

**Independent Auditor's Report
 To the shareholders of
 TOSRIFA INDUSTRIES LIMITED
 Report on the Audit of the Financial Statements.**

Opinion

We have audited the financial statements of Tosrifa Industries Limited (the Company), which comprise the Statement of Financial Position as at 30 June 2019, and Statement of Profit or Loss & 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 give true and fair view, in all material respects, of the financial position of the company as at 30 June 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), The Companies Act 1994, The Securities and Exchange Rules 1987 and other applicable laws and regulations.

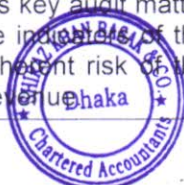
Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 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) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, 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.

Risk	Our response to the risk
Revenue Recognition	
<p>At year end the reported total revenue of Tk. 1,958,490,185.</p> <p>The company generates revenue from sale of goods to export customers. The timing of the revenue recognised and realised increases the risk of exposure of revenue to foreign exchange fluctuations.</p> <p>There is also a risk that revenue may be overstated/understated due to the timing differences Between LIC opening and goods exported.</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company, which give rise to an inherent risk of the existence and the accuracy of the revenue.</p>	<p>We have tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> ➤ Obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognised in the appropriate accounting period. ➤ Segregation of duties in invoice creation and modification and timing of revenue recognition. ➤ Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies



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SHIRAZ KHAN BASAK & CO.
CHARTERED ACCOUNTANTS

(An associate firm of D. N. Gupta & Associates)

R. K. TOWER (Level-10)
 86, Bir Uttam C.R. Datta Road
 (312, Sonargaon Road). Dhaka-1205
 Tel : 88-02-9635139, 88-02-9673597
 Mobile : 01552-638228, 01711-520770
 01922-117370, 01757-941837
 E-mail : shirazkhanbasak@yahoo.com

	<p>with applicable accounting standards.</p> <ul style="list-style-type: none"> ➤ Obtain supporting documentation for sale transaction recorded either side of year end to determine whether revenue was recognized in the current period. ➤ Comparing a sample of revenue transactions recognised during the year with the sale invoices and other relevant underlying documentation. ➤ 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.
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See note no 27.00 to the statement of profit or loss & other comprehensive income.

Valuation of inventory

<p>The inventory of Tk. 463,514,027 as at 30 June, 2019 held in warehouses and across multiple product lines in factory.</p> <p>Inventories are carried at the lower of cost and net realizable value. As a result, the Directors apply judgment in determining the appropriate values for slow-moving or obsolete items.</p>	<p>We challenged the appropriateness of management's assumptions applied in calculating the value of the inventory provision by:</p> <ul style="list-style-type: none"> ➤ Evaluating the design and implementation of key inventory controls operating across the factory and warehouse. ➤ Attending inventory counts and reconciling the count results to the inventory listing to test the completeness of data. ➤ Reviewing the historical accuracy of inventory provisioning and the level of inventory write-offs during the year; and 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. ➤ Comparing the net realizable value obtained through a detailed review of sales subsequent to the year-end, to the cost price of a sample of inventories and comparison to the associated provision to assess whether inventory provisions are complete.
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See note no. 12.00 to the financial statements



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Valuation of Property, Plant and Equipment

The carrying value of the PPE amounted to Tk. 3,215,019,017 as at 30 June 2019. The valuation of PPE was identified as a key audit matter due to the significance of this balance to the financial statements.

Expenditures are capitalised if they create new 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 asset 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.

Our audit included the following procedures:

- We assessed whether the accounting policies in relation to the capitalisation of expenditures are in compliance with IFRS and found them to be consistent.
- We obtained a listing of capital expenditures incurred during the year and, on a sample basis, checked whether the items were procured based on internal purchase order that had been properly approved by the responsible individuals.
- We inspected a sample of invoices and L/C documents to determine whether the classification between capital and operating expenditure was appropriate.
- 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 in progress to ready for use, with the date of the act of completion of the work.

See note no. 6.00 to the financial statements

Long term & Short term loan

As at 30 June 2019, the reported amount of total long-term loan and Short-term is Tk. 909,176,481 (Current & Non-current portion) & Tk. 794,303,948 respectively. The company borrowed fund from various Bank & Non-banking financial institutions for the purpose of acquisition of non-current assets and working capital as well.

The company may face difficulties due to unfavorable movement in interest rate, monetary policy and adverse variance between import & export that may result in short-term cash flow crisis.

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

- Obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that the proper use of loan.
- We verified sanction letter, loan schedule and bank statements to confirm the loan outstanding and found that the balance had been reported in the financial statements accurately. We also submit the balance confirmation to the respective banks and financial institutions



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