

Anwar Galvanizing Limited

Baitul Hossain Building,
27 Dilkusha, Dhaka-1000, Bangladesh.

**AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
As at and for the year ended 30 June 2021**

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**Independent Auditor's Report
To the Shareholders' of Anwar Galvanizing Limited**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Anwar Galvanizing Limited (the "Company"), which comprise the Statement of Financial Position as at 30 June 2021 and along with 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.

In our opinion, the accompanying financial statements is present fairly, in all material respects, the financial position of the Company as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for *Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue Recognition	
See note 16.00 to the financial statements	
Risk	Our Response to the Risks
<p>The company reported total revenue of BDT 609,988,495 as 30 June 2021. Revenue increased by BDT. 75,736,847 which shows 14% higher revenue compared to last year. We focus on the risk of material misstatement in the recognition of revenue, as a result of both fraud and error, because revenue is material and is an important determinant of the company's profitability, which has a consequent impact on its share price performance.</p> <p>Revenue is derived from sales of GI Fittings and Others (scrap and wastage) as disclosed in note</p>	<p>We have tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> • calculation of each GI Fittings sales and Others sales; • specific reason behind no sales of brake drum. • segregation of duties in invoice creation and modification; and • Timing of revenue recognition. <p>Our substantive procedures in relation to the revenue recognition comprises the following:</p> <ul style="list-style-type: none"> • Obtaining supporting documentation for sales transactions recorded at the yearend date to determine whether revenue was recognized in the



16 to the financial statements.	<p>current period;</p> <ul style="list-style-type: none"> Critically assessing manual journals posted to revenue to identify unusual or irregular items; and <p>Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards.</p>
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2. Valuation of Inventories	
See note 4.00 to the financial statements	
Risk	Our Response to the Risks
<p>The company had inventories of BDT 202,405,019 at 30th June 2021, held in factory premises and warehouse.</p> <p>Inventory value is measured at the lower of cost and net realizable value. As a result, the Directors apply judgment in determining the appropriate values for value in use and working progress.</p> <p>The Work in Progress is calculated within the company's accounting systems using an automated process. Where local systems require manual interfaces and inputs, there is a risk that inappropriate management override and/or error may occur.</p>	<p>We challenged the appropriateness of management's assumptions applied in calculating the value of the inventory provisions by:</p> <ul style="list-style-type: none"> evaluating the design and implementation of key inventory controls operating across the company, including those at a sample of warehouses. comparing the net realizable value, obtained through a detailed review of sales subsequent to the year-end, to the cost price of a sample of inventories and comparison to the associated provision to assess whether inventory provisions are complete; and challenging the completeness of inventory provisions through assessing actual and forecast sales of inventory to assess whether provisions for slow-moving/obsolete stock are valid and complete, if any

3. Trade Receivables	
See note 5.00 to the financial statements	
Risk	Our Response to the Risks
<p>The company has BDT. 81,694 of trade receivables as at 30 June 2021, which is net of Provision of bad debt amount to BDT. 812,557.</p> <p>The company has a large number of dealers, therefore the size of the trade receivable balance and the high level of management judgment used in determining the impairment provision is a significant issue.</p>	<p>For trade receivables and the management's policy for bad debt provision, our key audit procedures included the following:</p> <ul style="list-style-type: none"> We performed trade receivables balance confirmations from the dealers on a sample basis; We analyzed the aging of trade receivables; and We obtained a list of long outstanding receivables and assessed the recoverability of these through inquiry with management and by obtaining sufficient corroborative evidence to support the conclusions.

