

ZAHUR & MOSTAFIZ

Chartered Accountants

Member firm of **Kreston International**

Independent Auditors' Report to the Shareholders of Arvind Niloy Exports (Pvt) Ltd.

Introduction

We have audited the accompanying financial statements of **Arvind Niloy Exports (Pvt) Ltd.** which comprise the statement of financial position as at 31st March 2014, and the statement of comprehensive income, changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994 and other applicable laws and regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position as at 31st March 2014, and of its financial performance and cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards, the Companies Act 1994 and other applicable laws and regulations.

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We also report that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books ; and
- c) The statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of accounts and returns.


Zahur & Mostafiz
Chartered Accountants

Date:
Dhaka.

ZAHUR & MOSTAFIZ

Chartered Accountants

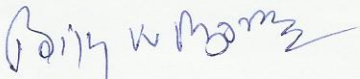
Arvind Niloy Exports (Pvt.) Ltd.
Statement of Financial Position
As at 31st March 2014

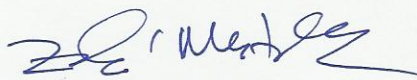
	<u>Notes</u>	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	3	9,000,000	4,000,000
Retained earning		(16,124,643)	(3,021,608)
Share Money deposit		5,861,900	
		(1,262,743)	978,393
APPLICATIONS OF FUNDS			
Non Current Assets			
Fixed Assets	4	365,648	25,100
Preliminary expenses	5	199,858	266,478
Current Assets			
Inventory	6	247,802	
Cash and bank balances	7	55,777	2,962,514
Advance, Deposit & Prepayments	8	2,319,872	881,944
Loan advance with head office	9	2,261,862	
		4,885,312	3,844,458
Less: Current Liabilities and Provisions			
Accrued & accounts payable	10	6,697,429	3,157,643
Income tax provision	11	16,132	
		6,713,561	3,157,643
Net Current Assets		(1,828,249)	686,815
		(1,262,743)	978,393

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

Managing Director

Director


Chief Finance Officer


ZAHUR & MOSTAFIZ
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Arvind Niloy Exports (Pvt.) Ltd.
Statement of Comprehensive Income
for the year ended 31st March 2014

	<u>Notes</u>	<u>2014</u> <u>Taka</u>	<u>2013</u> <u>Taka</u>
Turnover	12	3,226,398	
Less: General Administrative, Marketing & Selling Exp.	13	16,313,302	3,021,608
Operating profit		(13,086,903)	(3,021,608)
Add: Non-operating income	14	-	-
Less: Non - operating expenses	15	(13,086,903)	(3,021,608)
Net Profit before tax		(13,086,903)	(3,021,608)
Provision for tax:	11	16,132	
Net Profit for the year transferred to retained earnings		(13,103,035)	(3,021,608)

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

Managing Director

Director


Chief Finance Officer


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Arvind Niloy Exports (Pvt.) Ltd.
Statement of Cash Flows
for the year ended 31st March 2014

	2014 <u>Taka</u>	2013 <u>Taka</u>
Cash flows from operating activities		
Net Profit for the year	(13,086,903)	(3,021,608)
Adjustments for non-cash items		
Depreciation	91,412	-
Amortizaion of Preliminary Expenses	66,620	66,620
Operating profit before changes in working capital	(12,928,871)	(2,954,988)
Changes in working capital		
(Increase)/ decrease in inventories/work in progress	(247,802)	-
(Increase)/ decrease in trade and other debtors		
(Increase)/ decrease in advance, deposit & prepayments	(1,437,928)	(881,944)
(Increase)/ decrease in advance against sales		
increase/(decrease) in inter-company receivables	(2,261,862)	
Increase/ (decrease) in current liabilities liabilities	3,539,786	3,157,643
Increase/ (decrease) in short term loan		
Increase/(decrease) in provisions for tax		
(Increase)/decrease in Preliminary Expenses		
	(407,806)	2,275,699
Cash generated from operating activities	(13,336,677)	(679,288)
Less:Tax paid	-	-
Net cash flow from operating activities	(13,336,677)	(679,288)
Cash flows from investing activities		
Acquisition of fixed assets	431,959	25,100
Un-allocated revenue expenditure & Preliminary expenses		333,098
Net cash used in investing activities	(431,959)	(358,198)
Cash flows from financing activities		
Receipts of sharemoney deposit	5,861,900	
Allotment of shares	5,000,000	4,000,000
Net cash flow from financing activities	10,861,900	4,000,000
Net increase/(decrease) of cash and bank balances for the year	(2,906,736)	2,962,514
Cash and bank balances at the beginning of the year	2,962,514	-
Cash and bank balances at the end of the year	55,777	2,962,514

Managing Director

Director

Baiyur Momen
Chief Finance Officer



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Arvind Niloy Exports (Pvt.) Ltd.
Statement of Changes in Equity
for the year ended 31st March 2014

Particulars	Share capital (Taka)	Retained earning (Taka)	Share Money (Taka)	Total (Taka)
Balance as on Incorporation date	4,000,000			4,000,000
Net profit for the year 2013		(3,021,608)		(3,021,608)
	-	-	-	-
Dividend paid for 2012	-	-	-	-
Balance as of 31st March 2013	4,000,000	(3,021,608)	-	978,392
Balance as on 1st April 2013	4,000,000	(3,021,608)		978,392
Sharemoney deposited During The year	5,000,000		5,861,900	10,861,900
Net profit for the year 2014	-	(13,103,035)	-	(13,103,035)
	-	-	-	-
Dividend paid for 2013	-	-	-	-
Balance as of 31st March 2014	9,000,000	(16,124,643)	5,861,900	(1,262,743)

Managing Director

Director

Bijoy Kumar
Chief Finance Officer



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Arvind Niloy Exports (Pvt.) Ltd.
Notes to the Financial Statements
for the year ended 31st March 2014

1 Status and activity of the company

Arvind Niloy Export (Pvt.) Ltd. is a private company limited by shares and was incorporated in Bangladesh under the Companies Act, 1994 on 02-01-13 bearing registration no C-106519/13. The main activities of the company is to establish a buying house for Export & Import oriented readymade garments, accessories and all sorts of traditional, nontraditional handicrafts, general and industrial items and also to invest either individually or with joint venture in any industry for Design, Deying, Printing, Washing, Bleaching, Calandaring and packaging, readymade garments, sweater, knitting, textile and allied nature of industries.

2 Summary of significant accounting policies

2.01 Basis and convention of accounting

The financial statements of the company, which are expressed in Bangladesh Taka, are prepared in accordance with International Accounting Standards so far adopted in Bangladesh and under the historical cost convention.

2.02 Fixed assets

Tangible fixed assets have been stated at cost as reduced by accumulated depreciation. Fixed assets costing less than BDT 1,000 are recognized as expenditure irrespective of their useful lives.

2.03 Depreciation

Depreciation is provided on all fixed assets, at various rates on a reducing balance method over their estimated useful lives. Depreciation on additions to fixed assets are charged for the full year in the year of acquisition while no depreciation is charged in the year of retirement/disposal. The rates of depreciation and useful lives are stated below:

<u>Name of Fixed Assets</u>	<u>Rates of Depreciation</u> (%)	<u>Estimated</u> <u>useful lives</u>
Office Equipment	20.00	
Office Furniture	20.00	

Company charge depreciation on fixed assets as per rates and method of Income tax act.



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2.04 Inventories

Inventories are valued at lower of cost and net realizable value. Inventories comprise of sample instruments for readymade garments, design sheet, accessories, stationery etc

2.05 Trade debtors

Trade debtors, which generally have within 90 days terms, are recognized and carried at original invoiced amount.

2.06 Intercompany payables

Intercompany payables are usually settled on 60 days terms and are carried at cost.

2.07 Balances with related companies

Balances with related companies, which are normally settled on 30-60 days terms, are carried at cost.

2.08 Turnover and revenue recognition

Sales / Turnover are recognized net of discounts / claims when the goods or services are delivered and accepted by customers . The Company doesn't have any policy to recover Interest from debtors for delayed payments.

2.09 Tax Rate

The tax rate is 37.5% on the taxable net profit. The disclosed net profits are adjusted in line with the requirement of Income Tax Ordinance 1984. The Company is engaged in earning buying house commission from different garments industries. The commission so earned are subject to deduction of advance income tax u/s 53EE of the said Ordinance @ 7.5% and the taxes so deducted are adjusted and are given credit at the time of computation of total income and tax chargeable thereon.

2.10 Employee benefit

The Company is not required to establish WPPF according to labour Act. The establishment of



62

Contributory Provident Fund (CPF) is under consideration.

2.11 Foreign currency transactions

- a) Foreign currency transactions have been converted into Bangladesh Taka at the ruling rate on the date of transaction.
- b) The imported plant & equipment has been converted at historical rates.

2.12 General

- (i) Figures appearing in the financial statements have been rounded off to the nearest Taka.
- (ii) Previous year's figures have been rearranged, whenever considered necessary to conform to the current year's presentation.

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	2014 <u>Taka</u>	2013 <u>Taka</u>	
3 Share Capital			
Authorized capital			
"5,00,000 ordinary shares of Taka 100 each	<u>50,000,000</u>	<u>50,000,000</u>	
Issued, subscribed and paid-up capital			
90000 (PY 40000) ordinary shares of Taka 100 each fully paid up. Details of shares held by the subscribers are as under:			
<u>Name of shareholder</u>	<u>Nationality</u>	<u>No of shareholdings</u>	<u>Amount in Taka</u>
		<u>2014</u> <u>2013</u>	<u>2014</u> <u>2013</u>
Arvind Limited	Indian	63,000 28,000	6,300,000 2,800,000
Nitol Motors Limited	Bangladeshi	27,000 12,000	2,700,000 1,200,000
		<u>90,000</u> <u>40,000</u>	<u>9,000,000</u> <u>4,000,000</u>

4 Fixed assets at cost - less accumulated depreciation

Fixed assets at cost:

Balance as on 1st April 2013	25,100	-
Add: Additions during the year	431,959	25,100
	<u>457,059</u>	<u>25,100</u>
Less: Adjustments/disposal during the year	-	-
Balance as on 31st March 2014	<u>457,059</u>	<u>25,100</u>

Accumulated depreciation:

Balance as on 1st April 2013	-	-
Add: Charged during the year	91,412	-
	<u>91,412</u>	<u>-</u>
Less: Adjustments/disposal during the year	-	-
Balance as on 31st March 2014	<u>365,648</u>	<u>25,100</u>

The details of fixed assets are shown in **Annexure - A**

5 Preliminary Expenses

Less: Amortizaion of Expenses	266,478	333,098
	66,620	66,620
	<u>199,858</u>	<u>266,478</u>

The preliminary expenses represent the amount spent for incorporation of the Company. The preliminary expenses include Stamping fees, Company registration fees, authorized capital registration fees, certification of memorandum and articles of assosiation and other allied pre-incorporation expenses. The entire amount will be amortized over a period of 05 years.



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2014
Taka

2013
Taka

6 Inventory 247,802 -
Inventory includes sample of fabrics & garments, design, pattern & order sheet, spares, accessories & stationery. At the close of business on 31st march 2014, the inventory is stated at cost or net realisable value whichever is less .

7 Cash & Bank Balance

Cash at Bank	14,288	2,938,846
Cash in hand	41,489	23,668
	55,777	2,962,514

8 Advance, Deposit & Prepayments

Loans & Advance(Office & Guest House Rent)	879,944	879,944
Loans & Advance other	1,371,361	
AIT 0.8 % on inward remittance	2,828	-
Staff Advance	65,738	2,000
	2,319,872	881,944

It represent the security money deposited , advance paid to staff, advance office rent and other advance for procurement of goods and services.

9 Loan & advance

2,261,862

This amount represent the the fund receivables from its sponsor's office Arvind Ltd, bangalore, India derived from rendering services to them.

10 Current liabilities

Duties & Taxes	788,390	210,938
Provision (office rent, security deposit etc)	5,693,039	50,806
Audit fees payable	45,000	
Sundry Creditors	171,000	2,895,899
	6,697,429	3,157,643

11 Provision for Income Tax

16,132

The tax rate of the Company is 37.5%. The Company disclosed a before tax net loss of BDT 130,86,903/= but however, an amount of BDT 16,132 has been charged in accordance with section 16CCC of ITO 1984 and after adjustment of advance income tax BDT 2,828.48, an amount of BDT 13,303.52 is payable at the close of business on 31st march 2014

12 Turnover

3,226,398

Generally Company earned profits and fees & commission by providing technical , marketing expertised services & solutions and arranging export order to different garments manufacturer.



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	2014	2013
	<u>Taka</u>	<u>Taka</u>
13 General Administrative, Marketing & Selling Expenses		
Audit Fees	50,000.00	50,000.00
Bank Charge	56,264.80	3,345.00
Boarding & Loading Exp.(Travel for business development)	62,633.78	505,485.88
Car Exp.-Overtime	70,520.00	2,240.00
Car Fuel-CNG, Octane, Parking fees etc	166,094.00	17,052.00
C&F Expenses & Duty	72,520.00	1,395.68
Courier Exp.	536,660.81	27,794.64
Electricity Exp.		8,600.00
Fitting & Fixtures	32,922.00	710.00
Guest House-Agent Fee		10,000.00
Guest House Expenses	38,597.10	37,651.20
Guest House Exp- Electricity	20,024.00	353.00
Guest House Exp.-Food	91,965.00	22,565.00
Security & House Keeping Exp.	357,968.00	40,088.00
Licenses renewal Fees & Expenses	78,000.00	
Local Conveyance	97,840.22	10,395.44
Telephone & Mobile Exp.	224,442.87	16,475.68
Office Exp.-Canteen	29,989.00	1,454.00
Office Maintainance & Misc Exp.	61,378.45	4,500.00
Office Internet- Router Fee	104,194.00	5,806.00
Printing & Stationry	48,899.00	3,244.24
Rent- Guest House	1,080,000.00	180,000.00
Rent-Office	4,199,664.00	1,049,916
Salaries, Allowences , Expenses Reimbursement, Benefits	6,468,518.00	144,123.00
Sample Development, Testing & Processing CHG	293,871.30	16,518.54
Travelling Exp.-Air Fare	761,637.83	518,055.14
Travelling Exp & Work permit Expenses.- VISA	154,189.11	77,777.06
VAT Borne by Co @ 15%	91,500.00	7,775.00
VAT Borne by Co @ 4.5%		3,375.00
VAT Borne by Co @9%	361,764.00	110,692.00
Vehical Hire CHG	520,000.00	75,000.00
WI-FI Internet Fee-Guest House	23,213.00	2,600.00
Amortizaion of Preliminary Expenses	66,619.50	66,620.00
Depreciation	91,411.88	
	16,313,301.65	3,021,607.50



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Chartered Accountants

Taka Taka

14 Non - operating income - -

Non operating income includes sales of scraps, cartoon and interest on bank deposit. During the year the Company didn't earn anything from the above noted source.

15 Financial expenses

Financial expenses includes interest on bank loan and hire-purchase obligation. The Company doesn't have any obligation with any bank and financial institute and as to why, it doesn't have anything to claim under the head financial expenses.

16 Contingent liability

The company is not contingently liable for any guarantee given to third party nor for any litigation as of 31st March 2013.

16.1 Bill of exchange with the bank	-	-	
16.2 Guarantee outstanding	-	-	
16.3 Other contingent liability (Insurance claim)			
16.4 Claims against the company not acknowledged as debts	-	-	
16.5 Capital expenditure commitments	-	-	
i) Contracted but not accounted for	-	-	
ii) Approved but not contracted for	-	-	
16.6 Commitment for payment against L/C	?	?	

17 Number of employees

The total number of employees at the end of the year was (2013: 03).

<u>Particulars</u>	<u>Number of employees</u>	<u>Number of employees</u>	
Factory workers			
Head office staff	5	3	
Total	<u>5</u>	<u>3</u>	

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18 Related Parties Transactions

(Figures in Bangladesh Taka)

Inter Company	Purpose	Balance (payable) Receivable as on 1st April 2013	Amount (Invoiced to Co) Invoiced by Co. during the year	Amount received during the year	Balance (Payable) Receivable as on 31st March 2014
Arvind Limited	Travelling cost Reimbursement	(1,208,160)	3,470,022	-	2,261,862
Nitrol Motors Limited	Rent of Office Premises	(1,049,916)	(3,937,180)	-	(4,987,096)
Nitrol Motors Limited	Deposit for Office Premises	(699,944)	-	-	(699,944)
Total		(2,958,020)	(467,158)	-	(3,425,178)



13

Arvind Niloy Exports (Pvt.) Ltd.
Schedule of Fixed Assets
as at 31st March 2014

(Figures in Bangladesh Taka)

Particulars	C O S T			Rate (%)	D E P R E C I A T I O N				Written down value as at 31st March 2014
	Balance as at 1st April 2013	Additions during the year	Disposal during the year		Balance as at 31st March 2014	Charges for the year	Adjustments during the year	Balance as at 31st March 2014	
Office Equipments	25,100	13,431	-	38,531	20%	7,706	7,706	30,825	
Office Furniture	-	418,528	-	418,528	20%	83,706	83,706	334,822	
Total 2014	25,100	431,959	-	457,059		91,412	91,412	365,648	
Total 2013	25,100	-	-	25,100		-	-	25,100	



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