

**Dhaka Office :**Rupali Bima Bhaban (5th & 6th Floor)

7, Rajuk Avenue, Motijheel,

Dhaka-1000, Bangladesh.

Tel : +88-02-9565136, 9551663, 9551821

Fax : +88-02-9551821

E-mail : kwsr@dhaka.net

Web : www.kwsrbd.com

Chattogram Branch Office :Faruk Chamber (10th Floor)

1403 Sk. Mujib Road,

Agrabad C/A, Double Mooring,

Chattogram, Bangladesh.

Tel : +88-031-2520056

E-mail : kwsrctg@gmail.com

Web : www.kwsrbd.com

Independent Auditors' Report**To the Shareholders of Hakkani Pulp & Paper Mills Limited****Report on the Audit of the Financial Statements****Opinion**

We have audited the **Financial Statements** of "**Hakkani Pulp & Paper Mills Limited**" which comprise the **Statement of Financial Position** as at 30 June 2020, and **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 explanatory information's.

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the **Financial Position** of **Hakkani Pulp and Paper Mills Limited** as at 30 June 2019, and its **Financial Performance** and its **Cash Flows** for the year then ended in accordance with **International Financial Reporting Standards (IFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987** and other applicable laws and regulations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and Bangladesh Securities and Exchange Commission (BSEC), and we have fulfilled our ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Without qualifying our opinion, we draw attention to the following issues:

Matter of Emphasis**01. Significant Deviation in Net Operating Cash Flow per Share (NOCFPS):**

Disclosed in note 43 of the notes to the financial statements, Net Operating Cash Flow per Share (NOCFPS) has decreased significantly and stood at **Tk. (3.49)** for the year ended on **30 June 2020**, whereas it was **Tk. 4.35** for the year ended on 30 June 2019.

02. Significant Increase in Earnings per Share (EPS):

Disclosed in note 34 of the notes to the financial statements, Earnings per Share (EPS) has stood at **Tk. 0.07** for the year ended on **30 June, 2020** whereas it was **Tk. (1.11)** for the year ended on 30 June 2019 due to increase in sales of Tissue Unit.

Dhaka Office :

Rupali Bima Bhaban (5th & 6th Floor)
7, Rajuk Avenue, Motijheel,
Dhaka-1000, Bangladesh.
Tel : +88-02-9565136, 9551663, 9551821
Fax : +88-02-9551821
E-mail : kwsr@dhaka.net
Web : www.kwsrbd.com

**Chattogram Branch Office :**

Faruk Chamber (10th Floor)
1403 Sk. Mujib Road,
Agrabad C/A, Double Mooring,
Chattogram, Bangladesh.
Tel : +88-031-2520056
E-mail : kwsrctg@gmail.com
Web : www.kwsrbd.com

03. Tissue Unit:

The Tissue unit has risen its Sales amount by 115.15% from **48,768,148/-** in FY 2018-2019 to **104,926,124/-** during FY 2019-2020. The company has disclosed the unit wise sales in note 26 of the notes to the financial statements.

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. We have determined the matters described below to be the key audit matters to be communicated in our report.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

We have determined the following key audit matters to communicate in our report.

Revenue Recognition***The key Audit Matter***

The company recognizes revenue from the sales of paper and tissue products when control over goods is transferred to a customer/dealers. The actual point in time when revenue is recognized varies depending on the specific terms and conditions of the sales contracts entered into with customers/dealers. The company has a number of customers operating in various geographies and sales contracts with customers/dealers have a different terms relating to the recognition of revenue, the right of return and price adjustments. Sales arrangements in certain jurisdictions lead to material deductions to gross sales in arriving at revenue. We identified the recognition of revenue from sale of products as a key audit matter because;

- Revenue is a key performance indicator of the company and there is risk of revenue being overstated due to fraud resulting from pressure to achieve targets.

How the scope of our audit responded to the key audit matter

- Assessing the appropriateness of the policies in respect of revenue recognition by comparing with applicable accounting standards;
- Evaluating the design, testing the implementation, and operating effectiveness of the company's internal controls over recognition of revenue and measurement of rebates, discounts, returns and chargebacks;
- Assessing manual journals posted to revenue to identify unusual items not already covered by our audit testing;

**Dhaka Office :**

Rupali Bima Bhaban (5th & 6th Floor)
 7, Rajuk Avenue, Motijheel,
 Dhaka-1000, Bangladesh.
 Tel : +88-02-9565136, 9551663, 9551821
 Fax : +88-02-9551821
 E-mail : kwsr@dhaka.net
 Web : www.kwsrbd.com

Chattogram Branch Office :

Faruk Chamber (10th Floor)
 1403 Sk. Mujib Road,
 Agrabad C/A, Double Mooring,
 Chattogram, Bangladesh.
 Tel : +88-031-2520056
 E-mail : kwsrctg@gmail.com
 Web : www.kwsrbd.com

- Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgments, and sensitivities.

Property, Plant & Machinery:***The key Audit Matter***

The company has Tk **847,319,717** as Written-Down-Value at Property Plant & Equipment which stands 60.97% of total assets with new acquisition of Tk **14,350,123** made during the year.

Please refer to Note 5.00 "**Property, Plant & Machinery**" of the notes to the Financial Statements for relevant details.

How the scope of our audit responded to the key audit matter:

- Our procedures in relation to property, plant and equipment included:
- Obtained an understanding of the management process for acquisition of fixed assets.
- Evaluate the appropriateness of acquisition process of non-current assets.
- Testing the key controls over the management's judgment in relation to the accounting estimates of property, plant, and equipment.

Taxation***The key Audit Matter***

Given the company's exposure to complex tax issues, the high level of management judgment in estimating the amounts of reserve and provision for tax and involvement with regulatory authorities, taxation was considered to be a key audit matter.

Please refer to Note 18.00 "**Deferred Tax Liability**" and Note 23.00 "**Current Tax Liability**" to the financial statements for relevant disclosures regarding calculation and disclosure of taxation.

How the scope of our audit responded to the key audit matter:

- We particularly focused on the impact of whether the tax provision was appropriately recognized; we conducted interviews with the company's tax personnel in order to assess the taxable income of the company. We re-performed the calculations made by the management regarding tax liabilities to ensure compliance with the provisions of Income Tax Ordinance, 1984 and checked the arithmetical accuracy of the calculations. We also carefully reviewed for any contingent liabilities to be included in the financial statements in this regard.
- We also obtained an understanding, evaluated the design, and tested the operational effectiveness of the Company's key controls over the recognition and measurement of

Dhaka Office :Rupali Bima Bhaban (5th & 6th Floor)

7, Rajuk Avenue, Motijheel,

Dhaka-1000, Bangladesh.

Tel : +88-02-9565136, 9551663, 9551821

Fax : +88-02-9551821

E-mail : kwsr@dhaka.net

Web : www.kwsrbd.com

**Chattogram Branch Office :**Faruk Chamber (10th Floor)

1403 Sk. Mujib Road,

Agrabad C/A, Double Mooring,

Chattogram, Bangladesh.

Tel : +88-031-2520056

E-mail : kwsrctg@gmail.com

Web : www.kwsrbd.com

deferred tax liabilities and the assumptions used thereon. We assessed key assumptions, controls, recognition and measurement of deferred tax assets. We also assessed the appropriateness of presentation of disclosures against "Income Tax".

Impact of COVID-19 on Business:**The key Audit Matter**

On 11 March 2020, World Health Organization (WHO) declared a global pandemic due to corona Virus related respiratory disease commonly called as COVID-19. It has a big impact on imports, other procurement, production, export, and other activities of the Global business. The government of Bangladesh has declared general holidays from 26.03.2020 to 30.05.2020 and majority of Company of our country was compelled to reduce their business at that period. To contain the spread of this disease, along with many other countries of the world, Government of Bangladesh has also taken a number of measures such as declaration of general holiday, enforcement of lock down, social distancing etc. As a result of these measures all business and economic activities are adversely affected which would also impact the company as well. Although the business operation and profitability of the company are impacted due to COVID-19, but as the situation is constantly changing and there is no certainty at present as to how long the situation will prevail, the potential impact of COVID-19 related matters on the company's operation and financial results cannot be reasonably assessed.

The company has given disclosures in Note No. 47.00 related to the impact of the Covid-19 Pandemic.

How the scope of our audit responded to the key audit matter:

- Regarding COVID-19 pandemic effect on the business activities of Hakkani Pulp & Paper Mills Limited, we have discussed with the management of Hakkani Pulp & Paper Mills Limited on the potential impact of pandemic on the company.
- We also compared the previous year Financial Statements figures with the current year to find out the impact of COVID-19 Pandemic on the Business.

Other Information

Management is responsible for the other information. The other information comprises all of the information other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

Dhaka Office :

Rupali Bima Bhavan (5th & 6th Floor)
7, Rajuk Avenue, Motijheel,
Dhaka-1000, Bangladesh.
Tel : +88-02-9565136, 9551663, 9551821
Fax : +88-02-9551821
E-mail : kwsr@dhaka.net
Web : www.kwsrbd.com

**Chattogram Branch Office :**

Faruk Chamber (10th Floor)
1403 Sk. Mujib Road,
Agrabad C/A, Double Mooring,
Chattogram, Bangladesh.
Tel : +88-031-2520056
E-mail : kwsrctg@gmail.com
Web : www.kwsrbd.com

with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the board of directors of the Company.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

Dhaka Office :

Rupali Bima Bhaban (5th & 6th Floor)
7, Rajuk Avenue, Motijheel,
Dhaka-1000, Bangladesh.
Tel : +88-02-9565136, 9551663, 9551821
Fax : +88-02-9551821
E-mail : kwsr@dhaka.net
Web : www.kwsrbd.com

**Chattogram Branch Office :**

Faruk Chamber (10th Floor)
1403 Sk. Mujib Road,
Agrabad C/A, Double Mooring,
Chattogram, Bangladesh.
Tel : +88-031-2520056
E-mail : kwsrctg@gmail.com
Web : www.kwsrbd.com

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management but not for the purpose expressing an opinion on the effectiveness of the company's internal control.
- 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 material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the company's financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the company audit. We remain solely responsible for our audit opinion.

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.

Dhaka Office :

Rupali Bima Bhaban (5th & 6th Floor)
7, Rajuk Avenue, Motijheel,
Dhaka-1000, Bangladesh.
Tel : +88-02-9565136, 9551663, 9551821
Fax : +88-02-9551821
E-mail : kwsr@dhaka.net
Web : www.kwsrbd.com


**Chattogram Branch Office :**

Faruk Chamber (10th Floor)
1403 Sk. Mujib Road,
Agrabad C/A, Double Mooring,
Chattogram, Bangladesh.
Tel : +88-031-2520056
E-mail : kwsrctg@gmail.com
Web : www.kwsrbd.com

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations, we also report the following:

- a) we have obtained all the information and explanations (except the matter discussed in qualified opinion para) 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 accounts as required by law have been kept by the company so far as it appeared from our examination of these books;
- c) the 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 accounts and returns; and
- d) the expenditure incurred, and payments made were for the purposes of the company's business.


Mohammad Shaheed FCA, FCMA
Senior Partner
Khan Wahab Shafique Rahman & Co.
Chartered Accountants.

Date: November 14, 2020
Chattogram



HAKKANI PULP & PAPER MILLS LIMITED
Statement of Financial Position
As at 30th June 2020

	Note(s)	2020 Taka	2019 Taka
ASSETS			
Non Current Assets :			
Property, Plant and Equipment	05	861,537,841	896,712,894
Capital Work-In-Progress	06	847,319,717	882,494,770
		14,218,124	14,218,124
Current Assets:			
Investment in Shares (Fair Value)	07	528,263,576	421,535,574
Inventories	08	15,560,190	23,449,916
Trade Receivables	09	192,320,943	137,258,458
Advances, Deposits & Prepayments	10	148,744,551	115,017,902
Cash & Cash equivalents	11	160,053,753	140,828,005
		11,584,139	4,981,294
TOTAL ASSETS		1,389,801,417	1,318,248,468
SHARE HOLDERS EQUITY & LIABILITIES			
Shareholders Equity:			
Share Capital	12	490,646,274	495,387,034
Dividend Equalization Reserve	13	190,000,000	190,000,000
Revaluation Reserve	14	13,279,866	15,000,000
Fair Value Reserve	7.02	278,034,601	288,725,108
Retained Earnings	15	(4,803,835)	1,523,617
		14,135,642	138,309
Non Current Liabilities:			
Unsecured Loan	16	479,942,323	392,691,765
Long Term Loan-non-current portions	17	44,999,990	44,999,990
Deferred Tax Liability	18	329,851,787	247,137,113
		105,090,546	100,554,663
Current Liabilities:			
Short Term Loan & Overdraft	19	419,212,821	430,169,669
Accrued Expenses	20	258,859,442	246,138,646
Workers Profit Participation and Welfare Fund	21	26,063,472	19,854,915
Long Term Loan-current Portion	17.01	1,126,585	589,829
Trade Payables	22	54,975,298	95,428,584
Current Tax Liabilities	23	50,487,090	49,313,000
Liabilities for Other Finance	24	12,805,342	9,912,932
Directors Current Account	25	3,395,592	3,431,762
		11,500,000	5,500,000
TOTAL EQUITY & LIABILITIES		1,389,801,417	1,318,248,468
Net Asset Value Per Share(with revaluation)	35	25.82	26.07
Net Asset Value Per Share(without revaluation)	36	11.19	10.88

The annexed notes from 1 to 47 an integral part of these financial statements.



 CHAIRMAN


 MANAGING DIRECTOR (In-Charge)


 COMPANY SECRETARY

Place: Chattogram
 Date: November 14, 2020




 Khan Wahab Shafique Rahman & Co.
 Chartered Accountants

HAKKANI PULP & PAPER MILLS LIMITED
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2020

	Note(s)	2020 Taka	2019 Taka
Revenue	26	473,084,915	484,009,189
Less: Cost of Sales	27	395,732,584	417,746,415
Gross Profit / (Loss)		77,352,331	66,262,774
Less: Operating Expenses:			
Administrative Expenses	28	15,084,474	18,635,395
Financial Expenses	29	52,070,070	50,000,652
Selling & Distribution Expenses	30	7,740,119	5,377,488
		74,894,663	74,013,535
Operating Profit		2,457,668	(7,750,761)
Add: Non-Operating Income	31	8,983,469	2,242,804
Less: Loss on disposal of PPE	32	(169,262)	-
Net Profit Before WPPF & WWF		11,271,875	(5,507,957)
Less: Contribution to Workers Profit Participation and Welfare Fund	21.01	536,756	-
Net profit before Tax		10,735,119	(5,507,957)
Less: Income Tax Provision:			
Current Tax		2,892,410	2,917,512
Deferred Tax	33	6,422,443	12,709,744
		9,314,853	15,627,256
Net profit after Tax for the period		1,420,266	(21,135,212)
Other Comprehensive Income:			
Deferred Tax on Revaluation Reserve		1,886,560	2,016,094
Unrealized Gain/ (Loss) on Investment in Shares	7.02	(6,327,452)	(1,039,535)
		(4,440,892)	976,559
Total Comprehensive Income		(3,020,626)	(20,158,654)
Earning Per Share - Basic	34	0.07	(1.11)

The annexed notes from 1 to 47 an integral part of these financial statements.


 CHAIRMAN


 MANAGING DIRECTOR (In-Charge)


 COMPANY SECRETARY

Place: Chattogram
 Date: November 14, 2020


 Khan Wahab Shafique Rahman & Co.
 Chartered Accountants



HAKKANI PULP & PAPER MILLS LIMITED
Statement of Changes in Equity
For the year ended 30 June 2020

Particulars	Share Capital	Dividend Equalization Reserve	Revaluation Reserve	Fair Value Reserve	Retained Earnings	Total
Balance as at 01 July 2019	190,000,000	15,000,000	288,725,108	1,523,617	138,309	495,387,034
Adjustment of depreciation on carrying amount of revalued assets	-	-	(12,577,067)	-	12,577,067	-
Deferred Tax on Revaluation Surplus	-	-	1,886,560	-	-	1,886,560
Unrealized Gain/(Loss) on Investment in Shares	-	-	-	(6,327,452)	-	(6,327,452)
Dividend for the period 2018-2019	-	(1,720,134)	-	-	-	(1,720,134)
Net Profit after Tax for the year	-	-	-	-	1,420,266	1,420,266
Balance as on 30 June 2020	190,000,000	13,279,866	278,034,601	(4,803,835)	14,135,642	490,646,274
For year ended 30 June 2019						
Balance as at 01 July 2018	190,000,000	15,000,000	300,149,645	2,563,152	13,532,891	521,245,689
Adjustment of depreciation on carrying amount of revalued assets	-	-	(13,440,631)	-	13,440,631	-
Deferred Tax on Revaluation Surplus	-	-	2,016,094	-	-	2,016,094
Unrealized Gain/(Loss) on Investment in Shares	-	-	-	(1,039,535)	-	(1,039,535)
Dividend for the period 2017-2018	-	-	-	-	(5,700,000)	(5,700,000)
Net Profit after Tax for the year	-	-	-	-	(21,135,213)	(21,135,213)
Balance as on 30 June 2019	190,000,000	15,000,000	288,725,108	1,523,617	138,309	495,387,034


CHAIRMAN


MANAGING DIRECTOR (In-Charge)


COMPANY SECRETARY

The annexed notes from 1 to 47 an integral part of these financial statements.

Place: Chattogram
Date: November 14, 2020



HAKKANI PULP & PAPER MILLS LIMITED
Statement of Cash Flows
For the year ended 30 June 2020

	Note(s)	2020 Taka	2019 Taka
A. Cash flows from Operating Activities:			
Cash Collection from Turnover & Others		448,341,735	503,198,889
Payment for Material and Expenses		(460,114,810)	(368,785,583)
Interest Paid		(52,070,070)	(50,000,652)
Income Tax Paid		(2,412,093)	(1,703,291)
Net Cash flows from Operating Activities	43	(66,255,238)	82,709,364
B. Cash flows from Investing Activities:			
Acquisition of Property, Plant & Equipment		(14,350,123)	(71,622,523)
Disposal of Property Plant And equipment Advanced for Machinery		2,742,864	(2,166,815)
Sale of shares		(16,776,095)	-
		1,351,803	2,646,382
Net cash flows from Investing Activities		(27,031,552)	(71,142,956)
C. Cash flows from Financing Activities:			
Short Term Loan & Overdraft		12,720,795	(99,932,478)
Long Term Loan		82,714,674	86,396,568
Unsecured Loan Received		-	1,306,700
Directors Current Account		6,000,000	-
Liabilities for other finance		(36,170)	752,222
Dividend Paid		(1,509,663)	(5,700,000)
Net Cash flows from Financing Activities		99,889,636	(16,276,988)
D. Net Increase/(Decrease) in Cash and Bank Balances (A+B+C)		6,602,846	(4,710,581)
E. Opening Cash and Bank Balances		4,981,294	9,691,875
Closing Cash and Bank Balances (D+E)		11,584,139	4,981,294
F. Net Operating Cash Flows Per Share	37	(3.49)	4.35

The annexed notes from 1 to 47 an integral part of these financial statements.


 CHAIRMAN


 MANAGING DIRECTOR (In-Charge)


 COMPANY SECRETARY

Place: Chattogram
 Date: November 14, 2020



HAKKANI PULP & PAPER MILLS LIMITED

**Notes to the Financial Statements
For the year ended 30 June 2020**

1.00 LEGAL STATUS AND NATURE OF THE BUSINESS:

1.01 Status and Legal Form of the Company

Hakkani Pulp & Paper Mills Ltd. (hereinafter referred to as the "Company") has been incorporated in Bangladesh as a public company limited by shares under the Companies Act, 1994 vide Registration No. CHC-2462/1996 with the Registrar of Joint Stock Companies and Firms on December 28, 1996. The Company issued shares to the general public in 2001 and got listed with Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd.

The registered office of the Company is situated at 2/10, D.T. Road, North Pahartali, Chattogram. The factory is located at Mouza: Halimkhar Char, P.S: Potiya, Dist: Chattogram on Chattogram -Cox's Bazar Highway.

1.02 Nature of Business:

The principal objects of the company is to manufacture different kinds of Pulp, Papers & Tissue products.

2.00 BASIS OF PREPARATION, PRESENTATION AND DISCLOSURES OF FINANCIAL STATEMENTS:

2.01 Statement of compliance:

The Financial Reporting Act,2015 (FRA) was enacted in 2015. The Financial Reporting Council (FRC) under FRA has been formed in 2017. As per the provision of FRA (section-69), the Financial Statement have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the Companies act the title and formate of these financial statements follow the requirements of IFRSs which are to some diffierent from requirement of the Companies Act 1994. However,such differences are not material and view of management, IFRS formate gives a better presentation to the Shareholders.

Moreover, these Financial Statements have been prepared on a going concern basis following accrual basis of accounting except for statment of cash flows in accordance with the International Accounting Standard (IAS) and International Financial Reporting Standard (IFRS) as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh (ICAB).

2.02 Other Regulatory Compliances:

The entities are also required to comply with the following major laws and regulation along with the Companies Act, 1994.

The Income Tax Ordinance,1984

The Income Tax Rules , 1984

The Value Added Tax Act and Supplementary Act,, 2012 (effective from 01 July 2019)

The Value Added Tax Act and Supplementary Rules,2016 (effective from 01 July 2019)

The Customs Act, 1969

Bangladesh Labour Act, 2006 as amended in 2013

The Securities and Exchange Ordiance, 1969

The Securities and Exchange Rules, 1987

The Corporate Governance code 2018



2.03 Application of International Accounting Standard (IAS):

The following IAS are applicable for the Financial Statements for the year under review:

IAS - 01	Presentation of Financial Statements
IAS - 02	Inventories
IAS - 07	Statement of Cash Flows
IAS - 08	Accounting Policies, Changes In Accounting Estimates and Errors
IAS - 10	Events after the Reporting year
IAS - 12	Income Taxes, Deferred Taxes.
IAS - 16	Property, Plant and Equipment
IAS - 19	Employee Benefits
IAS - 23	Borrowing Costs
IAS - 24	Related Party Disclosures
IAS - 32	Financial Instruments: Presentation
IAS - 33	Earning per Share
IAS - 36	Impairment Test.
IFRS- 07	Financial Instruments: Disclosure
IFRS- 09	Financial Instruments
IFRS- 15	Revenue From Contract With Customers

2.04 Basis of Reporting :

The Financial Statements have been prepared and presented for external users by the company in accordance with identified Financial reporting framework, presentation has been made in compliance with the requirements of IAS-1 "Presentation of Financial Statements "

- a. A Statement of Financial Position as at 30 June 2020.
- b. A Statement of Profit or Loss and other Comprehensive Income for the year ended 30 June 2020.
- c. A Statement of changes in equity for the year ended 30 June 2020.
- d. A Statement of Cash flows for the year ended 30 June 2020.
- e. Notes , comprising a summary of significant accounting policies and explanatory information.
- f. Comparative information prescribed by the Standard.

2.05 Authorization for Issue :

These financial statements have been authorized for issue by the Board of Directors on 14 November 2020 Unless otherwise stated, the accounting policies and methods of computation used in preparation of the financial statements as at and for the year ended 30 June 2020 are consistent with those policies and methods adopted in preparing the financial statements as at and for the year ended 30 June 2019.

2.06 Reporting Period:

The financial statements of the Company cover twelve months from 1 July 2019 to 30 June 2020.

2.07 Basis of Measurement :

The Financial Statement have been prepared on going concern basis under the historical cost convention except for revaluation of non-current assets.

2.08 Going Concern:

The Company have adequate resources to continue operation in foreseeable future (except otherwise stated).For this reason, Management continues to adopt going concern basis in preparing the financial statements.The current revenue generations and resources of the Company provide sufficient fund to meet the present requirements of existing business and operations.

2.09 Functional and presentation currency:

These financial statements are prepared in Bangladesh Taka, which is the functional currency of the Company. All financial information presented in Taka has been rounded off to the nearest integer except when otherwise indicated.



2.10 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- (I). Expected to be realized or intended to be sold or consumed in the normal operating cycle,
- (II). Held primarily for the purpose of trading,
- (III) Expected to be realized within twelve months after the reporting period and
- (IV) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies all other assets as non-current.

A liability is current when

- (I) It is expected to be settled in the normal operating cycle
- (II) It is held primarily for the purpose of trading,
- (III). It is due to be settled within twelve months after the reporting period and
- (IV) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities respectively.

2.11 Use of Estimates and Judgments:

In preparing financial statements, management has made judgements and estimates that affect the application of the company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

2.11.01 Judgements, assumptions and estimation uncertainties:

Information about judgements made in applying accounting policies and assumptions and estimation uncertainties that have the most significant effects on the amounts recognized in the financial statements is included in the following notes.

Note: 05 Property, Plant and Equipment

Note: 08 Inventories

Note: 09 Trade Receivables

Note : 10 Advances, Deposits & Prepayments

Note: 18 Deferred Tax Liability

Note: 23 Current Tax Liability

Note : 22 Trade Payables

3.00 SIGNIFICANT ACCOUNTING POLICIES:

The specific accounting policies selected and applied by the company management for significant transactions and events that have material effect within the framework of IAS 1 "Presentation of Financial Statements", in preparation and presentation of financial statements have been consistently applied throughout the year and were also consistent with those used in earlier years, except otherwise stated.

For a proper understanding of the financial statements, these accounting policies are set out below in one place as prescribed by the IAS 1 "Presentation of Financial Statements". The recommendations of IAS-1 relating to the format of financial statements were also taken into full consideration for fair presentation.



Set out below is an index of the significant accounting policies, the details of which are available on the following:

- (a) Property, plant and equipment
- (b) Capital work-in-progress
- (c) Impairment of assets
- (d) Investment in shares:
- (e) Inventories
- (f) Advances, deposits and prepayments:
- (g) Cash and cash equivalents:
- (h) Employee benefits
- (i) Provisions, contingent liabilities and contingent assets
- (j) Financial income and Financial expenses:
- (k) Borrowing costs
- (l) Taxation
- (m) Revenue recognition
- (n) Earning per share (EPS):
- (o) Foreign Currency Transaction Policy:
- (p) Comparative Information:
- (q) Consistency
- (r) Cash flow statement
- (s) Other Operating income
- (t) Events after the reporting period
- (u) Share Capital

3.01 Property, plant and equipment:

3.01.01 Recognition and measurement:

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self constructed/ installed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to the working condition for its intended use and the cost of dismantling and removing the items and restoring the site on which they are located. when parts of an item property plant and equipment have different useful lives, they are accounted separate items (major components) of property, plant and equipment.



3.01.02 Subsequent costs:

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future benefit embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss and other comprehensive income as incurred.

3.01.03 Depreciation:

Depreciation is recognized in Statement of Profit or Loss and other Comprehensive Income on diminishing balance method over the estimated useful lives of Property, Plant and Equipment. Depreciation is charged on Property, Plant and Equipment from the usable date i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management and no depreciation is charged in the year of disposal.

No depreciation is charged on land and capital work-in-progress. Depreciation is charged on all other fixed assets on a diminishing balance method. Depreciation of an assets is charged by the rates depending on the nature and estimated useful life of assets are given below:

Assets	Rate
Building & Other Civil Construction	5%
Plant & Machinery	7%
Furniture & Fixtures	10%
Office Equipment	10%
Electric Installation	10%
Gas Line Installation	10%
Telephone Line Installation	10%
Water Line Installation	10%
Fire Extinguisher	20%
Office Decoration	10%
Vehicle	20%
Motor Vehicle	20%
Factory Equipment	20%

Upon retirement of assets, the cost and related accumulated depreciation are eliminated from the accounts and resulting gain or loss is charged or credited to statement of profit or loss.

3.01.04 Non- Current asset held for Sales

Non-current assets that are highly probable to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale the assets are remeasured in accordance with the companies accounting policies. There after, the assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are recognized to revaluation reserve to the extent of revaluation surplus, in excess of revaluation surplus and subsequent gains or losses on remeasurement are recognized in the Statement of profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

If criteria for an asset to be classified as held for sale are no longer met, then the asset or disposal company ceases to be held for sale

In this case, the asset or disposal company should be valued at the lower of the carrying amount before the asset or disposal company was classified as held for sale (as adjusted for any subsequent depreciation, amortization, or revaluation) and its recoverable amount at the date of the decision not to sell.



3.02 Capital Work In Progress :

Property, plant and equipment under construction/acquisition is accounted for and measured at cost as capital work-in-progress until construction/acquisition is completed and it is ready for use.

The cost of capital work in progress comprises:

1) Purchase price includes import duties.

2) Any cost directly attributable to bringing the assets to be capable of operating in the manner intended by the Management.

The cost of capital working progress shall be recognized as property plant and equipment when it is probable that the economic benefits associated with its intended use will follow to the entity as per paragraph 7 of IAS 16 property plant and equipment.

3.03 Impairment of Assets:

An impairment test is carried out by the Management at the end of each reporting year to ascertain whether there is any internal or external indication as per 12 of IAS 36 that an assets is impaired if any such indication exists. Impairment loss / gain has not been recognised to the reporting date due to no such interna & externa indication arise in accordance with IAS 36 Impairment of asset.

3.04 Investment in Shares:

This investment in shares is initially recognized and measured at transaction costs that are directly attributable to the acquisition of the said financial asset. The management considered investment in shares as available for sale financial assets to present its subsequent changes in fair value through other compressive income in accordance with paragraph 5.7.5 of IFRS 9.

The cumulative gain or loss that was recognized in fair value adjustment reserve will be recognized in profit or loss when this investment will be sold.

3.05 Inventories:

3.05.01 Nature of inventories

Inventories comprise Raw Materials, Packing Materials, Consumable Stores, Work-in -Process and Finished Goods etc.

3.05.02 Valuation of the inventories

Inventories are measured at lower of cost and net realizable value. The cost of inventories includes expenditure incurred in acquiring these inventories and bringing them to their existing location and condition in accordance with IAS-2

Category

Finished Goods

Raw materials

Work in Process

Consumable stores

Packing materials

Basis of Valuation

Finished goods are valued at cost or NRV whichever is lower.

Raw materials are valued at weighted average method.

Work in process is valued at 100% cost of raw materials, 75% cost of labour and 50% cost of overhead.

Based on weighted average method.

Based on weighted average method.



3.06 Trade and Other Receivables:

Trade and other receivables are recognized at cost which is the fair value of the consideration given in return.

3.07 Advances, deposits and prepayments:

Advances are measured at cost. After recognition, advances are carried at cost less deductions, adjustments or charges to other account heads such as property, plant and equipment, inventory or expenses.

Deposits are measured at payment value.

Prepayments are initially measured at cost.

3.08 Cash and cash equivalents:

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term fixed deposits with banks.

3.09 Trade and other payable

The company recognizes a financial liability when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the group of resources embodying economic benefits.

3.10 Other liabilities:

Other liabilities represents the amounts due to various parties for receiving services. These are initially recognize date cost which is the fair value.

3.11 Cash flow statement :

Statement of cash flows is prepared in accordance with IAS 7: Cash Flow Statement and the cash flow from operating activities have been presented under direct method.

3.12 Employee benefit schemes:

The company maintains Workers' Profit Participation Fund and Workers' Welfare Fund @ 5% profit before tax as per Labour Act, 2006 as amended in 2013 and accordingly provision is made in the financial statements.

3.13 Provisions, contingent liabilities and contingent assets:

A provision is recognized in the Statement of financial position when the company has a legal or contractual 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. Contingencies arising from claims, litigations, assessments, fine, penalties etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Contingent assets are not recognized in the financial statements.

3.14 Financial income and Financial expenses:

3.14.01 Financial income

Interest income from bank deposits companies is recognized in the statement of profit or loss on accrual basis following specific rate of interest in agreement with banks.

3.14.02 Financial expenses

Interest expenses incurred during the period have been charged to statement of profit or loss and other comprehensive income.

3.15 Non- Operating income:

Non- operating income includes interest income on delayed receipts from customers, gain/(loss) on sale of fixed assets and miscellaneous receipts. Other operating income is recognized as revenue income as and when realized.



3.16 Borrowing Cost:

Interest and other costs incurred by the company in connection with the borrowing of funds are recognized as expense in the period in which they are incurred, unless such borrowing cost progress that are capitalized as per IAS 23:

Other borrowing costs are recognized as an expenses in the year in which its incurred as per paragraph 8 of IAS 23 Borrowing Cost.

3.17 Taxation:

3.17.01 Current Tax:

The Company are maintaining provision for taxation using rates enacted at the reporting date. The Company complies with the applicable tax laws in Bangladesh.

3.17.02 Deferred tax:

Deferred Tax liabilities are the amount of income taxes payable in future years in respect of taxable temporary differences. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences arising between the carrying value of assets, liabilities, income and expenditure and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted on the balance sheet date. The impact on the account of changes in the deferred tax assets or liabilities has been recognized in the Statement of Profit or Loss and Other Comprehensive Income as per IAS-12.

3.18 Revenue recognition:

Revenue is measured based on the consideration specified in a contract with a customer. The companies recognises revenue when it transfers control over a good or service to a customer. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Types of Sales	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Local Sales	Customers obtain control of products when goods are shipped out at factory gate. Invoices raised as per management approves price list are generated at that point in time.	Revenue is recognized when the entity satisfies a performance obligation by transferring the promised good or service to a customer.
Export Sales		

The Company is in the business of providing News print ,M.G news print, Midum Paper and Tissues. Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and rebates, if any. Revenue is recognized when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods (IFRS-15). The Company has generally concluded that it is the principal in it is revenue arrangements, because it typically controls the goods before transferring them to the customer.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of Value Added Tax (VAT). Gross turnover comprises local sales of News print ,M.G news print, Midum Paper and various Tissues. and includes VAT paid to the Government of Bangladesh.

3.19 Earning per share (EPS):

The company calculates its earnings per share in accordance with IAS 33: Earnings per Share which has been reported on the face of statement of profit or loss and other comprehensive income.



3.19.01 Basic of earning:

This represents Profit/ (Loss) for the year attributable to ordinary shareholders. As there is no preference dividend or extra ordinary items, the net profit/ (Loss) after tax for the year has been considered fully attributable to the ordinary share holders.

3.19.02 Basic earning Per share:

This represents profit for the year attributable to ordinary shareholder. As there were no preference shares requiring returns or dividends, the net fully attributable to the ordinary shareholders.

3.20 Foreign Currency Transaction Policy:

The foreign currency transaction in respect of imported raw materials, machineries and other spares parts have been recognized by applying exchange rate prevailing on the date of transaction.

3.21 Comparative Information:

Comparative information has been disclosed in respect of 2019 in accordance with IAS1: 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 financial statements. Prior year's figures have been rearranged wherever considered necessary to ensure comparability with the current year.

3.22 Consistency:

Unless otherwise stated, the accounting policies and methods of computation used in preparation of Financial Statements for the year are consistent with those policies and methods adopted in preparing the Financial Statements for the previous year.

3.23 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.

3.24 Share Capital:

Paid-up capital represents total amount contributed by the shareholders. Holders of ordinary shares are entitled to receive dividends as declared to time and are entitled to vote at shareholders meetings.

4.00 Comparative Analysis on Financial performance and position of the Company and reason of significant deviation with pervious period:

5.00 PROPERTY, PLANT & EQUIPMENT:

	<u>2020</u> Taka	<u>2019</u> Taka
Balance as on 01 July (including revaluation)	1,261,218,332	970,580,617
Add: Addition during the year	14,350,123	290,637,715
Less: Adjustment during the year	(10,000,000)	-
Balance as on 30 June	1,265,568,456	1,261,218,332
Less: Accumulated depreciation	418,248,739	378,723,562
Written down value as on 30 June	847,319,717	882,494,770

(a) Details of Group Wise Property, Plant & Equipment with cost, addition and adjustment during the period, depreciation and written down value are shown at Note-5.01 & 5.02.



5.01 PROPERTY, PLANT & EQUIPMENT (PAPER UNIT):

(Amount in taka)

Particulars	C O S T			Rate of Dep.	D E P R E C I A T I O N			Written Down Value as on 30 June 2020
	Balance as on 01 July 2019	Addition during the year	Disposal/ Adjustment during the year		Balance as on 01 July 2019	Charged during the year	Disposal/ Adjustment during the year	
At Cost								
Land & Land Development	43,583,242	-	-	-	-	-	-	43,583,242
Building & Other Construction	86,919,124	2,902,443	-	5%	32,913,110	2,783,351	-	54,125,107
Plant & Machinery	323,464,539	7,781,500	10,000,000	7%	176,983,506	10,566,402	7,087,874	140,784,006
Furniture & Fixture	1,201,719	14,450	-	10%	559,302	65,564	-	591,303
Office Equipment	3,611,543	-	-	10%	1,636,704	197,484	-	1,777,355
Electric Installation	19,542,572	1,785,750	-	10%	11,240,955	963,726	-	9,123,641
Gas Line Installation	3,932,191	-	-	10%	2,769,628	116,256	-	1,046,306
Telephone Line Installation	132,263	-	-	10%	91,878	4,039	-	36,347
Water Line Installation	6,860,204	161,010	-	10%	3,769,712	310,831	-	2,940,671
Fire Extinguisher	111,870	-	-	20%	88,363	4,701	-	18,805
Office Decoration	1,913,087	-	-	10%	257,507	165,558	-	1,490,022
Vehicle Car	3,011,672	-	-	20%	1,997,779	202,779	-	811,114
Motor Vehicle	2,923,247	-	-	20%	1,361,226	312,404	-	1,249,617
Factory Equipment	355,370	435,000	-	20%	57,888	74,385	-	658,097
"A"	497,562,643	13,080,153	10,000,000		233,727,558	15,767,479	7,087,874	258,235,633
At Revaluation								
Land & Land Development	139,028,020	-	-	-	-	-	-	139,028,020
Building & Other Construction	110,663,849	-	-	5%	37,247,191	3,670,833	-	69,745,825
Plant & Machinery	227,369,650	-	-	7%	100,137,730	8,906,234	-	118,325,686
"B"	477,061,519	-	-		137,384,921	12,577,067		327,099,531



5.02 PROPERTY, PLANT & EQUIPMENT (TISSUE UNIT):

(Amount in taka)

Particulars	C			O			S			T			D E P R E C I A T I O N			Written Down Value as on 30 June, 2019
	Balance as on 01 July 2019	Addition during the period	Disposal/ Adjustment during the period	Balance as on 30 June 2020	Rate of Dep.	Charged during the period	Disposal/ Adjustment during the year	Balance as on 30 June 2020	Balance as on 01 July 2019	Charged during the period	Disposal/ Adjustment during the year	Balance as on 30 June 2020	Balance as on 01 July 2019	Charged during the period	Disposal/ Adjustment during the year	
Building & Other Construction	67,775,536	-	-	67,775,536	5%	3,319,161	-	4,711,470	1,392,309	3,319,161	-	4,711,470	1,392,309	3,319,161	-	63,064,066
Plant & Machinery	218,714,824	1,269,970	-	219,984,794	7%	14,930,288	-	21,140,529	6,210,241	14,930,288	-	21,140,529	6,210,241	14,930,288	-	198,844,265
Motor Vehicle	103,810	-	-	103,810	20%	19,056	-	27,588	8,532	19,056	-	27,588	8,532	19,056	-	76,222
"C"	286,594,170	1,269,970	-	287,864,140		18,268,505	-	25,879,587	7,611,082	18,268,505	-	25,879,587	7,611,082	18,268,505	-	261,984,553
Grand total as on 30 June, 2020 (A+B+C)	1,261,218,332	14,350,123	10,000,000	1,265,568,456		46,613,051	7,087,874	418,248,739	378,723,561	46,613,051	7,087,874	418,248,739	378,723,561	46,613,051	7,087,874	847,319,717
As on 30 June 2019	970,580,617	290,637,715	-	1,261,218,332		37,258,402	-	378,723,562	341,465,160	37,258,402	-	378,723,562	341,465,160	37,258,402	-	882,494,770

Allocation of Depreciation :-

Administrative Expenses

Factory Expenses

	2020 Taka	2019 Taka
	635,423	556,429
	45,977,628	36,701,973
TAKA =	46,613,051	37,258,402



	2020 Taka	2019 Taka
6.00 CAPITAL WORK-IN-PROGRESS:		
Capital Work-In-Progress Existing Unit	14,218,124	14,218,124
Balance as on 30 June	<u>14,218,124</u>	<u>14,218,124</u>
6.01 Capital Work-In-Progress- Existing Unit:		
Building & Other Construction	12,457,624	12,457,624
Plant & Machinery	793,820	793,820
Motor Vehicle	25,000	25,000
Electric Installation	941,680	941,680
Total for Existing Unit	<u>14,218,124</u>	<u>14,218,124</u>

7.00 INVESTMENT IN SHARES:

7.01 Company wise investment position at market value are shown below:

Name of company	No. of Shares	Cost	Market Value as on 30 June 2020	Unrealized gain/ (loss)
Bank Asia Ltd.	6,615	65,326	108,486	43,160
Beximco Ltd.	43,925	1,550,887	571,025	(979,862)
Beximco Pharma Ltd.	5,000	218,200	385,000	166,800
Brac Bank Ltd.	11,533	158,299	367,903	209,604
DESCO Ltd.	5,000	238,287	174,000	(64,287)
Dhaka Bank Ltd.	38,761	332,944	387,610	54,666
Exim Bank Ltd.	52,099	1,080,862	448,051	(632,811)
Grameen Phone Ltd.	10,700	3,995,855	2,555,160	(1,440,695)
Islamic Finance and Invest. Ltd.	58,087	1,779,698	708,661	(1,071,037)
Islami Bank Bangladesh Ltd.	10,570	376,381	183,918	(192,463)
Jamuna Oil Ltd.	2,299	271,136	317,722	46,586
Lafarge Holcim Bangladesh Ltd.	10,000	805,409	359,000	(446,409)
Meghna Petroleum Ltd.	2,402	249,369	379,035	129,666
Mercantile Bank Ltd.	31,964	305,193	338,818	33,626
Mutual Trust Bank Ltd.	50,043	622,182	1,231,058	608,876
National Bank Ltd.	75,084	902,974	525,588	(377,386)
One Bank Ltd.	41,196	385,336	374,884	(10,452)
Premier Bank Ltd.	27,096	209,752	268,250	58,498
Rupali Bank Ltd.	34,785	1,724,186	891,185	(833,001)
Shahjalal Islami Bank Ltd.	34,500	249,340	695,520	446,180
Southeast Bank Ltd.	78,000	819,716	881,400	61,684
Square Pharma Ltd.	8,762	1,826,477	1,511,445	(315,032)
Standard Bank Ltd.	25,410	249,996	200,739	(49,257)
Titas Gas Ltd.	13,250	766,559	396,675	(369,884)
Trust Bank Ltd.	53,240	1,179,661	1,299,056	119,395
Total	730,321	20,364,024	15,560,190	(4,803,835)

	2020 Taka	2019 Taka
7.02 Gain/ (Loss) on Investment in Shares:		
Unrealized Gain/ (Loss) Closing	(4,803,835)	1,523,617
Unrealized Gain/ (Loss) Opening	1,523,617	2,563,152
Gain/ (Loss) on Investment in Shares during the year	<u>(6,327,452)</u>	<u>(1,039,535)</u>



8.00 INVENTORIES:**a) Raw Materials**Wastage Paper
Chemicals

47,175,327	36,569,608
6,483,751	4,214,444
53,659,078	40,784,052

b) Finished GoodsNewsprint Paper
Medium Paper
Writing Printing Paper
Khata
Various Tissue Paper

51,186,104	38,908,676
8,729,159	5,213,015
-	4,786,985
4,538,038	1,191,947
27,196,813	13,444,710
91,650,113	63,545,333

c) Work-In-Process

29,225,078 12,964,838

d) Consumable Store

14,824,005 18,286,250

e) Packing Material

2,962,669 1,677,985

Total (a+b+c+d+e)**192,320,943 137,258,458**

(a) Value of raw materials, consumables spares parts and packing materials was made at weighted average method.

(b) Work in process is valued at 100% cost of raw materials, 75% cost of labour and 50% cost of overhead.

(c) Finished goods are valued at cost or NRV whichever is lower.

(d) Consumable store based on weighted average method.

(e) Packing materials based on weighted average method.

(f) Physical inventory was taken jointly by the representative of management and auditors at the year end.

(g) Inventory consists of a huge number of items for which the quantity could not be disclosed.

9.00 TRADE RECEIVABLES:

A. H Packaging & Accessories

2,090,472 3,090,472

Al-Amin Book Depo

10,592 10,592

Babul Store

64,395,867 30,248,596

Bangladesh Marine Hoist & House

13,000 13,000

Bismillah Enterprise

- 2,010,987

Bismillah Enterprise-Lalkhan Bazar

45,251 50,726

Daimk Azadi (Shapon chy)

611,601 611,601

Elite Paper House

283,309 283,309

Interna Plastic (Pvt.) Ltd.

800,000 800,000

Modern Biponi

1,418,493 1,418,493

Siam Paper House

65,920 65,920

Sonargaon Paper House

434,031 434,031

Munna Enterprise

- 2,159,481

Resimax Industries Ltd.

167,730 1,574,230

S.K Traders

- 11,133,352

A B Trading

976,245 4,639,252

ACI Logistics Ltd. (Showpno)

1,120,216 160,836



Akter Store (Depo) Rajbari	31,614	31,614
Alviraj-Tissue	132,795	89,925
Amina Enterprise	120,211	43,735
Amir & Brothers	1,214,513	899,767
Arafat Vhat Ghor	80,512	22,928
Arif Enterprise	617,254	337,254
Ariosto Restaurant	37,082	29,632
Barcode Restaurant Group	327,070	200,930
Bismillah Departmental Store	23,189	23,189
Bismillah Enterprise- Chowdhagram	38,756	55,906
CFC Restaurant	23,994	23,994
Chandpur Paper House	5,580,059	10,131,561
Conpac Trading Ltd.	-	166,422
Eanan Enterprise	177,181	55,371
Ekota Enterprise-Teknaf	198,716	182,870
Flat Steel Operating Unit	8,505	45,902
Flavors Premium Sweets, Ctg	20,790	20,790
FM Trading	668,277	670,329
Foisal & Brothers	636,200	636,200
G. N. Enterprise	-	51,008
Garibe Newaj Traders (Sales)	666,495	118,289
Glory Tapes & Labels Ltd.	879,245	879,245
Habib Enterprise (Chokaria)	425,907	103,125
Halishahar Mart	24,869	39,607
Hamim Group-Dhaka Corporate	1,581	38,621
JBS Traders	403,025	495,455
Korotoa Paper Depot.	1,456,131	1,456,131
M I Trading	557,822	154,118
	2020	2019
	Taka	Taka
M/S Nur Enterprise	27,396	27,396
M/s Oishi Enterprise	343,850	343,850
M/S. Safiq & Brothers-Whay Kong	39,633	39,633
Mahbub & Brothers	1,250,689	1,638,576
Mahmud Enterprise-Noakali	8,791	28,791
Mamun Enterprise-Companiganj	26,653	26,653
Mizan Store (Tissue)	2,137,368	574,201
Modhumoti Traders	242,149	242,149
Mojim Traders	59,985	59,985
MR Traders (Khulna Depo)	159,366	112,919



Mustafa Paper House	6,388,393	2,225,846
Nuha Enterprise / Three Star	220,229	190,229
Orcid Enterprise	45,469	54,169
Padma Accessories Ltd.	66,671	87,847
Padma Media Center	1,305,171	743,727
Paperaj Traders	286,596	286,596
Parvin & Zalal Enterprise	55,930	55,930
Personal	633,635	537,595
Pran RFL	250,021	602,201
RFM Paper Mills Ltd.	482,373	499,691
RM Trade International	8,902,186	6,838,145
Roshidul Enterprise	12,193	77,193
S Rahaman Trading/Enterprise	2,489,621	120,695
S.K Enterprise	320,000	320,000
S.R.Paper House	128,155	128,155
S.S.G Paper Ltd.	185,169	185,169
Sadia Enterprise	15,339	140,876
Safe Corporation	80,000	80,000
Sagorika Printers	1,705,074	275,407
Saif Trade & Supplies	71,003	162,258
Sajib Enterprise	2,314,554	490,567
Sha Jobbariya Enterprise	140,165	46,081
Shahid Enterprise	96,911	96,911
Shanto Enterprise	195,903	195,903
Siddique Enterprise-Cox's	957,479	232,415
Sifa/ Shefa Packages	900,000	900,000
Soinik Traders	40,221	40,221
Sojib Enterprise	-	191,823
Tanha Enterprise	-	53,167
Tasbli & Brothers	271,597	97,798
Unique Accessories	826,936	36,944
Walton Hi-Tech Industry Ltd.	129,369	129,369
Watson Paper Mills Ltd.	134,010	134,010
Zidan Enterprise	90,627	90,627
Other Receivables	27,923,151	19,867,389
	148,744,551	115,017,902

(a) Trade Receivables are occurred in the ordinary course of business.

(b) Trade Receivables are unsecured but considered good by the management.

© The amount of Tk. 36,020,591 has been collected from trade receivables till 09.11.2020, which represent 24.22% of total trade receivables.

Ageing of Trade Receivables:

Below-30 Days	31,236,356	24,153,759
Within 31- 60 Days	46,110,811	35,655,550
Within 61 - 90 Days	29,748,910	23,003,580
Within 90 - 180 Days	26,774,019	20,703,222
Above 180 Days	14,874,455	11,501,790
	148,744,551	115,017,902



	2020 Taka	2019 Taka
10.00 ADVANCES, DEPOSITS & PREPAYMENTS:		
Advance Against Income Tax (Note: 10.01)	30,619,458	28,207,365
Advance Against Salary & Wages (Note: 10.02)	138,098	100,538
Advance Against Expenditure (Note: 10.03)	110,709,738	59,753,126
Advance Against L/C (Note: 10.04)	8,452,294	42,632,811
Deposits and Prepayments (Note: 10.05)	10,134,165	10,134,165
	160,053,753	140,828,005
10.01 Advance Against Income Tax		
Advance Income Tax Paid	5,469,990	23,915,173
Advance Income Tax - Import	1,278,478	630,532
Advance Income Tax - Export	288,537	288,536
Advance Income Tax Deducted at Source	22,558,651	2,730,266
Advance Income Tax Deducted at Source (Dividend Income)	1,018,989	638,544
Advance Income Tax Deducted at Source (Bank Deposits)	4,815	4,315
	30,619,458	28,207,365
10.02 Advance Against Salary & Wages	138,098	100,538
10.03 Advance Against Expenditure		
Advance Against Purchase	172,439	116,370
Advance for Dhaka Office	259,700	259,700
Anima Development Limited	7,525,849	7,525,849
Advance for Machinery Purchase	100,311,494	49,975,460
VAT Current Account	6,193	103,951
Lanka Bangla Securities Ltd.	8,553	9,003
North West Securities Ltd.	-	853
City Brokerage Ltd.	4,517	18,341
Advances for spares parts and other materials	2,420,994	1,743,600
	110,709,738	59,753,126
10.04 Advance Against L/C	8,452,294	42,632,811
10.05 Deposits		
Security Deposit (PBS-1)	3,321,100	3,321,100
Security Deposit (BGSL) Boiler	2,601,439	2,601,439
Security Deposit (BGSL) Generator	1,441,672	1,441,672
Security Deposit (PDB)	25,200	25,200
Security Deposit (GEP Holdings Ltd)	8,000	8,000
Security Deposit (Grameen Phone)	20,000	20,000
Security Deposit (BTCL)	6,000	6,000
Security Deposit (CDBL)	300,000	300,000
Security Deposit- Bank Guarantee Against Gas Generator	257,040	257,040
Security Deposit- Bank Guarantee Against Boiler	1,043,250	1,043,250
Security Deposit Container Purpose	1,110,464	1,110,464
	10,134,165	10,134,165

The directors consider that all the above advances, deposits and prepayments are either adjustable or recoverable in cash or in kind and that no provision against these are required at this stage.



11.00 CASH & CASH EQUIVALENTS:

Cash In Hand

At Head Office
At Dhaka Office
At Factory

2020 Taka	2019 Taka
1,184,287	854,029
5,000	5,000
3,000	35,000
1,192,287	894,029

Cash at Banks

Bangladesh Krishi Bank, Agrabad Branch, CD A/C-2903-0210014807
Social Islami Bank Ltd, Agrabad Branch-CD A/C - 0041330027978
First Security Islami Bank Ltd, Agrabad Branch: STD A/C - 010413100000463
Social Islami Bank Ltd, Agrabad Branch, STD Account-41300458
National Bank Ltd, Pahartali Branch- CD A/C-005533008427
AB Bank Ltd PCR Branch, CD A/C-4127773938000
Prime Bank Ltd, Laldighi East Branch, CD A/C -14511090025949 /5816
Southeast Bank Ltd, Pahartali Branch, CD A/C-New # 005111100000671
City Bank Ltd, Agrabad Branch CD A/C No 1101497955001
Premier Bank Ltd, Agrabad Branch CD A/C No-010311100015243
Premier Bank Ltd, CEPZ Branch CD A/C No-016711100000103
NCC Bank Ltd. Panthapath Branch, CD A/C No- 0087-0210003867
Standard Bank Ltd, Sadarghat Branch CD A/C No-04933000571
Dhaka Bank Ltd, Jubilee Road Branch CD A/C No-181000000012482
Islami Bank (BD.) Ltd, Agrabad Branch CD A/C No-20501030100588315
Mercantile Bank Ltd, A.K Khan Branch CD A/C No-117511121143947
Union Bank Ltd, Laldighi Branch CD A/C No-06110100000054
Dhaka Bank Ltd, G.E.C (C.D.A) Branch CD A/C No-201009777
Standard Bank Ltd, Jubilee Road Branch CD A/C No-01233005212
United Commercial Bank Ltd, Pahartali Branch CD A/C-No 01000000078
Modhumoti Bank Ltd, Agrabad Branch CD A/C No-1109 11100000164
Eastern Bank Ltd, Agrabad Branch CD A/C No-11071082755
Pubali Bank Ltd, Pahartali Branch CD A/C No-825901027548
Dutch Bangla Bank CD A/C No- 1021100040340

30,478	32,893
6,211,657	113,339
57,669	56,794
194,131	125,158
-	90,559
7,308	7,999
90,896	262,172
18,079	18,769
5,415	207,980
61,633	16,610
144,629	148,648
48,141	48,400
-	6,235
-	6,320
-	579,591
275,000	69
-	83,349
7,115	7,460
55,639	92,460
1,178,360	207,940
2,030	2,720
23,907	170,208
300,010	448,117
256,292	-
8,968,388	2,733,790
332,746	320,966
419,007	400,608
671,710	631,900
11,584,139	4,981,294

Fixed Deposit with Mercantile Bank Ltd. FDR # 117541322176882
Fixed Deposit with Mercantile Bank Ltd. FDR # 117541322894432
Fixed Deposit with Mercantile Bank Ltd. FDR # 117541325279666

(a) Cash balance as on 30.06.2020 was certified by the management.
(b) All bank balances were duly reconciled with bank statements of respective bank account.

11.01 INVESMENT IN FIXED DEPOSIT:

Particulars	Tenure	Purpose	Rate of Interest	2020	2019
				TK	TK
Fixed Deposit with Mercantile Bank Ltd. FDR # 117541322176882	One Year	Guaranty	8%	332,746	320,966
Fixed Deposit with Mercantile Bank Ltd. FDR # 117541322894432	One Year	Guaranty	8%	419,007	400,608
Fixed Deposit with Mercantile Bank Ltd. FDR # 117541325279666	One Year	Guaranty	8%	671,710	631,900
Total				1,423,463	1,353,475



	2020 Taka	2019 Taka
12.00 SHARE CAPITAL:		
12.01 Authorized:		
50,000,000 Ordinary shares of Tk. 10.00 each.	<u>500,000,000</u>	<u>500,000,000</u>
12.02 Issued, Subscribed and Paid-up:		
85,00,000 Ordinary shares of Tk. 10.00 each fully paid up in cash.	85,000,000	85,000,000
1,05,00,000 Ordinary shares of Tk. 10.00 each fully paid up other than cash.	105,000,000	105,000,000
	<u>190,000,000</u>	<u>190,000,000</u>

12.03 The break up of share holdings as on 30 June, 2019 is as follows:-

Description	No of shares 30 June 2020	% of shares holding 30 June 2020	No of shares 30 June 2019	% of shares holding 30 June 2019
Sponsors & Directors	9,799,330	51.56	10,399,330	54.73
Investment Corporation of Bangladesh.	33,500	0.18	33,500	0.18
Bangladesh Development Bank Ltd.	1,580,800	8.32	1,580,800	8.32
Other Institution and General Public	7,586,370	39.93	6,986,370	36.77
Total	19,000,000	100.0	19,000,000	100.00

12.04 Number of shareholders & their share holdings in percentage are as follows:

Range of Holdings	No. of Shareholders		No. of Shares		Holding %	
	2020	2019	2020	2019	2020	2019
Less than 500 shares	1,267	1,391	164,510	231,795	0.87	1.22
501 to 5000 Shares	639	916	1,173,826	1,632,659	6.18	8.59
5001 to 10000 Shares	77	131	610,787	988,210	3.21	5.20
10001 to 20000 Shares	58	56	872,092	765,648	4.59	4.03
20001 to 30000 Shares	15	20	369,329	509,429	1.94	2.68
30001 to 40000 Shares	10	5	349,068	179,381	1.84	0.94
40001 to 50000 Shares	5	1	235,450	45,260	1.24	0.24
50001 to 100,000 Shares	6	6	378,545	395,052	1.99	2.08
100001 to 1,000,000 Shares	18	15	7,039,261	6,605,600	37.05	34.77
Over 1,000,000 Shares	6	6	7,807,132	7,646,966	41.09	40.25
Total	2,101	2,547	19,000,000	19,000,000	100.00	100.00

12.05 Market Price of Shares:

The shares are listed with Dhaka Stock Exchange Ltd. & Chittagong Stock Exchange Ltd. and quoted at Tk. 74.00 on 30 June 2020 (Face value Tk. 10.00) and Tk. 62.40 on 30 June 2019 (Face value Tk. 10.00).



	2020 Taka	2019 Taka
13.00 DIVIDEND EQUALIZATION RESERVE:		
Dividend Equalization Reserve is made-up as follows:		
Balance as on 01 July	15,000,000	15,000,000
Add: Transferred from Retained Earnings	-	-
Less: Dividend for the year 2018-2019 approved in the AGM	(1,720,134)	-
Balance as on 30 June	<u>13,279,866</u>	<u>15,000,000</u>

Dividend equalization reserve was created in the earlier year(s) with the concurrence of Board of Directors. The objective of this reserve is to pay dividend to shareholders during bad time of company.

14.00 REVALUATION RESERVE:

A revaluation of Land, Buildings and Plant and Machinery has been made during the financial year 2010-2011 by M/S. G. K. Adjusters, a professional valuer and the surplus amount of these assets were transferred to Revaluation Reserve Account. Breakup of such surplus is as follows:

Land and land development	139,028,020	139,028,020
Factory Building & Other Civil Constructions	110,663,849	110,663,849
Plant & Machinery	227,369,650	227,369,650
	<u>477,061,519</u>	<u>477,061,519</u>
Less: Depreciation on Revalued Assets till 30.06.2020 (Note-5.01)	149,961,988	137,384,921
	<u>327,099,531</u>	<u>339,676,598</u>
Less: Adjustments for Deferred Tax	49,064,930	50,951,490
Balance as on 30 June	<u>278,034,601</u>	<u>288,725,108</u>

Revaluation Reserve relates to the revaluation of Property, Plant & Equipment.

- i) Effective date of valuation 18th April, 2011
ii) Initial reserve of revaluation amount of Tk. 477,061,519

15.00 RETAINED EARNINGS:

Balance as on 01 July	138,309	13,532,891
Less: Dividend for the period 2018-2019 as approved in the AGM	-	5,700,000
	<u>138,309</u>	<u>7,832,891</u>
Add: Net profit/(loss) after tax for the year	1,420,266	(21,135,213)
	<u>1,558,575</u>	<u>(13,302,322)</u>
Add: Revaluation Surplus Realized	12,577,067	13,440,631
Balance as on 30 June	<u>14,135,642</u>	<u>138,309</u>

16.00 UNSECURED LOAN:

Mr. Mohammad Abdullah, Chairman	18,448,060	18,448,060
Mr. Md. Golam Mostafa, Managing Director	4,464,830	4,464,830
Mr. Md. Golam Kibria, Director	5,914,175	5,914,175
Mrs. Hosne Ara Begum, Director	3,800,000	3,800,000
Mr. Md. Golam Haider, Director	5,957,975	5,957,975
Mr. Md. Golam Morshed, Director	3,207,475	3,207,475
Mr. Md. Golam Rasul Muktadir, Director	3,207,475	3,207,475
	<u>44,999,990</u>	<u>44,999,990</u>

The above loans from directors are interest free.



	2020 Taka	2019 Taka
17.00 LONG TERM LOAN:		
HPSM Commercial Loan	3,941,714	3,672,639
Loan Under BMRE of Existing Projects	65,157,141	59,792,660
Loan Under Tissue Projects	315,728,230	279,100,398
	384,827,085	342,565,697

17.01 LONG TERM LOAN- MATURITY ANALYSIS:		
Due within the period- Current Portion	54,975,298	95,428,584
Due after more than the period- Non-Current Portion	329,851,787	247,137,113
	384,827,085	342,565,697

17.02 TERMS OF LONG TERM LOAN:

Lenders:

The company entered into a secured long term loan agreement with Social Islami Bank Limited, Agrabad Branch, Chattogram.

Total Long Term Loan Facilities:

Total disbursement amount is Tk. 333,893,440 against sanction amount of total long term loan Tk.585,000,000

Rate of Interest:

Interest rate is 13% per annum subject to change as per decision of the management of the Bank and variable depending on the situation of money market. The company currently enjoying the loan @ 13% interest.

Disbursement:

The disbursement of Hire Purchase under Shirkatul Melk (HPSM) Commercial Loan was made on November 24, 2015 for Balancing, Modernization, Replacement and Expansion (BMRE) of existing unit and Tissue Unit on January 01, 2017 and May 17, 2017 respectively.

Repayments:

This secured long term loan is repayable in 84 (eighty four) months.

Securities:

- i. Hypothecation of machineries and stock.
- ii. Total 642.30 decimal land has been placed as prime securities against the loan.
- iii. Creation of charge with RJSC.
- iv. Personal Guarantee of Directors

Purpose:

The loan has been taken for business expansion of existing project and establishment of (Tissue Project).

18.00 DEFERRED TAX LIABILITY:

Balance as on 01 July	49,603,173	36,893,429
Deferred Tax (Income)/ Expenses for the period -(Note-31)	6,422,443	12,709,744
	56,025,616	49,603,173
Add: Deferred Tax for Revaluation Surplus	49,064,930	50,951,490
	105,090,546	100,554,663

This represents provision made for deferred income tax to pay future income tax liability for temporary differences of Property, plant and equipment value. Calculation of Deferred Tax Liability as on 30.06.2020 has been shown at Note-18.01.

18.01 Calculation of Deferred Tax Liability:

(a) Carrying Amount of Property, Plant and Equipment (less revaluation and land value) as on 30 June	476,636,944	499,234,930
(b) Tax Based Property, Plant and Equipment	252,534,481	300,822,240
(c) Net Taxable Temporary Differences (a-b)	224,102,463	198,412,690
(d) Deferred Tax liability at effective Tax Rate	56,025,616	49,603,173
(e) Deferred Tax expenses on Net Taxable Temporary differences	6,422,443	12,709,744



19.00 SHORT TERM LOAN AND OVERDRAFT:

Social Islami Bank Ltd, Agrabad Branch-CC A/C: 0041330027978
 UPAS Loan from Social Islami Bank Ltd.
 Mercantile Bank Ltd. A.K Khan Branch-Cash Credit (CC) Hypo
 Biam Wes Bills, MBE & LATR Loan from Social Islami Bank Ltd.
 National Bank Ltd, Pahartali Branch- CD A/C-005533008427
 Islami Bank (BD.) Ltd, Agrabad Branch CD A/C No-20501030100588315
 UPAS Loan from Mercantile Bank Ltd.
 LTR, Sight LC Loan From Mercantile Bank Ltd.
 Other Short Term Loan

	2020 Taka	2019 Taka
	163,413,698	148,775,920
	7,711,090	7,711,090
	43,982,530	40,940,480
	4,878,453	-
	2,106,487	-
	34,239	-
	8,943,502	14,957,800
	11,101,808	10,299,682
	16,687,635	23,453,675
	258,859,442	246,138,646

19.01 Sort Term Browing:

Particulars	Note	2020	2019
		TK	TK.
Short term loan and overdraft	19.00	258,859,442	246,138,646
Long term loan-current portion	17.01	54,975,298	95,428,584.00
Total		313,834,739	341,567,230

(a) Bai-Muazzal (Commercial Trading)-CC Loan was sanctioned by the Social Islami Bank Limited, Agrabad Branch on the date of 5th May, 2015. It is renewable.

(b) Cash Credit (Hypo) was sanctioned by the Mercantile Bank Limited, A.K Khan Moor Branch on the date of 28th May 2017. It is renewable.

(c) Limit of Bai-Muazzal (Commercial Trading)-CC A/C: 0041330027978 Loan was Tk. 13 (Thirteen) crore.

(d) Limit of Cash Credit (CC) Hypo A/C:117577521729167 was Tk. 04 (Four) crore.

(e) SIBL Loan bears interest @ 13% and Mercantile Bank Ltd. Loan bears interest @ 12.5% p.a. respectively

(f) Land, Building and Machinery has been placed as prime securities against the Loan.

(g) Personal Guarantee of Directors

20.00 ACCRUED EXPENSES:

Audit Fee	224,250	172,500
Directors Remuneration	200,000	50,000
Electricity Bill-(Factory)	1,989,311	1,669,726
Electricity Bill-(H/O)	2,819	2,819
Electricity Bill-(Dhaka Office)	12,593	16,301
Electricity Bill-(Tissue Unit)	569,778	1,322,751
Gas Bill Factory	15,677,957	9,619,278
Gas Bill Factory Canteen	11,409	10,474
Gas Bill (H/O)	31	588
Food Allowance	96,128	102,808
Mobile Bill	31,420	31,420
Office Rent	125,000	25,000
Overtime	2,557,891	1,715,537
Salary & Allowances (D/O)	61,800	62,500
Salaries, Wages and Allowances (H/O)	601,951	370,105
Staff Salary & Allowances Factory	281,119	737,278
Telephone Bill	2,617	2,617
Wages & Allowances	2,162,639	2,571,322
Staff Salary (Sales & Marketing)	1,454,759	1,371,891
	26,063,472	19,854,915



21.00 WORKERS PROFIT PARTICIPATION & WELFARE FUND:

Balance as on 01 July	589,829	589,829
Add: Provision made during the period	536,756	-
	<u>1,126,585</u>	<u>589,829</u>
Less: Payment made during the period	-	-
Balance as in 30 June	<u>1,126,585</u>	<u>589,829</u>

21.01 Provision made during the year for WPPF and Welfare Fund:

Profit before tax and WPPF and Welfare Fund	11,271,875	(5,507,957)
Cash dividend received from investment	-	-
Profit applicable for WPPF and Welfare Fund	<u>11,271,875</u>	<u>(5,507,957)</u>
Contribution to WPPF and Welfare fund at 5%	<u>536,756</u>	-

The above amount lies as the 10% payable to Bangladesh Workers' Welfare Foundation Fund. As specific directive as to on which account it should be deposited is not available. This amount has been kept as provision. Upon clear guidance from Labor Welfare Foundation, the amount shall be transferred.

	<u>2020</u> Taka	<u>2019</u> Taka
22.00 TRADE PAYABLES:		
Abul Khair Steel Melting Ltd.	1,519,802	-
Aramit Cement Ltd.	176,660	176,660
Azad Engineering Workshop	782,300	67,800
Bismillah Electric and Cables	117,008	547,068
Bismillah Traders Ashique	137,347	137,347
Cartoon Nirman Ltd.	1,813,393	547,954
City Lub Oil Industries Ltd.	131,757	-
Garibe Newaz Traders	15,000	1,115,000
Gentech Energy	209,986	494,986
Instrumentation Co-operative	40,000	40,000
Munna Enterprize	4,377,070	-
International Bearing	81,905	247,595
Islam & Brothers	136,428	94,034
Khaja Garibe Newaj Five Star Enterprize	2,109	25,441
M/s. Dohar Chemicals	3,832,665	1,619,980
Mamun Hardware Store	59,713	115,643
Mohsin Enterprize	354,470	1,730,420
Noor Hardware Mart	59,000	72,985
Organic Bangladesh Corporation	153,000	153,000
Raj Bearing	104,130	143,310
S.R Packaging	5,636,589	912,205
Sahaba Corporation	-	693,730
Sakib Enterprize	15,000,000	238,471
Say Automation & Engineering	162,000	90,000
Hakkani Paper & Board Mills (Pvt) Ltd.	-	78,430
Hossain Box Industries	407,563	156,720
Indowater Solution	10	54,810
Ali Rubber Industries	-	57,500
Arif Traders	1,272,225	3,969,386
Arman & Brothers	80,000	80,000
Baizid Newsprint Mills Ltd/ Chittagong Packages Ltd	912,305	451,135
Boiler Techno Crafts Engineering	80,000	87,000
Khaja Polythene Mart	1,200	24,952



Emo Enterprise	176,828	33,280
Ispahani Marshall Ltd.	91,380	113,770
RFL Plastic Ltd.	193,100	193,100
Shah Amanat Enterprise (Chemical)	532,685	184,815
Shah Godi Enterprise	-	47,896
Sheikh Ahmed & Mijan	-	107,600
Sheto Enterprise	3,236,860	11,394,370
Sion Enterprise (Chemical)	31,150	31,150
Sohel Engineering Workshop	-	50,000
Taslima Enterprise	229,086	237,820
Unimax Chemicals	1,315,500	505,000
United Trading Agency	621,194	143,591
S K Trders	418,740	-
Other Payables	5,984,932	22,047,047
	50,487,090	49,313,000

2020	2019
Taka	Taka

23.00 CURRENT TAX LIABILITIES:

Balance as on 01 July	9,912,932	6,995,420
Provided during the period:		
Against current year	2,892,410	2,917,512
Against previous years	-	-
	2,892,410	2,917,512
	12,805,342	9,912,932
Adjusted with advance income tax paid	-	-
Balance as on 30 June	12,805,342	9,912,932

23.01 Computation of Provision for Income Tax:

Minimum Tax:

Total receipt against sales	473,084,915	-
Total receipt against other income	8,983,469	-
Total	482,068,384	-
Minimum Tax @ 0.60% on gross receipt of Tk.48,20,68,384	2,892,410	-

Compared with tax on business income and minimum tax higher one has been made provision.

24.00 LIABILITIES FOR OTHER FINANCE:

I.T. Deducted at Source	438,077	430,745
VAT Deducted at Source	39,986	101,286
Unclaimed Dividend	2,917,528	2,899,731
Advance against sales	-	-
	3,395,592	3,431,762

25.00 DIRECTORS CURRENT ACCOUNT:

Mr. Mohammad Abdullah, Chairman	6,000,000	-
Mr. Md. Golam Morshed	2,750,000	2,750,000
Mr. Md. Golam Rasul Muktadir	2,750,000	2,750,000
	11,500,000	5,500,000

These balances represent short term financial arrangement availed from directors as and when required to meet working capital. All transactions were made through account payee cheques.



26.00 REVENUE:

	2020	2019
	Taka	Taka
News Print Paper	305,519,266	277,984,362
M.G. Newsprint	71,260,879	40,232,476
Medium Paper	1,394,099	3,246,821
Tissues Paper	104,926,124	-
News Print Paper - Export	-	12,506,217
Writing Printing Paper	-	112,104,355
Clinical Bed Sheet Tissue	-	29,492
Facial Tissue	-	3,020,378
Kitchen Towel Tissue	-	540,246
Napkin Tissue	-	31,735,720
Pocket Tissue	-	3,046,474
Toilet Tissue	-	10,395,839
Gross Revenue	483,100,368	494,842,380
Less: Value Added Tax (VAT)	10,015,453	10,833,190
Net Revenue	473,084,915	484,009,189

27.00 COST OF SALES:

Opening Stock of Raw Materials	40,784,052	27,586,687
Add: Purchase during the period	253,821,494	287,195,977
	294,605,546	314,782,664
Less: Closing Stock of Raw Materials	53,659,078	40,784,052
Raw Materials Consumed	240,946,468	273,998,612
Add: Factory overhead:		
Salaries, Wages and Allowances	32,989,149	30,333,773
Overtime -Factory Worker	3,246,774	3,635,195
Food Allowance- Factory Staff	441,595	380,786
Labour Charge	50,847	1,830,138
Carriage Inward	796,365	711,056
Gas Bill (Boiler & Gas Generator)	29,303,376	30,744,803
Electric Bill	53,166,716	29,215,214
Consumable Spare & Store	3,996,136	5,505,751
Factory Maintenance	5,684,801	8,555,820
Loading Unloading Charge	16,125,973	11,889,113
Paper/Tissue/Khata Cutting Exp.	3,921,709	3,617,369
Fuel (Generator)	758,160	839,530
Fuel (Machine)	616,265	347,380
Fuel (Vehicle)	504,186	474,227
Medical & Medicine	102,746	65,007
Gas Generator Upkeep	133,529	1,056,570
Boiler Upkeep	10,000	517,200
Insurance Premium (Factory)	1,137,021	1,790,001
Laboratory Expenses	-	36,260
Canteen Expenses-Factory	104,874	283,021
Gas Bill (Factory Canteen)	83,286	55,521
Export Related Expenses	-	2,495,697
Depreciation	45,977,628	36,701,973
	440,097,604	445,080,016
Add: Opening Work-in-Process	12,964,838	16,211,881
	453,062,442	461,291,897
Less: Closing Work-in-Process	29,225,078	12,964,838
Cost of Production	423,837,364	448,327,059
Add: Opening Stock of Finished Goods	63,545,333	32,964,689
	487,382,697	481,291,748
Less: Closing Stock of Finished Goods	91,650,113	63,545,333
Cost of Sales	395,732,584	417,746,415



	<u>2020</u> <u>Taka</u>	<u>2019</u> <u>Taka</u>
28.00 ADMINISTRATIVE EXPENSES:		
Managing Director Remuneration	615,300	620,400
Staff Salary & Allowances & Bonus	7,234,562	7,490,253
Office Rent	340,000	264,000
Telephone Bill	458,527	346,743
Entertainment	395,597	1,028,622
Staff Tea, Tiffin	19,870	33,528
Travelling Expenses	354,211	1,175,167
Dhaka Office Expenses	30,005	950
Canteen Expenses	5,520	71,060
Postage & Courier	137,690	136,073
Forms, Stamp & Legal Documents	13,898	5,540
Fees, Renewal & Subscription	446,464	761,514
Printing & Stationery	86,701	147,571
Gas Bill H/O	6,865	11,670
Board Meeting Attendance Fees	329,100	742,000
Audit Committee Meeting Attendance Fees	83,000	180,000
NRC Meeting Attendance Fees	-	55,000
Board Meeting Expenses	22,328	61,920
B.O Maintenance Fees	2,768	2,228
Office Maintenance	395,884	570,671
Telephone, Fax, E-mail	500	30,143
Intranet Bill (BBTSL)	71,550	56,300
Internet Bill (BBTSL)	77,000	70,000
Audit Fee	224,250	172,500
Conveyance	1,130,154	1,159,340
Miscellaneous Expenses	3,000	17,680
Legal & Professional Fee	45,000	208,250
AGM Expenses	249,825	200,140
Annual Fee of Stock Exchange	-	190,000
Electric Bill- Head Office	280,000	250,125
Electric Bill- Dhaka Office	-	16,207
Fuel (Vehicle)	872,632	810,202
Vehicle Upkeep	454,003	531,721
Insurance Premium	23,197	49,167
Water Bill- Dhaka Office	-	10,137
Website Expenses	2,000	12,400
Share Purpose Expenses	-	25,500
Rent, Rates, Taxes	37,650	80,820
Commission on Export Sales	-	421,724
Computer Accessories	-	61,700
Depreciation	635,423	556,429
	15,084,474	18,635,395
28.01 Managing Director Remuneration:		
Gross remuneration	630,600	-
Tax deducted on source	15,300	-
Net remuneration	615,300	-

(a) No remuneration was paid to any director except Managing Director.

(b) No amount was spent by the company for compensating any member of the Board of Directors except as stated above.

(c) Audit fees include VAT for the audit of the financial statements of the company for the year 2019-2020.

(d) In addition to remuneration, Managing Director's avail company vehicles for transportation purposes. These key management personnel are not entitled to any other benefits. No amount is lying as receivable from the directors.



	<u>2020</u> <u>Taka</u>	<u>2019</u> <u>Taka</u>
29.00 FINANCIAL EXPENSES:		
Bank Charges	418,440	456,714
Interest Expenses on Cash Credit	1,920,929	3,660,990
Interest on Short Term Loan	19,620,850	20,536,167
Interest on Long Term Loan	30,022,511	24,986,944
Loan Processing Fee	-	359,836
Foreign currency exchange loss/(gain) Note - 29.01	87,341	-
	<u>52,070,070</u>	<u>50,000,652</u>
29.01 Foreign currency exchange loss/(gain):		
Susequently Paid (For foreign currency transaction)	15,981,382	-
Initially recognized (For foreign currency transaction)	15,894,041	-
Realized Foreign currency exchange loss made during the year	<u>87,341</u>	<u>-</u>
30.00 SELLING & DISTRIBUTION EXPENSES:		
Sales Promotion Expenses	61,068	51,570
Staff Salary (Sales & Marketing)	7,493,263	4,902,755
Cash Incentive-Tissue	-	18,971
Advertisement	185,788	404,192
	<u>7,740,119</u>	<u>5,377,488</u>
31.00 NON-OPERATING INCOME:		
Dividend Income	931,533	656,561
Profit on Sale of Shares	456,673	1,346,844
Interest Income	105,180	43,149
Miscellaneous Income	7,490,083	196,250
	<u>8,983,469</u>	<u>2,242,804</u>
32.00 DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		
Gas Generator at cost	10,000,000	-
Accumulated depreciation	(7,087,874)	-
Written down value at the time of disposal	<u>2,912,126</u>	<u>-</u>
Insurance claime receipt	(2,742,864)	-
Loss on disposal	169,262	-
	<u>169,262</u>	<u>-</u>
33.00 DEFERRED TAX EXPENSES:		
(a) Deferred Tax Liability on 30 June	56,025,616	49,603,173
(b) Deferred Tax Liability on 01 July	49,603,173	36,893,429
Deferred Tax Expenses for the year (a-b)	<u>6,422,443</u>	<u>12,709,744</u>
34.00 EARNING PER SHARE:		
Calculation is shown below:		
Net Profit after tax	1,420,266	(21,135,212)
Number of shares outstanding	19,000,000	19,000,000
EPS	0.07	(1.11)
35.00 NET ASSET VALUE PER SHARE WITH REVALUATION:		
Calculation is shown below:		
Net Asset with Revaluation	490,646,274	495,387,034
Number of shares outstanding	19,000,000	19,000,000
Net asset value per share	25.82	26.07



	2020 Taka	2019 Taka
36.00 NET ASSET VALUE PER SHARE WITHOUT REVALUATION:		
Calculation is shown below:		
<u>Net Asset without revaluation</u>	212,611,673	206,661,926
Number of shares outstanding	19,000,000	19,000,000
Net asset value per share	11.19	10.88

37.00 NET OPERATING CASH FLOW:		
Calculation is shown below:		
<u>Net cash flow from operation</u>	(66,255,238)	82,709,364
Number of shares outstanding	19,000,000	19,000,000
Net operating cash generated by per share	(3.49)	4.35

38.00 Number of Employees:
The total employees of the company as on June 30, 2020 stood at 158 nos comprising Head office staff 41 nos, Factory office staff 11 nos, Security 05 nos, Driver And helper 5 nos, Permanent worker 26 nos and Temporary worker 70 nos.

Number of employees whose monthly salary was below Tk. 3,000	-	-
Number of employees whose monthly salary was above Tk. 3,000	158	259

39.00 RISK MANAGERMENTS

International Financial Reporting Standard IFRS-7 Financial Instruments: Disclosures - requires of disclosure of The management has overall responsibility for the establishment and oversight of the company's risk management framework. The company's risk management policies are established to identify and analyze the risk faced by the company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company has exposure to the following risks from its use of financial instruments.

- a) Credit Risk
- b) Liquidity Risk
- c) Market Risk

39.01 a) Credit Risk:

Credit risk is the risk of a financial loss to the company if a customer or a counterparty to a financial instrument fails to meet its Maximum exposure to credit risk of the company at reporting date are as follows:

a) Exposure of Credit risk:

Trade receivables	148,744,551	115,017,902
Advance, Deposit and Prepayments excluding Deposit & Prepayments.	110,709,738	59,753,126
Bank Balances	10,391,852	3,054,756
	269,846,141	177,825,784

b) Ageing of Trade Receivables are as follows:

Below-30 Days	31,236,356	24,153,759
Within 31-60 Days	46,110,811	35,655,550
Within 61-90 Days	29,748,910	23,003,580
Within 90 - 180 Days	26,774,019	20,703,222
Above 180 Days	14,874,455	11,501,790
	148,744,551	115,017,902



39.02 b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Typically, the Company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, based on time line of payment of financial obligations and accordingly arrange for sufficient liquidity/fund to make the expected payments within due dates. Moreover, the Company has short term credit facilities with scheduled commercial banks to ensure payment of obligation in the event that there is insufficient cash to make the required payment. The requirement is determined in advance through cash flow projections and credit lines with banks are negotiated accordingly.

39.02.01 Exposure to Liquidity risk

The followings are the contractual maturities of financial liabilities:

Non-derivative financial liabilities	Carrying amount	Within 12 month	More than 12 month	Total
Unsecured Loan	44,999,990	-	-	44,999,990
Long Term Loan-non-current portions	329,851,787	54,975,298	-	384,827,085
Short Term Loan & Overdraft	258,859,442	258,859,442	-	258,859,442
Accrued Expenses	26,063,472	26,063,472	-	26,063,472
Workers Profit Participation and Welfare Fund	1,126,585	1,126,585	-	1,126,585
Trade Payables	50,487,090	50,487,090	-	50,487,090
Current Tax Liabilities	12,805,342	12,805,342	-	12,805,342
Liabilities for Other Finance	3,395,592	3,395,592	-	3,395,592
Directors Current Account	11,500,000	11,500,000	-	11,500,000
Total	739,089,300	419212821	-	794064598

39.03 c) Market Risk:

Market risk is the risk that changes in market prices such as foreign exchange rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

i) Currency Risk

The company is not exposed to foreign currency risk.

ii) Interest Rate Risk:

Interest Rate Risk is the risk that arises from the changes in interest rates on borrowings. The company's Local Loans are not significantly affected by fluctuations in interest rates. The company has not entered in to any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

40.00 CAPACITY UTILIZATION:

Particulars	2020	2019
Installed Capacity (in M.T) p.a	13,500	11,250
Actual Production (in M.T) p.a	5,175	4,872
% of Capacity Utilization p.a	38.33%	43.31%

Installed capacity could not be utilized due to following reason(s):

- (i) Commercial Production of Tissue unit has been started from 1st January 2019.
- (ii) Shut down of boiler as well as generator for annual maintenance
- (iii) Shut down of generator for maintenance of turbo charger
- (iv) Schedule maintenance of running plant etc.



41.00 RELATED PARTY TRANSACTION:

41.01	Name of the Parties	Relationship	Nature of Transactions	Balance as on July 1 2019	Transaction during the year	Balance as on July 30 2020
-------	---------------------	--------------	------------------------	---------------------------	-----------------------------	----------------------------

UNSECURED LOAN:

Mr. Mohammad Abdullah	Chairman	Loan Received	18,448,060	-	18,448,060
Mr. Md. Golam Mostofa	Managing Director	Loan Received	4,464,830	-	4,464,830
Mr. Md. Golam Kibria	Deputy Managing Director	Loan Received	5,914,175	-	5,914,175
Mrs. Hosne Ara Begum	Director	Loan Received	3,800,000	-	3,800,000
Mr. Md. Golam Haider	Director	Loan Received	5,957,975	-	5,957,975
Mr. Md. Golam Morshed	Director	Loan Received	3,207,475	-	3,207,475
Mr. Md. Golam Rasul Muktadir	Director	Loan Received	3,207,475	-	3,207,475

DIRECTORS CURRENT ACCOUNT:

Mr. Mohammad Abdullah	Chairman	Loan Received	-	6,000,000	6,000,000
Mr. Md. Golam Morshed	Director	Loan Received	2,750,000	-	2,750,000
Mr. Md. Golam Rasul, Muktadir	Director	Loan Received	2,750,000	-	2,750,000

42.00 CONTRIBUTION TO WORKERS PROFIT PARTICIPATION FUND:

This represents 5% (five percent) of net profit before tax after charging the contribution as per provision of the Labour Act, 2006 as amended in 2013 and is payable to workers as defined in the said Act. Workers profit participation fund has been calculated before charging of depreciation on revalued amount of non current assets.



43.00 CASH FLOWS FROM OPERATING ACTIVITIES UNDER INDIRECT METHOD:

	2020 Taka	2019 Taka
Profit after Provision for Income Tax	1,420,266	(21,135,212)
Add: Non Cash Charges		
Depreciation	46,613,051	37,258,402
Provision for Deferred Tax Expenses	6,422,443	12,709,744
(Gain)/ Loss on disposal PPE	169,262	-
	A 54,625,022	28,832,933
<u>Changes in Working Capital</u>		
(Increase)/Decrease in Stock	(55,062,485)	(49,399,372)
(Increase)/Decrease in Trade Receivables	(33,726,649)	16,946,895
(Increase)/Decrease in Advance, Deposits & Prepayments	(2,449,653)	13,473,557
Increase/(Decrease) in Accrued Expenses	6,208,557	5,299,138
Increase/(Decrease) in Current portion of Long Term Loan	(40,453,286)	84,796,584
Increase/(Decrease) in Trade Payables	1,174,090	(20,157,884)
Increase/(Decrease) in Current Tax Liabilities	2,892,410	2,917,512
Increase/(Decrease) in Work Profit Participation Fund	536,756	-
	B (120,880,261)	53,876,430
Net cash inflows/(out flows) from operating activities (A+B)	(66,255,238)	82,709,363

44.00 OTHER RELEVANT INFORMATION:

- 44.01 During the year 5 (Eight) Board Meetings were held.
- 44.02 During the year 4 (Four) Audit Committee Meetings were held.
- 44.03 During the year 1 (One) Nomination and Remuneration Committee (NRC) Meetings was held.
- 44.04 The audit fee of Tk. 350,000 along with imposed VAT has been provided in the accounts as per decision taken in the 24rd Annual General Meeting of the Company held on 29 December 2020
- 44.05 There was no claim against the company not acknowledged as debt at the reporting date.
- 44.06 No amount of money was spent by the company for compensation to member of the board for special service rendered.

45.00 EVENTS AFTER REPORTING PERIOD:

- 45.01 The Board of Directors in its meeting held on November 14, 2020 approved the Audited Financial Statements and recommended cash dividend @ 2% only on general shareholders for the year 2019-2020 which is subject to approval of the shareholders in the next AGM. Thus total involvement comes to taka 1,840,134.00 which is subject to approval of the shareholders in the next AGM
- 45.02 Except above, no other significant event had occurred till date of signing the Financial Statements.

46.00 Contingent Liabilities:

A contingent liability is a possible obligation that arises from past event and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or;

A person obligation that arises from past event but is not recognised because:

- 1) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- 2) the amount of the obligation can not be measured with sufficient reliability .

Tax assesment of Hakkani Pulp and Paper Mills Limited for the assesment year 2017-2018 and 2018-2019 has been completed by DCT and additional tax liability assessed at Tk 472,843 and 661,757 respectively as per demand note and the company appealed to commissioner of taxes (Appeal) which is yet to be settled. The return for assesment year 2019-2020 has been submitted to DCT

47.00 Import and Sale Interruption For COVID-19:

On 11 March 2020, World Health Organization (WHO) declared a global pandemic due to Corona Virus related respiratory disease commonly called as COVID-19. To contain the spread of this disease, along with many other countries of the world, Government of Bangladesh has also taken a number of measures such as declaration of general holiday, enforcement of lock down, Social distancing etc. As a result of these measures all business and economic activities are adversely affected which has also impacted the company as well. The management cannot be reasonably assessed the impact of COVID-19.

