

NORP KNIT INDUSTRIES LIMITED

Vill:North Khaikur, P.O: National University, Gazipur.

Independent Auditor's Report and Financial Statements

For the year ended March 31, 2018

Independent Auditors' Report

We have audited the accompanying Financial Statements of **NORP KNIT INDUSTRIES LIMITED** which comprise of Statement of Financial Position as at 31 March, 2018 and Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year/period ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibilities for the Financial Statements:

Management is responsible for the preparation of these financial statements in accordance with Bangladesh Accounting Standards (BAS)/ Bangladesh Financial Reporting Standards (BFRS) 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.

Auditor's Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standard on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

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

Opinion:

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 31 March, 2018 and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Accounting Standards (BAS)/ Bangladesh Financial Reporting Standards (BFRS), the Companies Act, 1994 and other applicable laws and regulations.

We also report that;

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books; and
- the company's statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account.
- the expenditure incurred was for the purpose of the Company's business.

Dated, Dhaka.
The 30 April, 2018



G. Biswas & Co.
Chartered Accountants.

NORP KNIT INDUSTRIES LIMITED
Vill: North Khaikur, P.O: National University, Gazipur.

BALANCE SHEET
(Statement of Financial Position)
AS AT 31ST MARCH, 2018

	NOTES	AMOUNT IN USD As on 31ST March' 2018	AMOUNT IN USD As on 31ST March' 2017
Sources of Funds			
Shareholders' Equity			
Share Capital	4	4,816,526	4,816,526
Retained Earnings		9,424,357	7,183,624
		14,240,883	12,000,150
Long Term Liabilities			
Term Loan HSBC	5	2,201,432	2,811,584
		16,442,315	14,811,734
Application of Funds			
Property, Plant and Equipment:			
At Cost Less Accumulated Depreciation	6	6,612,951	7,024,381
Non Current Assets:			
Deposits		216,972	225,847
Prepaid Rent		741,242	899,263
		958,214	1,125,110
Current Assets:			
Goods in Transit		110,935	86,604
Inventories	7	12,181,014	10,106,031
Trade Receivables	8	1,218,034	1,819,283
Inter-Company Receivables	9	11,320,798	6,067,763
Advances, deposits and prepayments	10	3,787,862	3,189,183
Cash And Bank Balances	11	7,080,823	5,147,222
		35,699,466	26,416,085
Current Liabilities:			
Secured Loans From Bank		3,545,939	3,713,831
Trade And Other Payables	12	20,288,464	13,508,720
Inter-Company Payables	13	2,993,912	2,531,291
		26,828,315	19,753,842
Net Current Assets		8,871,151	6,662,243
Deferred Tax		16,442,315	14,811,734

The annexed notes 1 to 21 form an integral part of these financial statements.

Managing Director

Director

Signed as per our annexed report of even date.

Dated, Dhaka
The 30th April 2018



G. Biswas & Co.
Chartered Accountant

NORP KNIT INDUSTRIES LIMITED

Vill:North Khailkur, P.O: National University, Gazipur.

PROFIT AND LOSS ACCOUNT

(Statement of Profit or Loss and Other Comprehensive Income)

For the Period Year Ended on 31st March' 2018

	NOTES	AMOUNT IN USD Year Ended 31st March'2018	AMOUNT IN USD Year Ended 31st March'2017
Turnover		77,382,452	74,132,887
Cost of Goods Sold	14	(66,345,283)	(63,122,821)
Gross Profit/(Loss)		11,037,169	11,010,066
Administrative, Selling and Distribution Expenses	15	(8,270,805)	(8,644,143)
		2,766,364	2,365,923
Other Operating Income:			
Other Income	16	16,046	5,167
Net Profit/(Loss) Before Tax		2,782,411	2,371,090
Tax Expenses :			
Current Tax		(541,678)	(499,978)
Deferred Tax		(541,678)	(499,978)
Net Profit/(Loss) For The Period		2,240,733	1,871,112

The annexed notes 1 to 21 form an integral part of these financial statements.

Managing Director

Director

Signed as per our annexed report of even date.

Dated, Dhaka
The 30th April 2018



G. Biswas & Co.
Chartered Accountant

NORP KNIT INDUSTRIES LIMITED
Vill. North Khaikur, P.O. National University, Gazipur

STATEMENT OF CHANGES IN EQUITY
For the Year Ended on 31st March' 2018

AMOUNT IN USD

Particulars	Share Capital	Share Money Deposit	Retained Earnings	Total
Balance as on March 31, 2016	4,816,526	-	5,312,512	10,129,037
Net Profit for the Period Ended 31.03.2017			1,871,112	1,871,112
Balance as on March 31, 2017	4,816,526	-	7,183,624	12,000,150
Net Profit for the Period Ended 31.03.2018			2,240,733	2,240,733
Balance as on March 31, 2018	4,816,526	-	9,424,357	14,240,883

Dated, Dhaka
The 30th April 2018



G. Biswas & Co.
Chartered Accountant

NORP KNIT INDUSTRIES LIMITED

Vill. North Khaikur, P.O. National University, Gazipur

Notes to the Accounts for the Year Ended March, 2018**1. Legal status and nature of the Company:**

Norp Knit Industries Limited is a Private Company Limited by Shares incorporated on 05th day of May 2004 under the Companies Act, 1994 as adopted in Bangladesh. The shares of the Company are held by Pearl Global Industries Ltd, India (99.9994%), Mr. Deepak Kumar Seth (0.0003%) and Mr. Pulkit Seth (0.0003%). The Company is mainly engaged in producing ready made Garments for the purpose of exporting the same. The factory of the Company is located in Gazipur. The Company commenced commercial operation from 18th December, 2004.

2. Statement of Compliance :**2.01 Basis of Preparation :**

The Financial Statement of Norp Knit Industries Limited have been prepared in accordance with the Bangladesh Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh. Companies Act, 1994 and other applicable laws.

2.02 Basis of Measurement :

The Financial Statements have been prepared on going concern basis under historical cost convention, using the accrual basis of accounting.

2.03 Functional and presentational currency :

(a) The currency adopted for preparation of these Financial Statements and results are in United States Dollars (\$) which is also the Company's functional currency. All financial information presented in USD's (\$) has been rounded off to the nearest integer.

(b) These Financial Statements have been prepared on the request of the Management of **Norp Knit Industries Ltd.**, for the limited purpose of consolidation of accounts at group level required under India Accounting Standards (IND AS) as per prevailing reporting requirements in India.

2.04 Going Concern :

The Company has adequate resources to continue its operation for the foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the accounts. The current resources of the company provide sufficient fund to meet the present requirements of its existing business.

3. Significant Accounting Policies :

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

3.01 Foreign currency translation

Foreign currencies are translated into USD on a notional (BD) rate on the transaction dates. All monetary assets and liabilities are converted into USD at the exchange rate prevailing on the balance sheet date. Exchange gains or losses arising out of translation of assets and liabilities at the closing date are recognised in the income statement.

3.02 Property, Plant and Equipment :

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure directly attributable to the acquisition and installation of the Property, Plant and Equipment.



3.03 Depreciation :

Depreciation on fixed assets is charged on straight line method using different rates varying from 10% to 20% on cost of the assets. Depreciation is charged from the month following the month of acquisition/installation of the Property, Plant and Equipment.

3.04 Inventories

Inventories include raw material, work-in-progress and finished goods. These are measured at the lower of cost and net realisable value in accordance with IAS 2. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

3.05 Trade Receivable :

Trade Receivables at the Balance Sheet date are stated at amounts which are considered realisable.

3.06 Trade Payable :

Liabilities are recognised for amounts to be paid in future for goods and services received.

3.07 Provisions :

Provisions are made where an obligation exists for future liability in respect of past event and where the amount of the obligation can be reliably estimated.

3.08 Impairment :

The carrying amounts of the assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the recoverable amount of the asset is estimated. Impairment losses, if any, are recognised in profit and loss account.

3.09 Revenue recognition

Revenue from the sale of goods is recognised when:

- * Significant risk and rewards of ownership is transferred to the buyer.
- * The Company has no managerial involvement of the ownership of goods.
- * The revenue and cost of the transaction can be measured reliably.
- * It is probable that the economic benefits of the transaction will flow to the Company.

3.10 Events after balance sheet date

No material events have occurred between the balance sheet date to the date of issue of these financial statements, that could affect the values stated in the financial statements.

3.11 Deferred tax

The Company has adopted Deferred Tax Accounting Policy as per Bangladesh Accounting Standard. Accordingly, Deferred Tax Liability/ Asset is Accounted for all temporary timing differences arising between the Tax base of the assets and liabilities and their carrying values for financial Reporting process. In view of prevalent tax law Deferred Tax accounting is not considered necessary in view of the fact that for assessment under the provision of Section 53BB no temporary difference will arise between tax base of assets and liabilities and their carrying amounts in the financial statements.

3.12 Employee benefits

The Company has not yet introduced any provident fund and pension scheme for the employees.



Amount in USD As on 31st March 2018	Amount in USD As on 31st March 2017
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4. Share capital

Authorized capital:
36,00,000 (2014: 11,00,000) ordinary shares of Tk. 100 each

5,128,159	5,128,159
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Issued, subscribed and paid up capital:

2,415,607 (2010: 493,781) ordinary shares of Tk. 100 each
33,81,231 (2014: 965,624) ordinary shares of Tk. 100 each

3,441,005	3,441,005
1,375,521	1,375,521
4,816,526	4,816,526

The aforesaid capital was subscribed as under:

Subscribers:

No. of shares	No. of shares
Pearl Global Industries Ltd.	3,381,211
Mr. Deepak Seth	10
Mr. Pulkit Seth	10
	3,381,231

5. Loan from HSBC

This represents the amount received from the Hongkong and Shanghai Banking Corporation Limited for operations.



05 Property, Plant and Equipment As on 31.03.2018

Amount in USD

Particulars	COST			DEPRECIATION			W.D. Value as on 31.03.2018	W.D. Value as on 31.03.2017
	Cost as on 01.04.2017	Addition for the period	Deletion for the period	Cost as on 31.03.2018	Total depreciation as on 01.04.2017	Addition for the period	Depreciation on Disposal of Assets	Total depreciation as on 31.03.2018
Unit 1								
Building & Civil Works	311,736	8,364	-	320,100	268,930	11,155	-	280,085
Plant & Machinery	1,770,364	8,727	17,736	1,761,355	1,299,465	111,238	17,736	1,392,966
Vehicles	72,367	20,264	-	92,632	66,273	4,608	-	70,880
Furniture & Fixtures	215,146	37,128	-	252,274	150,131	21,019	-	171,150
Office Equipments & Computers	189,176	12,585	-	201,761	132,616	17,255	-	149,871
Factory Equipments	8,531	28,335	-	36,866	677	2,641	-	3,318
Telephone Installation & Connection	11,613	-	-	11,613	8,864	660	-	9,524
Air Conditioners	20,244	-	5,548	14,696	20,244	-	-	2,089
Fire extinguisher	23,567	18,177	-	41,744	16,392	5,413	-	21,805
Unit 2								
Building & Civil Works	594,791	1,560	-	596,351	238,764	57,492	-	296,256
Plant & Machinery, utility & Electrical Installations	7,232,479	1,261,578	-	8,494,057	3,254,907	777,862	-	4,032,769
Vehicles	74,339	40,529	-	114,867	19,131	11,221	-	30,352
Furniture & Fixtures	548,232	3,564	-	551,795	244,634	52,780	-	297,414
Office Equipments & Computers	418,661	88,602	-	507,263	148,579	71,194	-	219,774
Factory Equipments	140,629	32,799	-	173,428	28,125	15,058	-	43,183
Telephone Installation & Connection	17,373	-	-	17,373	10,625	1,671	-	12,296
Fire extinguisher	59,100	-	-	59,100	28,344	5,684	-	34,028
Total	11,708,345	1,562,213	23,284	13,247,274	5,936,704	1,166,948	23,284	7,080,367
Capital Work in Progress- Unit 1								
Civil Work	(4)	-	-	(4)	-	-	-	(4)
Plant & Machinery	8	-	19	(11)	-	-	-	(11)
CWIP - Others	5,387	-	5,175	212	-	-	-	212
Capital Work in Progress- Unit 2								
Plant & Machinery	1,197,712	394,143	1,147,806	444,048	-	-	-	444,048
Fire Equipment, Office Equipment & Other	49,637	-	47,839	1,798	-	-	-	1,798
Total	1,252,740	394,143	1,200,838	446,044	-	-	-	446,044
Total Fixed Assets	12,961,085	1,956,356	1,224,122	13,693,318	5,936,704	1,166,948	23,284	7,080,367
								6,612,951
								7,024,381

01 Apr 2017	to	01 Apr 2016
31 Mar 2018	to	31 March 2017
USD	USD	USD
1,023,441	833,853	
143,506	111,028	
1,166,948	944,882	



06 Allocation of depreciation

- 6.01 Cost of goods sold
6.02 Administrative, selling and distribution expenses

	As on 31st March' 2018	As on 31st March' 2017
7. Inventories		
Raw Materials	7,537,799	6,529,457
Work-in-progress	4,044,722	2,543,448
Finished goods	598,492	1,033,126
	12,181,014	10,106,031
8. Trade Receivables		
Kappahi Sverige AB	305,479	166,148
H.S Enterprise	-	10,931
Target Australia PTY	379,910	228,749
Redcats Asia Ltd	532,645	244,283
ITX Trading	-	1,169,172
	1,218,034	1,819,283
	1,218,034	-
9. Inter-Company Receivables		
Pearl Global Industries Limited-(Sales)	1,705,773	4,723,392
Pearl Global Fareast Ltd	12,700	12,567
DSSP Global Ltd (Creditor-Expenses)	-	-
Pearl Global (HK) Ltd(Sales)	9,602,325	1,331,804
Pearl Global (HK) Ltd(ExP)	-	-
	11,320,798	6,067,763
	11,320,798	-
10. Advances, Deposits and Prepayments		
Advances (considered good) to:		
- Landlord Against Rent	-	-
- Suppliers	671,323	382,667
- Employees	34,200	16,939
- Incentive Receivable	234,485	361,596
- Others	2,518,488	2,120,107
	3,458,496	2,881,309
Deposits		
- Margin against L/C and B/G	1,574	1,639
- Security deposits	123,570	87,817
	125,144	89,456
Prepayments		
- Prepaid insurance	49,439	63,143
	49,439	63,143
	154,783	155,276
	3,787,862	3,189,183
11. Cash and Bank Balances		
Cash in hand	37,283	50,987
Balances with Bank		
Fixed deposit with United Commercial Bank	51,394	51,004
Current Account with United Commercial Bank	9,692	9,837
Exchange Retention Quota with United Commercial Bank	1,022	1,038
HSBC-001-112432-012	-	7,969
HSBC-001-112432-067	125	33,062
HSBC-001-112432-047	41,727	9,004
HSBC-001-112432-091	1,478,985	674,551
HSBC FDR-01112432101	556,961	376,412
Bank Guarantee	20,905	22,591
Funds in Transit	2,732,143	1,133,238
DB-219-200-31537	89	97
DB-219-200-31549	20	22
DB-219-200-3161	3,138	3,195
SCB A/c 11-1183252-01	51,353	-
SCB A/c 46-1183252-01	2,076,779	2,756,022
SCB A/c 42-1183252-01	13,154	18,192
DBBL-2111100017401	6,050	-
	7,043,539	5,096,235
	7,080,823	5,147,222
12. Trade and Other Payables		
Trade Payables:		
Basic Thread Industries Ltd.	138,292	124,455
Coats Bangladesh	6,452	4,807
Victory City Company Ltd.	175,201	42,055
Others	12,566,567	7,356,541
	12,886,513	7,527,859
Other Payables		
Liability for Tax	2,513,021	2,061,764
Withholding Tax Payable	39,386	38,346
Export bills discounted	2,585,243	1,637,114
Others	2,264,301	2,243,637
	7,401,951	5,980,862
	20,288,464	13,508,720
13. Inter-Company Payables		
Pearl Global (HK) Ltd (Expenses)	1,399,607	1,187,926
Norwest Industries Ltd (Expenses)	-	-
DSSP Global Ltd (Creditor-Expenses)	179,789	284,282
DSSP Global Ltd (Creditor-Goods)	92,639	55,415
Pearl Global Industries Limited-Chennai	-	-
Pearl Global Industries Limited(Creditor-	61,442	128,656
Pearl Global Industries Limited(Creditor-	1,260,436	875,013
	2,993,912	2,531,291



G. BISWAS & CO.
CHARTERED ACCOUNTANTS



14. Cost of Goods Sold		
Raw Material Consumed (Note 14.01)	49,909,118	47,991,289
Wages	9,431,820	8,965,094
Manufacturing Overheads (Note 14.02)	8,070,985	6,021,987
	67,411,924	62,978,370
Add: Opening Work-in-Progress	2,543,448	2,724,218
	69,955,372	65,702,588
Less: Closing Work-in-Progress	4,044,722	2,543,448
	65,910,649	63,159,140
Cost of Goods Manufactured		
Add: Opening Stock of Finished Goods	1,033,126	996,807
Cost of Goods Available For Sale	66,943,775	64,155,946
Less: Closing Stock of Finished Goods	598,492	1,033,126
	66,345,283	63,122,821
Cost of Goods Sold		
14.01. Raw Material Consumed		
Opening Inventory	6,529,457	5,708,659
Purchases During The Period	50,917,460	48,812,088
Closing Inventory	7,537,799	6,529,457
	49,909,118	47,991,289
14.02. Manufacturing Overheads		
Stores, Spares & Maintenance	1,784,848	974,997
Factory Cleaning & Upkeep	138,688	137,175
Factory Rent	913,186	892,459
Security Services	169,173	156,337
Power & Fuel	1,445,173	895,229
Consumables	194,162	309,551
Compliance Expenses	273,105	171,683
Testing Charges	392,420	355,003
Machinery Hire Charges	116,832	87,963
Clearing and Forwarding Inward Charges	1,038,813	596,811
L/C Charges For Inputs	265,173	260,946
Depreciation (Note 6.01)	1,023,441	883,367
Insurance	315,971	300,464
	8,070,985	6,021,987
15. Administrative, Selling and Distribution Expenses		
Salaries	4,397,807	4,098,871
Marketing Expenses	13,850	666,576
Interest	329,254	433,533
Communication	85,477	88,822
Conveyance	61,202	58,232
Entertainment	47,997	42,423
Office Stationery	6,504	2,747
Stationery Printing	71,976	56,815
Clearing & Forwarding Outward	1,169,353	1,097,697
Bank Charges	333,000	346,798
Travelling Expenses	253,625	176,811
Vehicle Fuel & Maintenance	574,622	452,382
Foreign exchange Fluctuaion	(93,307)	(37,197)
Courier & Postage	323,015	427,178
Audit fee / Internal Audit	38,391	21,015
Depreciation (Note 6.01)	143,506	117,621
Others	514,531	593,820
	8,270,805	8,644,143
15.01. Salaries		
This includes the following emoluments to one of the directors of the company:		
Remuneration	14,720	15,324
Housing	9,274	9,654
	23,994	24,978
16. Other income		
Interest Earned	16,046	5,167
Others	-	-
	16,046	5,167



**17 Norp Knit Industries Ltd
Related Parties**

Name of the Parties	Nature	Transactions	Balance outstanding (USD)				
			Three Months Ended	Twelve Month Ended	Twelve Month Ended	Year Ended	Year Ended
			31st Mar' 2018	31st Mar' 2018	31st Mar' 2017	31st Mar' 2018	31st Mar' 2017
Pearl Global Industries Ltd	Group Company						
		Sale of goods	4,272,256	14,890,895	25,875,727	1,705,773	4,723,392
		Purchases	21,454	153,400	323,338	61,442	128,656
		Expenses Payable	2,111	401,216	726,581	1,260,436	875,013
		Expenses recoverable	1,799	34,369	81,133	-	-
Pearl Global (HK) Ltd	Group company						
		Sale of goods	14,650,601	49,431,955	32,093,911	9,602,325	1,331,804
		Expenses Payable	19,695	77,724	629,447	1,399,607	1,187,926
		Expenses recoverable	-	111	485,018	-	-
DSSP Global Ltd	Group company						
		Purchases	374,228	1,214,966	683,165	92,639	55,415
		Expenses Payable	1,550	83,564	573,007	179,789	284,282
		Expenses recoverable	-	1,428	-	-	-
Pearl Global Fareast Ltd	Group company						
		Expenses Payable	-	-	-	-	-
		Expenses recoverable	-	-	-	12,700	12,567

Outstanding balances in respect of sale of goods and expenses with these related parties are priced on an arm's length basis.

The company purchased raw materials from the group company. The purchases are on the same terms and conditions as those entered into with other suppliers and payable under normal payment terms.

In addition, the company disbursed loan, received advance against sale, received equity money to/from group companies as per normal business norm.

18. Contingent liability

Contingent liability of the company was USD 6.420 million as on 31.03.2018 (USD 6.669 millions as on 31st Mar' 2017) in respect of letters of credit outstanding and USD 0.115 millions in respect of bank guarantee.

19. Number of employees

The number of employees engaged as on 31.03.2018 , who received a total remuneration of USD 36.801 per month or above was 6075 Persons (5960 persons as on 31.03.2017).

20. Exchange gain/(loss)

This represents gain/(loss) arising from translation of foreign currency into local currency.

21. General

Figures are rounded off to nearest USD
Previous year figures have been rearranged, wherever necessary, to conform to current period's presentation.

