

**PRIVATE & CONFIDENTIAL**

**AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS  
OF  
RING SHINE TEXTILES LIMITED  
DHAKA  
FOR THE YEAR ENDED 30 JUNE 2019**

**SUBMITTED BY**

**ATA KHAN & CO.**

**Chartered Accountants**

67, Motijheel C/A., (1ST FLOOR)  
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A PARTNERSHIP FIRM

.....since 1959

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**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF  
RING SHINE TEXTILES LIMITED**

**Report on the Audit of the Financial Statements****Opinion:**

We have audited the financial statements of Ring Shine Textiles Limited (the "Company"), which comprise the Statement of Financial Position as at 30 June 2019 and 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.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and other applicable laws and regulations.

**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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**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.

Description of key audit matters	Our response to key audit matters
<b>Revenue recognition and valuation of receivables</b>	
<p>At year end the company reported total revenue of BDT 9,823,699,295 and Account Receivable BDT 3,197,542,944.</p> <p>The company generates revenue from sale of goods to export customers. The timing of the revenue recognized and realized increases the risk of exposure of revenue to foreign exchange fluctuations.</p>	<p>We have tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> <li>- Obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period;</li> <li>- Segregation of duties in invoice creation and modification and timing of revenue recognition;</li> </ul>



<p>There is also a risk that revenue may be overstated/understated due to the timing differences between L/C opening and goods exported.</p> <p>We identified revenue recognition as a key audit matter as it is one of the key performance indicators of the Company, which give risk to an inherent risk of the existence and accuracy of the revenue.</p>	<ul style="list-style-type: none"> <li>- Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards;</li> <li>- Obtain supporting documentation for sale transaction recorded either side of year end to determine whether revenue was recognized in the current period;</li> <li>- Comparing a sample of revenue transactions recognized during the year with the sale invoices and other relevant underlying documentation;</li> <li>- Critically assessing manual journals posted to revenue to identify unusual or irregular items, and finally assessed the appropriateness and presentation of disclosures against relevant accounting standards.</li> </ul> <p>Our substantive procedures in relation to assessing the valuation of receivables comprises the following:</p> <ul style="list-style-type: none"> <li>- Reconciliation of receivables ageing to general ledger;</li> <li>- Conducting cut-off testing at the year-end;</li> <li>- Reviewing subsequent receipt of receivables balance;</li> <li>- Recalculation of provision for trade receivables as required by IFRS 9 and compared against actual write off in the period.</li> </ul> <p><i>[See note number 07 and 18 for details]</i></p>
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<b>Valuation of Inventory</b>	
<p>At year end the company reported Inventory of BDT 3,079,459,679 as at 30<sup>th</sup> June 2019, held in warehouses and across multiple product lines in the factory.</p> <p>Inventory value is measured as follows:</p> <p>Inventories are stated at the lower of cost and net realizable value in accordance with IAS 2 'Inventories'. As a result, the management apply judgment in determining the appropriate values for value in use, work-in-progress, values for slow moving or obsolete items and need to apply impairment provision.</p>	<p>We challenged the appropriateness of management's assumptions applied in calculating the value of the inventory provisions by:</p> <ul style="list-style-type: none"> <li>- Evaluating the design and implementation of key inventory controls operating across the company's factory and warehouse;</li> <li>- Challenging the completeness of inventory provisions through assessing actual and forecast sales of inventory lines to assess whether provisions for slow-moving/obsolete stock are valid and complete.</li> <li>- Reviewing the historical accuracy of inventory provisioning and the level of inventory write-offs during the year;</li> </ul>

