

Independent Auditor's Report To the Shareholders of MAQ Enterprises Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of **MAQ Enterprises Limited**, which comprise the statement of financial position as at 30 June 2023, and the statement of profit or loss, 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.

In our qualified opinion, except for the effects of the matters 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 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

1) **Material Uncertainty Related to Going Concern**

The financial statements included a negative amount of Tk. 262,221,179 as *Retained Earnings*. Moreover, the company incurred loss of Tk. 437,933 during the year. Furthermore, current liabilities of the company have been exceeded its net assets by Tk. 115,531,600. The consequences of these along with other matters indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. However, the Financial Statements have not disclosed this matter adequately.

2) **Ref. to Notes# 4.00**

The financial statements have included *Intangible Assets* Tk. 2,523,264 is constant since long. The management of the company neither been able to provide sufficient and appropriate supportive documents in this regard nor written off of these balances as the existence and recoverability of these are very negligible. As a result, true and fair view of the financial statements have been compromised.

3) **Ref. to Notes# 6.00 and 8.00**

The financial statements have included *Advance, Deposit & Prepayments* and *Accounts Receivable* of Tk. 20,475,046 and Tk. 102,709 respectively remained unadjusted since long. Provided documents against these were not sufficient to belief that these amounts either adjustable or recoverable.

4) **Ref. to Notes# 18.00 and 19.00**

Documents provided by the management of the company against *Sale of Wastage* and *Purchase of Wastage* of Tk. 1,070,920 and Tk. 975,054 respectively were not sufficient and appropriate to support these balances reported in the financial statements.

5) **Ref. Note# 03.00**

MAQ Enterprises Limited has no property, plant and equipment other than land. The reason for such non-existence of property, plant and equipment other than land could not be explained by the management and not disclosed anywhere in the financial statements.

- 6) **Ref. to Notes# 13.00 and 14.00:**
The financial statements have included *Share Application Money* and *Dividend Payable* of Tk. 1,654,153 and Tk. 2,218,964 respectively remained unadjusted since long. Provided documents against these were not sufficient to belief that these amounts either adjustable or re-payable to shareholders. Even, these balances have not been transferred to the Capital Market Stabilization Fund (CMSF) as directed by the Bangladesh Securities and Exchange Commission's directive no. BSEC/CMRRCD/2021-386/03 dated 14 January 2021 and Bangladesh Securities and Exchange Commission (Capital Market Stabilization Fund) Rules 2021 and Commission's letter no. SEC/SRMIC/165-2020/ part-1/166 dated 06 July 2021 and Commission's letter no. SEC/SRMIC/165-2020/ part-1/182 dated 9 July 2021.
- 7) **Employees Benefit:**
Gratuity Fund, Provident Fund and Workers' Profit Participation Fund have not been introduced by the company in compliance with the Bangladesh Labor Act 2006 (As amended in 2013), Bangladesh Labor Rules 2010 and International Accounting Standard-19 *Employee Benefits*.
- 8) **Ref. to Note# 07.00**
Documents provided by the management of the company against *Loan to Associate Company* of Tk. 82,701,635 was not found sufficient and appropriate to support the balance presented in the financial statements fairly. Moreover, the company did not disclose the related party transactions and related party disclosures as required by the International Accounting Standards 24 *Related Party Disclosures*.
- 9) **Ref. to Statement of Changes in Equity:**
The company has received interest waiver (through One Time Exit) from Sonali Bank Limited during the year under audit. However, the company has not recognized such benefit through the Statement of Profit or Loss rather directly recognized with the Retained Earnings in the Statement of Changes in Equity which is not in line with the IAS 1 and Income Tax Act 2023 as well.

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 we have fulfilled our 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 qualified opinion.

Emphasis of Matter

We draw attention to note 3.00 of the financial statements, which describes the present status of the law and legal steps taken by the company regarding the land situated in between River Buriganga and Dhaka- Narayanganj Road.

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. In addition to the matters described in the Basis for Qualified Opinion section we have determined the matters described below to the Key Audit Matters to be communicated in our report. For each matter below our description of how our audit addressed the matters provided in that context.

Risk	Our response to the risk
Revenue Recognition	
<p data-bbox="229 495 770 566">During this year, net sales revenue of Tk. 1,070,920.</p> <p data-bbox="229 600 770 1025">Revenue is measured net of discounts, commission and rebates earned by customers on the sales. Within a number of the company markets, the estimation of discounts, commission and rebates recognized based on sales made during the year is material and considered to be complex and judgmental. Therefore, there is a risk of revenue being misstated as a result of faulty estimations over discounts, incentives and rebates.</p> <p data-bbox="229 1059 770 1283">There is also a risk that revenue may be overstated due to fraud through manipulation of the discounts, incentives and rebates recognized resulting from the pressure local management may feel to achieve performance targets.</p>	<p data-bbox="796 495 1390 593">We have tested the design and operating effectiveness of key controls focusing on the following:</p> <ul data-bbox="818 600 1390 698" style="list-style-type: none"> <li data-bbox="818 600 1390 660">• Segregation of duties in invoice creation and modification; and <li data-bbox="818 667 1390 698">• Timing of revenue recognition. <p data-bbox="796 705 1390 766">Our substantive procedures in relation to the revenue recognition comprises the following:</p> <ul data-bbox="818 772 1390 1568" style="list-style-type: none"> <li data-bbox="818 772 1390 945">• Obtaining supporting documentation for sales transactions recorded either side of year end as well as credit notes issued after the year end date to determine whether revenue was recognized in the correct year; <li data-bbox="818 952 1390 1079">• Within a number of the Company’s markets, comparing current year rebate accruals to the prior year and, where relevant, completing further inquiries and testing. <li data-bbox="818 1086 1390 1146">• Agreeing a sample of claims and rebate accruals to supporting documentation; <li data-bbox="818 1153 1390 1258">• Critically assessing manual journals posted to revenue to identify unusual or irregular items; <li data-bbox="818 1265 1390 1361">• Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards; <li data-bbox="818 1368 1390 1568">• Performing cut-off test by obtaining delivery challan for goods delivered during the beginning of the next accounting year and at the close of current accounting year to verify whether sales are recorded in the current accounting year; and <p data-bbox="796 1574 1390 1680">Inspecting VAT returns submitted to VAT authority to determine consistency of sales revenue recognized.</p>
See Note no. 18.00 to The Financial Statements.	

Risk	Our response to the risk
<p>Valuation of Property, Plant and Equipment</p>	
<p>The carrying value of the Property, Plant and Equipment (PPE) was Tk. 20,266,717 as at 30 June, 2023. Expenditures are capitalized if they create new assets or enhance the existing assets and expensed if they relate to repair or maintenance of the assets. Classification of the expenditures involves judgment. The useful lives of PPE items are based on management's estimates regarding the period during which the assets or its significant components will be used. The estimates are based on historical experience and market practice and take into consideration the physical condition of the assets.</p> <p>The valuation of PPE was identified as a key audit matter due to the significance of this balance to the financial statements and that there is significant measurement uncertainty involved in this valuation.</p>	<p>Our audit included the following procedure:</p> <ul style="list-style-type: none"> • We assessed whether the accounting policies in relation to the capitalization of expenditures are in compliance with IAS 16 and found them to be consistent. • We evaluated whether the useful lives determined and applied by the management were in line with historical experience and the market practice. • We checked whether the depreciation of PPE items was commenced timely, by comparing the date of the reclassification from capital work in progress to ready for use, with the date of the act of completion of the work.
<p>See Note No. 3.00totheFinancial Statements.</p>	

Other Information

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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 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 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, 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 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 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 the mall 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 that except for the effects of the matters described in the Basis for Qualified Opinion section of our report:

- a) We have obtained all the information and explanation 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
- 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 account; and
- d) The expenditure incurred was for the purpose of the Company's business

Signed for & on behalf of
MABS & J Partners
Chartered Accountants

Place: Dhaka, Bangladesh

Dated: 30 OCT 2023

Md. Shahadat Hossain FCA
Senior Partner
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