

NORP KNIT INDUSTRIES LIMITED

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

**Auditor's Report and Financial Statements
For the year ended 31ST March, 2019**

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, 2019 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, 2019 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;

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

Dated, Dhaka.
The



G. Biswas & Co.
Chartered Accountants.

NORP KNIT INDUSTRIES LIMITED
Vill:North Khaikur, P.O: National University, Gazipur.
BALANCE SHEET AS AT 31ST MARCH, 2019

	NOTES	AMOUNT IN USD As on 31ST March' 2019	AMOUNT IN USD As on 31ST March' 2018
<u>Sources of Funds</u>			
Shareholders' Equity			
Share Capital	4	4,816,526	4,816,526
Retained Earnings		12,281,457	9,424,357
		17,097,983	14,240,883
Long Term Liabilities			
Term Loan HSBC	5	1,524,265	2,201,432
		18,622,248	16,442,315
<u>Application of Funds</u>			
Property, Plant and Equipment:			
At Cost Less Accumulated Depreciation	6	7,035,502	6,612,951
Non Current Assets:			
Deposits		213,650	216,972
Prepaid Rent		998,167	741,242
		1,211,816	958,214
Current Assets:			
Goods in Transit		33,399	110,935
Investment		464,095	
Inventories	7	10,533,947	12,181,014
Trade Receivables	8	789,311	1,218,034
Inter-Company Receivables	9	14,259,020	11,320,798
Advances, deposits and prepayments	10	4,212,316	3,787,862
Cash And Bank Balances	11	4,961,117	7,080,823
		35,253,204	35,699,466
Current Liabilities:			
Secured Loans From Bank		3,627,208	3,545,939
Trade And Other Payables	12	18,606,871	20,288,464
Inter-Company Payables	13	2,644,196	2,993,912
		24,878,275	26,828,315
Net Current Assets		10,374,929	8,871,151
Deferred Tax		18,622,248	16,442,315

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

Managing Director

Director

Dated, Dhaka
The



G. Biswas & Co.
Chartered Accountants

NORP KNIT INDUSTRIES LIMITED
Vill:North Khaikur, P.O: National University, Gazipur.
PROFIT AND LOSS ACCOUNT
For the Period Year Ended on 31st March' 2019

		AMOUNT IN USD Year Ended 31st March'2019	AMOUNT IN USD Year Ended 31st March'2018
NOTES			
Turnover		84,227,549	77,382,452
Cost of Goods Sold	14	(71,372,255)	(66,345,283)
Gross Profit/(Loss)		12,855,294	11,037,169
Administrative, Selling and Distribution Expenses	15	(10,162,363)	(8,270,805)
		2,692,931	2,766,364
Other Operating Income:			
Other Income	16	599,179	16,046
Net Profit/(Loss) Before Tax		3,292,110	2,782,411
Tax Expenses :			
Current Tax		(435,010)	(541,678)
Deferred Tax		(435,010)	(541,678)
Net Profit/(Loss) For The Period		2,857,100	2,240,733

Managing Director

Director

Dated, Dhaka
The



G. Biswas & Co.
Chartered Accountants

NORP KNIT INDUSTRIES LIMITED
VIII.North Khailkur, P.O.National University, Gazipur
STATEMENT FOR CHANGES IN EQUITY
For the Period Year Ended on 31st March' 2019

Particulars	Share Capital	Share Money Deposit	Retained Earnings	AMOUNT IN USD
				Total
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
Net Profit for the Period Ended 31.03.2019			2,857,100	2,857,100
Balance as on March 31, 2019	4,816,526	-	12,281,457	17,097,983



NORP KNIT INDUSTRIES LIMITED
Vill. North Khailkur, P.O. National University, Gazipur
Notes to the Accounts for the Year Ended March, 2019

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.



4. Share capital

Authorized capital:

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

Issued, subscribed and paid up capital:

2,415,607 (2014: 493,781) ordinary shares of Tk. 100 each

33,81,231 (2014: 965,624) ordinary shares of Tk. 100 each

The aforesaid capital was subscribed as under:

Subscribers:

Pearl Global Industries Ltd.

Mr. Deepak Seth

Mr. Pulkit Seth

	As on 31st March 2019	As on 31st March 2018
	5,128,159	5,128,159
	3,441,005	3,441,005
	1,375,521	1,375,521
	4,816,526	4,816,526
	No. of shares	No. of shares
	3,381,211	3,381,211
	10	10
	10	10
	3,381,231	3,381,231

5. Loan from HSBC

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



Property, Plant and equipment As on 31.03.19

Particulars	COST				DEPRECIATION				W.D. Value as on 31.03.2018	W.D. Value as on 31.03.2019
	Cost as on 01.04.2018	Addition for the period	Deletion for the period	Cost as on 31.03.2019	Total depreciation as on 01.04.2018	Addition for the period	Depreciation on Disposal of Assets	Total depreciation as on 31.03.2019		
Unit 1										
Building & Civil Works	330,100	2,026	-	332,126	280,085	11,430	-	291,524	30,002	40,015
Plant & Machinery	1,751,355	157,893	(14,240)	1,945,007	1,392,969	113,833	174,240	1,332,359	612,944	148,348
Vehicles	92,639	-	-	92,632	70,860	4,499	-	75,378	17,254	21,752
Furniture & Fixtures	252,274	23,385	-	275,659	171,150	22,387	-	193,537	82,122	81,124
Office Equipments & Computers	201,701	12,547	-	214,248	149,871	16,848	-	166,820	47,468	51,890
Factory Equipments	36,896	15,487	-	52,383	3,318	8,501	-	11,819	44,433	33,547
Telephone Installation & Connection	11,613	-	-	11,613	9,824	842	-	10,666	7,466	2,088
Air Conditioners	14,696	-	-	14,696	14,696	-	-	14,696	(0)	(0)
Fire extinguisher	41,744	-	-	41,744	21,805	6,582	-	28,387	13,357	19,939
Unit 2										
Building & Civil Works	596,351	225,759	-	822,110	296,258	82,162	-	378,420	463,752	300,095
Plant & Machinery, utility & Electrical Installations	8,494,057	1,085,291	97,025	9,482,323	4,032,760	825,220	64,088	4,793,901	4,688,422	4,461,294
Vehicles	114,867	-	-	114,867	30,352	10,897	-	41,249	73,818	84,516
Furniture & Fixtures	551,795	46,740	-	598,535	297,414	53,838	-	351,252	247,325	254,381
Office Equipments & Computers	507,263	40,851	-	548,114	219,774	77,213	-	297,087	251,027	287,489
Factory Equipments	173,428	264,086	-	437,513	43,183	42,177	-	85,360	352,154	130,245
Telephone Installation & Connection	17,272	7,190	-	24,462	12,296	2,158	-	14,454	10,018	5,076
Fire extinguisher	59,100	-	-	59,100	34,629	5,234	-	39,862	19,538	25,072
Total	13,247,274	2,085,205	271,266	15,061,214	7,080,367	1,263,971	238,329	8,106,010	5,955,205	6,166,907
Capital Work in Progress- Unit 1										
Civil Work	(4)	-	-	(4)	-	-	-	-	(4)	(4)
Plant & Machinery	(11)	-	-	(11)	-	-	-	-	(11)	(11)
CWIP - Others	212	-	-	212	-	-	-	-	212	212
Capital Work in Progress- Unit 2										
Plant & Machinery	446,044	20,515	386,380	78,302	-	-	-	-	78,302	448,048
Fire Equipment, Office Equipment & Other	1,798	-	-	1,798	-	-	-	-	1,798	1,798
Total	446,044	20,515	386,380	80,398	-	-	-	-	80,398	446,048
Total Fixed Assets	13,693,318	2,105,720	657,646	15,141,512	7,080,367	1,263,971	238,329	8,106,010	7,035,502	6,612,951

Allocation of depreciation

Cost of goods sold

Administrative, selling and distribution expenses

01 Apr 2018	01 Apr 2017
to	to
31 Mar 2019	31 March 2018
USD	USD
1,111,401	990,278
150,570	138,856
1,261,971	1,129,134



	As on 31st March' 2019	As on 31st March' 2018
7. Inventories		
Raw Materials	8,765,220	7,537,799
Work-in-progress	3,084,593	4,044,722
Finished goods	864,134	598,492
	<u>10,633,947</u>	<u>12,181,014</u>
8. Trade Receivables		
Kaplan/Svenge AB	50,885	305,470
UC WAKKO	1,069	-
Target Australia PTY	733,130	379,310
Redcatt Asia Ltd	-	532,645
ITX Trading	4,219	-
JS Traders	<u>789,311</u>	<u>1,218,034</u>
	<u>789,311</u>	-
9. Inter-Company Receivables		
Pearl Global Industries Limited-(Sales)	3,512,220	1,705,773
Pearl Global Forestal Ltd	13,007	12,700
DSSP Global Ltd (Creditor-Expenses)	-	-
Pearl Global (HK) Ltd(Sales)	10,235,467	9,802,325
DSSP Global Ltd (Sales)	<u>498,325</u>	-
	<u>14,258,020</u>	<u>11,320,798</u>
10. Advances, Deposits and Prepayments		
Advances (considered good) to:		
- Landlord Against Rent	864,760	671,323
- Suppliers	37,660	34,200
- Employees	-	234,465
- Incentive Receivable	2,919,101	2,518,488
- Others	<u>3,821,811</u>	<u>3,458,486</u>
Deposits		
- Margin against L/C and B/G	1,550	1,574
- Security deposits	<u>144,172</u>	<u>123,570</u>
	<u>145,722</u>	<u>125,144</u>
Prepayments		
- Prepaid insurance	<u>59,232</u>	<u>49,439</u>
- Prepaid Rent	<u>185,551</u>	<u>154,783</u>
	<u>4,212,316</u>	<u>3,787,852</u>
11. Cash and Bank Balances		
Cash in hand	111,945	37,283
Balances with Bank		
Fixed deposit with United Commercial Bank	52,851	51,394
Current Account with United Commercial Bank	8,134	9,692
Exchange Retention Quota with United Commer	1,032	1,022
HSBC-001-112432-012	-	125
HSBC-001-112432-067	-	41,727
HSBC-001-112432-047	55,836	1,478,985
HSBC-001-112432-091	839,422	558,961
HSBC FDR-01112432101	550,917	20,905
Bank Guarantee	86,761	-
Funds in Transit	1,449,643	2,732,143
DB-219-200-31537	64	89
DB-219-200-31549	18	20
DB-219-200-3161	3,143	3,138
SCB A/c 11-1183252-01	6,255	51,353
SCB A/c 48-1183252-01	1,708,051	2,076,779
SCB A/c 42-1183252-01	39,002	13,154
SCB FDR A/C	46,176	-
DBBL-2111100017401	24,448	-
	<u>4,849,171</u>	<u>7,037,489</u>
	<u>4,961,117</u>	<u>7,089,823</u>
12. Trade and Other Payables		
Trade Payables:		
Basic Thread Industries Ltd.	108,495	138,292
Coats Bangladesh	47,515	8,452
Victory City Company Ltd.	433	175,201
Others	<u>10,859,271</u>	<u>12,566,567</u>
	<u>10,815,714</u>	<u>12,886,513</u>
Other Payables		
Liability for Tax	2,880,660	2,513,021
Withholding Tax Payable	20,697	39,388
Export bills (discounted)	2,340,748	2,585,243
Others	<u>2,342,853</u>	<u>2,264,301</u>
	<u>7,791,158</u>	<u>7,401,951</u>
	<u>18,606,871</u>	<u>20,288,464</u>
13. Inter-Company Payables		
Pearl Global (HK) Ltd (Expenses)	2,215,193	1,399,607
Norwest Industries Ltd (Expenses)	-	-
DSSP Global Ltd (Creditor-Expenses)	183,356	179,789
DSSP Global Ltd (Creditor-Goods)	10,883	92,639
Pearl Global Industries Limited-Chennai(Expens	-	-
Pearl Global Industries Limited(Creditor-Goods)	59,641	61,442
Pearl Global Industries Limited(Creditors- Expe	<u>175,121</u>	<u>1,260,436</u>
	<u>2,644,196</u>	<u>2,893,912</u>



14. Cost of Goods Sold

Raw Material Consumed (Note 14.01)	53,089,810	49,909,118
Wages	10,193,468	9,431,820
Manufacturing Overheads (Note 14.02)	7,194,489	8,070,985
	70,477,767	67,411,924
Add: Opening Work-in-Progress	4,044,722	2,543,448
	74,522,489	69,955,372
Less: Closing Work-in-Progress	3,084,593	4,044,722
	71,437,897	65,910,649
Cost of Goods Manufactured		
Add: Opening Stock of Finished Goods	598,492	1,033,126
Cost of Goods Available For Sale	72,036,389	66,943,775
Less: Closing Stock of Finished Goods	664,134	598,492
	71,372,255	66,345,283

14.01. Raw Material Consumed

Opening Inventory	7,537,799	6,529,457
Purchases During The Period	52,337,231	50,917,460
Closing Inventory	6,785,220	7,537,799
	53,089,810	49,909,118

14.02. Manufacturing Overheads

Stores, Spares & Maintenance	887,364	1,784,848
Factory Cleaning & Upkeep	165,918	138,688
Factory Rent	1,040,050	913,186
Security Services	203,714	169,173
Power & Fuel	1,203,950	1,445,173
Consumables	269,475	194,162
Compliance Expenses	222,408	273,105
Testing Charges	391,935	392,420
Machinery Hire Charges	114,428	116,832
Clearing and Forwarding Inward Charges	1,047,140	1,038,813
L/C Charges For Inputs	265,240	265,173
Depreciation (Note 6.01)	1,113,401	1,023,441
Insurance	269,467	315,971
	7,194,489	8,070,985

15. Administrative, Selling and Distribution Expenses

Salaries	5,442,148	4,397,807
Marketing Expenses	-	13,850
Interest	370,242	329,254
Communication	99,303	85,477
Conveyance	87,497	61,202
Entertainment	57,896	47,997
Office Stationery	9,588	6,504
Stationery Printing	65,603	71,976
Clearing & Forwarding Outward	1,561,776	1,169,353
Bank Charges	562,698	333,000
Travelling Expenses	182,192	253,625
Vehicle Fuel & maintenance	640,091	574,622
Foreign exchange Fluctuaion	(191,267)	(93,307)
Courier & postage	434,517	323,015
Audit fee / Internal Audit	49,517	38,391
Depreciation (Note 6.01)	150,570	143,506
Others	639,991	514,531
	10,162,363	8,270,805

15.01. Salaries

This includes the following emoluments to one of the directors of the company:

Remuneration	14,319	14,720
Housing	9,021	9,274
	23,341	23,994

16. Other income

Interest Earned	22,139	16,046
Others	-	-
	22,139	16,046



**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' 2019	31st Mar' 2019	31st Mar' 2018	31st Mar' 2019	31st Mar' 2018
Pearl Global Industries Ltd	Group Company	Sale of goods	6,129,321	19,962,861	14,890,895	3,512,220	1,705,773
		Purchases	27,680	288,588	153,400	59,641	61,442
		Expenses Payable	11,829	36,168	401,216	175,121	1,260,436
		Expenses recoverable	138,753	1,151,983	34,369	-	-
Pearl Global (HK) Ltd	Group company	Sale of goods	17,573,345	48,863,794	49,431,955	10,235,467	9,602,325
		Expenses Payable	12,531	71,601	77,724	2,215,193	1,399,607
		Expenses recoverable	-	302	111	-	-
DSSP Global Ltd	Group company	Sale of goods	177,911	1,647,254	-	498,325	-
		Purchases	239,077	1,216,604	1,214,966	10,883	92,639
		Expenses Payable	918	30,947	83,564	183,358	179,789
		Expenses recoverable	-	-	1,428	-	-
Pearl Global Forecast Ltd	Group company		-	-	-	-	-
		Expenses Payable	-	-	-	-	-
		Expenses recoverable	-	-	-	13,007	12,700

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 7.145 million as on 31.03.19 (USD 6.420 millions as on 31st Mar' 2018) in respect of letters of credit outstanding and USD 0.159 millions in respect of bank guarantee.

19. Number of employees

The number of employees engaged as on 31.03.19, who received a total remuneration of USD 35.798 per month or above was 6181 Persons (6075 persons as on 31.03.18).

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.

