

**AUDITORS' REPORT
AND
THE FINANCIAL STATEMENTS
OF
Asiatic Laboratories Limited**
For the year ended June 30, 2020

**Independent Auditor's Report
To the Shareholders of
Asiatic Laboratories Limited
Report on the Audit of the Financial Statements.**

Opinion

We have audited the Financial Statements of **Asiatic Laboratories Limited** which comprise the Statement of Financial Position as at June 30, 2020 and Statement of Profit or Loss & Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and Notes to the financial statements and other explanatory information.

In our opinion, the accompanying Financial Statements give a true and fair view, in all material respects, of the Financial Position of the company as at June 30, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), The Companies Act 1994, The Securities and Exchange Rules 1987 and other applicable laws and regulations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' 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) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained 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 separate opinion on these matters.

Risk	Our response to the risk
Revenue Recognition	
At the year end the company reported total revenue of Tk.1,326,364,875. The company generates revenue from the sale of goods to local and foreign customers. We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company, which give rise to an inherent risk of the existence and the accuracy of the revenue.	We have tested the design and operating effectiveness of key controls focusing on the following: ➤ Obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period. ➤ Segregation of duties in invoice creation and modification and timing of revenue recognition. ➤ Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards. ➤ Obtain supporting documentation for sale



Risk	Our response to the risk
	<p>transaction recorded either side of year-end to determine whether revenue was recognized in the current period.</p> <ul style="list-style-type: none"> ➤ Comparing a sample of revenue transactions recognized during the year with the sale invoices and other relevant underlying documentation. ➤ Critically assessing manual journals posted to revenue to identify unusual or irregular items, and finally assessed the appropriateness and presentation of disclosures against relevant accounting standards.
<i>Please see note no.24 to the Statement of profit or loss & other Comprehensive Income.</i>	
Valuation of Inventory	
<p>As at June 30, 2020 The reported amount of inventory is Tk. 287,357,299 held in plants, depot and warehouses.</p> <p>On the reporting date, inventories are carried at the lower of cost and net realizable value. As such, the companies apply judgment in determining the appropriate values of Inventory in accordance with International Accounting Standards.</p> <p>Considering the risk as stated above the valuation of Inventory is a key audit matter to the Financial Statements.</p>	<p>We verified the appropriateness of management's assumptions applied in calculating the value of the inventory as per International Accounting Standards (IASs) by:</p> <ul style="list-style-type: none"> ➤ Evaluating the design and implementation of key inventory controls operating across the factory warehouse. ➤ Inventory counts and reconciling the results have been done by the management of the company, due to COVID-19 situation, couldn't attend physical counting. ➤ We have collected inventory count data sheet and relevant certification of inventories which indicates inventory items were maintained in good condition and maintaining all compliances. ➤ Reviewing the historical accuracy of inventory provisioning and the level of inventory write-offs during the year ➤ Obtained a detailed review with the subsequent sales. to compare with the net realizable value.
<i>Please see note no. 08 to the Financial Statements</i>	
Valuation of Property, Plant and Equipment (PPE)	
<p>The carrying value of the (Property, Plant and Equipment) is Tk.3,025,152,902/- as at June 30, 2020 which comprise Tk. 2,925,361,889/- is freehold PPE, Tk. 59,999,586/- is Right of Use Assets, Tk.3,291,667/-is Intangible Asset and Tk. 36,499,760/-Capital Work-in-Progress. The valuation of PPE was identified as a key audit matter due to the significance of this balance to the Financial Statements.</p> <p>The expenditures are classified as an asset, if it is probable that the future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.</p>	<p>Our audit included the following procedures:</p> <ul style="list-style-type: none"> ➤ 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 listing of capital expenditures incurred during the year and, on a sample basis, checked whether the items were procured during the year. ➤ We verified the invoices and L/C documents on sample basis to segregate the capital and operating expenditure and found that the transactions are appropriately classified. ➤ We evaluated whether the useful lives



Risk	Our response to the risk
<p>The useful life of PPE items are based on management's estimates regarding the period over which an asset is expected to be available for use. The estimates of the useful life of the assets is a matter of judgments based on the experience of the entity with similar assets and also take into consideration the physical condition of the assets.</p>	<p>determined and applied by the management were in line with the nature of assets, the physical condition of the assets and its uses.</p> <p>➤ We checked whether the depreciation of PPE items was commenced from the date of ready to use and found the depreciation had been started accordingly.</p>
<p><i>Please see note no. 4,5,6&7 to the Financial Statements</i></p>	
<p>Lease Liability</p>	
<p>The reported amount of total lease liability is Tk.47,680,304/- (Current & Non-current portion). Finance Lease Tk.36,691,726/- and Rental Lease Tk.10,988,578/-</p> <p>The company borrowed fund from Nonbanking financial institutions for the purpose of acquisition of non-current assets and office rent (Depot) recognized as rental lease as per IFRS-16. The company may face difficulties due to unfavorable movement in interest rate, monetary policy that may result in short-term cash flow crisis.</p>	<p>We have tested the design and operating effectiveness of key controls focusing on the following:</p> <p>➤ Obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure the proper use of loan.</p> <p>➤ We verified sanction letter, loan schedule and bank statements to confirm the loan outstanding and found that the balance had been reported in the Financial Statements accurately. We also submit the balance confirmation to the respective banks and financial institutions</p> <p>➤ We also checked the financial expenses and classification of loan and repayment schedule as well.</p> <p>➤ We had checked the recording date of transactions and found the recording date is in line with the loan disbursement date. We also confirmed that the company had paid its installments within due time.</p>
<p><i>Please see note no. 16 to the Financial Statements</i></p>	

Other Information

Management is responsible for the 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. The directors are responsible for the other information.

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

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 in accordance with IFRSs, The Companies Act 1994, The Securities and Exchange Rules 1987 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. The Companies Act, 1994 require the management to ensure effective internal audit, internal control and risk management functions of the company.



In preparing the Financial Statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicated 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

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

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, and The Securities and Exchange Rules 1987 and relevant notifications issues by Bangladesh Securities and Exchange Commission, we also report that:

- a) 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;
- b) In our opinion, proper books of accounts, records and other statutory books as required by law have been kept by the company so far as it appeared from our examinations of those books;
- c) The Statement of Financial Position, Statement of Profit or Loss & Other Comprehensive Income and Statement of Changes in Equity and Statement of Cash Flows of the Company dealt with by the report are in agreement with the books of accounts and returns; and
- d) The expenditure incurred was for the purpose of the Company's business.

Date: October 11, 2020
Place: Dhaka


Fouzia Haque, ICA
Partner
FAMES & R
Chartered Accountants



Asiatic Laboratories Limited
Statement of Financial Position
As at June 30, 2020

Particulars	Notes	Amount in Taka	
		June 30, 2020	June 30, 2019 Restated*
Assets			
Non-Current Assets		3,025,152,902	2,908,816,823
Freehold Property, Plant and Equipment	4.00	2,925,361,889	2,809,901,021
Right of Use Assets	5.00	59,999,586	53,541,027
Intangible Asset	6.00	3,291,667	-
Capital Work-in-Progress	7.00	36,499,760	45,374,775
Current Assets		582,834,818	500,344,867
Inventories	8.00	287,357,299	241,550,001
Trade and other Receivables	9.00	176,294,732	154,668,324
Advances, Deposits and Prepayments	10.00	107,916,091	95,342,332
Cash and Cash Equivalents	11.00	11,266,696	8,784,210
Total Assets		3,607,987,720	3,409,161,690
Shareholders Equity and Liabilities			
Shareholders Equity		2,794,148,619	1,748,049,810
Share Capital	12.00	813,480,000	9,383,500
Retained Earnings*	13.00	1,980,668,619	1,738,666,310
Non-Current Liabilities		641,434,565	1,365,812,841
Share Money Deposit	14.00	-	804,102,900
Long Term Borrowings	15.00	265,677,137	228,389,965
Lease Liability (Non-Current Portion)	16.00	25,180,562	30,859,856
Deferred Tax Liability*	17.00	350,576,866	302,460,120
Current Liabilities		172,404,536	295,299,039
Short Term Borrowings	18.00	9,736,763	73,245,462
Liabilities for Expenses	19.00	13,613,074	19,199,498
Current Tax Payable	20.00	55,638,495	51,473,959
Long Term Borrowings (Current Portion)	21.00	50,851,372	108,346,091
Lease Liability (Current Portion)	22.00	22,499,742	12,389,342
Trade and other Payables	23.00	20,065,090	30,644,687
Total Shareholders Equity and Liabilities		3,607,987,720	3,409,161,690
Net Asset Value (NAV) per share*	31.00	34.35	1,862.90

The annexed notes form an integral part of these Financial Statements.


Chief Financial Officer


Managing Director


Chairman

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


Fousia Haque. FCA
Partner

Dated: October 11, 2020
Place: Dhaka

FAMES & R
Chartered Accountants

