354
Current Account with BSFIC	20.00	2,426,807,868	2,345,609,630
Current Account with BSFIC Enterprises (Payable)	21.00	21,889,318	11,443,715
Provision for Leave Pay & Gratuity	22.00	149,084,268	76,882,133
Provision for Doubtful Advances	23.00	783,879	783,879
Short Term Loan	24.00	59,554,097	59,514,097
Total Liabilities		5,829,115,186	5,383,886,945
Total Shareholder's Equity & Liabilities:		394,887,306	479,291,235
Net Asset Value (NAV) Per Share	33.00	(905.70)	(817.43)


Company Secretary

The annexed notes form an integral part of these financial statements


Managing Director


Director


Director

Signed in terms of our separate report of even date annexed



Md. Abdus Satter Sarkar, FCA
ICAB Enrollment No. 1522
For and on behalf of,
Mahfel Huq & Co. Chartered Accountants
Firm Registration No. P-46323
DVC: 2210311522AS114764

Place: Dhaka
Date: 20 October 2022



ZEAL BANGLA SUGAR MILLS LIMITED
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2022

PARTICULARS	Notes	Amount in BDT	
		30 June 2022	30 June 2021
Sales	25.00	311,450,924	330,944,931
Less: Cost of Goods Sold	26.00	(481,683,597)	(494,443,990)
Gross Profit / Loss		(170,232,673)	(163,499,059)
Less: Operating Expenses			
Salaries and Allowances	Annex-B	67,702,439	62,446,598
Administrative Expenses	27.00	8,501,703	6,775,246
Head Office Overhead	28.00	4,324,613	13,093,977
Selling and Distribution Expenses	29.00	1,271,971	1,495,819
Additional provision for lump Grant & Gratuity(BSFIC)		38,488,014	20,597,214
Audit Fees		100,000	100,000
Interest on Loan	30.00	238,619,990	426,478,784
Depreciation	Annex-C	467,198	451,485
		359,475,928	531,439,123
Operating Profit / Loss		(529,708,601)	(694,938,182)
Add : Income from Experimental Farm		264,482	1,485,229
Add : Miscellaneous Income	31.00	3,230,947	6,625,211
Less : Worker's Profit Participation Fund		-	-
Profit Before Tax		(526,213,172)	(686,827,742)
Less : Current Tax	32.00	2,655,177	9,217,877
Less : Deffered Tax Expense		763,820	(197,625)
Profit / Loss		(529,632,169)	(695,847,994)
Other comprehensive income		-	-
Total comprehensive income		(529,632,169)	(695,847,994)
Earnings Per Share (EPS)	34.00	(88.27)	(115.97)

The annexed notes form an integral part of these financial statements

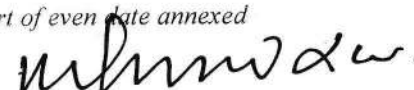

Company Secretary


Managing Director


Director


Director

Signed in terms of our separate report of even date annexed



Md. Abdus Satter Sarkar, FCA

ICAB Enrollment No. 1522

For and on behalf of,

Mahfel Huq & Co. Chartered Accountants

Firm Registration No. P-46323

DVC: **2210311522AS114764**

Place: Dhaka

Date: 20 October 2022



ZEAL BANGLA SUGAR MILLS LTD
Statement of Changes in Equity
For the year ended 30 June 2022

Particulars	Paid up Capital	Capital Reserve	Equity Fund	Grants	Retained Earnings	Amount in BDT
Balance as on 1st July 2021	60,000,000	1,815,056	90,725,636	5	(5,057,136,406)	(4,904,595,709)
Net profit/loss for the year	-	-	-	-	(529,632,169)	(529,632,169)
Balance as on 30 June 2022	60,000,000	1,815,056	90,725,636	5	(5,586,768,576)	(5,434,227,879)

Particulars	Paid up Capital	Capital Reserve	Equity Fund	Grants	Retained Earnings	Total
Balance as on 1st July 2020	60,000,000	1,815,056	90,725,636	5	(4,361,288,413)	(4,208,747,716)
Net profit/loss for the year	-	-	-	-	(695,847,993)	(695,847,993)
Balance as on 30 June 2021	60,000,000	1,815,056	90,725,636	5	(5,057,136,406)	(4,904,595,709)

These financial statements should be read in conjunction with the annexed notes


Company Secretary


Managing Director


Director


Director

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



Md. Abdus Satter Sarkar, FCA
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Place: Dhaka
Date: 20 October 2022



ZEAL BANGLA SUGAR MILLS LIMITED

Statement of Cash Flows

As at and for the year ended 30 June 2022

PARTICULARS	Amount in BDT	
	30 June 2022	30 June 2021
A. Cash Flows From Operating Activities:		
Cash received from customers and others	331,094,342	363,906,713
Cash paid to suppliers and other exp.	(691,839,717)	(602,920,742)
Cash paid for Bank Interest	-	(426,478,784)
Income tax paid	-	-
Net Cash (Used In)/Generated By Operating Activities	(360,745,375)	(665,492,813)
B. Cash Flows From Investing Activities		
Loan to cane growers, net	(10,999,719)	38,640,945
Acquisition of Fixed Assets	(11,518,025)	(13,421,966)
Net Cash (Used In)/Generated By Investing Activities	(22,517,744)	25,218,979
C. Cash Flows From Financing Activities		
Long Term Loan Net	294,275,347	402,409,904
Short Term Loan	40,000	5,832,700
Current Account with BSFIC, net	81,198,238	263,393,433
Net Cash (Used In)/Generated By Financing Activities	375,513,584	671,636,037
D. Increase/(Decrease) In Cash And Cash Equivalents (A+B+C)	(7,749,535)	31,362,203
Opening Cash and Cash Equivalents	39,472,763	8,110,560
Exchange Gain or Loss	-	-
Closing Cash & Cash Equivalents	31,723,228	39,472,763
E. Net Operating Cash Flow Per Share (NOCFPS)	(60.12)	(110.92)

The annexed notes form an integral part of these financial statements

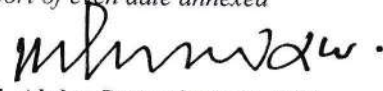

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