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CHARTERED ACCOUNTANTS
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**AUDIT REPORT ON THE ACCOUNTS
OF
"KARNAPHULI PAPER MILLS LTD."
FOR THE YEAR ENDED 30 JUNE, 2022.**

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF KARNAPHULI PAPER MILLS LIMITED**

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Karnaphuli Paper Mills Limited which comprise the Statement of Financial Position as at 30th June, 2022, 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 as described in note no. 1 to 20 and Annexure-A.

In our opinion, exception for the possible effects of the matters describe in the Basis for Qualified Opinion Section of our report, the accompanying Financial Statements present fairly in all material respects the financial position of the Company as at 30th June, 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and other applicable laws and regulations. discussion

Basis for Qualified Opinion

Capital Work-in-Progress

Tk. 2,313,232,876

We draw attention to Note 5.02 of *Capital Working Progress* amounting to Tk. 2,313,232,876 regarding BMR Projects amounting to Tk. 2,218,794,318 and other of KPML amounting to Tk. 94,438,558. After discussion with management, we came to know that the work of the Projects has been stopped for several years ago and they have no intention to complete both the Projects. In our physical verification, we also found the same. As the Projects are unlikely to complete and we have significant doubt regarding the fair value of the existing infrastructure, so it has to conduct an impairment test in compliance with the IAS-36. The management didn't perform any impairment test and we are unable to quantify the necessary adjustment for this impairment. So, assets are overstated, and expenses are understated.

Advance to Contractors & Suppliers

Tk. 45,065,174

We draw attention to note no. 7.03.2 of advance to contractors and suppliers amounting to Tk. 45,065,174 that the management could not provide any supporting documents other than the ledger regarding this advance. The balance has also increased in this year. We are unable to confirm the existence of this advance. So, assets are overstated.

Cash & Bank Balance:

Tk. 301,064,147

We draw attention to note 7.08.2 of cash at bank BDT 300,847,187. Out of this, we are unable to confirm the existence of the following 14 (fourteen) bank balance amounting to Tk. 10,394,745 for which we have not obtained any supporting documentary evidences:

Bank name	Branch name	A/c. no.	The amount is shown in the financial statement by management (BDT)	Remarks
Sonali Bank Ltd.	CNA Branch		302,327	No supporting documents found
Sonali Bank Ltd.	Mymensingh Branch		1,880	
Sonali Bank Ltd.	Lalmonirhat Branch		2,790	
Agrani Bank Ltd.	CTG. (D.C.L) Branch		1,156	
BASIC Bank Ltd.	CTG Branch	2410-01-0003128	5,030,604	



Bank name	Branch name	A/c. no.	The amount is shown in the financial statement by management (BDT)	Remarks
Sonali Bank Ltd.	Dhaka/N.Ganj Branch		4,892	No supporting documents found
Sonali Bank Ltd.	Matiranga Branch		5,112	
Sonali Bank Ltd.	Kalibari Branch	13046	59,408	
Agrani Bank Ltd.	CTG Branch	RTD	6,247	
Sonali Bank Ltd.	Malibagh Branch	968	270,601	
Sonali Bank Ltd.	CTG Branch	STD 37	145,103	
Sonali Bank Ltd.	Malibagh Branch	STD-12	4,562,531	
Janata Bank Ltd.	Batakandi Branch		1,038	
Agrani Bank Ltd.	Baburhat, Chandpur Branch		1,056	
	Total		10,394,745	

Long Term Investment

Tk. 2,807,550

We draw attention to the note no. 6.00 which describes Long Term Investment in the financial year 1969-1970 for the purchase of 660,600 Shares of Tk. 10/- each of Karnaphuli Rayon & Chemicals Ltd., which was subsequently reduced by the then auditors of KPML as of 30th June, 1977 and valued at Tk. 4.25 per Share. We observed that KRC declared pay-off as per the Government decision on 15 December 2002 but investment has not yet been realized or otherwise adjusted. This Project has no physical existence now.

Prior Year's Adjustment against Retained Earnings

Tk. 10,109,255

We draw attention to the prior year's adjustment of Tk. 175,172,214 reported under the head Retained Earnings which includes a sum of Tk. 10,109,255 for which management could not provide proper supporting papers/documents other than the journal voucher. So, we are unable to confirm the prior year's adjustment of amounting to Tk. 10,109,255 .

Bank Overdraft

Tk. 40,003,711

We also draw attention to the note no. 12.08 for bank overdraft maintained with the under mentioned Sonali Bank Ltd. In our checking we have found that as per Sonali Bank overdraft loan statement as well as bank balance confirmation certificate has been shown the following credit balance i.e. cash at bank. The details of which are shown as under:

Bank Overdraft

Particulars	Amount (Tk.)	
This is made up as follows:		
Sonali Bank Ltd. Ctg.		944,721
Sonali Bank Ltd. CNA		39,058,990
		40,003,711
	As per Ledger	As per Bank Statement Cr.
Sonali Bank Ltd. Ctg. A/c. # 643	944,721	2,457
Sonali Bank Ltd., Ctg. A/c. # 0017	39,058,990	3,022,292
	40,003,711	3,024,749

The above details reveal that excess liability of Tk. 36,978,962 (40,003,711-3,024,749) has been shown in the accounts. In our scrutiny, reconciliation for the bank overdraft has not been made since long. So, the Liabilities have been overstated for Tk. 36,978,962 against Bank overdraft.



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 jurisdiction and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our Qualified 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 year. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters and accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatements of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters	How our audit addressed the key audit matters
<p>Revenue</p> <p>The Company has reported a sale (revenue) of Taka 296,524,444 for the year ended 30th June, 2022.</p> <p>Following the application of the revenue recognition standard (IFRS 15, Revenue from Contracts with Customers), the Company adopted its accounting policies.</p> <p>Under IFRS 15 revenue is recognized when a performance obligation is satisfied by transferring control over a promised good or service to a customer.</p> <p>Goods are considered as transferred when (or as) the customer obtains control of that goods. Revenue from sale of goods is measured at the fair value of the consideration received or receivable net of returns and allowances, trade discounts, rebates and Value Added Tax (VAT).</p> <p>The sales of the company are derived from a large number of distributors located over the country with relatively small amount of transactions. As a result, to obtain sufficient audit evidence, high magnitude of audit work and resource are required.</p>	<p>Our procedures included obtaining an understanding of management's revenue recognition process, we tested a sample of transactions to verify whether the revenue was accounted for in accordance with the revenue accounting policy as disclosed in note 3.05 and 13.00 of the financial statements. In addition, we assessed whether the disclosed revenue accounting policy was in accordance with relevant accounting standards.</p> <p>For the revenue recognized throughout the year, we tested selected key controls, including results reviews by management, for their operating effectiveness and performed procedures to gain sufficient audit evidence on the accuracy of the accounting for customer contracts and related financial statement captions.</p> <p>With regard to the implementation of IFRS 15 we verified management's conclusion on assessing different types of contracts and the accuracy of the revised accounting policies in light of the industry specific circumstances and our understanding of the business. We tested the appropriateness of the accounting treatment on a sample basis. In addition, we verified the accuracy of IFRS 15 related disclosures.</p>

Key Audit Matters	How our audit addressed the key audit matters
<p>We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Company and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.</p> <p>We focused on the proper cut-off of sales to the Company's customers due to the fact that the documents of confirmation of dispatch of goods were provided by numerous transporting agencies based on different locations.</p> <p>There is a risk of differences between the timing of invoicing of products and the dispatch of the products to the company distributors. Accordingly, there could be potential misstatements that these revenue transactions are not recognized in the proper reporting periods.</p> <p>See note no. 3.05 and 13.00 to the financial statements</p>	<p>These procedures included reading significant new contracts to understand the terms and conditions and their impact on revenue recognition. We performed enquiries with management to understand their risk assessments and inspected meeting minutes to identify relevant changes in their assessments and estimates.</p> <p>Our audit approach was a combination of test of internal controls and substantive procedures which included the following:</p> <ul style="list-style-type: none"> ◆ Evaluated the design of internal controls relating to recording of efforts incurred and estimation of efforts required to complete the performance obligations. ◆ We conducted substantive testing of revenue recorded over the year using sampling techniques by examining the relevant supporting documents including sales invoices and depot wise sales bank reconciliation report, bank statement and also, we confirmed selected customers' receivable balances at the balance sheet date, selected on a sample basis by considering the amount outstanding with those customers. ◆ We specifically put emphasis on those transactions occurring close before or after the balance sheet date to obtain sufficient evidence over the accuracy of cut-off. ◆ We tested the completeness of journal entries compared to financial statements; as well as if there any exception existed that the debit accounts of sales recognition were not related to cash and bank, trade receivable or advances from customers. ◆ Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards.
Valuation of Inventory (Stock & Stores)	How our audit addressed the key audit matters
<p>The Company had inventory (Stock & Stores) of Taka 1,191,725,380 at 30th June, 2022 held in different depot and warehouses.</p> <p>Inventories consisting of raw materials, working process, finished goods, spare parts and stock in transit are valued at lower of cost and net realizable value. Cost of inventories include expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.</p>	<p>We tested 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, factory production house, warehouse, and sales depots; ◆ evaluating internal controls to monitor or keep track of Inventory Movement; ◆ attending inventory count on 30th June, 2022 and reconciling the count results to the inventory listing to test the completeness of data;

Valuation of Inventory (Stock & Stores)	How our audit addressed the key audit matters
<p>Cost of inventories is determined by using the weighted average cost formula. Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying amount of inventories to the lower of cost and net realizable value.</p> <p>Net realizable value is based on estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale</p> <p>Moreover, the process of estimating provision for inventories is judgmental and complex. Due to high level of judgment involved and use of some manual process in estimating the provision and net realisable value of inventories, we considered this to be a key audit matter.</p> <p>See note no. 3.06 and 7.01 to the financial statements.</p>	<ul style="list-style-type: none"> ◆ 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; ◆ reviewing the historical accuracy of inventory provisioning, and the level of inventory write-offs during the year; ◆ challenging the completeness of inventory provisions through assessing actual and forecast sales of inventory lines to assess whether provisions for slow moving/obsolete stock are valid and complete; ◆ evaluating the correctness of the batch wise costing of final products; ◆ evaluating the correctness of the valuation of raw materials and packing material as per weighted average method; ◆ reviewing the calculation of standard labour hours and their regular comparison with actual labour hours of production; and reviewing the process of valuing work-in-process; ◆ we have also considered the adequacy of the Company's disclosure in respect of the levels of provisions against inventory.
Current Tax Provisioning	How our audit addressed the key audit matters
<p>At the year end the Company reported total income tax expense (Current Tax) of BDT. 1,800,083. The opening balance of provision for tax amounting to Tk. 13,120,549 and the provision made during the year under audit is Tk. 1,800,083 and thus the total provision is Tk. 14,920,632.</p> <p>The calculation of the tax expense is complex process that involves subjective judgments and uncertainties and require specific knowledge and competencies.</p> <p>We have determined this to be a key audit matter, due to the complexity in income tax provisioning.</p> <p>See note no. 3.11 (a) and 12.09 to the Financial Statements.</p>	<p>Our audit procedure in this area included, among others:</p> <p>Use of own tax specialist to assess the company's tax computation. Our tax specialists were also taking into account the company's tax position and our knowledge and experience of the application of relevant tax legislation.</p> <p>To analysis and challenge the assumption used to determine tax provision based on our knowledge and experience of the application of the local legislation.</p> <p>Evaluating the adequacy of the financial statement disclosure, including disclosure of key assumption judgments and sensitive related to tax.</p>

Other Information

Management is responsible for the other information. The other information comprises all the information included in the Annual Report but does not include the financial statements and our auditors' 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.

After going through the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. 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 Financial Statements in accordance with IFRS's, The Companies Act, 1994, The Securities and Exchange Rules, 1987 and 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 not realistic alternative but to do so.

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

Auditors' 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 auditors' 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 scepticism 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 uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 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 key audit issues 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, International Standards on Auditing (ISAs) and the Securities and Exchange Rules, 2020, 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 purposes of our audit and made due verification thereof;
- (b) 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 adequate for the purposes of our audit;
- (c) the company's 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.
- (d) the expenditure incurred for the purposes of the company's business.


A.K. Gulam Kibria, FCA (# 0392)
Managing Partner
G.KIBRIA & CO.
Chartered Accountants

DVC: 2402050392A8752242


Md. Iqbal Hossain, FCA (# 0528)
Partner
A. HOQUE & CO.
Chartered Accountants

Dated : 05 FEB 2024
Place : Dhaka, Bangladesh



KARNAPHULI PAPER MILLS LTD.
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2022

Property and Assets	Notes	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
Non-Current Assets:		2,783,356,020	2,730,351,403
Property, Plant and Equipment	5.00	187,034,544	186,400,927
Capital Work-in-Progress	5.01	2,313,232,876	2,313,232,876
Deferred Expenses	5.02	283,088,600	230,717,600
	5.03		
Long term Investment		2,807,550	2,807,550
Investment (Karnaphuli Rayor & Chemicals Ltd.)	6.00	2,807,550	2,807,550
Current Assets:		1,962,556,237	1,745,559,204
Inventories	7.00	1,191,725,380	1,357,772,486
Investment in FDR	7.01	512,732	512,732
Advances, Deposits & Prepayments	7.02	105,426,078	101,000,179
Advances, Against Income Tax	7.03	155,334,596	107,467,703
Accounts Receivables/Trade Debtors	7.04	161,375,388	123,099,690
Other Receivables/Other Debtors	7.05	26,513,347	25,081,389
Currents A/C with Enterprise	7.06	20,604,569	19,624,642
Cash and Cash Equivalents	7.07	301,064,147	11,000,383
	7.08		
Total Property and Assets		4,748,719,807	4,478,718,157
Shareholders' Equity and Liabilities			
Authorized Share Capital	8.00	1,500,000,000	1,500,000,000
Shareholders' & Government Equity:		(6,020,132,836)	(5,336,685,057)
Paidup Capital and Govt, Equity:		995,242,685	995,242,685
Issued, Subscribed & Paidup Capital	9.00	46,000,070	46,000,070
Govt, Equity/Capital Contribution	9.01	949,242,615	949,242,615
	9.02		
Reserve & Contingent Account:		(7,015,375,521)	(6,331,927,742)
Retained Earnings	10.00	(7,359,509,188)	(6,676,061,409)
Capital Reserve	10.01	344,133,667	344,133,667
	10.02		
Long Term Liabilities:		2,737,501,347	2,530,480,707
Interest Free Govt. Loan	11.00	57,100,000	57,100,000
Government Loan (BMRE)	11.01	1,677,627,318	1,625,256,318
Debenture Loan	11.02	112,280,951	112,280,951
Non-Development Govt. Loan (Add)	11.03	130,500,000	130,500,000
Loan From CUFIL	11.04	98,562,192	95,762,192
Deferred Liabilities (Gratuity)	11.05	661,430,886	509,581,246
	11.06		
Current Liabilities & Provisions:		8,031,351,295	7,284,922,507
BCIC Loan Account	12.00	4,910,036,679	3,869,648,213
BCIC Current Account	12.01	1,281,902,003	1,265,038,332
Creditors for Expenses	12.02	402,378,747	673,514,703
Creditors for Other Finance	12.03	788,413,839	674,898,372
Creditors for Suppliers/pay	12.04	332,951,734	423,844,428
Current A/C With Enterprise	12.05	259,732,545	255,873,463
Creditors for WPPF	12.06	1,011,405	970,405
Bank Overdraft	12.07	40,003,711	108,014,042
Provision Income for Tax	12.08	14,920,632	13,120,549
	12.09		
Total Shareholders' Equities & Liabilities		4,748,719,807	4,478,718,157


The annexed notes from 1 to 21 and Annexure-A form an integral part of these financial statements

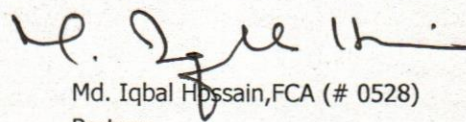
This is the Statement of Financial Position referred to in our separate report of even date annexed


Company Secretary


Managing Director

Director


A.K. Gulam Kibria, FCA (#0392)
Managing Partner
G. KIBRIA & CO.
Chartered Accountants
DVC: 2402050392A8752342


Md. Iqbal Hossain, FCA (# 0528)
Partner
A. HAQUE & CO.
Chartered Accountants

Dated: 05 FEB 2024



KARNAPHULI PAPER MILLS LTD.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE, 2022

Particulars	Notes	Amount (Tk.)	Amount (Tk.)
		30.06.2022	30.06.2021
Sales (Revenue) (A)	13.00	296,524,444	332,390,609
Less: Cost of Goods sold (B)	14.00	695,824,950	638,535,165
Gross Profit/(Loss) (A-B)=(C)		(399,300,506)	(306,144,556)
Less: Operating Expenses:			
General & Administrative Expenses	15.00	98,438,266	78,176,324
Sales & Distribution Expenses	16.00	7,529,568	5,796,721
Total Operating Expenses (D)		105,967,834	83,973,045
Operating Profit/(Loss) (C-D)=(E)		(505,268,340)	(390,117,601)
Add: Non-Operating Income			
Other Income	17.00	3,489,392	2,631,704
Total Non-Operating Income (F)		3,489,392	2,631,704
Less: Non-Operating Expenses			
Financial Expenses	18.00	4,696,534	3,151,912
Total Non-Operating Expenses (G)		4,696,534	3,151,912
Net Profit/(Loss) before Tax (E+F-G)=(H)		(506,475,482)	(390,637,809)
Income Tax Expenses	19.00	1,800,083	2,010,134
Net Profit/(Loss) after Tax (H-I)=(J)		(508,275,565)	(392,647,943)

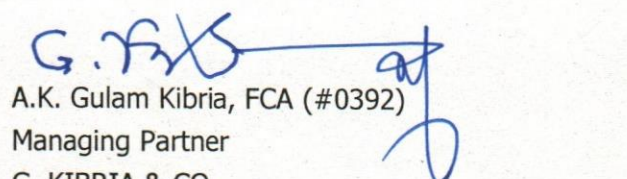
The annexed notes from 1 to 21 and Annexure-A form an integral part of these financial statements

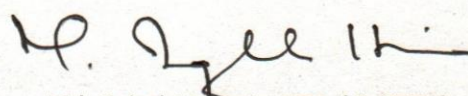
This is the Statement of Profit or Loss and Other Comprehensive Income referred to in our separate report of even date annexed


Company Secretary


Managing Director

Director


A.K. Gulam Kibria, FCA (#0392)
Managing Partner
G. KIBRIA & CO.
Chartered Accountants
DVC: 2402050392AS752342


Md. Iqbal Hossain, FCA (# 0528)
Partner
A. HAQUE & CO.
Chartered Accountants

Dated: 05 FEB 2024
Place: Dhaka, Bangladesh



KARNAPHULI PAPER MILLS LTD.

STATEMENT OF SHAREHOLDERS' & Govt. EQUITY
ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 2022

Particulars	Amount (Tk.) 30.06.2022		Amount (Tk.) 30.06.2021	
A) Paid-Up-Capital :	46,000,070		46,000,070	
4,600,007 Ordinary Shares of Tk.10/ each fully paid in Cash				
B) Govt.Equity :	949,242,615		949,242,615	
Share Money in Advance	46,500,000		46,500,000	
Conversion of ADP Loan Local Currency into Equity (81)	8,154,715		8,154,715	
Transferred Out of Reserve (1981-1982)	49,345,215		49,345,215	
Transferred from ADP (KPM)	36,180,285		36,180,285	
Transferred from ADP (FRM)	110,782,400		110,782,400	
Govt.Equity portion on BMR-40%	698,280,000		698,280,000	
Sub Total (A+B)	995,242,685		995,242,685	
C) Reserve & Contingent Account				
Particulars	Capital Reserve	Retained Earnings	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
Balance B/F	344,133,667	(6,676,061,409)	(6,676,061,409)	(6,281,368,758)
Capital Fund (DCL)	23,452,053	-	23,452,053	23,452,053
Share Capital of KSL 50000 Ordinary Shares of Tk.	500,000	-	500,000	500,000
Capital Gain from disposal of Fix Assets	7,845,614	-	7,845,614	7,845,614
Capital Reserve Transf from Foreign Grant	312,336,000	-	312,336,000	312,336,000
Add: Income/(Loss) for the year	-	(508,275,565)	(508,275,565)	(392,647,943)
Prior year's Adjustments	-	(175,172,214)	(175,172,214)	(2,044,708)
Sub Total	344,133,667	(7,359,509,188)	(7,015,375,521)	(6,331,927,742)
Grand Total- D (A+B+C)	344,133,667	(7,359,509,188)	(6,020,132,836)	(5,336,685,057)

The annexed notes from 1 to 21 and Annexure-A form an integral part of these financial statements

This is the Statement of Changes in Equity referred to in our separate report of even date annexed


Company Secretary


Managing Director

Director

Dated: 05 FEB 2024
Place: Dhaka, Bangladesh




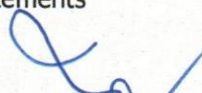
KARNAPHULI PAPER MILLS LTD.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2022

Particulars	Notes	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
A. Cash Flows from Operating Activities:			
Net Profit/(Loss) for the year		(508,275,565)	(392,647,943)
Add: Prior year's Adjustment		(175,172,214)	(2,044,708)
Add: Deprecation		11,778,884	12,663,842
Increase/Decrease in Inventory		166,047,106	(229,392,029)
Increase/Decrease in Trade Debtors		(38,275,698)	158,792,219
Increase/Decrease in Others Debtors		(1,431,958)	(1,124,155)
Increase/Decrease in Advance Deposit & Pre Payment		(4,425,899)	7,340,285
Increase/Decrease in Current Account With Enterprise		(979,927)	1,006,770
Increase/Decrease in Current Assets		(47,866,893)	13,445,306
Increase/Decrease in Creditors for Goods Supply		(90,892,694)	89,562,159
Increase/Decrease in Creditors for Expenses		(271,135,956)	(224,970,793)
Increase/Decrease in Creditors for Other Finance		115,315,550	(256,691,009)
Increase/Decrease in Provision for W.P.P.F		41,000	59,800
Increase/Decrease in Current Account With Enterprise		3,859,082	(5,169,763)
Increase/Decrease in BCIC Current Account		16,863,671	1,081,641
Increase/Decrease in Deferred Liabilities (gratuity)		151,849,640	(279,669,996)
Increase/Decrease in Other Long Term Loan		2,800,000	2,800,000
Net cash provided in operating activities		(669,901,871)	(1,104,958,374)
B. Cash Flows from Investing Activities:			
Increase/Decrease in Property Plant & Equipment		(12,412,500)	-
Net cash used in investing activities		(12,412,500)	-
C. Cash Flows from Financing Activities:			
BCIC Loan Account		1,040,388,466	1,078,052,740
Increase/Decrease in Of Bank Loan & Overdraft		(68,010,331)	31,096,953
Net cash flows from financing activities		972,378,135	1,109,149,693
Net cash flows from total Activities (A+B+C)		290,063,764	4,191,319
Opening Cash and Cash Equivalents		11,000,383	6,809,064
Closing Cash and Cash Equivalents		301,064,147	11,000,383

The annexed notes from 1 to 21 and Annexure-A form an integral part of these financial statements


Company Secretary


Managing Director

This is the Statement of Cash Flows referred to in our separate report of even date annexed

Director

Dated: 05 FEB 2024
Place: Dhaka, Bangladesh



KARNAPHULI PAPER MILLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2022
FORMING AN INTEGRAL PART OF THE FINANCIAL STATEMENTS**

1.00 Reporting Entity

1.01 Company Profile and Its Objectives

Karnaphuli Paper Mills Limited was incorporated on 23 October, 1952 as a Public Limited Company by taking over paper mills set up by the erstwhile Pakistan Industrial Development Corporation (PIDC) at Chandraghona, Rangamati. The date of Commencement of business was on 22 September 1953. M/s. Dawood Industry was appointed as managing agent in Extra Ordinary General Meeting of the shareholders held on April 1958 and the managing agency was formally assigned to the new managing agent on 02 July 1958. After liberation, the shares were vested with the government of Bangladesh who engaged BICD/BPBC to manage the affairs of the Company. After merger of BPBC with Bangladesh Chemical Industries Corporation (BCIC), the management of company vested with BCIC effecting from 1st July, 1976.

The installed Capacity of the Mills was to produce 30,000 M. Tons of papers per annum. The company produces writing, printing and brown sulphate papers of various grades ranging from 40 GSM to 350 GSM. It also produces corrugated board/box, bituminized paper, paper con, gum tape etc.

1.02 Other Corporate Information

- (i) Trade License: 67737, dated 07.09.2009
- (ii) e-TIN No.: 557159317201, dated 03.10.2016
- (iii) BIN No.: 000490428-0504, dated 07.10.2019

1.03 Nature of Business

The principal activities of the Company Manufacturer of Papers.

1.04 Structure, Content and Presentation of Financial Statements

The presentation of these financial statements is in accordance with the guidelines provided by IAS 1: Presentation of financial statements. The financial statements comprise of:

- ☞ Statement of Financial Position as at 30th June, 2022;
- ☞ Statement of Profit or Loss and Other Comprehensive Income for the year ended 30th June, 2022;
- ☞ Statement of Changes in Equity for the year ended 30th June, 2022;
- ☞ Statement of Cash Flows for the year ended 30th June, 2022;
- ☞ Notes comprising summary of significant accounting policies and other explanatory information.

1.05 Operating Segments

No operating segment is applicable for the Company as required by **IFRS 8: Operating Segments** as the Company has only one operating segments and the operation of Company is within the geographical territory in Bangladesh.

2.00 Basis of Preparation of Financial Statements

2.01 Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standard (IAS) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), the Companies Act, 1994, Securities and Exchange Rules, 2020 and other relevant laws as applicable.

Pursuant to recent amendment to the Companies Act, 1994 incorporating amendments, among others, is to change of the word 'Limited' by the word 'PLC' in case of Public Limited Companies including listed ones. Necessary formalities are in progress in implementing these changes.

2.02 **Other Regulatory Compliances**

The Company is also required to comply with the following major legal provisions in addition to Companies Act, 1994 and other applicable laws and regulations:

The Income Tax Ordinance, 1984;
 The Income Tax Rules, 1984;
 The Value Added Tax and Supplementary Duty Act, 2012;
 The Value Added Tax Rules, 2016;
 The Customs Act, 1969;
 The Stamp Act, 1899;
 The Bangladesh Securities and Exchange Commission Act, 1993;
 The Securities and Exchange Rules, 2020;
 The Securities and Exchange Ordinance, 1969;
 Bangladesh Labour Act, 2006 (as amended to 2018)

2.03 **Compliance with the Financial Reporting Standards as applicable in Bangladesh**

As per para-14(2) of the Securities and Exchange Rule, 2020 the company has followed International Accounting Standards (IAS's) and International Financial Reporting Standards (IFRS's) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) in preparing the financial statements.

SI. No.	IAS No.	IAS Title	Compliance Status
1	1	Presentation of Financial Statements	Complied
2	2	Inventories	Complied
3	7	Statement of Cash Flows	Complied
4	8	Accounting Policies, Changes in Accounting Estimates and Errors	Complied
5	10	Events after the Reporting Period	Complied
6	11	Construction Contracts	N/A
7	12	Income Taxes	Complied
8	16	Property, Plant and Equipment	Complied
9	19	Employee Benefits	Complied
10	20	Accounting for Govt. Grants and Disclosure of Govt. Assistance	N/A
11	21	The Effects of Changes in Foreign Exchange Rates	Complied
12	23	Borrowing Costs	Complied
13	24	Related Party Disclosures	Complied
14	26	Accounting and Reporting by Retirement Benefit Plan	Complied
15	27	Separate Financial Statements	N/A
16	28	Investment in Associated and Joint Venture	N/A
17	29	Financial Reporting in Hyperinflationary Economics	N/A
18	31	Interest in Joint Ventures	N/A
19	32	Financial Instruments: Presentation	Complied
20	33	Earnings per Share	N/A
21	34	Interim Financial Reporting	N/A
22	36	Impairment of Assets	Complied
23	37	Provisions, Contingent Liabilities and Contingent Assets	Complied
24	38	Intangible Assets	N/A
25	40	Investment Property	N/A
26	41	Agriculture	N/A

Sl. No.	IFRS No.	IFRS Title	Compliance Status
1	1	First-time adoption of International Financial Reporting Standards	Complied
2	2	Share based Payment	N/A
3	3	Business Combinations	N/A
4	4	Insurance Contracts	N/A
5	5	Non-current Assets held for Sale and Discontinued Operations	N/A
6	6	Exploration for and Evaluation of Mineral Resources	N/A
7	7	Financial Instruments: Disclosures	Complied
8	8	Operating Segments	Complied
9	9	Financial Instrument	Complied
10	10	Consolidated Financial Statements	N/A
11	11	Joint Arrangements	N/A
12	12	Disclosure of Interests in Other Entities	Complied
13	13	Fair Value Measurement	N/A
14	14	Regulatory Deferral Accounts	N/A
15	15	Revenue from Contracts with Customers	Complied
16	16	Leases	N/A

2.04 Basis of Measurement

The financial statements have been prepared based on the accrual basis of accounting and prepare under the historical cost convention except for the revaluation of certain non-current assets which are stated either at revaluated amount or fair market value as explained in the accompanying notes.

2.05 Accrual basis of Accounting

The Company prepares its financial statements, except for cash flow information, using the accrual basis of accounting. Since the accrual basis of accounting is used, the company recognizes items as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the IFRS conceptual Framework.

2.06 Functional and Presentation Currency

Functional and presentation currency items included in these financial statements are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). These financial statements are presented in Bangladesh Taka ("BDT") which is also the functional currency of the company. The amounts in these financial statements have been rounded off to the nearest BDT except otherwise indicated.

2.07 Key Accounting Estimates and Judgments in Applying Accounting Policies

The preparation of financial statements in conformity with International Financial Reporting Standards including IAS's requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and for contingent assets and liabilities that require disclosure during and at the date of the financial statements.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions of accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected as required by IAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors".

In particular, the key areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include accrued expenses, inventory valuation and other payables.

2.08 **Materiality, Aggregation and Off Setting**

Each material item as considered by management significant has been displayed separately in the financial statements. No amount has been set off unless the Company has legal right to set off the amounts and intends to settle on net basis. Income and expenses are presented on a net basis only when permitted by the relevant accounting standards. The values of assets or liabilities as shown in the statement of financial position are not off-set by way of deduction from another liability or asset unless there exist a legal right, therefore no such incident existed during the year.

2.09 **Going Concern Assumption**

The financial statements are prepared on the basis of going concern assumption. As per management assessment there is no material uncertainties related to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

2.10 **Comparative Information**

Comparative information has been disclosed in respect of 2020-2021 in accordance with IAS-1 "Presentation of Financial Statements" for all numeric information in the financial statements and also the narrative and descriptive information where it is relevant for understanding of the current periods of financial statements. Prior year figure has been re-arranged wherever considered necessary to ensure comparability with the current period.

2.11 **Changes in Accounting Policies**

There have been no changes in accounting policies. All policies were consistent with the practices of the previous years.

2.12 **Responsibility for Preparation and Presentation of Financial Statements**

The Board of Directors is responsible for the preparation and presentation of the financial statements as per requirements of Companies Act, 1994.

2.13 **Reporting Period**

The reporting period of the Company covers one year from 1st day of July, 2021 to 30th June, 2022.

2.14 **Approval of Financial Statements**

The financial statements have been approved by the Board of Directors on theth day of, 2023.

3.00 **Significant Accounting Principles and Policies selected and applied for significant transactions and events**

For significant transactions and events that have material effect, the Company's Directors selected and applied significant accounting principles and policies within the framework of IAS 1: Presentation of Financial Statements in preparation and presentation of financial statements that have been consistently applied throughout the year and were also consistent with those use in earlier years.

For proper understanding of the financial statements, accounting policies set out below in one place as prescribed by the IAS 1: Presentation of Financial Statements:

Assets and Basis of their Valuation

3.01 **Property, Plant and Equipment**

3.01.1 **Recognition and Measurements**

These are capitalized at cost of acquisition and subsequently stated at cost less accumulated depreciation in compliance with the benchmark treatment of IAS 16 "Property, Plant and Equipment". The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes.

In a situation where it can clearly be demonstrated that expenditure has resulted in an increase in future economic benefit expected to be obtained from the use of the fixed assets, the expenditure is capitalized as an additional cost of the assets.

Cost also includes initial estimate of the costs of dismantling, removing the item and restoring this site (generally called asset retirement obligation) are recognized and measured in accordance with IAS 37: Provision, Contingent Liabilities and Contingent Assets.

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

Capital Work-in-Progress represents capital works of a unit still in progress and not in a operation. Once a unit is completed, it is transferred to "Property, Plant and Equipment".

No revaluation of fixed assets has been made by the company.

3.01.2 Maintenance Activities

Expenditure incurred after the assets have been put into operation, such as repairs & maintenance is normally charged off as revenue expenditure in the year in which it is incurred.

3.01.3 Subsequent Cost

The Cost of replacing part of an item of property, plant & equipment is recognized in the carrying amount of the item if it is possible that the future economic benefits embodied within the part will flow to the company and its cost measured reliably. The cost of the day to day servicing of property and equipment are recognized in the Statement of Profit or Loss and Other Comprehensive Income as repairs and maintenance where it is incurred.

3.01.4 Depreciation on Tangible Fixed Assets

As required in Paragraph 43 of IAS-16 Property and Equipment, depreciation in respect of all fixed assets is provided to amortize the cost of the assets after commissioning, over their expected useful economic lives in accordance with the provision of IAS 16 "Property, Plant and Equipment".

Depreciation on all other fixed assets except land and land development is computed using diminishing balance method in amount sufficient to write-off depreciable assets over their estimated useful life. Depreciation has been charged on additions and when it is used. Expenditure for maintenance and repairs are expenses; major replacements, renewals and betterment are capitalized.

The cost and accumulated depreciation of depreciable assets retired or otherwise disposed off are eliminated from the assets and accumulated depreciation and any gain or loss on such disposal is reflected in the Statement of Profit or Loss Account for the year ended. The annual depreciation rates applicable to the principal categories are:

<u>Category of Fixed Assets</u>	<u>Rate of Depreciation</u>
Land	0%
Building (KPM)	2.5-7.5%
Building (CC Plant)	2.5-7.5%
Jetty Roads	10-15%
Plant & Machinery (KPM)	7.5%
Plant & Machinery (CC Plant)	7.5%
Motor Vehicle	20-25%
Flotilla	20%
Furniture & Fixture (KPM)	10-25%
Furniture & Fixture (CCP)	10-25%
Ropeway	5%
Sundry Assets	5%

The whole amount of depreciation has been charged off partly to cost of sales and partly as expense in consistent with practice followed in the earlier years.

3.01.5 Impairment

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated to determine the extent of the impairment loss, if any, impairment loss is recorded on judgmental basis, for which provision may differ in the future years based on the actual experience.

3.01.6 Disposal of Property, Plant and Equipment

An item of Property, Plant and Equipment is removed from the statement of financial position when it is disposed of or when no future economic benefits are expected from its use or disposal. The gain or loss on the disposal of an item of Property, Plant and Equipment is included in the statement of income of the period in which the de-recognition occurs.

3.01.7 Capital Work-in-Progress

Property, Plant and Equipment under construction/acquisition have been accounted for as capital work-in-progress until construction/acquisition is completed and measured at cost.

3.02 Investment in FDR

Investment is stated at its cost of acquisition and interest earned on deposits lying with the different banks has been duly accounted for on accrual basis. The statement of profit or loss and other comprehensive income reflects the income on account of interest on investment in FDR.

3.03 Sundry Debtors (Including Advance, Deposits and Pre-Payments)

These are carried at original invoice amounts, which represent net realizable value.

3.04 Other Current Assets

Other current assets have a value on realization in the ordinary course of the company's business which is at least equal to the amount at which they are stated in the Statement of Financial Position.

3.05 Revenue Recognition

In compliance with the requirements of IFRS 15 "Revenue" is recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue represents invoiced value of policies. Revenue recognized when the policies are made.

The Company recognizes as revenue the amount that reflects the consideration to which the Company expects to be entitled in exchange for goods or services when (or as) it transfers control to the customer. To achieve that core principle, this standard establishes a five-step model as follows:

- ♦ Identify the contract with a customer;
- ♦ Identify the performance obligations in the contract;
- ♦ Determine the transaction price;
- ♦ Allocate the transaction price to the performance obligations in the contract; and
- ♦ Recognize revenue when (or as) the entity satisfies a performance obligation.

Considering the five steps model, the company recognizes revenue when (or as) the Company satisfies a performance obligation by transferring a promised goods to a customer. Goods is considered as transferred when (or as) the customer obtains control of that goods. Revenue from sale of goods is measured at the fair value of the consideration received or receivable net of returns and allowances, trade discounts, rebates and Value Added Tax (VAT).

(a) **Sale of Goods**

Revenue from the sale of goods is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

The company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

(b) **Profit on Bank Deposits**

Profit on bank deposits have been accounted on accrual basis.

(c) **Other Revenues**

Other revenues are recognized when services are rendered and bank interests are earned.

3.06 **Inventories**

In compliance with the requirements with IAS-2 "Inventories" Raw Materials, Work-in-process, Spare Parts, Stock in Transit and Finished goods are valued at the lower of average cost and the net realizable value. Stock of finished vehicles, bus body building unit are valued at cost which is determined by taking into consideration the value of raw materials and production overhead. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to present condition and includes wherever applicable appropriate overheads based on normal level of activity.

No provision has been made for slow moving & obsolete stocks during the financial year.

3.07 **Financial Instruments**

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.07.1 **Financial Assets**

The company initially recognises a financial asset in its statement of financial position, when, and only when, the entity becomes a party to the contractual provisions of the instrument.

The company derecognises a financial asset when the contractual rights or probabilities of receiving the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

An entity shall classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL) on the basis of both in pursuance of provision 4.1 classification of financial assets under IFRS 9:

- (a) the entity's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial assets.

3.07.1.1 **Financial Assets measured at amortized cost**

The asset is measured at the amount recognized at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and any loss allowance. Interest income is calculated using the effective interest method and is recognized in profit and loss. Changes in fair value are recognized in profit and loss when the asset is derecognized or reclassified.

3.07.1.2 **Financial Assets measured at fair value through other comprehensive income**

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

- (b) the contractual terms of the financial asset give rise on specified dates to cash flows solely payments of principal and interest on the principal amount outstanding.

3.07.1.3 Financial Assets measured at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Company manages such investment and makes purchase or sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transactions costs are recognized in profit and loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein which take into account and dividend income are recognized in profit or loss.

Financial assets include accounts receivables, advance, deposits & prepayments, investments and cash & cash equivalents.

(i) **Accounts Receivables**

Accounts receivables represent the amounts due from customers for delivering goods or rendering services. Trade and other receivables are initially recognized at cost which is the fair value of the consideration given in return. After initial recognition these are carried at cost less impairment losses due to non-collectability of any amount so recognized.

(ii) **Advance, Deposits & Prepayments**

Advances are initially measured at cost. After initial recognition, advances are carried at cost less deductions, adjustments or charges to other account heads. Deposits are measured at payment value. Prepayments are initially measured at cost. After initial recognition, prepayments are carried at cost less charges to profit & loss account.

(iii) **Cash and Cash Equivalents**

Cash and cash equivalents comprises cash in hand, cash at bank and fixed deposits having maturity of less than three months which are available for use by the company without any restriction.

3.07.2 Financial Liabilities

A financial liability is recognized when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits. The company initially recognises financial liabilities on the transaction date at which the company becomes a party to the contractual provisions of the liability.

The company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Non-derivative financial liabilities comprise accrued and other current liabilities, interest bearing borrowings and short term loan.

(i) **Accrued and Other Current Liabilities**

Accrued and Other Current Liabilities are recognized at the amount payable for services rendered to the company.

(ii) **Interest bearing borrowings**

Principal amounts of the loans and borrowings are stated at their amortized amount. Borrowings repayable after twelve months from the date of statement of financial position are classified as non-current liabilities whereas the portion of borrowings repayable within twelve months from the date of statement of financial position, unpaid interest and other charges are classified as current liabilities.

(iii) **Short Term Loan**

Short Term Loan is recognized at the amount payable to the bank.

3.08 **Equity Instruments**

Ordinary shares are classified as equity. Investment costs directly attributable to the issue of ordinary shares are recognized as expenses. Paid up share capital represents total amount contributed by the shareholders and bonus shares issued by the Company.

3.09 **Impairment**

(i) **Non-derivative Financial Assets**

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicate that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired includes:

- (a) default or delinquency by a debtor;
- (b) restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- (c) indications that a debtor or issuer will enter bankruptcy;
- (d) adverse changes in the payment status of borrowers or issuers;
- (e) observable data indicating that there is measurable decrease in expected cash flows from a Company of financial assets.

(ii) **Financial Assets measured at amortized cost**

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

(iii) **Non-Financial Assets**

The carrying amounts of the Company's non-financial assets (other than biological asset, investment property, inventories and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of impairment loss (if any). Where it is not possible to determine the recoverable amount of an individual asset, the company estimates the recoverable amount of the Cash Generating Unit (CGU) to which the asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.10 Derivatives

The company is not a party to any derivative contract at the statement of financial position date, such as forward exchange contract, currency swap agreement or interest rate option contract to hedge currency exposure related to import of raw materials and others or principal and interest obligations of foreign currency loans.

3.11 Taxation

Income Tax expense comprises current and deferred taxes. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity in accordance with IAS 12: Income Tax.

(a) Current Tax:

Current Tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

(b) Deferred Tax:

Deferred income tax is provided using the deferred method on temporary differences. Deferred tax assets and liabilities are recognized for all temporary differences, except:

Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;

In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the company and it is probable that the temporary differences will not reverse in the foreseeable future; and

In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax credits and unused tax losses can be utilized.

In view of the above no deferred tax has been provided.

(c) Value Added Tax:

Revenues, expenses and assets are recognized net of the amount of Value Added Tax except:

Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

Receivable and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, taxation authority is included as part of receivables or payables in the statement of financial position.

3.12 Cost of Post-Employment Benefits

The company maintains a defined contribution 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 provision of IAS 19: Employee Benefits. The cost of employee benefits 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, overtime, holiday allowance, TA/DA, leave encashment, meals allowance, transaction, accommodation etc. obligation for such benefits are measured on an undiscounted basis and are expenses as the related service is provided.

(b) Contribution to Workers' Profit Participation and Welfare Funds:

This represents 5% of net profit before tax contributed by the company as per provisions of the Bangladesh Labour (amendment) Act, 2014 and is payable to Workers as defined in the said law.

(c) Defined Contribution Plan (Provident Fund):

The company has a registered provident fund scheme (Defined Contribution Plan) for employees of the company eligible to be members of the fund in accordance with the rules of the provident fund constituted under and irrevocable trust. All permanent employees contribute 10% of their basic salary to the provident fund and the company also makes equal contribution.

The company recognizes contribution to defined contribution plan as an expense when an employee has rendered services in exchange for such contribution. The legal constructive obligation is limited to the amount it agrees to contribute to the fund.

(d) Defined Benefit Plan (Gratuity)

A defined benefit plan is a post-employment benefit plan other than defined contribution plan. The company operates an unfunded gratuity scheme, provision in respect of which is made annually for the company's permanent eligible employees as per IAS-19, "Employee Benefits".

3.13 Capitalization of Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds as per IAS 23: Borrowing Costs.

3.14 Accruals, Provisions and Contingencies

(a) Accruals

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees. Accruals are reported as part of trade and other payables.

(b) **Provisions**

A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision is ordinarily measured at the best estimate of the expenditure required to settle the present obligation at the reporting date. Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. During the reporting year the company has made sufficient provisions where applicable.

(c) **Contingencies**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. At the reporting date the company does not have any contingent asset.

Contingent liabilities and assets are not recognized in the statement of financial position of the company.

3.15 **Cash and Cash Equivalents**

For the purposes of the Statement of Financial Position and Cash Flows, cash in hand and bank balances represents cash and cash equivalents considering the *IAS 1 "Presentation of Financial Statements"* and *IAS 7 "Cash Flow Statement"* which provide, that cash and cash equivalents are readily convertible to known amounts of cash and are subject to an in significant risks of changes in value and are not restricted as to use.

3.16 **Statement of Cash Flows**

The Statement of Cash Flow has been prepared in accordance with the requirements *IAS 7: Statement of Cash Flows*. The cash generated from operating activities has been reported using the Direct Method as prescribed by the Securities and Exchange Rules, 1987 and considering the provisions of *Paragraph 19 of IAS 7* which provided that "*Enterprises are Encouraged to Report Cash Flow from Operating Activities Using the Direct Method*".

3.17 **Events after the Reporting Period**

Events after the reporting period that provide additional information about the Company's position at the date of statement of financial position or those that indicate the going concern assumption is not appropriate are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

4.00 **General**

- (a) All shares have been fully called and paid up;
- (b) There is no preference shares issued by the company;
- (c) The company has not incurred any expenditure in foreign currency against royalties and technical fees;
- (d) Auditors are paid only the statutory audit fees;
- (e) No foreign currency was remitted to the shareholders during the year under audit;
- (f) No money was spent by the company for compensating any member of the board for rendering special services;
- (g) No brokerage was paid against sales during the year under audit;
- (h) No bank guarantee was issued by the company on behalf of its directors.



		Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
5.00	Non-Current Assets	2,783,356,020	2,730,351,403
	This is made up as follows:		
	5.01 Property, Plant and Equipment	187,034,544	186,400,927
	5.02 Capital Work-in-Progress	2,313,232,876	2,313,232,876
	5.03 Deferred Expenses	283,088,600	230,717,600
		<u>2,783,356,020</u>	<u>2,730,351,403</u>
5.01	Property, Plant and Equipment	187,034,544	186,400,927
	This is made up as follows:		
	5.01.1 Accumulated Cost	1,410,471,046	1,398,058,546
	5.01.2 Accumulated Depreciation	1,223,436,502	1,211,657,618
	Written Down Value (A-B)	187,034,544	186,400,928
5.01.1	Accumulated Cost	1,410,471,046	1,398,058,546
	This is made up as follows:		
	Opening Balance	1,398,058,546	1,398,058,546
	Add: Addition during the year	12,412,500	-
		<u>1,410,471,046</u>	<u>1,398,058,546</u>
	During the year under Tk. 12,412,500 has been added to Plant & Machinery.		
5.01.2	Accumulated Depreciation	1,223,436,502	1,211,657,618
	This is made up as follows:		
	Opening Balance	1,211,657,618	1,198,993,776
	Add: Charged during the year	11,778,884	12,663,842
		<u>1,223,436,502</u>	<u>1,211,657,618</u>
	Allucation of Depreciation/Basis of Allocation	11,778,884	12,663,842
	This is made up as follows:		
	For Factory 86%	10,129,840	10,890,904
	For Administration 12%	1,413,466	1,519,661
	For Selling & Distribution 2%	235,578	253,277
		<u>11,778,884</u>	<u>12,663,842</u>
	a) During the course of our audit, we were provided with details of the fixed asset schedule, but we observed that the fixed assets register was not updated for last five years.		
	b) Physical verification of fixed assets was not taken at the end of the year as well as the fixed assets valuation was not taken as yet and also for a long years. This was reported in the last year also;		
	c) Fixed Assets Identification number was not available on individual items of fixed assets.		
	d) Management hasn't provided us with any supporting documents regarding the Fixed Assets Addition of Tk. 12,412,500.00 for FY 2021-2022.		
	The details of which have been shown in Annexure - A		
5.02	Capital Work-in-Progress	2,313,232,876	2,313,232,876
	This is made up as follows:		
	5.02.1 BMRE Project	2,218,794,318	2,218,794,318
	5.02.2 Other of KPM	94,438,558	94,438,558
		<u>2,313,232,876</u>	<u>2,313,232,876</u>

The above balance represents expenses incurred for Balancing Modernization Rehabilitation & Expansion of the Mills. This issue was reported in the previous year too but management hasn't settled it yet. After a discussion with management, we came to know that the BMRE project was ended in 2012 but the project is not running still yet.

	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
5.02.1 BMRE Project	<u>2,218,794,318</u>	<u>2,218,794,318</u>
This is made up as follows:		
BMRE Govt.	1,745,700,000	1,745,700,000
Interest on Loan	<u>473,094,318</u>	<u>473,094,318</u>
	<u><u>2,218,794,318</u></u>	<u><u>2,218,794,318</u></u>

In our scrutiny, we have observed that capital work-in-progress of KPML did not include Government loan received by KPML amounting to Tk. 1,745,700,000 for BMRE Project but audited Financial Statements include capital work-in-progress with Government loan and interest there on mentioned above as per last account.

5.02.2 Other of KPML	<u>94,438,558</u>	<u>94,438,558</u>
This is made up as follows:		
Maintenance Work for Recovery & Boiler of KPML	18,710,099	18,710,099
Green Jute Project of KPML	<u>75,728,459</u>	<u>75,728,459</u>
	<u><u>94,438,558</u></u>	<u><u>94,438,558</u></u>

The above amount represents the short term resettlement planning for Maintenance Work for Recovery and Boiler of KPML and erection of Green Jute Project of KPML mentioned above as per last account.

5.03 Deferred Expenses	<u>283,088,600</u>	<u>230,717,600</u>
This is made up as follows:		
Interest as per KPM up to 30.06.2019	125,975,600	125,975,600
Interest for Fy - 2019-2020	52,371,000	52,371,000
Interest for Fy - 2020-2021	52,371,000	52,371,000
Interest for Fy - 2021-2022	<u>52,371,000</u>	<u>-</u>
	<u><u>283,088,600</u></u>	<u><u>230,717,600</u></u>

The above amount represents deferred expenses for accumulated interest against Government loan of Tk. 1,047,420,000 which is a 60% of total Government loan of Tk. 1,745,700,000 for BMRE Project. In our checking we have found that the interest @ 5% on Government loan up to 30.06.2019 mentioned above but no interest is being accounted for by the management of KPML from 01.07.2019.

6.00 Long Term Investment	<u>2,807,550</u>	<u>2,807,550</u>
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The above balance represents investment in the financial year 1969-1970 for the purchase of 660,600 shares of Tk 10 each of Karnaphuli Rayon & Chemicals Ltd. We observed that KRCL declared pay-off as per the Government decision on 15 December 2002 but investment has not yet been realized or otherwise adjusted. This Project has no physical existence now.



		Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
7.00	Current Assets	1,962,556,237	1,745,559,204
	This is made up as follows:		
	7.01 Inventories	1,191,725,380	1,357,772,486
	7.02 Investment in FDR	512,732	512,732
	7.03 Advances, Deposits & Prepayments	105,426,078	101,000,179
	7.04 Advances against Income Tax	155,334,596	107,467,703
	7.05 Trade Debtors/Accounts Receivables	161,375,388	123,099,690
	7.06 Other Debtors/Other Receivables	26,513,347	25,081,389
	7.07 Currents A/C with Enterprise	20,604,569	19,624,642
	7.08 Cash and Cash Equivalents	301,064,147	11,000,383
		<u>1,962,556,237</u>	<u>1,745,559,204</u>
7.01	Inventories	1,191,725,380	1,357,772,486
	This is made up as follows:		
	7.01.1 Raw-Materials, Chemicals & Packing Metrials	78,404,174	102,020,030
	7.01.2 Spare Parts & Accessories	330,725,032	320,418,688
	7.01.3 Stock-in-Transit	285,179,307	292,624,622
	7.01.4 Work-in-Process	109,910,140	119,417,979
	7.01.5 Finished Goods	387,506,727	523,291,167
		<u>1,191,725,380</u>	<u>1,357,772,486</u>
	a) The management informed us that the physical stock-taking of inventories has been taken and they did not provide us any year-end physical inventory sheet with valuation except for finished goods.		
	b) The management has valued finished goods as per the rate suggested by BCIC, not on the basis of lower of cost or net realizable value (IAS-2).		
	c) Raw Materials (FRM Stock, Chipper House), Spares, Parts & Accessories, and Stores includes non-movable stores, deferred stores (FRM & RTD), and Thin Black Liquor which have no movement.		
7.01.1	Raw-Materials, Chemicals & Packing Metrials	78,404,174	102,020,030
	This is made up as follows:		
	7.01.1.1 FRM Stock (Chandraghona Yard)	28,124,630	28,124,630
	7.01.1.2 Chipper House	25,297,184	25,297,184
	7.01.1.3 Chemicals & Others	24,982,360	48,598,216
		<u>78,404,174</u>	<u>102,020,030</u>
7.01.1.1	FRM Stock (Chandraghona Yard)	28,124,630	28,124,630
	This is made up as follows:		
	Bamboo Muli	6,341,692	6,341,692
	Bamboo Baria	598,246	598,246
	Wood	21,184,692	21,184,692
		<u>28,124,630</u>	<u>28,124,630</u>
	The above amount represents as per last account without any movement.		
7.01.1.2	Chipper House	25,297,184	25,297,184
	The above amount represents as per last account without any movement.		

	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
7.01.1.3 Chemicals & Others	24,982,360	48,598,216
This is made up as follows:		
Chandraghona Stores	12,443,270	15,185,616
Chittagong Stores	151,005	151,007
Packing Materials	2,073,565	2,073,565
Materials in Plant	10,314,520	31,188,028
	<u>24,982,360</u>	<u>48,598,216</u>

The above balance includes Chittagong Stores and Packing Materials amounting to Tk. 151,007 and Tk. 2,073,565 respectively as per last account without any movement.

7.01.2 Spare Parts & Accessories	330,725,032	320,418,688
This is made up as follows:		
Furnace Oil & Lubricants	6,110,564	4,678,434
Construction Materials	1,966,858	1,293,309
Iron & Nonferrous Materials	6,294,873	6,688,093
Machine Clothing	16,688,342	16,783,675
Capital Store	29,963,914	11,873,956
General Stores	43,354,152	44,902,182
Spares & Accessories	196,872,935	204,420,770
Non-Moveable Stores	313,138	313,138
Deferred Stores (DS-1)	327,963	327,963
Deferred Stores (DS-2)	510,108	510,108
Stores in Hand-FRM	27,214,256	27,214,256
Stores in Hand-(RTD)	518,861	518,861
Stores Claring A/C	6,069	6,069
Fuel Stock in Kcss	582,999	887,874
	<u>330,725,032</u>	<u>320,418,688</u>

The above amount includes non-movable, Obsolets, deferred RTD & Site Stock at plant amounting to Tk. 28,890,395 is being carried forward since long without any necessary steps.

7.01.3 Stock-in-Transit	285,179,307	292,624,622
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It represents total balance of Stock-in-Transit as on 30th June, 2022.

7.01.4 Work-in-Process	109,910,140	119,417,979
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This is made up as follows:

6.01.4.1 Liquid/Solid Alum	91,929,585	92,211,919
6.01.4.2 Calcium Hypo	17,980,555	27,206,060
	<u>109,910,140</u>	<u>119,417,979</u>

7.01.4.1 Liquid/Solid Alum	91,929,585	92,211,919
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This is made up as follows:

Thiin Black Liquor	91,516,413	91,516,413
Un-bleached pulp (Digester)	413,172	695,506
	<u>91,929,585</u>	<u>92,211,919</u>

	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
7.01.4.2 Calcium Hypo	17,980,555	27,206,060
This is made up as follows:		
Bleached pulp (Bleaching Section)	-	403,090
Bleached pulp (Bleaching House)	-	3,226,450
Chips in Silo	16,617,891	22,213,856
Hylro chloric Acid (HCI)	62,664	62,664
Brine	1,300,000	1,300,000
	<u>17,980,555</u>	<u>27,206,060</u>
7.01.5 Finished Goods	387,506,727	523,291,167
This is made up as follows:		
Bleached pulp (Bleaching Section)	375,956,529	509,980,823
Bleached pulp (Bleaching House)	6,369,358	8,155,433
Chips in Silo	1,901,439	2,943,303
Hylro chloric Acid (HCI)	841,195	841,195
Brine	2,438,206	1,370,413
	<u>387,506,727</u>	<u>523,291,167</u>
7.02 Investment in FDR	512,732	512,732
This is made up as follows:		
Sonali Bank Ltd. CD-FDR No-800609	50,000	50,000
Agrani Bank Ltd. No.-0259295/14/05	275,000	275,000
Agrani Bank Ltd. FDR No.-025929/15/06	37,732	37,732
Agrani Bank Ltd. FDR No.-11A-0009701/20/05	150,000	150,000
	<u>512,732</u>	<u>512,732</u>
The above amount represents Statutory Deposit in FDR with bank in favour of KPML High School. Interest accrued on FDR has not been accounted for in the financial Statements.		
7.03 Advances, Deposits & Prepayments	105,426,078	101,000,179
This is made up as follows:		
7.03.1 Advance to Employee	10,929,209	12,971,024
7.03.2 Advance to Contractors & Supplirs	45,065,174	43,146,874
7.03.3 Audit Objection	3,591,985	3,591,985
7.03.4 Deposits	34,126,362	34,465,034
7.03.5 Prepayments	11,713,348	6,825,262
	<u>105,426,078</u>	<u>101,000,179</u>
7.03.1 Advance to Employee	10,929,209	12,971,024
This is made up as follows:		
Advance against TA/DA	711,694	672,048
Advance against Medical	263,233	263,233
Advance against Purchase	2,195,791	3,178,376
Cyclone Advance	5,860	5,860
Advance to Relief Fund	90,000	90,000
Advance to against wages Commission	3,762,861	3,957,078
Advance to against Final Settement	739,000	789,000
Advance to against Facilities & Others	3,160,770	4,015,429
	<u>10,929,209</u>	<u>12,971,024</u>

During the course of our audit, the management could not provide details supporting documents regarding advance against the purchase and other facilities.

	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
7.03.2 Advance to Contractors & Supplirs	<u>45,065,174</u>	<u>43,146,874</u>
This is made up as follows:		
Contractors labour & Others	1,724,105	518,481
FRM Suppliers	(5,296,643)	(5,296,643)
Stores Suppliers	48,637,712	47,925,036
	<u>45,065,174</u>	<u>43,146,874</u>

During the course of our audit, management could not provide detailed supporting documents regarding advances against contractors' labor & others for our verification. It also increases significantly this year.

7.03.3 Audit Objection	<u>3,591,985</u>	<u>3,591,985</u>
This is made up as follows:		
Audit Objection against Arrear Overtime	951,205	951,205
Audit Objection against Maternity Allowance	15,700	15,700
Audit Objection against Medical Tretment	1,685,838	1,685,838
Audit Objection against Electricity Bill	939,242	939,242
	<u>3,591,985</u>	<u>3,591,985</u>

The above balance represents as per last account which has been arrisen by audit objection against above mentioned head since long.

We observed that no realization/adjustment could be made during the year under audit.

7.03.4 Deposits	<u>34,126,362</u>	<u>34,465,034</u>
This is made up as follows:		
i) Security Deposit to Govt. Agencies	32,777,899	31,277,899
ii) AT payable	1,348,463	3,187,135
	<u>34,126,362</u>	<u>34,465,034</u>

i) **Security Deposits for Govt. Agencies: Tk. 32,777,899**

We observed that **no realization/adjustment** could be made during the year under audit. In continuation to the previous year's report, it is mentioned here that proper documents in support of the above deposits could not be made available and remain unverified:

7.03.5 Prepayments	<u>11,713,348</u>	<u>6,825,262</u>
This is made up as follows:		
Royalty on FRM	6,204,178	6,204,178
Salary Income Tax	940,880	106,878
Insurance	4,568,290	514,206
	<u>11,713,348</u>	<u>6,825,262</u>

	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
7.04 Advances, Against Income Tax	155,334,596	107,467,703
This is made up as follows:		
Advance.againts Taxes U/S-64 (A/C-KPM)	1,698,633	1,698,633
Advance.againts Taxes A/C-RTD	50,000	50,000
Income Tax deducted at Source from paper Bill:	1,748,633	1,748,633
B.S.O	59,596	59,596
Controller of Military A/C	18,260	18,260
Director General of Defense Purchase,Dhaka	40,965	40,965
Advance deducted for Paper Bill under Rule-16	118,075,035	89,268,692
Advance deducted from Imported Materials (Rule-17)	16,331,557	16,331,557
Advance deduction of VAT	19,060,550	-
	<u>155,334,596</u>	<u>107,467,703</u>
7.05 Trade Debtors/Accounts Receivables	161,375,388	123,099,690
This is made up as follows:		
6.05.1 Government & Other Industries	90,908,359	123,099,690
6.05.2 Depot Control A/C FPS- Chittagong	8,897,679	-
6.05.3 Depot Control A/C FPS- Dhaka	61,569,350	-
	<u>161,375,388</u>	<u>123,099,690</u>
a) We have circulated balance confirmation for the selected parties but did not receive balance confirmation certificates from the selected debtors yet during the course of our audit.		
b) Provision for doubtful debts is carried forward from last year's accounts.		
7.05.1 Government & Other Industries	90,908,359	123,099,690
This is made up as follows:		
BD Sty office,Tejgaon	88,957,408	43,525,171
Security Printing Corporation	-	77,623,568
Lever Brothers (BD) Ltd./Uniliver (BD) Ltd.	707,223	707,223
Denish Condensed Milk	5,507	5,507
Mehar Industries (BD) Ltd.	29,833	29,833
Karnafuli Jute Mills Ltd.	16,457	16,457
Sagar Scrcen Printers	6,373	6,373
Seedat Brothers	125,490	125,490
Bangladesh Bureace of Statistics	1,157,297	1,157,297
Unicef Account	11,945	11,945
Others	23,125	23,125
	<u>91,040,658</u>	<u>123,231,989</u>
Less: Bad Dest Provision	132,299	132,299
	<u>90,908,359</u>	<u>123,099,690</u>
The above balance includes Tk.2,083,250 as per last account which is being carried forward since long except BD Sty office, Tejgaon for Tk.88957408.		
7.05.2 Depot Control A/C FPS- Chittagong	8,897,679	-
It represents total balance of Depot Control A/C FPS- Chittagong as on 30th June,2022.		
7.05.3 Depot Control A/C FPS- Dhaka	61,569,350	-
It represents total balance of Depot Control A/C FPS- Dhaka as on 30th June,2022.		

	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
7.06 Other Debtors/Other Receivables	26,513,347	25,081,389
This is made up as follows:		
7.06.1 Other Debtors	19,901,534	18,469,576
7.06.2 Claims Receivables	6,558,618	6,558,618
7.06.3 Others	53,195	53,195
	<u>26,513,347</u>	<u>25,081,389</u>
7.06.1 Other Debtors	19,901,534	18,469,576
This is made up as follows:		
River Transport Department (RTD)	780,444	780,444
Shop Keepers	10,480,666	9,187,000
Other Debtors (Misc)	1,192,421	1,054,129
Setasa trading	4,400,000	4,400,000
Testing fee receivable	319,500	319,500
Employee Co-Operative Society	285,848	285,848
Other Debtors karnaphuli Jute Mills	2,442,655	2,442,655
	<u>19,901,534</u>	<u>18,469,576</u>

The above balance represents Other Debtors as on 30th June,2022,which includes a sum of Tk. 8,228,447 except the amount lying against Shop Keepers of Tk.10,480,666 and Other Debtors (Misc.) of Tk. 1,192,421 is being carried forward since long.

Our Observations on the debtors' balance are as follows:

a) Shop Keepers: Tk. 10,480,666

The above balance represents rent and electricity charges receivable from the Shopkeepers against shops allotted to them within the Mill Premises which has not been confirmed. We observed that the yearly rent is Tk. 7.8 lac. and huge amounts is lying unrealized for years after years.

b) Setasa Trading: Tk 4,400,000

The above balance is being carried forward since a long, details of which as per the previous year's audit report are given below:

The above balance has been carried forward since the date of the merger between KPM and Karnaphuli Paper Mills Limited. We have been informed that two barges were destroyed on 31 December 1988 in an accident, which was trader charter with Setasha Trading Co. Chittagong. Those two barges were not covered by the insurance policy. The management lodged a money suit vide No. 79/90 dated 05 August 1990 (Present No. 163/1994) and at present appointed law firm M/s. B. Ahmed & Co. is dealing with the matter. However, the matter remains unsettled until the date of our audit.

7.06.2 Claims Receivables	6,558,618	6,558,618
The above balance represents Claims Receivables from Meghna Petroleum Ltd. as on 30th June,2022 which has been Carried forward Since Long without any movement.		
7.06.3 Others	53,195	53,195

The above balance represents others from Meghna Petroleum Ltd. as on 30th June,2022 which has been carried forward since long i.e in the year 2018 on before.

Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
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7.07	Currents A/C with Enterprise	20,604,569	19,624,642
	This is made up as follows:		
	Khulna Hard Board Mills Ltd.(KHBM)	135,895	135,895
	Chhatak Cement Co.Ltd.	1,004,083	1,005,838
	Usmania Glass Sheet Factory Ltd.(UGSF)	364,799	711,099
	BCIC Branch Office	21,985	21,985
	Chittagong Urea Fertilizer Ltd.(CUFL)	4,419,184	4,938,494
	Shahjalal Fertilizer Company Ltd.(Former NGFE)	557,752	233,841
	TSP Complex Ltd.	9,912,597	9,671,162
	DAP Fertilizer Company Ltd.	3,410,583	2,083,156
	SPPM Ltd.	287,242	287,242
	Dhaka Leather Company Ltd.	56,430	56,430
	Ujala Mach Factory Ltd.	317,530	317,530
	North Bengal Paper Mills Ltd.	-	45,481
	BCIC Mktg & Distribution	116,489	116,489
		<u>20,604,569</u>	<u>19,624,642</u>

The above amount represents Current Account with other Concerns/Entreprise as on 30th June,2022 Most of the amounts have been carried forward since long without any realisation/adjustment. Managment should take necessary steps to realize/adjustment of the above long unrealized amount without delay.

We have circulated balance confirmation for the selected parties but did not receive balance confirmation certificates from the selected debtors as yet during the course of our audit.

7.08	Cash and Cash Equivalentts	301,064,147	11,000,383
	This is made up as follows:		
	7.08.1 Cash in Hand	216,960	45,819
	7.08.2 Cash at Bank	300,847,187	10,954,564
		<u>301,064,147</u>	<u>11,000,383</u>

7.08.1	Cash in Hand	216,960	45,819
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This is made up as follows:

Imprest CAN	(26,517)	(26,403)
Imprest at Chittagong Office	168,235	48,492
Imprest for Chittagong Gust House	5,000	5,000
Imprest for Dhaka Sales Center	5,000	630
Imprest for KPM Hospital	1,800	1,800
Imprest for Transport (KPM)	24,770	5,000
Imprest for Transport (FRM)	8,940	4,000
Imprest for School & College	1,000	1,000
Imprest for Kaptai Bamboo yard	2,000	2,000
Imprest for FRM Garrage	24,432	2,000
Imprest for Ctg Transport	2,300	2,300
	<u>216,960</u>	<u>45,819</u>

In our scrutiny, it reveals that the above imprest cash in hand includes Tk.12,100 under the different heads have been lying in the accounts since long without any adjustment/realization. Cash counting certificate as at 30.06.2022 for cash in hand could not be provided to us.

	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
7.08.2 Cash at Bank	300,847,187	10,954,564
This is made up as follows:		
Sonali Bank Ltd.C/A	302,327	302,327
Sonali Bank Ltd.,Mymensingh	1,880	1,880
Sonali Bank Ltd., Lalmonirhat	2,790	2,790
Agrani Bank Ltd.,Ctg (DCL)	1,156	1,156
BASIC Bank Ltd.,Ctg (2401010003128)	5,030,604	5,030,604
Sonali Bank Ltd., Dhaka/N.Ganj	4,892	4,892
Sonali Bank Ltd., Matiranga	5,112	5,112
Sonali Bank Ltd.,Kalibari (AC No.13046)	59,408	59,408
Agrani Bank Ltd., Ctg (RTD)	6,247	6,247
Janata Bank Ltd.,Batakandi	1,038	1,038
Agrani Bank Ltd.,Baburhat,Chandpur	1,056	1,056
Sonali Bank Ltd., Ctg(STD-37)	145,103	145,103
Sonali Bank Ltd., Malibagh Branch Dhaka (k-968)	270,601	247,428
Sonali Bank Ltd., Malibagh Branch Dhaka (STD-12)	4,562,531	2,480,027
Sonali Bank Ltd., Chandraghona	151,467	1,916,796
BASIC Bank Ltd., Ctg (2416010000866)	129,064,400	-
Agrani Bank Ltd.,Chandraghona-(AC No.06)	121,385,498	748,700
CC (SB Ctg.AC No.1704)	39,851,077	-
	<u>300,847,187</u>	<u>10,954,564</u>

The above amount includes Tk. 5,561,613 is being carried forward since long of which a sum of Tk. Tk.5,030,604 is lying with the BASIC Bank Ltd. Ctg. (240-01-0003128) without its operational activities.

- Some bank accounts were not in operation but the balances are carried forward in the accounts since a long, which may create misstatements in the financial statements;
- We did not get fourteen (14) bank statements as well as bank confirmation certificates;
- The bank balance does not comply with the accounts balance and the management does not maintain reconciliation statements which may create misstatements in the financial statements as well as the financial statements may not be presented as a true and fair view.

8.00 Authorized Share Capital	1,500,000,000	1,500,000,000
150,000,000 Ordinary shares of Tk. 10/- each		
9.00 Paidup Capital & Govt.Equity	995,242,685	995,242,685
This is made up as follows:		
9.01 Issued, Subscribed & Paidup Capital	46,000,070	46,000,070
9.02 Government Equity/Capital Contribution	949,242,615	949,242,615
	<u>995,242,685</u>	<u>995,242,685</u>
9.01 Issued, Subscribed & Paidup Capital	46,000,070	46,000,070
4600,007 Ordinary Shares of Tk. 10/- each fully paid in cash.		
9.02 Government Equity/Capital Contribution	949,242,615	949,242,615
This is made up as follows:		
Government Contribution in Cash (1976-1978)	46,500,000	46,500,000
Transferred From General Reserve (1981-1982)	49,345,215	49,345,215
Conversion of ADP Loan (1981-1982)	8,154,715	8,154,715
Conversion of ADP (BMRE) Loan (1986-1987)	36,180,285	36,180,285
Conversion of ADP (RD and BE) Loan (1986-1987)	110,782,400	110,782,400
Government Equity Portion an BMR 40%	698,280,000	698,280,000
	<u>949,242,615</u>	<u>949,242,615</u>

The above amount represents Gverment Equity/Capital Contribution as on 30th June,2022.

	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
10.00 Reserve & Contingent Account	<u>(7,015,375,521)</u>	<u>(6,331,927,742)</u>
This is made up as follows:		
10.01 Retained Earnings	(7,359,509,188)	(6,676,061,409)
10.02 Capital Reserve	344,133,667	344,133,667
	<u>(7,015,375,521)</u>	<u>(6,331,927,742)</u>
10.01 Retained Earnings	<u>(7,359,509,188)</u>	<u>(6,676,061,409)</u>
This is made up as follows:		
Opening Balance	(6,676,061,409)	(6,281,368,758)
Add. Net Profit/(Loss) after Tax	(508,275,565)	(392,647,943)
Add. Prior year's adjustment	(175,172,214)	(2,044,708)
	<u>(7,359,509,188)</u>	<u>(6,676,061,409)</u>
10.02 Capital Reserve	<u>344,133,667</u>	<u>344,133,667</u>
This is made up as follows:		
Capital Fund of Dawood Corporation Ltd.	23,452,053	23,452,053
Share Capital of River Transport Department	500,000	500,000
Capital Gain on Sales of fixed Assets	7,845,614	7,845,614
Capital Reserve	312,336,000	312,336,000
	<u>344,133,667</u>	<u>344,133,667</u>
The above amount represents Capital Reserve as on 30th June,2022. The balance is as per last account. In our scrutiny, we have found that a sum of Tk. 2,044,708 has been added to Capital Gain on Sales of Fixed Assets in the last year.		
11.00 Long Term Liabilities	<u>1,847,008,269</u>	<u>1,794,637,269</u>
This is made up as follows:		
11.01 Interest Free Govt loan	57,100,000	57,100,000
11.02 Government Loan (BMRE)	1,677,627,318	1,625,256,318
11.03 Debenture Loan	112,280,951	112,280,951
11.04 Non-Development Govt Loan (add)	130,500,000	130,500,000
11.05 Loan From CUFL	98,562,192	95,762,192
11.06 Deferred Liabilities (Gratuity)	661,430,886	509,581,246
	<u>1,847,008,269</u>	<u>1,794,637,269</u>
11.01 Interest Free Govt. Loan	<u>57,100,000</u>	<u>57100000</u>
The above balance represents interest free Government Loan was received on 14th May, 1994 to pay for retired 367 staff/workers under Golden Handsake scheme. In our scrutiny, we have found that the company had paid Tk. 65,994,377 as retirement benefit for this Scheme.The terms of the repayment of the above amount has been expired.		
11.02 Government Loan (BMRE)	<u>1,677,627,318</u>	<u>1,625,256,318</u>
This is made up as follows:		
Principal loan amount	1,047,420,000	1,047,420,000
Interest amount	630,207,318	577,836,318
	<u>1,677,627,318</u>	<u>1,625,256,318</u>

The above amount represents long term Government Loan (BMRE) including interest as on 30th June, 2022. The above principal amount being the 60% of BMRE Govt. Loan amounting to Tk. 1,745,700,000 for Balancing Modernization Rehabilitation & Expansion (BMRE) Project to erect a Bleaching Tower Plant. During the year under audit an amount of Tk. 52,371,000 represents the 5% interest on principal amount which has been added with loan. In our scrutiny, we have found that more than 12 years interest is being added to the above amount without any repayment.

	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
11.03 Debenture Loan	112,280,951	112,280,951
This is made up as follows:		
Balance B/F	112,280,951	112,280,951
Overdraft (Principal)	-	-
Add: Interest	-	-
Less: Repayment	-	-
	<u>112,280,951</u>	<u>112,280,951</u>

The above amount represents Debenture Loan as on 30th June, 2022. The Debenture was initially an overdraft amount with former Habib Bank Ltd. in pre liberation. Presently named as Agrani Bank Ltd., Local Office, Dhaka and subsequently it is converted into debenture with interest upto 31st December, 1985 at Tk. 154,570,744. It has been duly undertaken by BCIC on behalf of KPML. The carrying interest @ 10% per annum and redeemable in 30 half yearly installments commencing from 1st July, 1985 as per redemption schedule. The 2 (Two) installments amounting to Tk. 23,221,000 have been paid in due date and after then for a long period no installment payment was made against the above debenture loan upto 1991. As per Bangladesh Bank BCD Circular letter No. 24 dated 18th August, 1991, KPML further paid Tk. 19,069,000 in the financial year 1991-1992 being 10% of accumulated balance of Debenture loan up to 31st December, 1991 for availing the opportunity of waiver of interest for defaulted loan. Subsequently correspondence has been made by the BCIC Vide letter ref. nil dated 27th July 2022 for waive of the above loan. The decision of which is pending.

11.04 Non-Development Govt Loan (add)	130,500,000	130,500,000
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The above Loan had been received from Government of Bangladesh through BCIC within 30th June, 2004 to pay-off the retired employees under Voluntary Retirement Scheme as per Government Order dated 23rd July, 2004. As per terms of the loan 5% interest is payable and repayable within 5 years terms of the repayment of the above loan and it has already been expired since long.

11.05 Loan From CUFL	98,562,192	95,762,192
This is made up as follows:		
Principal Loan	40,000,000	40,000,000
Add: Interest	58,562,192	55,762,192
	<u>98,562,192</u>	<u>95,762,192</u>

The above loan had been taken from Chittagong Urea Fertilizer (CUFL) with 7% interest in 10 years term. Mode of repayment in yearly installment with interest within December in each year commencing from 31st December, 2002. In our scrutiny, we have observed that terms of repayment period of loan has already been expired on 31st December, 2011 and no installment was made/Paid against the above loan but in every year interest of Tk. 2,800,000 is being added to the loan.

	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
11.06 Deferred Liabilities (Gratuity)	661,430,886	509,581,246
This is made up as follows:		
Opening Balance	509,581,246	-
Add: Recovered from Other Office	149,522	789,251,242
Add: Provision during the year	100,684,321	16,303,634
Add: Prior years adjustment	165,062,959	-
	<u>775,478,048</u>	<u>805,554,876</u>
Less: Payments/Adjustment for the year	<u>114,047,162</u>	<u>295,973,630</u>
	<u><u>661,430,886</u></u>	<u><u>509,581,246</u></u>
12.00 Current Liabilities	8,031,351,295	5,134,686,545
This is made up as follows:		
12.01 BCIC Loan Account	4,910,036,679	3,869,648,213
12.02 BCIC Current Account	1,281,902,003	1,265,038,332
12.03 Creditors for Expenses	402,378,747	673,514,703
12.04 Creditors for Other Finance	788,413,839	674,898,372
12.05 Creditors for Suppliers/pay	332,951,734	423,844,428
12.06 Current A/C With Enterprise	259,732,545	255,873,463
12.07 Creditors for WPPF	1,011,405	970,405
12.08 Bank Overdraft	40,003,711	108,014,042
12.09 Provision Income for Tax	14,920,632	13,120,549
	<u>8,031,351,295</u>	<u>5,134,686,545</u>
12.01 BCIC Loan Account	4,910,036,679	3,869,648,213
This is made up as follows:		
Opening Balance	3,869,648,213	3,869,648,213
Add: Addition for the year	1,047,858,126	-
	<u>4,917,506,339</u>	<u>3,869,648,213</u>
Less: Payment/Adjustments	7,469,660	-
	<u><u>4,910,036,679</u></u>	<u><u>3,869,648,213</u></u>
It represents total balance of BCIC Current Account as on 30th June, 2022.		
12.02 BCIC Current Account	1,281,902,003	1,265,038,332
This is made up as follows:		
Opening Balance	1,265,038,332	1,265,038,332
Add: Addition for the year	24,910,213	-
	<u>1,289,948,545</u>	<u>1,265,038,332</u>
Less: Payment/Adjustments	8,046,542	-
	<u><u>1,281,902,003</u></u>	<u><u>1,265,038,332</u></u>
12.03 Creditors for Expenses	402,378,747	673,514,703
This is made up as follows:		
12.03.1 Construction, Handling & Labor Supply	181,675,152	466,494,043
12.03.2 Other Expenses	65,024,792	66,474,792
12.03.3 Unpaid Salaries & Allowances	138,010,519	122,877,584
12.03.4 Provision for Interest on Loan	17,569,504	17,569,504
12.03.5 Welfare Expenses	60,000	60,000
12.03.6 Arrerar Salaries for Wages Commission	38,780	38,780
	<u>402,378,747</u>	<u>673,514,703</u>

	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
12.03.1 Construction, Handing & Labor Supply	181,675,152	466,494,043
This is made up as follows:		
For Construction Contract	4,539,964	5,978,369
For Handing & Labor Supply	10,303,446	10,935,674
For Others	166,552,873	449,301,131
For Work-in-progress	278,869	278,869
	<u>181,675,152</u>	<u>466,494,043</u>
12.03.2 Other Expenses	65,024,792	66,474,792
This is made up as follows:		
Self Manufacturing Clearing A/C workshop Made	4,642,223	4,642,223
Self Manufacturing Clearing A/C Alum	20,019,670	20,019,670
Self Manufacturing Line Cline	1,156,005	1,156,005
Self Manufacturing Bleached Chemicals	495,000	495,000
Liabilities for Audit Objection	3,809,025	3,809,025
Provision for Tici levy	131,439	131,439
Provision for Insurance	480,000	480,000
Provision for Audit fees	120,000	120,000
Provision for Head Office Levy	1,162,602	2,612,602
Provision for Other Expenses KPM	5,503,200	5,503,200
Provision for Other Expenses RTD	25,960,468	25,960,468
Loan Revenue	1,545,160	1,545,160
	<u>65,024,792</u>	<u>66,474,792</u>
<p>The above amount represents Other & Miscellaneous Expenses payable as on 30th June, 2022. The above balance includes Tk.63,862,190 as per last account and only the one account Provision for Head Office Levy amounting to Tk.1,16,602 has been carried from last year's account and the remaining amounts of Tk.63,862,190 are being carried forward since long. In our opinion, after proper checking the balance which are not liable to pay, it should be written back to the accounts after obtaining approval from the competent authority.</p>		
12.03.3 Unpaid Salaries & Allowances	138,010,519	122,877,584
This is made up as follows:		
Opening Balance	122,877,584	122,877,584
Add: Addition for the year	29,091,005	-
	<u>151,968,589</u>	<u>122,877,584</u>
Less: Payment/Adjustments	13,958,070	-
	<u>138,010,519</u>	<u>122,877,584</u>
<p>The above amount represents Salary Clearing for the provision of employees and workers.</p>		
12.03.4 Provision for Interest on Loan	17,569,504	17,569,504
<p>The above amount represents the provision for Interest on BCIC Loan as on 30th June, 2022. This amount as per account and it is being carried forward since long.</p>		
12.03.5 Welfare Expenses	60,000	60,000
This is as per last account		
12.03.6 Arrear Salaries for Wages Commission	38,780	38,780
The amount represents as per last account.		

	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
12.04 Creditors for Other Finance	788,413,839	674,898,372
This is made up as follows:		
12.04.1 Deposit from Customers	31,677,258	(119,078,082)
12.04.2 KPM/FPS Account (Ctg/Dhaka)	-	17,856,429
12.04.3 Secretary Providend Fund	680,007,344	675,782,394
12.04.4 Income Tax on Party's Bill Payables	(12,013,936)	-
12.04.5 VAT on party's Bill Payables	95,357	-
12.04.6 Contractor Security Deposit	64,602,152	73,240,459
12.04.7 Avance Received Against Scrap Sales	3,879,224	3,879,224
12.04.8 Sundry Creditors for Other Finance	13,598,943	16,650,451
12.04.9 Interest on Agrani Bank debenture	6,567,497	6,567,497
	<u>788,413,839</u>	<u>674,898,372</u>
The above amount represents Creditors for Other Finance as on 30th June,2022.		
12.04.1 Deposit from Customers	31,677,258	(119,078,082)
This is made up as follows:		
Chittagong Dealers	20,477,031	6,606,436
Dhaka Dealers	26,923,696	25,688,353
Moffasal Dealers	1,088,517	1,450,669
Govt. & Industrial	(16,811,986)	(152,823,540)
	<u>31,677,258</u>	<u>(119,078,082)</u>
12.04.2 KPML/FPS Account (Ctg/Dhaka)	-	17,856,429
It represents total Balance of KPM/FPS Account (Ctg/Dhaka) as on 30th June,2022.		
12.04.3 Secretary Providend Fund	680,007,344	675,782,394
This is made up as follows:		
Employees Own Contribution	67,290,153	61,508,052
Company,s Contribution	66,927,668	61,423,518
21/2 Add Own Contribution	1,245,206	1,161,945
PF Loan Recovered	53,756,172	50,201,247
Current Account With Secretay PF	490,788,145	501,487,632
	<u>680,007,344</u>	<u>675,782,394</u>
12.04.4 Income Tax on Party's Bill Payables	(12,013,936)	-
This is made up as follows:		
for the year tax deducted from Stores Suppliers & Othe	6,424,347	-
Less: Payment/Adjustment during the year	(18,463,304)	-
	<u>(12,038,957)</u>	<u>-</u>
Add: Contractors	25,021	-
	<u>(12,013,936)</u>	<u>-</u>
12.04.5 VAT on party's Bill Payables	95,357	-
This is made up as follows:		
VAT Revolving A/C (12996033 Cr-10009272 Dr)	2,986,761	-
Contractors VAT Payable	62,546	-
Suppliers VAT Payable (13348020 Cr-16309778 Dr)	2,961,758	-
VAT Realized from Matrials Sals (16512- Cr-8704-Dr)	7,808	-
	<u>95,357</u>	<u>-</u>

	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
12.04.6 Contractor Security Deposit	64,602,152	73,240,459
This is made up as follows:		
FRM Lease Forest	15,299,457	19,350,457
FRM Local Suppliers	7,597,996	9,477,996
FRM Out Station	1,724,629	3,410,629
Civil Construction	2,651,266	2,031,600
Stores Suppliers & Others	26,115,783	27,986,756
Paper Dealers	11,049,500	10,819,500
Chips Carrying	59,121	59,121
Cha House Holder 2019	104,400	104,400
	<u>64,602,152</u>	<u>73,240,459</u>

The above balance represents amount recived from Contractors against Supply of Good & Services.

12.04.7 Avance Received Against Scrap Sales	3,879,224	3,879,224
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The above balance represents amount recived from Various parties against Sale of Scrap. The balance is as per last account.

12.04.8 Sundry Creditors for Other Finance	13,598,943	16,650,451
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This is made up as follows:

Advance Against Salary	68,172	18,182
Recovery of Other PF Cont. & Interest	3,920,117	4,660,072
Recovery of Welfare Loan, & Interest	411,889	2,028,254
BCIC Welfare Fund	475,660	469,740
Recovery of House Building Loan & Interest	2,765,365	3,640,523
Liabilities Against Godown Rent	4,366,707	4,366,707
KV Club (Subscription)	106,267	150,160
Mohila Club (Subscription)	9,208	9,887
KPM Sramik Karmachari CB Kendra	184,401	198,359
Karnaphuli Club Ctg	21,246	20,871
BCIC Club Ctg	690	690
Officers Welfare Association	168,323	8,136
Hajj Scheme	289,447	289,447
Bangladesh Chemical Societ	24,110	16,800
Payable to Agrani Bank Ltd.	2,000	2,000
Donation (Medical Treatment)	62,572	62,572
Red Crescent Fee	630	-
Union Subscription (Employees Union)	7,424	25,474
School Fund	538,544	538,544
Prokoushali Samity	32,325	28,175
Diploma Association	30,084	16,226
Hindu Mondir	13,164	9,244
Scout Fee	25,220	23,360
Buddist Fund	75,378	67,028
	<u>13,598,943</u>	<u>16,650,451</u>

The above balance represents payable to different/various Organazitions, Institutes PF, Welfare other Fund etc. In our checking, we have found that the following balances have been lying since long without any adjustment.

Liabilities Against Godown Rent	4,366,707	4,366,707
BCIC Club Ctg	690	690
Hajj Scheme	289,447	289,447
Donation (Medical Treatment)	62,572	62,572
School Fund	538,544	538,544
	<u>5,257,960</u>	<u>5,257,960</u>

In our openion necessary steps should be taken for adjustment as early as possible.



	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
12.04.9 Interest on Agrani Bank debenture	6,567,497	6,567,497
The above balance represents interest on Agrani Bank Debenture as on 30th June,2022. which has been carried forward since long.		
12.05 Creditors for Suppliers/pay	332,951,734	423,844,428
This is made up as follows:		
12.05.1 Creditors for Stores Supply	93,534,478	104,672,454
12.05.2 Creditors for FRM Purchase/Expenses	56,742,505	77,087,872
12.05.3 Creditors for Materials and Chemicals	94,221,039	94,336,476
12.05.4 Creditors for Cost and Other Expenses	88,347,112	147,641,026
12.05.5 Creditors for Stores revenue on Loan	106,600	106,600
	<u>332,951,734</u>	<u>423,844,428</u>
12.05.1 Creditors for Stores Supply	93,534,478	104,672,454
This is made up as follows:		
Opening Balance	104,672,454	104,672,454
Add: Stores Received	72,376,924	-
	<u>177,049,378</u>	<u>104,672,454</u>
Less: Payments/Adjustment during the year	83,514,900	-
	<u>93,534,478</u>	<u>104,672,454</u>
The above represents creditors for store supply as on 30th June,2022.		
12.05.2 Creditors for FRM Purchase/Expenses	56,742,505	77,087,872
This is made up as follows:		
Royalty Payable	4,911,202	4,911,202
FRM Suppliers	1,695,021	13,490,388
FRM Cutting & rafting	1,134,180	9,684,180
FRM Out Station	840,048	840,048
Advance Against Bamboo Chips Carrying Expenses	130,140	130,140
Provision for Accrued Expenses	48,031,914	48,031,914
	<u>56,742,505</u>	<u>77,087,872</u>
The above amount represents Creditors for FRM purchase/expenses as on 30th June,2022. In our scrutiny, we have found that the above balance includes amounting to Tk. 53,073,256 have been lying in the account more than 3 years. Necessary steps should be taken for adjustment immediately.		
12.05.3 Creditors for Materials and Chemicals	94,221,039	94,336,476
This is made up as follows:		
Amin Jute Mills Ltd.	799,128	799,128
Cash Purchase Clearing Account	(169,116)	(53,679)
Creditors for Raw-Materials	93,591,027	93,591,027
	<u>94,221,039</u>	<u>94,336,476</u>
The above amount represents creditors for Materials & Chemicals as on 30th June,2022. In our scrutiny,we have found that the amount against Amin Jute Mills Ltd. and Creditors for Raw Materials have been lying in the accounts since long. Further, we have observed that cash purchase Clearing Account represents debit balance which is lying in the account since long. In our scrutiny. the amount receivable against Cash Purchase Clearing Account is doubtful of recovery. The brcak up of the cash purchase clearing account is as under.		

	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
This is made up as follows:		
Opening Balance 1st July,2021	(53,679)	(53,679)
Add: Addition for the year	(444,767)	-
	(498,446)	(53,679)
Less: Received/Adjustment	329,330	-
	(169,116)	(53,679)
Immediate Steps should be taken to realise/adjustment for the above amount.		
12.05.4 Creditors for Cost and Other Expenses	88,347,112	147,641,026
This is made up as follows:		
12.05.4.1 Store in Transit	66,472,932	125,766,846
12.05.4.2 Imprt Clearing Account	21,874,180	21,874,180
	88,347,112	147,641,026
12.05.4.1 Store in Transit	66,472,932	125,766,846
This is made up as follows:		
Opening Balance	125,766,846	125,766,846
Add: Addition for the year	45,321,403	-
	171,088,249	125,766,846
Less: Received/Adjustment	104,615,317	-
	66,472,932	125,766,846
12.05.4.2 Imprt Clearing Account	21,874,180	21,874,180
This as per Last account		
12.05.5 Creditors for Stores revenued on Loan	106,600	106,600
The above amount represents as per last account,which is being caried forward since long.		
12.06 Current A/C With Enterprise	259,732,545	255,873,463
This is made up as follows:		
12.06.1 Running Factories	149,344,143	149,066,895
12.06.2 Lay Off/Closed Factories	110,388,402	106,806,568
	259,732,545	255,873,463
12.06.1 Running Factories	149,344,143	149,066,895
This is made up as follows:		
Bangladesh Insulator and Sanitary Ware Factory Ltd.	1,666,360	1,666,360
Ashugonj Fertilizer & Chemical Co.Ltd	461,837	268,821
Jamuna Fertilizer Co.Ltd	970,683	886,451
Urea Fertilizer Factory Ltd.Ghorashal	668,311	668,311
Polash Urea Fertilizer Factory Ltd.	2,333,905	2,333,905
Trainig Institute for Chemical Industries (TICI)	337,060	337,060
BMR of KPM Ltd.	142,905,987	142,905,987
	149,344,143	149,066,895

The above balance represents Current Account with Running Factories (Inter Company) as on 30th June,2022. In our scrutiny, we have found that most of the amounts have been lying in the accounts since long except the amount lying against **Ashugonj Fertilizer & Chemical Co.** and **Jamuna Fertilizer Co.Ltd.**



	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
12.06.2 Pay Off/Closed Factories	110,388,402	106,806,568
This is made up as follows:		
Chittagong Chemical Complex (CCC)	5,172,522	5,172,522
Karnaphuli Rayon and Chemicals Ltd.(KRC)	97,581,882	99,241,895
Takerghat Lime Stone Mining Project (TIMP)	22,682	22,682
Khulna Newsprint Mills Ltd (KNM)	4,381,319	2,369,469
North Bengal Paper Mills Ltd.(NBPM) Pabna	3,229,997	-
	<u>110,388,402</u>	<u>106,806,568</u>

The above amount represents payable to Lay Off/Closed Factories as on 30th June,2022.

12.07 Creditors for WPPF	1,011,405	970,405
This is made up as follows:		
Opening Balance	970,405	910,605
Add: Addition for the year	41,000	87,200
	<u>1,011,405</u>	<u>997,805</u>
Less: Received/Adjustment	-	27,400
	<u>1,011,405</u>	<u>970,405</u>

12.08 Bank Overdraft	40,003,711	108,014,042
This is made up as follows:		
Sonali Bank Ltd. Ctg A/c # 643	944,721	806,447
Sonali Bank Ltd. (CNA) A/c # 0017	39,058,990	59,399,055
Sonali Bank Ltd. Ctg (A/C-1704)	-	5,478,067
BASIC Bank Ltd. Ctg (A/C 0866)	-	42,330,473
	<u>40,003,711</u>	<u>108,014,042</u>

The above amount represents Bank Overdraft against Sonali Bank Ltd. In our checking we have found that as per Sonali Bank Ltd.Overdraft Loan Statement as well as bank balance confrimation certificate it is shown credit balance i.e. cash at bank. The details of above are shown as under:

	As per Ledger	As per Bank Statement Cr
Sonali Bank Ltd. Ctg (A/C-643)	944,721	2,457
BASIC Bank Ltd. Ctg (A/C 0017)	39,058,990	3,022,292
	<u>40,003,711</u>	<u>3,024,749</u>

The above amount reveals that excess liability 36,978,962 (40,003711- 3,024,749) has been shown in the accounts. In our scrutiny, reconciliation for the bank overdraft has not been made since long.

12.09 Provision for Income Tax	14,920,632	13,120,549
This is made up as follows:		
Opening Balance	13,120,549	11,110,416
Add: Addition for the year	1,800,083	2,010,133
	<u>14,920,632</u>	<u>13,120,549</u>

The above balance represents accumulated Provision for Income Tax as on 30th June 2022. During the year under audit minimum tax 0.6% on gross receipts (Net Sales & Other Income) as per Provision of Section 82C of the Income Tax Ordinance -1984.

	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
13.00 Net Sales (Revenue)	296,524,444	332,390,609
This is made up as follows:		
Sales (Local)	309,520,477	348,979,843
Less: VAT	12,996,033	16,589,234
	<u>296,524,444</u>	<u>332,390,609</u>
Sales Quantity (MT)	3,713.776	3,742.140
This is made up as follows:		
Sales-External (MT)	3,607.454	3,518.034
Sales-Own Consumption	106.322	224.106
	<u>3,713.776</u>	<u>3,742.140</u>
The above represents sales quantity in Metric Tonne as on 30th June,2022. During the year under audit sales per ton (average) Tk.79,844.46 and production cost per ton (average) Tk.266,001.30		
14.00 Cost of Goods Sold	695,824,950	638,535,165
This is made up as follows:		
Opening Finished Goods	523,291,167	269,657,936
Add: Cost of Production Note: 14.01	610,302,744	980,514,877
	1,133,593,911	1,250,172,813
Less: Recoverd from KRC & Others	50,262,234	88,346,481
	1,083,331,677	1,161,826,332
Less: Closing Finished Goods	387,506,727	523,291,167
	<u>695,824,950</u>	<u>638,535,165</u>
14.01 Cost of Production	610,302,744	980,514,877
This is made up as follows:		
Opening Balance	119,417,979	126,366,022
Add: Raw Material Note: 14.01.1	94,303,775	406,944,218
Add: Chemical and Other Materials Note: 14.02	6,495,738	12,507,737
	220,217,492	545,817,977
Less: Closing Work-in-Process	109,910,140	119,417,979
	110,307,352	426,399,998
Add: Direct Labour	23,558,145	16,295,728
Add: Factory Overhead Note: 14.03	476,437,247	537,819,151
	<u>610,302,744</u>	<u>980,514,877</u>
14.01.1 Raw Material Consumption	94,303,775	406,944,218
This is made up as follows:		
14.01.1.1 FRM Materials	9,737,459	13,092,169
14.01.1.2 PULP Materials	80,071,747	385,352,253
14.01.1.3 Talcum Powder	4,494,569	8,499,796
	<u>94,303,775</u>	<u>406,944,218</u>
14.01.1.1 FRM Materials	9,737,459	13,092,169
This is made up as follows:		
Bamboo Muli	-	4,505,819
FRM Expenses	9,737,459	8,586,350
	<u>9,737,459</u>	<u>13,092,169</u>

	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
14.01.1.2 PULP Materials	80,071,747	385,352,253
This is made up as follows:		
Foreign Pulp	58,869,777	322,138,368
Old C.C & Other	21,201,970	63,213,885
	<u>80,071,747</u>	<u>385,352,253</u>
14.01.1.3 Talcum Powder	4,494,569	8,499,796
It represents total balance of Talcum Powder as on 30th June, 2022.		
14.02 Chemical and Other Materials	6,495,738	12,507,737
This is made up as follows:		
Rosin	1,308,417	488,610
AKD/SK/KE	2,216,154	6,146,298
Starch	798,951	617,502
Salt Cake/s.sulphate	-	6,225
Colours and Dyes	1,045,349	4,280,739
Calcium and Carbonate	-	625,745
Other Chemicals	126,204	342,618
Alum Plant	1,000,663	-
	<u>6,495,738</u>	<u>12,507,737</u>
14.03 Factory Overhead	476,437,247	537,819,151
This is made up as follows:		
Factory Salaries & wages	206,216,481	157,540,971
Gas	158,853,583	251,463,212
Electricity	29,453,556	13,234,444
Oil & Lubricants	3,501,435	1,910,493
Gratuity	7,693,623	-
Stores & Spares	30,104,715	73,062,611
Handling & Spares	5,752,762	1,728,781
Repairs & Maintenance	19,644,411	14,581,983
Advertisement & Publicity	2,055,296	2,027,677
Accident/Death Compensation	22,978	3,897,850
Uniform & Dresses	1,484,132	1,666,652
Medical Expenses	71,541	47,642
Other Welfare	1,452,894	5,765,931
Factory Depreciation	10,129,840	10,890,904
	<u>476,437,247</u>	<u>537,819,151</u>
15.00 General & Administrative Expenses	98,438,266	78,176,324
This is made up as follows:		
Salary & Allowances	70,622,083	53,952,387
Subscription & Donation	114,935	205,000
Enterprise Board Meeting Expenses	364,530	446,380
Entertainment Expenses & Others	368,999	179,352
Entertainment Expenses Guest House	160,597	180,666
Professional Charges	935,505	1,154,223
News Paper & Periodicals	10,650	3,851
Office Expenses	285,073	108,512
Printing & Stationery	222,492	185,915
Postage, Telegraph	16,260	68,540
Telephone & Talex	217,750	33,222

	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
Travelling & Conveyance	1,553,012	886,548
Audit Fees	120,000	82,500
Bus Hire Charges	6,780	-
Vehicles Running & Maintenance	906,877	909,865
Vehicles Maintenance	160,555	759,309
Training Expenses	75,000	14,000
Security Expenses	2,328,760	2,208,167
Accident/ Death Compasation	3,830	649,642
Advertisment and Publicity	173,338	171,009
Colony Maint and Others	6,286,212	4,666,235
Gratuity	4,540,499	-
Insurance Premium	-	248,976
Land Revenue	713,396	470,620
Lighting & Electricity	218,638	273,121
Office Rent	867,465	578,310
Vehicle Tax	17,348	2,300
Renewal Rate & Taxes	2,488,470	3,879,418
Municipal Tax	1,831,380	319,928
Welfare Expenses (Medical)	20,985	13,975
Welfare Expenses (Other)	857,445	3,402,845
Welfare Expenses (Uniform)	535,936	601,847
Depreciation	1,413,466	1,519,661
	<u>98,438,266</u>	<u>78,176,324</u>
16.00 Sales & Distribution Expenses	<u>7,529,568</u>	<u>5,796,721</u>
This is made up as follows:		
Salaries & Allowances	5,649,767	4,316,191
Handling and Transportation	639,196	192,087
Accident/Death Compensation	1,560	264,669
Advertisement & Publicity	247,626	244,299
Repairs & Maintenance	261,925	194,426
Gratuity	378,375	-
Welfare Expenses (Uniform)	41,225	46,296
Welfare Expenses (Medical)	2,862	1,906
Welfare Expenses (Other)	71,454	283,570
Depreciation	235,578	253,277
	<u>7,529,568</u>	<u>5,796,721</u>
17.00 Other Income	<u>3,489,392</u>	<u>2,631,704</u>
This is made up as follows:		
Interest on STD A/C	769,180	1,461,412
K.C. Service Station	877,029	123,485
School & College	1,219,158	998,438
Sundry Receipts	624,025	48,369
	<u>3,489,392</u>	<u>2,631,704</u>
18.00 Financial Expenses	<u>4,696,534</u>	<u>3,151,912</u>
This is made up as follows:		
Interest on Commercial Bank Loan	650,378	-
Bank Charges Misc	1,246,156	351,912
Interest on CUFL Loan	2,800,000	2,800,000
	<u>4,696,534</u>	<u>3,151,912</u>

	Amount (Tk.) 30.06.2022	Amount (Tk.) 30.06.2021
19.00 Inome Tax Expenses	1,800,083	2,010,134
This is made up as follows:		
A. Regular Tax	-	-
Net Profit/(Loss) Before Income Tax	(506,475,482)	(390,637,810)
Tax @ Rate 30% (Being Loss)	-	-
	<u>-</u>	<u>-</u>
B. Minimum Tax U/S-82c		
Gross Receipts	300,013,836	335,022,313
Minimum Tax @ 0.60%	1,800,083	2,010,134
Tax Expenses (A or B Whichever is higher)	<u>1,800,083</u>	<u>2,010,134</u>

During the year under audit as per above calculation the minimum income tax expenses is Tk.1,800,083.

20.00 **Subsequent Events-Disclosures under IAS-10 "Events After the Reporting Period".**

There was no adjusting post statement of Financial Position events of such importance, non-disclosure of which would affect the ability of the users of financial statements to make proper evaluation and decisions.



KARNAPHULI PAPER MILLS LTD.

SCHEDULE OF FIXED ASSETS AS ON 30TH JUNE, 2022

Annexure-A

Particulars	Accumulated Cost			Rate of Dep.	Accumulated Depreciation			Written Down Value	
	Balance as on 30.06.2021	Addition during the year	Total as on 30.06.2022		Balance as on 30.06.2021	Charged during the year	Total as on 30.06.2022	As on 30.06.2022	As on 30.06.2021
Land	2,384,354	-	2,384,354	0%	307,579	-	307,579	2,076,775	2,076,775
Building (KPM)	201,026,300	-	201,026,300	2.5-7.5%	149,868,738	1,741,978	151,610,716	49,415,584	51,157,562
Building (CC Plant)	21,798,465	-	21,798,465	2.5-7.5%	12,884,534	445,697	13,330,231	8,468,234	8,913,931
Jetty Roads	89,553,530	-	89,553,530	10-15%	87,647,023	197,842	87,844,865	1,708,665	1,906,507
Plant & Machinery (KPM)	747,885,319	12,412,500	760,297,819	7.5%	679,379,801	5,215,502	684,595,303	75,702,516	68,505,518
Plant & Machinery (CC Plant)	138,175,912	-	138,175,912	7.5%	96,382,928	3,134,474	99,517,402	38,658,510	41,792,984
Motor Vehicle	108,353,944	-	108,353,944	20-25%	106,461,620	427,771	106,889,391	1,464,553	1,892,324
Flotilla	1,036,468	-	1,036,468	20%	1,036,219	49	1,036,268	200	249
Furniture & Fixture (KPM)	31,268,364	-	31,268,364	10-25%	29,315,751	161,157	29,476,908	1,791,457	1,952,613
Furniture & Fixture (CCP)	4,296,333	-	4,296,333	10-25%	3,410,511	88,582	3,499,093	797,240	885,822
Ropeway	39,480,995	-	39,480,995	5%	35,066,085	220,745	35,286,830	4,194,165	4,414,910
Sundry Assets	12,798,562	-	12,798,562	5%	9,896,830	145,087	10,041,917	2,756,645	2,901,732
Total	1,398,058,546	12,412,500	1,410,471,046		1,211,657,619	11,778,884	1,223,436,503	187,034,544	186,400,927

