

PRIVATE AND CONFIDENTIAL

Auditors Report on Financial Statement

Of

Rangpur Sugar Mills Limited

Mahimaganj, Gaibandha

For the year ended on June 30, 2019

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Independent Auditors' Report

To the Shareholders of Rangpur Sugar Mills Limited
Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Rangpur Sugar Mills Limited (the Company), which comprise the Statement of Financial Position as at June 30, 2019, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information disclosed in notes 1 to 36 & Annexure-A to Q.

In our opinion, except for the effect of the matter described in the basis for Qualified opinion section of our report the accompanying financial statements present fairly, in all material respects, the financial position of the company as at June 30, 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.

Basis for Qualified Opinion

1. The Companies is incurred a net operating loss of Tk. 351,058,391; Tk. 524,473,113 and 609,337,212 in the year 2016-2017, 2017-2018 and 2018-2019 respectively and as of that date, the Companies current liabilities exceeded its total assets by Tk. 2,587,877,272; Tk. 3,177,511,153 and Tk. 3,741,442,806 respectively. This above fact indicates that there is a material uncertainty exists that may cast significant doubt on the Rangpur Sugar Mills Limited ability to continues a going concern.
2. The Company incurs a negative Contribution Margin (CM) of Tk. 81,274 /per M.Ton (approx.) of selling of sugar. The company is only able to earn Tk. 52,179 /per M.Ton by selling of sugar and variable cost of production of sugar is Tk. 125,196/per M.Ton from which variable material cost is Tk. 96,159 /per M.Ton.
3. Rate of Sugar recovery from sugarcane is gradually decreasing year by year. Recovery rate in 1980-1981 was 8.80% and now recovery rate is reduced to 4.0%. As a result cost of production is increasing accordingly.
4. Workers profit participation fund (WPPF) carry forward more than ten years amounting Tk. 862,147. As per sub-sec 1 (b) section 234 of Labor Act 2006 the company should make payment of WPPF of the previous income year which was made to be distributed according to the proportion (80:10:10) to Participation fund, Welfare fund and Labor Welfare foundation fund respectively within not more than 9 months from the end of the income year. Moreover interest for nonpayment of WPPF was not provisioned as per said section 240 of Labor Act 2006.



5. The entity did not provide any calculation and clarification of interest on Loan- Head office (Amount due to BSFIC) amounting Tk. 139,234,535. Moreover we did not received any balance confirmation from head office against Loan (Amount due to BSFIC) amounting Tk. 2,312,783,629.
6. Recoverable from Obaidullah (Deflected amount) amounting Tk. 9,672,717 was carried forwarded since long without recover any amount. Furthermore the entity did not make any provision or did not make any impairment test against these assets or write-off was not made as per IAS 36.
7. The Financial statement of Rangpur Sugar Mills Limited was not prepared as per IAS-01(Presentation of financial statement) and as per IAS 01, Para 72 "an entity classifies its financial liabilities as current when they are due to be settled within twelve months after the reporting period" but the entity did not present any current portion of long term financial liabilities in the financial statements.
8. The entity did not make any provision for deferred Tax for taxable temporary difference as per IAS-12.
9. Some liabilities were carried forwarded since long without making payment. Adjustment with retained earnings may required. Moreover clarification for those amounts were not provided to us. Instances are given below:

Particulars	Amount (Tk.)	Reference	Remarks
Unpaid sugarcane price	2,106,798	Note no. 10.01	
Suppliers security deposits	1,145,411	Annexure-E	More than 3years 675,731
Audit objection	1,303,386	Annexure-P	More than 3years 71,578
Provision for bad & doubtful debt	156,146	Note no. 13.00	More than 3years 156,146
VAT & Taxes	14,507,662	Note no. 10.03	Vat & tax unpaid since long
Total	17,112,605		

10. The entity did not transfer contribution of Provident Fund (PF) to trustee of PF amounting Tk. 31,178,070 (notes no. 10.03) and Provident Fund Loan amounting Tk. 9,031,151 (notes no. 10.03) since long. Moreover audited or management account of PF was not provided to us. As a result we are unable to verify the same as receivable in PF accounts of Rangpur Sugar Mills Ltd.

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11. The entity did not provide us inter project current account reconciliation (Liability) (notes no. 14.00) amounting Tk. 896,832 out of Tk. 2,211,485 and inter project current account reconciliation (assets) (notes no. 22.00) amounting Tk. 30,272,594 out of Tk. 54,662,143. Moreover we did not received any third party balance confirmation against these said amount.
12. As per IAS 16, Para 55 "depreciation of assets begins when the assets is available for use." But the entity charged depreciation on addition of Fixed assets for whole year whenever it is added (available for use) as property, plant and equipments.
13. As per Para 67 of IAS 16 "Carrying amount of an item of Property, Plant and equipment shall be derecognized when no future economic benefits are expected from its use". But the entity did not derecognize its PPE from which the entity did not get any future economic benefits are expected to flow (obsolete assets). Moreover we found that 51 nos. of motor vehicle were obsolete out of 117 nos.
14. Some assets were carried forwarded since long without testing its recoverability as per IAS-36. A provision against these assets required to made in the financial statements. Instances are given below:

Particulars	Amount (Tk.)	Reference	Remarks
Stock of stores & spares (Firm)	2,349,988	Note no. 17.03	More than 3 years Tk. 2,349,988
Store in transit	1,507,980	Note no. 17.00	More than 2 years Tk. 1,255,341
Fertilizer Shortage recoverable A/C	961,875	Note no. 19.01	More than 9 years Tk. 961,875
Advance against suppliers (M/S Haque Printing & Packing)	80,000	Annexure-J	More than 4 years Tk. 80,000
Advance against Salaries	7,131,382	Note no. 19.01	Increasing day by day
Deposits	269,887	Note no. 19.02	Since long Tk. 269,887
Total	12,301,112		

15. As per IAS 02, Para 09 "Inventories shall be measured at the lower of cost and net realizable value" but the entity did not follow the said standard, when we conduct our audit we found that some items of inventories were obsolete amounting Tk. 2,359,040.

16. When we conduct our audit we found that some items of inventories were slow moving for which was amounting Tk. 1,063,815.

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