# INDEPENDENT AUDITOR'S REPORT

## ASIATIC LABORATORIES LIMITED
## FOR THE YEAR ENDED 30TH JUNE, 2021


**Ashraf Uddin & Co.**

**CHARTERED ACCOUNTANTS**

**Since 1979**

| CORPORATE ADDRESS | REGISTERED ADDRESS |
|---|---|
| 142/B GREEN ROAD | RAHMAN CHAMBER (5TH FLOOR) |
| (3RD & 4TH FLOOR) | 12-13 MOTIJHEEL C/A |
| DHAKA-1215. | DHAKA-1000. |

**MEMBER OF**

*"ANTEA"*

ALLIANCE OF INDEPENDENT FIRMS,MALORCA, 26 ATICO

08008 –BARCELONA. SPAIN.

**MANAGING PARTNER:**
MD. ASHRAF UDDIN AHMED
LLB, CFC, FCA

**PARTNERS:**
ENAMUL KABIR, FCA
MD. MOHIUDDIN AHMED, FCA, CFC

**Corporate Address:** 142/B, Green Road (3rd & 4th Floor)
Dhaka-1215, Bangladesh.
**Registered Address:** Rahman Chamber (5th Floor)
12-13, Motijheel Commercial Area, Dhaka-1000. Bangladesh.

**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** (the Company), which comprise the Statement of Financial Position as at June 30, 2021 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, comprising a summary of significant accounting policies and other explanatory information thereto.

In our opinion, the accompanying Financial Statements give true and fair view, in all material respect of the Financial Position of the company as at June 30, 2021, 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), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and The Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. 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 informing our opinion thereon, and we do not provide a separate opinion on these matters.

**Revenue Recognition**
**Ref : Note 3.10 & 26.00**

| Key Audit Matter | Our Audit Approach |
|---|---|
| At the year end the company reported total revenue of Tk.1,451,256,870.00/- which includes both export and local sales.<br><br>Revenue recognition has significant and widespread influence over the financial statements and plays a vital role in calculating Corporate Tax. Since, revenue recognition is one of the performance indicators in almost all sector, there always exist risk of revenue smoothing or window dressing. | We have tested the design and operating effectiveness of key controls focusing on the following:<br><br>-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. |

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| Under IFRS 15 revenue is recognized when a performance obligation is satisfied by transferring control over a promised good or service. | -Review monthly VAT return to ascertain sales and bank confirmation certificate regarding sales.<br>-We ensured all invoices relates to the current reporting period and mach cut-off date.<br><br>-We inspected Segregation of duties in invoice creation and modification and timing of revenue recognition.<br><br>-Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards.<br><br>-Comparing a sample of revenue transactions recognized during the year with the sale invoices and other relevant underlying documentation.<br><br>-Critically assesses manual journals posted to revenue to identify unusual or irregular items, and finally assessed the appropriateness and presentation of disclosures against relevant accounting standards.<br><br>- We reviewed the requirement, appropriateness and adequacy of disclosures in line with IFRS-15 Revenue from Contracts with Customers. |

**2.Valuation of Inventory**
**Ref: Note 3.04 & 8.00**

| Key Audit Matter | Our Audit Approach |
|---|---|
| As at June 30, 2021 The reported amount of inventory is Tk. 319,939,446/- represents 50.73% of current assets and almost 5.45%of total assets. The closing inventory figure have significant impact in determining the cost of goods sold<br><br>Inventories are usually carried in financial statements at the lower of cost and net realizable value. Since frequent changes in customer demand is unavoidable in manufacturing industry and a large quantity of raw material is held. As a result, there is risk that the carrying value of inventory exceeds net realizable value. | Our audit approach includes but not limited to the followings:<br><br>-We gained a clear understanding of recording and valuation methods and operating effectiveness regarding Inventory.<br><br>-We made sure that closing balances carried forward correctly and current year purchase amounts are in agreement with ledger balances.<br><br>-We reviewed the company's policy of accounting for obsolete, damaged &slow-moving items along with procedure for disposal.<br><br>-We have checked the physical safeguard of inventory held at warehouse of the company.<br><br>- We also reviewed the requisition process of inventory and control on dispatch of items. |

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| | -We have also considered the adequacy of the company's disclosures in respect of the levels of provisions against inventory. |

**3. Capital work in progress**
**Ref: Note 3.03 & 7.00**

| Key Audit Matter | Our Audit Approach |
|---|---|
| In the year ended 30th June, 2021 the company accounted for Capital Work in Progress (WIP) closing balance of Tk. 46,566,099 /-.<br><br>The company also presented transfer of Tk. 121,006,451/- (Building & Other Construction) & Tk. 183,895,983/-(Plant & Machinery) to Property, Plant and Equipment in the reporting period.<br><br>The capitalized amount (Tk. 121,006,451/- + 183,895,983/-) = 304,902,434/- is material to the statement of financial position and represents 5.2 % of total asset of the company. | Our audit approach includes but not limited to the followings:<br><br>-We have checked that the correct account balances are carried forward in Capital Work in Progress account and calculate the mathematical accuracy of the total amount presented.<br><br>-We reviewed the documents in support of the total amount of investment in capital project and make sure none of them is irrelevant with current year (cut off).<br><br>-We inspected the physical existence of the assets capitalized in current year along with the verification of company's legal rights on those assets.<br><br>-We evaluate the appropriateness of disclosures in financial statements. |

**4. Deferred Tax Liability**
**Ref: Note 3.24 & 18**

| Key Audit Matter | Our Audit Approach |
|---|---|
| As per IAS 12 Income Taxes, the two components of the company's estimated tax is Current Tax & Deferred Tax. There is a deferred tax liability of 401,041,397/- which is almost equivalent to 6.84%compared to total assets of the company. In SPLOCI there is a reported deferred tax expense of Tk. 20,386,501/- which is 6.36% of the reported profit for the year (other than OCI).<br><br>The temporary difference of deferred tax consists critical calculation and forecast. The uncertainty in forecasting or lack of expertise may results in material misstatements which may have an impact on corporate tax. | We verified that right opening balances are carried forward in deferred tax account.<br><br>-We made sure that, the tax base is according to 3rd schedule of ITO 1984 and the accountant of the company have clear understanding of posting the associated journal entries.<br><br>- We recalculated the figures presented in the financial statements and made sure they are in agreement with general ledger.<br><br>- We examine the procedure of arriving at temporary difference in case of lease liability and ROU asset. |

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| | -We reviewed the amount of provision created for Deferred Tax in current year and the relevant adjustment against revaluation reserve.<br><br>-We ensure that the correct rate of Tax is used to calculate the provisions for deferred tax.<br><br>-We evaluated the adequacy of financial statement disclosures including key assumptions, judgments and sensitivities. |

**05. Lease Liability**
**Ref: Note 3.01, 3.02.5 , 17 & 24**

| Key Audit Matter | Our Audit Approach |
|---|---|
| In the Financial Statement there is Current Lease Liability of Tk. 16,715,222/- & non-current portion is Tk. 32,620,870/-as on date. The total lease liability (Tk. 16,715,222/- + Tk. 32,620,870) = Tk. 49,336,092/- considered material due to its involvement with critical accounting estimate and judgment.<br><br>The application of IFRS-16 Leases involves complex understanding and assumption that increases the possibility for misstatement in calculating lease liability, corresponding assets and associated effective interests charged in current year. | We have tested the design and operating effectiveness of key controls regarding the recognition and measurement of lease obligation and ROU assets. Our audit approach includes but not limited to the followings:<br><br>-Collect the lease agreements and rescheduling letters issue by leasing company.<br>-We ensure correct balances are carried forward from previous period.<br><br>-We checked the effective date of lease agreements to confirm fair presentation.<br><br>-We checked the validity of using effective interest rate for arriving at interest charge each period.<br><br>-We checked the arithmetic accuracy of payment schedule and ROU asset recognition.<br><br>-We verified management's assumptions regarding depreciation and useful life of ROU assets in case of both capital & rental lease agreements.<br><br>-We checked the mathematical accuracy and type of asset transferred from ROU category to freehold PPE<br><br>-We examine the adequacy of disclosure presentation requirements in relation to IFRS-16 Leases. |

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