

Navana Real Estate Limited

(If there is any contrary information please communicate with DSE through email: listing@dsebd.org)

Disclaimer:

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Brief Overview of the Company

- 1. Date of Commercial operation** : 1996 as a private limited company.
- 2. Converted as a Public Limited Company** : 8th September, 2010.
- 3. Authorized Capital** : Tk. 1,000.00 mn
- 4. Paid up Capital (Pre-IPO)** : Tk. 300.00 mn

Details of the Issue

Description	Ordinary Shares	Face Value In Taka	Indicative Price	Capital in Taka
Public Offering	30,000,000	10	124.08 (Premium 114.08)	300,000,000
Total Issue	30,000,000	10		300,000,000

Paid up Capital after IPO

Particulars	No of Shares	Face Value (Taka)	Amount in Taka
Before IPO:			
Authorized Capital	1,000,000	1,000	1,000,000,000
Paid up capital as on 31 August, 2010	300,000	1,000	300,000,000
Paid up capital as on 30 September, 2010	30,000,000	10	300,000,000
Total paid up capital before IPO	30,000,000	10	300,000,000
After IPO:			
To be issued as IPO	30,000,000	10	300,000,000
Paid up capital (Post IPO)	60,000,000	10	600,000,000

* Board of Directors had decided to denominate the share price from Tk.1000.00 to Tk. 10.00 on 12th August 2010 which has been approved by the shareholder of the Company in their Extra Ordinary General Meeting dated 8th September 2010.

Issue Manager : ICB CAPITAL MANAGEMENT LIMITED
Auditor : Rahman Mostafa Alam & Co.

Company at a Glance

Navana Real Estate Ltd (NREL), a concern of Navana Group, started its operation in 1996 as a private limited company & converted as a Public Limited on 8th September, 2010. Since its inception, NREL has completed and handed over a good number of projects in diversified areas in Dhaka where it is capturing the market for high and middle-income people. Of late, NREL has also started its operation in different areas of Chittagong.

Considering the future expansion of Dhaka City and related demand hike for housing, NREL has extended its area of operation into land development projects, handing over one land project in Kallyanpur and two projects at Ashulia. Ongoing land projects include two projects at Narayangonj and Ashulia.

NREL within a short span of time turned out as one of the most trusted company in Real Estate sector and has been working in various numbers of apartments, commercial and land projects. The motto of NREL is not only to deliver apartment or land ahead of schedule but also to maintain the highest-grade construction quality that has gained trust and respect in customers. Further NREL is pursuing the motto of becoming "different, dependable and definitive".

Nature of Business:

The Company is engaged in purchasing land & developing the same for urban housing and selling to the people of different income group. The company also purchases high land for construction of multi-storied Apartment building, Shopping and Office spaces.

Principal products and services:

Principal products are Apartment and Commercial spaces approximately cover more than 90% of total revenue. We have also Housing project which will flourish significantly in near future.

Relative contribution of Products/Services contributing more than 10% of the total revenue:

The relative contribution to sales and income of each product that accounts for more than 10% of the Company's total revenue are mentioned below:

Product	For the year ended Aug 31, 2010		For the year ended Aug 31, 2009	
	Volume	%	Volume	%
Apartments	2,821,617,292	99%	1,651,866,356	99%
Plot	22,195,000	1%	20,938,488	1%
Total	<u>2,843,812,292</u>	<u>100%</u>	<u>1,672,804,844</u>	<u>100%</u>

Use of IPO proceeds:

The Company is planning to raise about Tk. 420.00 crore from the capital market through IPO. The IPO proceeds will be utilized in the following manner:

Sl. No.	Usage of Proceeds	Amount (Taka)
1	Repayment of Loans	2,000,000,000
2	Acquisition of Investment Properties	750,000,000
3	Balance as Working Capital	1,450,000,000
	Total	<u>4,200,000,000</u>

DIRECTORS AND OFFICERS

The Board of Directors of NREL comprises of 5 (five) Directors. The name, age and position of all Directors of the Company are as follows:-

Sl. No.	Name of directors	Position
1	Mr. Shafiul Islam	Chairman
2	Mrs. Khaleda Islam	Director
3	Mr. Saiful Islam	Director
4	Mr. Sajedul Islam	Director
5	Ms. Farhana Islam	Director

OWNERSHIP OF THE COMPANYS SECURITIES

NREL's Directors List and Shareholding Pattern

Name	Position Held	Total number of Share	% of share held
Mr. Shafiul Islam	Chairman	1,19,800	39.93%
Mr. Saiful Islam	Vice Chairman	13,800	4.60%
Mrs. Khaleda Islam	Director	13,800	4.60%
Mr. Sajedul Islam	Director	13,800	4.60%
Ms. Farhana Islam	Director	13,800	4.60%
Mr. Md. Aminul Hoque	Shareholder	15,000	5.00%
Aftab Automobiles Ltd	Shareholder	60,000	20.00%
Laguna Autos Ltd	Shareholder	25,000	8.33%
Biponon Ltd	Shareholder	25,000	8.33%
Total		<u>3,00,000</u>	<u>100.00%</u>

Performance at a Glance:

Tk. in million

Particulars	31.08.2006	31.08.2007	31.08.2008	31.08.2009	31.08.2010
Sales	404.46	658.18	1,592.04	1,672.80	2,843.81
<i>Growth</i>		62.73%	141.88%	5.07%	70.00%
Cost of sales	315.08	521.08	1,343.95	1,247.07	2,123.73
<i>Growth</i>		65.38%	157.91%	-7.21%	70.30%
Gross Profit	89.39	137.10	248.09	425.74	720.08
<i>Growth</i>		53.38%	80.96%	71.61%	69.14%
Operating Expenses	85.14	132.60	222.36	267.84	319.26
<i>Growth</i>		55.74%	67.69%	20.45%	19.20%
Administrative Expenses	60.29	57.72	109.32	102.23	120.80
<i>Growth</i>		-4.26%	89.39%	-6.49%	18.16%
Financial Expenses	24.86	74.88	113.04	165.61	198.47
<i>Growth</i>		201.27%	50.96%	46.51%	19.84%
Operating Profit	4.24	4.50	25.73	157.89	400.82
<i>Growth</i>		5.95%	472.24%	513.76%	153.85%
Non-operating	0.58	0.64	0.63	5.30	0.58

income					
<i>Growth</i>		10.40%	-1.89%	743.64%	-89.06%
Profit Before Tax	4.82	5.14	26.35	163.19	401.40
<i>Growth</i>		6.48%	413.12%	519.24%	145.96%
Income Tax Expenses	2.44	2.97	2.66	16.42	111.30
<i>Growth</i>		21.89%	-10.44%	516.99%	577.80%
Net Profit	2.39	2.16	23.69	146.77	290.10
<i>Growth</i>		-9.27%	994.70%	519.49%	97.65%
Total Assets	694.61	1,344.40	1,650.23	4,726.06	8,206.20
<i>Growth</i>		93.55%	22.75%	186.39%	73.64%
Intangible Assets	9.11	9.11	9.11	-	-
<i>Net Assets</i>	(2.35)	1.20	24.89	459.22	1,181.92
<i>Growth</i>		-151.11%	1976.15%	1744.89%	157.38%
<i>NAV Per Share</i>	(23.46)	11.99	248.91	90.04	39.40
<i>Growth</i>		-151.11%	1976.15%	-63.83%	-56.25%
<i>EPS</i>	23.85	21.64	236.92	28.78	9.67
<i>Growth</i>		-9.27%	994.70%	-87.85%	-66.40%
<i>EPS (Restated)</i>	0.08	0.07	0.79	4.89	9.67
<i>Growth</i>		-9.27%	994.70%	519.49%	97.65%
<i>EPS (Post IPO)</i>	0.04	0.04	0.39	2.45	4.83
<i>Growth</i>		-9.27%	994.70%	519.49%	97.65%
<i>Paid up Capital</i>	1.00	1.00	1.00	51.00	300.00
<i>Growth</i>		0.00%	0.00%	5000.00%	488.24%
<i>Shareholders' Equity</i>	6.76	10.31	34.00	459.22	1,181.92
<i>Growth</i>		52.41%	229.82%	1250.58%	157.38%
<i>No. of Shares</i>	100,000	100,000	100,000	5,100,000	30,000,000
IPO					30,000,000
<i>Post IPO Number of Shares</i>					60,000,000

TANGIBLE ASSETS PER SHARE:

(As per Audited A/C as at 31.08.2010)

Particulars	Note	31/08/10
		BD Taka
Assets		
Property, plant & equipment, net		147,340,495
Investment properties		396,550,000
Total non-current assets	A	543,890,495
Less: Intangible assets	B	-
Total tangible non-current assets	C=A-B	543,890,495
Current assets		
Inventories		1,485,600,054
Construction works in progress		3,166,160,453
Deferred revenues		1,004,022,468
Advances, deposits & pre-payments		1,909,692,127
Cash & bank balances		96,835,996

Total current assets	D	7,662,311,098
Total assets	E=A+D	8,206,201,593
Total tangible assets	F=C+D	8,206,201,593
Equity and liabilities		
Non-current liabilities		
Long-term borrowings		367,844,124
Lease finance		89,713,415
Total non-current liabilities	G	457,557,539
Current liabilities		
Long term borrowings: current portion		115,018,179
Lease finance: current portion		25,684,602
Short-term loan		1,342,577,118
Advance against sales		4,568,214,590
Accounts payable		289,230,349
Accrued expenses and other payables		225,994,281
Total current liabilities	H	6,566,719,119
Total liabilities	I=G+H	7,024,276,658
Net assets value	J=E-I	1,181,924,935
Share holders equity		
Share capital		300,000,000
Retained earnings		881,924,935
Total Equity		1,181,924,935
Number of shares*	K	30,000,000
Net assets value per share of Tk 10 each	L=J/K	<u>39.40</u>

*The paid-up capital of Navana Real Estate Limited as at 31 August 2010 stands at Tk.300, 000,000 Ordinary Shares of Tk.1, 000 each.

The Board of Directors had decided to denominate the share price from Tk.1,000 to Tk.10 which has been approved by the shareholder of the Company in their Extra Ordinary General Meeting dated 8th September 2010. Hence, the paid up capital of the Company comes to Taka 300,000,000 divided into 30,000,000 ordinary shares of Taka.10 each.

Determination of Offering Price

Navana Real Estate Limited is one of the leading market participants in the real estate industry of Bangladesh. The Company is enjoying a high growth in revenue and net profit in the past couple of years.

Net Asset Value (NAV) gives asset-backing to the shares of the Company. Earnings per Share (EPS) indicate profitability against shares of the Company. Earnings-based Value and Book Value-based Value have been taken to estimate a theoretical fair price that gives us good indication of market demand for the shares of the Company. The weighted average price derived from the four valuation methods, giving equal weight, is the indicative offer price for the shares of Navana Real Estate Limited to be issued through the IPO under Book Building Method.

Different methods used to determine the fair price per share of the Company is presented below:

Method 1–Price based on Net Asset Value (NAV) based price per share:

Particulars	Amount
A. Share Capital as at 31 August 2010	300,000,000
B. Reserve and Surplus as at 31 August 2010	881,924,935
C. Total Shareholders' Equity as at 31 August 2010 (A+B)	1,181,924,935
D. Number of shares as at 31 August 2010	30,000,000
E. Net Asset Value (NAV) Per Share as at 31 August 2010 (C/D)	<u>39.40</u>

Method 2–Price based on Earning per Share (EPS):

The Company's operational performances and financial results reflect its growth, financial strength, earning and prospects that help investors in making informed investment decision. These are summarized as follows:

Financial Year	Net Profit	Paid-up Capital	no. of outstanding share	Earnings per share (EPS)	Diluted no. of Share	Restated EPS
31-Aug-10	290,097,916	300,000,000	30,000,000	9.67	30,000,000	9.67
31-Aug-09	146,773,585	51,000,000	5,100,000	28.78	30,000,000	4.89
31-Aug-08	23,692,499	1,000,000	100,000	236.92	100,000	236.92
31-Aug-07	2,164,282	1,000,000	100,000	21.64	100,000	21.64
31-Aug-06	2,385,465	1,000,000	100,000	23.85	100,000	23.85
Average				<u>64.17</u>		<u>59.40</u>

Capital Issue Date & form:

Allotment no.	Date of Allotment	Consideration	Amount in Tk.
1 st	22-09-1996	Cash	1,000,000.00
2 nd	27-08-2009	Cash	50,000,000.00
3 rd	13-04-2010	Cash	49,000,000.00
4 th	25-07-2010	Bonus	200,000,000.00
Total			<u>300,000,000.00</u>

The weighted average net profit after tax for the last 5 (five) years stands at Tk. 93,022,749.40 and the restated average EPS stands at Tk. 59.40. If we consider the share price of the Company on the basis of price earnings multiple of 10, the earning based value of shares of the Company stands at Tk. 594.

Method 3 - Price Based On P/E Ratio of Similar Stocks:

Average P/E Ratio of Similar Companies

Sl. No.	Company	Face Value	NAV	EPS	Market Price (12 months avg.)	P/E Ratio
1	Samorita Hospital Ltd.	100.00	138.48	27.77	1101.21	39.65
2	Eastern Housing Ltd.	100.00	153.96	18.28	859.65	47.03
3	Summit Alliance Port Ltd.	10.00	30.81	3.66	219.76	60.04
4	*Ocean Containers Ltd.	10.00	49.62	3.39	187.54	55.32
Average						<u>50.51</u>

Determining the Fair Value of NREL's Stock:

Diluted EPS	9.67
Representative P/E Multiple (X)	50.51
Fair Value (BDT)	488.45

Method 4 - Price based on P/BV Ratio of Similar Stocks:

Average P/BV Ratio of Similar Companies

Sl. No.	Company	Face Value	EPS	NAV	Market Price (12 months avg)	P/BV Ratio
1	Samorita Hospital Ltd.	100.00	27.77	138.48	1101.21	7.95
2	Eastern Housing Ltd.	100.00	18.28	153.96	859.65	5.58
3	Summit Alliance Port Ltd.	10.00	3.66	30.81	219.76	7.13
4	*Ocean Containers Ltd.	10.00	3.39	49.62	187.54	3.78
Average						<u>6.11</u>

Determining the Fair Value of NREL's Stock:

NAV	39.40
Representative P/BV Multiple (X)	6.11
Fair Value (BDT)	240.73

* Seven Month Average Price.	
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Finding and Calculation of the fair Price of share of NREL:

Particulars	Value
Price based on Net Asset Value /Equity based value per share (NAV)	39.40
Price based on Earning per share (EPS)	594.00
Price Based On P/E Ratio of Similar Stock	488.43
Price based on P/BV Ratio of Similar Stock	240.73
*Average (Geometric Mean)	<u>229.05</u>

Therefore Based on the above calculation the fair value of the Stock of the Company stands at Tk. 229.05 and they conservatively fixed up the expected price @ Tk. 140.00 per share including a premium of Tk. 130.00 per share.

However, the above price i.e. Tk. 140.00 (with Tk. 130 premium) was asked by the company in its information memorandum/prospectus. But As per SEC's notification dated Aug 01, 2010,

"The eligible institutional investors shall submit indicative price to the issuer/issue manager, signed jointly by the Chief Executive Officer (CEO) and the Financial Analyst, highlighting the factors taken into consideration in support of the indicative price."

In compliance with the above rule, the company conducted a road show from where they collected the price from the bidders. The average price from 104 bidders came Tk. 124.08 (with Tk. 114.08 premium).

Risk factors & Management's perception about the risks

The Company is operating in an industry involving both external and internal risk factors having direct as well as indirect effects on the investments by the investors. The assessable risk factors, both external and internal, and Management perception there about are enumerated hereunder:

Interest Rate Risk

Interest rate risk is borne by interest bearing assets of an organization. Changes in the Government's monetary policy along with increased demand for loans/investments tend to raise interest rates. Such rises in interest rates mostly affect companies having floating rate loans or companies investing in long term debt securities. In the event of monetary policy tightening by the Government to combat increased economic growth and inflation, the company will require a prudent strategy to take the firm from incurring negative net cash flow from operations.

Management Perception:

The management of NREL is aware of the interest rates at which the debts of the company are being financed. Management intends to finance long-term funds using fixed interest rate debt and finances short-term funds at reasonable competitive rates. The company has been repaying borrowed funds on a continuous basis to reduce such interest risk. The recent trend shows that, NREL funded ongoing projects by advance against sales. Besides that, management also utilizes retained earnings and bank loan to finance projects.

Input Cost Risks

Input cost risk is the risk of businesses when procuring materials or commodities in high global demand. Increasing demand and supply shortages create volatility in these commodity values therefore the timing, quantity and price of purchase must be closely planned. Input costs, such as MS rod and cement, represent material direct costs in the industry.

Management Perception:

Management of NREL would hedge their exposure to input price volatility by purchases of such inputs at right price at the right time; and by charging for contingency against such inputs in selling prices.

Industry Risks

Real Estate business, especially apartment projects started to flourish and showed robust growth in the Dhaka City from the early 1980s. At present, more than 250 real estate and land development companies are operating their business. Demands of flats and land are high and thereof most of the developers of housing estate are concentrating in this segment of business and make a competitive market.

Management Perception:

Based on the number and size of projects besides Brand strength in marketplace and upcoming project portfolio, NREL has a strong position that is the key for success in real estate sector. The Company has established brand name in real estate market with its asset quality and customer services. Diversification in terms of location within Dhaka and Chittagong will assist them to capture different income groups. Therefore, the Company targets prime locations as well as locations that will be affordable by middle class income group people.

Market Risks

Market risk refers to the risk of adverse market conditions affecting the sales and profitability of the company. Mostly, the risk arises from falling demand which would affect the performance of the company.

Management Perception:

Management is fully aware of this market risk; and has planned to act accordingly. On the other hand, strong marketing and brand management would help the company increase their customer base.

Potential or Existing Government Regulations

The Company operates under the Companies Act, 1994, Real Estate Development and Management Act, 2010; Dhaka Metropolitan Construction Rules, 2006; Income Tax Ordinance 1984, Customs Act, 1969, Value Added Tax (VAT) Act 1991 and rules, regulations and notifications made under these laws. Any abrupt changes of the policies made by the regulatory authorities may adversely affect the business of the Company. NREL operates in a highly regulated market with registration, plan approvals and inspections required by RAJUK periodically.

Management Perception:

NREL is the one of the leading real estate developers of the country. This company is doing business following all laws, rules and regulations. Changes in regulatory framework will bring changed strategies of doing business by the dynamic management of the Company.

Potential changes in global or national policies

Political instability and the associated deterioration of law and order stand in the way of timely implementation of the projects.

Management Perception

Management is optimistic about growth opportunities in Bangladesh. They believe they target an untapped market of customers who are seeking quality service, reliability and timeliness with their management team.

Operational risk

The real estate industry has witnessed challenges such as earthquakes and floods. It stands as one of the most challenging industries to operate in to date.

Management Perception

Fortunately, the local industry does not have such a troubled backdrop and has immense opportunities for growth.

DSE Observations on Draft Prospectus of Navana Real Estate Limited

Issue Size: The Company has proposed to offer 3,00,00,000 shares of Tk. 10 each at an indicative price of Tk. 124.08 per share (including Tk. 114.08 premium) totaling Tk. 3,722.40 million.

Commercial Operation: The Company has started its commercial operation from year 1996 as a private limited company

Net Profit after Tax: The Company has reported net profit of Tk. 2.39 mn. Tk. 2.16 mn., Tk. 23.69 mn., Tk. 146.77 mn. and Tk. 290.10 mn. for the year ended on 2006, 2007, 2008, 2009 and 2010 respectively.

Earnings per Share: The EPS of the Company was Tk. 23.85, Tk. 21.64, Tk. 236.92, Tk. 28.78 and Tk. 9.67 for the year ended on 31 August 2006, 2007, 2008, 2009 and 2010 respectively.

However, considering post IPO number of shares the EPS of the company for the above period came Tk. 0.04, Tk. 0.04, Tk. 0.39, Tk. 2.45 and Tk. 4.83 respectively.

Return on Equity: The ROE of the company was 35.27%, 20.99%, 69.68%, 31.96%, and 24.54% for the year ended on 31 August 2006, 2007, 2008, 2009 and 2010 respectively.

Return on Assets: The ROA of the company was 0.34%, 0.16%, 1.44%, 3.11%, and 3.54% for the year ended on 31 August 2006, 2007, 2008, 2009 and 2010 respectively.

Net Tangible Assets: The NAV per share of the Company was Tk. -23.46, Tk. 11.99, Tk. 248.91, Tk. 90.04 and Tk. 39.40 for the year ended on 31 August 2006, 2007, 2008, 2009 and 2010 respectively.

Funding Constraints: The recent trend shows that, NREL funded ongoing projects by advance against sales. Besides that, management also utilizes retained earnings and bank loan to finance projects. Most of the handed over projects are completed almost on time, except of having delay of few months. In some cases, project cost exceeded the budget, which affects profitability.

Premium pricing of products: NREL target market concentrated into higher end of the market. As they offer premium price products, in most cases it becomes unaffordable to the middle class customers. In addition, higher end market has already become very much competitive that creates pressure on sales growth. In face of abnormal price volatility of raw materials, all risk is solely borne by the Company, as their pricing policy does not support to change initially agreed contract price of apartments.

Use of proceeds

The Company is planning to raise about Tk. 420.00 crore from the capital market through IPO. The IPO proceeds will be utilized in the following manner:

Sl. No.	Usage of Proceeds	Amount (Taka)
1	Repayment of Loans	2,000,000,000
2	Acquisition of Investment Properties	750,000,000
3	Balance as Working Capital	1,450,000,000
Total		<u>4,200,000,000</u>

DESCRIPTION OF PROPERTY

Value of the Properties

Company owns the following operating assets and they are situated at different locations of the Head Office/projects of the Company. Following table represents the classifications of operating assets along with the written down value of the same as at 31 August 2010:-

Written Down Value in Taka of Property Plant & Equipment as per Audited Accounts	
Particulars	As at August 31, 2010
Office space	3,595,203
Office equipments	4,025,928
Furniture & fixtures	7,803,858
Air conditioning system	9,746,705
Power generator & electrical equipment	9,546,997
Construction equipments	50,779,746
Vehicles	61,842,058
Total Taka	<u>147,340,495</u>

Ownership of property

The Company is the legal and absolute owner of all the fixed assets and properties except vehicles.

Lien status

No assets of the Company are mortgaged to banks.

Leased Property

The Company doesn't have any leased property.

REVALUATION OF COMPANY'S ASSETS & SUMMARY THEREOF

The fair value of the Company's investment properties at 31 August 2010 have been arrived at on the basis of a valuation carried out at that date by Messrs Ata Khan & Co., Chartered Accountants, independent valuers not related to the Company. The summary of revaluation is shown below:

(As Per Audited A/C)

Description	Book Value as on 31.08.2010	Revalued Value as on 31.08.2010
Land of measuring 76.01 decimal located at Mouza: Badda, Upazilla: Gulshan, Dhaka.	12,941,500	396,550,000

Credit Rating Report

Credit Rating Agency of Bangladesh Limited (CRAB) has assigned **AA₃** rating in Long Term rating to Navana Real Estate Limited.

Noncompliance of Rules

Inconsistencies found in the numbers of bidder list

As per prospectus (page no: 47) **“In the Road-Show of the company 264 no. of participants (as per attendance sheet) were present. Out of the attendance 175 bidders quoted their indicative price of which 7 participants has not properly signed the quotation and 7 participants are provident funds who are not recognized by Securities & Exchange Commission as eligible institution to participate in the price discovery. Fifty Seven bidders offered their quoted price without proper justification, which was not considered in the price building.”**

Of the total participants of 264, status of 232 was clear from to the prospectus. The remaining 32 participants' status was not mentioned clearly in the prospectus of the company.

Inconsistencies found in the financial statements of the company:

We have reviewed the financial statements of the company for the year ended on 31th August 2010 and identified some issues which need to be resolved. The issues are:

a) Noncompliance of BAS 33: “Earnings Per Share” in case of EPS calculation of the company

As per Para 64 of BAS 33, if the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the balance sheet date but before the financial statements are authored for issue, the per share calculation for those and any prior period financial statements presented shall be based on the new number of shares.

The face value of shares of the company has been denominated from Tk. 1,000 to Tk. 10 as on 8th September 2010 but the financial statements are authorized for issue on 14th October 2010. So earning per share (EPS) should be calculated as per new face value of share.

The company calculated earnings per share based on face value of Tk. 1,000 each and shown in the statement of comprehensive income instead of face value of Tk. 10 each. As a result of that, Earnings Per Share (EPS) stood at Tk. 966.99 for current year and Tk. 489.25 for prior instead of Tk. 9.66 and Tk. 4.89 respectively.

b) Noncompliance of BAS 40: “Investment Property.”

As per para 33 of BAS 40, after initial recognition, an entity that chooses the fair value model shall measure all of its investment property at fair value.

As per para 35 of BAS 40, a gain or loss arising from a change in the fair value of investment property shall be recognized in profit or loss for the period in which it arises.

The company measured its investment property at fair value and revaluation surplus of investment property amounting Tk. 383,608,500 has been directly transferred to retained earnings. This accounting treatment does not comply Para 35 of BAS 40.

c) Inadequate disclosure of investment property.

As per Para 76 of BAS 40, an entity that applies the fair value model shall disclose reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing the following:

1. Addition, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognized in the carrying amount of an asset;
2. Additions resulting from acquisitions through business combinations.
3. Assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals.
4. Net gains or losses from fair value adjustments.
5. The net exchange differences arising on the translation of the financial statements into a different presentation currency and on translation of a foreign operation into the presentation currency of the reporting entity.
6. Transfer to and from inventories and owner-occupied property.
7. Other changes.

No such disclosure has been found in the financial statements of the company.

d) Noncompliance of BAS 2 "Inventories"

As per Para 9 of BAS 2, inventories shall be measured at the lower of cost and net realizable value.

The company measured valuation of inventories amounting Tk. 1,485,600,054 at cost.

This valuation measurement of inventories does not comply Para 9 of BAS 2.