

**JAMUNA OIL COMPANY LIMITED**  
**AUDITORS' REPORT & FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 30 JUNE 2022**

**Rahman Mostafa Alam & Co.**  
Chartered Accountants

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Chartered Accountants

**INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF  
JAMUNA OIL COMPANY LIMITED**

**Qualified Opinion**

We have audited the Statement of Financial Position of **JAMUNA OIL COMPANY LIMITED** ("the Company"), which comprise the Statement of Financial Position as at 30 June 2022, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion paragraph, the accompanying financial statements, prepared in accordance with International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs), give a true and fair view of the state of the Company's affairs as at **30 June 2022** and results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994, Securities and Exchange Rules 1987 and other applicable laws and regulations.

**Basis for qualified opinion**

- 1) The Company's Trade Receivables are carried forward amounting to taka 1,101,268,764. Out of which taka 134,578,955, taka 50,100,405 and taka 5,770,737 remaining as receivable from Power Development Board, Bangladesh Chemical Industries Corporation and Chattogram City Corporation respectively since long time. The company made correspondences with parties to realize the outstanding balances but the amounts are yet to be realized (Note – 09.00).
- 2) Property, Plant and Equipment have been carried forward without maintaining any comprehensive records. We could not obtain sufficient appropriate audit evidence relating to the location and existence of opening carrying amount of Property, Plant and Equipment (Note – 03.00 and 03.01).
- 3) The Company owns total 59.9703 acres of freehold land valued at taka 27,849,084, out of which land measuring 2.30 acres are yet to be registered in the name of the company. Out of the freehold land, land measuring 1.7116 acres possessed by Chittagong Dry Dock Ltd and 0.3859 acres of land acquired by the Chittagong Development Authority for constructing airport road without payment of compensation to the company. The company has no agreement with Chittagong Dry Dock Ltd for using possession although the company sent several reminders to Chittagong Dry Dock Ltd. to execute lease agreement or to return the possession of the land. Eventually, the Company is deprived of economic benefit that could have been generated from the said asset (Note – 03.02).

**Emphasis of Matters**

Without qualifying our opinion, we draw attention to the following:

- i) No balance confirmation certificate has returned by the related party to verify the amount of taka (35,199,192,293) of related party balance (Note – 38.00).
- ii) Provident Fund Account of Jamuna Oil Company Limited for the year 2021 – 2022 is yet to be audited. So, no opinion could be passed on this issue.
- iii) While computing Gratuity liability, the requirement of IAS – 19 about creating provision on the basis of Actuarial computation has not been followed. The company maintains an unfunded Gratuity scheme for its permanent employees in accordance with Gratuity rules and provision the balance of



which stands taka 928,986,426 as on 30 June 2022. The Gratuity fund is yet to be recognized by the Income Tax Authority (Note – 16.00).

iv) As per IAS – 36, Para – 09 "An entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset". During the year under audit the company did not make any impairment test as per provision of IAS – 36.

### 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 statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### 1. Revenue Recognition

Refer to note 22.00 and 23.00

##### The Key Audit Matter

We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Company and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.

We focused on the proper cut-off of sales to the Company's customers due to the fact that the documents of confirming.

The acceptance of the products (HOBC, MS, SKO, HSD, FO, LSFO, JBO, LP Gas, Lubricants, Bitumen etc.) were provided by numerous dealers/ customers based in different Depots. There is a risk of differences between the timing of acceptance of the products by the Company's customers and when revenue was recorded. Accordingly, there could be potential misstatements that these revenue transactions are not recognized in the proper reporting periods.

##### How Our Audit Addressed the Key Audit Matters

We have tested the design and operating effectiveness of key controls focusing on the following: -

- We conducted substantive testing of revenue recorded over the year using sampling techniques, by examining the relevant supporting documents including sales invoices and challans.
- We have checked the Govt. gazed regarding sales price and commission thereon with DO, invoice and party ledger to confirm the Net Earnings during the year.
- Furthermore, we tested the sales transactions recognized shortly before and after the reporting date.

#### 2. Measurement of Deferred Tax

Refer to note 17.00

##### The Key Audit Matter

The Company recognizes deferred taxes relating to property, plant and equipment, investment in Quoted Share and associates, employee benefits etc. which are very complex in nature.



As such accounting for deferred taxes involves management judgment in developing estimates of tax exposures and contingencies in order to assess the adequacy of tax provision. Hence, we considered this to be a key audit matter.

#### **How Our Audit Addressed the Key Audit Matters**

Our audit procedures in this area included, among others: -

- Assessed the design, implementation and operating effectiveness of key controls in respect of the Company and the process of recognition of deferred taxes.
- Using our own tax specialists to evaluate the tax bases and Company tax strategy.
- Assessed the accuracy and completeness of deferred tax, and
- Evaluating the adequacy of the financial statement's disclosures, including disclosures of assumptions, judgments and sensitivities. We involved tax specialists to assess key assumptions, control recognition and measurement of deferred tax liabilities/(Assets).

#### **Information Other than the Financial Statements and Auditors' Report Thereon**

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our 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 of the financial statements that give a true and fair view in accordance with IFRSs, the Companies Act, 1994, the Securities and Exchange Rules, 1987 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.



