

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of Khadim Shoe Bangladesh Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Khadim Shoe Bangladesh Limited (the “Company”), which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended 31 March 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, 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 the Company 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 omission, 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 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 going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, we also report the following:

- a) we have obtained all the information and explanations 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; and
- c) the statements of financial position and statements of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of accounts and returns.

For Nurul Faruk Hasan & Co

Chartered Accountants

Shamsur Rahman, FCA

Partner

Enrollment Number: 941

DVC:

Dhaka, Bangladesh

Date:

Khadim Shoe Bangladesh Limited
Statement of financial position
As at 31 March 2022

	Note	<u>31 March 2022</u> Taka	<u>31 March 2021</u> Taka
Assets			
Current assets			
Cash and cash equivalents	3	1,26,692	3,74,690
Total assets		<u>1,26,692</u>	<u>3,74,690</u>
Equity and liabilities			
Equity			
Share capital	4	9,90,000	9,90,000
Retained earnings		(11,86,822)	(9,50,684)
Total equity		<u>(1,96,822)</u>	<u>39,316</u>
Liabilities			
Current liabilities			
Payable for expenses	5	2,73,474	3,08,724
Other financial liabilities	6	6,650	6,650
Other current liabilities	7	43,390	20,000
Total liabilities		<u>3,23,514</u>	<u>3,35,374</u>
Total equity and liabilities		<u>1,26,692</u>	<u>3,74,690</u>

The accompanying notes 1 to 14 form an integral part of these financial statements.

Suman Barman Roy
Director

Rittick Roy Burman
Director

As per our annexed report of same date

Dhaka, Bangladesh
Date:

For Nurul Faruk Hasan & Co
Chartered Accountants

Shamsur Rahman, FCA
Partner
Enrollment No. 941
DVC:

Khadim Shoe Bangladesh Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 March 2022

	Note	<u>31 March 2022</u> Taka	<u>31 March 2021</u> Taka
Revenue		-	-
Cost of sales		-	-
Gross profit		<u>-</u>	<u>-</u>
Administrative expenses	8	(2,36,138)	(3,35,828)
Operating profit (loss)		<u>(2,36,138)</u>	<u>(3,35,828)</u>
Profit before tax (loss)		<u>(2,36,138)</u>	<u>(3,35,828)</u>
Income tax		-	-
Profit for the year (loss)		<u><u>(2,36,138)</u></u>	<u><u>(3,35,828)</u></u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>(2,36,138)</u></u>	<u><u>(3,35,828)</u></u>

The accompanying notes 1 to 14 form an integral part of these financial statements.

Suman Barman Roy
Director

Rittick Roy Burman
Director

As per our annexed report of same date

Dhaka, Bangladesh
Date:

For Nurul Faruk Hasan & Co
Chartered Accountants

Shamsur Rahman, FCA
Partner
Enrollment No. 941
DVC:

Khadim Shoe Bangladesh Limited
Statement of changes in equity
For the year ended 31 March 2022

(Figures in Taka)

	Share capital	Retained earnings	Total equity
Balance as at 1 April 2020	9,90,000	(6,14,856)	3,75,144
Loss after tax during the period	-	(3,35,828)	(3,35,828)
Balance as at 31 March 2021	9,90,000	(9,50,684)	39,316
Balance as at 1 April 2021	9,90,000	(9,50,684)	39,316
Loss after tax during the period	-	(2,36,138)	(2,36,138)
Balance as at 31 March 2022	9,90,000	(11,86,822)	(1,96,822)

The accompanying notes 1 to 14 form an integral part of these financial statements.

Khadim Shoe Bangladesh Limited
Statement of cash flows
For the year ended 31 March 2022

	Note	<u>31 March 2022</u>	<u>31 March 2021</u>
		Taka	Taka
Cash flows from operating activities			
Payment for operating expenses		2,47,998	6,21,670
Net cash flow from operating activities		<u>(2,47,998)</u>	<u>(6,21,670)</u>
Investing activities			
		-	-
Financing activities			
Proceeds on issue of shares	4	-	-
Net cash (used in)/from financing activities		<u>(2,47,998)</u>	<u>(6,21,670)</u>
Net increase/(decrease) in cash and bank balances			
Cash and bank balances at beginning of year		3,74,690	9,96,360
Cash and bank balances at end of year**		<u>1,26,692</u>	<u>3,74,690</u>

The accompanying notes 1 to 14 form an integral part of these financial statements.

Khadim Shoe Bangladesh Limited
Notes to the financial statements
For the year ended 31 March 2022

1 Reporting entity

1.1 Company Profile

Khadim Shoe Bangladesh Limited was incorporated under the Companies Act, 1994 as a Private Limited Company, limited by shares vide Registration No. C-154904/2019 dated; 05 September 2019.

The registered address of the company is located at Anamicka Concord, 853 West Shawrapara, 11-F, Mirpur, Dhaka, Bangladesh.

1.2 Nature of business

The Company is established for importing, manufacturing and distributing various footwear and accessories, leather, hides, skin and leather substance, act as an agent in all garments, textiles, all seasonal wear like rain wear, winter wear, gloves, caps, umbrellas, bags, dress materials and related accessories.

2 Basis of accounting

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the Companies Act, 1994.

2.2 Accrual basis of accounting

The financial statements except statements of cash flows have been prepared under accrual basis of accounting in accordance with International Financial Reporting Standards.

2.3 Reporting period

The financial period of the Company covers from 01 April 2021 to 31 March 2022.

2.4 Functional and presentational currency and level of precision

These financial statements are presented in Bangladesh Taka (Taka/Tk/BDT), which is the functional currency and presentation currency of the Company. The figures of financial statements have been rounded off to the nearest Taka.

2.5 Date of authorisation

The financial statements have been authorised for issue by the board of Directors on XXXXX

Details of the Company's accounting policies are included in notes 9 and 14.

	Notes	31 March 2022	31 March 2021
		Taka	Taka
3 Cash and cash equivalents			
Cash in hand		-	-
Cash at bank	3.1	1,26,692	3,74,690
		1,26,692	3,74,690
3.1 Cash at bank			
Prime Bank Limited (BDT A/C No- 2118111024282)		1,26,692	3,74,690
		1,26,692	3,74,690
4 Share capital			
4.1 Authorised capital			
10,000 ordinary shares of Tk10,000 each		10,00,00,000	10,00,00,000
		10,00,00,000	10,00,00,000
4.2 Issued, subscribed and fully paid-up capital			
99 Ordinary shares of Tk10,000 each		9,90,000	9,90,000
		9,90,000	9,90,000
4.3 Composition of shareholders of 31 March 2021			
Name of the shareholders	Value BDT	Percentage of shareholding	
Khadim India Limited, India	9,80,000	99%	
Siddhartha Roy Burman	10,000	1%	
	9,90,000	100%	
5 Payables for expenses			
ABM Nasirud Doulah		1,29,724	78,724
Nurul Faruk Hasan & Co.		1,43,750	2,30,000
		2,73,474	3,08,724
6 Other financial liabilities			
Advance from parties		6,650	6,650
		6,650	6,650
7 Other current liabilities			
TDS payable (Consultancy)		43,390	20,000
		43,390	20,000
8 Administrative expenses			
Legal and professional expense		33,900	-
Office rent		51,000	51,000
Bank charges		840	1,388
Audit fees		1,50,398	2,83,440
		2,36,138	3,35,828

9 Transactions with key management personnel

Key management includes directors of the Company and no compensation has been paid during the current period.

10 Events after the reporting period

Khadim India Limited injected USD 6,710 equivalent to BDT 6,64,290 as share money deposit which is credited to the Company's bank account on 15 September 2022.

11 Commitments

The Company has no commitments as at 31 March 2022 to be paid during the next accounting year.

12 Contingencies

There is no contingent asset/liability as at the reporting date.

13 General

13.1 Number of employees

Since the commercial operation of the company has not yet started, there are no employees in the Company.

14 Significant accounting policies

The Company has consistently applied the following accounting policies throughout the period presented in these financial statements.

14.1 Going concern

During the year, the Company reported a net loss of Tk 236,138 (2021: Tk.335,828) and the company reported an accumulated loss of Tk.1,186,822 (2021 Tk.9,50,684). As at 31 March 2022, The Company carried negative net equity of Tk.196,822 (Positive net equity 2021 TK.39,316). The financial statements have been prepared on a going concern basis on the following grounds: The Company is funded by its parent Company, Khadim India Ltd. to continue its operations and settle its third-party liabilities as they fall due. Such support has been received in the form of share money deposit which will be subsequently converted into share capital complying the requirements of the Company Act, 1994 and other regulation of RJSC. The directors of the Company have adopted the going concern principle in preparing these financial statements.

14.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except financial instruments which is stated at fair value.

14.3 Statement of cash flows

The Statement of cash flows has been prepared in accordance with the requirements of IAS 7: Statement of cash flows. The cash generating from operating activities has been reported using the direct method.

14.4 Accounting policies

Accounting policies are the specific principles, bases, conventions, requirements and practices used by an entity in preparing and presenting its financial statements. An existing accounting policy should only be changed where a new accounting will result in reliable and more relevant information being presented. Any changes in accounting policy required to be accounted for retrospectively except where it is not practicable to determine the effect in prior periods.

Accounting estimates

The financial statements was prepared by the management on the basis of best judgments, estimations and assumptions complying the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and underlying assumptions, which are reviewed on an ongoing basis. Revision to accounting estimates is recognized in the year in which the estimates are revised and in any future years affected.

Prior period errors

A prior period error is where an error has occurred even though reliable information was available when those financial statements were authorized for issue. Prior period error requires retrospective restatement of financial statements to adjust as if the prior period errors had never been occurred.

Taxation

14.5 Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. The tax rate is 27.5%% for the reporting period 2021-22 per Finance Act 2021-2022.

14.6 Events after the reporting period

The parent Company is funded by its KSBL (Khadim Shoe Bangladesh Limited) and is in the process of providing additional financial support (equivalent of USD 6750 in BDT 6,64,290) to enable Khadim Shoe Bangladesh Ltd. to continue its operations and settle its third-party liabilities as they fall due.

14.7 Foreign currency transactions

Transactions in foreign currencies are recorded at BDT considering the applicable foreign exchange rates prevailing on the date of transaction. All monetary assets and liabilities denominated in foreign currencies at reporting date are translated to BDT at the rates of exchange prevailing on that date. Resulting exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the statement of profit or loss and other comprehensive income as per IAS 21 "The Effects of Changes in Foreign Exchange Rates".

14.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-derivative financial instruments comprise trade receivables, other current financial assets, cash and cash equivalents, trade and other payables, short term loans and liabilities for expenses.

i) Financial assets

The company initially recognizes trade receivables on the date that they are originated. All other financial assets are recognized initially on the date at which the company becomes a party to the contractual provisions of the transaction. The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. The Company's financial assets comprise trade receivables, other current financial assets and cash and cash equivalents.

ii) Financial liabilities

The Company initially recognises financial liabilities in its statement of financial position when the Company becomes a party to the contractual provisions of the liability. The Company recognises such 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 entity of resources embodying economic benefits. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired. The Company's financial liabilities comprise trade and other payables, short term loan, liabilities for expenses.

14.9 Provisions and contingencies

Provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and 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. Provision is ordinarily measured at the best estimate of the expenditure required to settle the present obligation at the date of statement of financial position. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

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

Contingent liabilities and assets are not recognized in the Statement of financial position of the Company.

Suman Barman Roy
Director

Rittick Roy Burman
Director