

Independent Auditor's Report

To the Shareholders of ABC Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated financial statements of ABC Limited and its subsidiaries (the 'Group') as well as the separate financial statements of ABC Limited (the 'Company'), which comprise the consolidated and separate statement of financial position as at 31 December 20XX, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give true and fair view of the consolidated financial position of the Group and the separate financial position of the Company as at 31 December 20XX, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Consolidated and Separate Financial Statements section of our report. We are independent of the Group and 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 judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ISA 701.]

(Please refer to Annexure 1 for some examples of Key Audit Matters (KAM) for illustrative purposes.)

***Other Information [or another title if appropriate such as "Information Other than the Financial Statements and Auditor's Report Thereon"]**

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

Our opinion on the consolidated and the separate 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 consolidated and the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and the separate 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.

** Where applicable, the auditor shall report in accordance with ISA 720 (Revised).*

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and 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 Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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

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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 consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's and 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 Group's and 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 consolidated and separate 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 Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

** In the case of a group audit we shall also include the following:*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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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 them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994 and the Securities and Exchange Rules 1987, we also report the following:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of accounts as required by law have been kept by the Group and the Company so far as it appeared from our examination of these books;
- c) the consolidated and the separate statements 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 accounts and returns; and
- d) the expenditure incurred was for the purposes of the Group's and the Company's business.

Dated, Dhaka
.... February 20XX

Engagement Partner name*
Signature

* ISA 700 (Revised) requires that the name of the engagement partner shall be included in the auditor's report on financial statements of listed entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat.

[Below list of key audit matters is for illustrative purposes. This is not an exhaustive list; each individual matter may not be relevant to every engagement. The selection of matters as a key audit matter and the responses to such matters and the risks they pose is a matter of professional judgement by the audit engagement team]

Risk	Our response to the risk
Revenue recognition	
<p>At year end the Group reported total revenue of BDT[x].</p> <p>Revenue is measured net of discounts, incentives and rebates earned by customers on the Group's sales. Within a number of the Group's markets, the estimation of discounts, incentives and rebates recognised based on sales made during the year is material and considered to be complex and judgemental. Therefore, there is a risk of revenue being misstated as a result of faulty estimations over discounts, incentives and rebates.</p> <p>There is also a risk that revenue may be overstated due to fraud through manipulation of the discounts, incentives and rebates recognised resulting from the pressure local management may feel to achieve performance targets.</p>	<p>We have tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> • Calculation of discounts, incentives and rebates; • Segregation of duties in invoice creation and modification; and • Timing of revenue recognition. <p>Our substantive procedures in relation to the revenue recognition comprises the following:</p> <ul style="list-style-type: none"> • 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 recognised in the correct period; • Within a number of the Group's markets, comparing current year rebate accruals to the prior year and, where relevant, completing further inquiries and testing. • Agreeing a sample of claims and rebate accruals to supporting 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.
See note no.....to the financial statements	
Valuation of Inventory	

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Risk	Our response to the risk
<p>The Group had inventory of BDT [x] at [reporting date], held in distribution centres, warehouses and numerous branches, and across multiple product lines.</p> <p>Inventories are carried at the lower of cost and net realisable value. As a result, the Directors apply judgement in determining the appropriate values for slow-moving or obsolete items.</p> <p>Inventory is net of a provision of BDT [x] which is primarily driven by comparing the level of inventory held to future projected sales.</p> <p>The provision is calculated within the Group's accounting systems using an automated process. Where local systems require manual interfaces and inputs, there is a risk that inappropriate management override and/or error may occur.</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"> • evaluating the design and implementation of key inventory controls operating across the Group, including those at a sample of distribution centres, warehouses and branches; • attending 89 inventory counts and reconciling the count results to the inventory listings to test the completeness of data; • 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; • 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.
See note no.....to the financial statements	
Impairment of property, plant and equipment	
<p>The economic climate and levels of competition remain challenging for the Group. The Group has completed a Strategic Review and as a result has decided to close or curtail some of its operations. There is therefore a risk that the impairment charge may be misstated.</p> <p>Determining the level of impairment involves forecasting and discounting future cash flows and estimation of recoverable</p>	<p>Our audit procedures included, among others, considering the impairment risk associated with the following different types of asset:</p> <ul style="list-style-type: none"> • Assets within shops which continue to trade - We critically assessed and challenged the Group's impairment model. This included consideration of the discounted cash flow forecasts on a shop by shop basis and assessing the

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Risk	Our response to the risk
<p>amounts which are inherently uncertain. This is one of the key judgemental areas that our audit has concentrated on.</p>	<p>cash flow forecasts against the historical performance of those shops and against the Group's budgets. We assessed the appropriateness of the discount rate including bench marked it against similar national retailers. We also recalculated the impairment model to assess the sensitivity of the key assumptions including growth rate and discount rate;</p> <ul style="list-style-type: none"> • Fixtures and fittings within shops which had either been closed or were identified by the Group for closure - We critically assessed the Group's identification of assets that were obsolete, using our experience of the Group and review of historical experience, whether such assets have any recoverable value; • Land and buildings which had been identified as surplus to requirements, or where development plans had been aborted - We considered whether such assets had been written off or impaired where necessary down to their recoverable amounts. We critically challenged the Group's assumptions in relation to recoverable amounts with reference to external third party valuations obtained by the Group. We considered the qualifications and independence of the valuers and the movement in market values of property in relevant locations; and • we have also considered the adequacy of the Group's disclosures about the degree of estimation involved in determining the amount of impairment and the sensitivity to key assumptions involved.
<p>See note no.....to the financial statements</p>	
<p>Recoverability of Intangible assets</p>	
<p>The intangible assets reported in the consolidated financial statements of the Group include BDT [x] in goodwill, BDT [x]</p>	<p>We assessed the processes and controls put in place by the Group over the review of intangible assets impairment analysis.</p>

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Risk	Our response to the risk
<p>in trademark and BDT [x] in brand names as at [reporting date].</p> <p>Periodic impairment testing of these intangibles requires determination of recoverable amounts and value in use. Both these values involve significant management's estimate and judgements that can give rise to material misstatements or management bias.</p>	<p>We obtained an understanding, evaluated the design and tested the operating effectiveness of the key controls over the impairment testing, including controls over market data inputs into valuation models, model governance and valuation adjustments.</p> <p>We evaluated the appropriateness of future cash flows used in measurement of value in use reconciling with general and industry specific market expectation.</p> <p>As relatively small changes in the discount rate applied can have a material impact on the recoverable amounts, we have tested the parameters used to determine the discount rate applied and evaluate the measurement model.</p> <p>Overall, we consider the measurement inputs and assumptions used by management to be in line with our expectations and to lie also within a range that we consider reasonable.</p> <p>Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards.</p>
See note no....to the financial statements	
Measurement of the Provision for Product Warranties	
<p>The provision for product warranties amounts to BDT[x] as at [reporting date]. The Group faces various claims under product guarantees or grants various kinds of product warranties, which are entered into for the error-free functioning of a its product sold or service rendered over a defined period of time.</p> <p>Significant uncertainty for the calculation of the provision arises with regard to the future loss event. The risk for the financial</p>	<p>We obtained an understanding, evaluated the design and tested the operational effectiveness of the Group's key controls over the recognition and measurement of warranty provisions and the assumptions used in estimating future claims and losses.</p> <p>We assessed the appropriateness of the carrying amounts, evaluated the relevant assumptions and their derivation for the measurement of the provisions.</p>

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Risk	Our response to the risk
<p>statements is that these provisions are not properly measured.</p>	<p>We also assessed the accuracy of forecasts of past warranty, guarantee and goodwill costs on the basis of historical analysis.</p> <p>Also, we examined whether updated assessments of future repaid costs and procedures were taken into account while checking the calculation of provisions.</p>
<p>See note no.....to the financial statements</p>	
Measurement of deferred tax assets	
<p>Group reported net deferred tax assets totaling BDT [x] million as at [reporting date].</p> <p>Significant judgment is required in relation to deferred tax assets as their recoverability is dependent on forecasts of future profitability over a number of years.</p>	<p>We obtained an understanding, evaluated the design and tested the operational effectiveness of the Group's key controls over the recognition and measurement of deferred tax assets and the assumptions used in estimating the Group's future taxable income.</p> <p>We also assessed the completeness and accuracy of the data used for the estimations of future taxable income.</p> <p>We involved tax specialists to assess key assumptions, controls, recognition and measurement of deferred tax assets.</p> <p>We also assessed the appropriateness of presentation of disclosures against IAS 12 Income Tax.</p>
<p>See note no.....to the financial statements</p>	
Valuation of defined benefits and pension obligation	
<p>The Group operates a number of defined benefit schemes which in total are significant in the context of the overall financial position. At year end the Group reported a net defined benefits scheme liability of BDT [x].</p> <p>The valuations of the post-employment benefit liabilities are calculated with reference to a number of actuarial assumptions and inputs including discount rate, rate of inflation and mortality rates. The net defined benefits scheme liability is sensitive to changes in these assumptions.</p>	<p>We tested the design and operating effectiveness of key controls over the completeness and accuracy of data extracted and supplied to the Group's actuaries, which is used to calculate the pension assets and pension schemes' surplus or deficit.</p> <p>We also tested the controls associated with the actuarial assumptions setting process and the measurement of the fair value of the schemes' assets. We concluded that the key controls were designed, implemented and operated efficiently.</p>

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Risk	Our response to the risk
	Employee data used in calculating obligation is also tested and appropriateness and presentation of disclosures against IAS 19: Employee Benefits were assessed.
See note no.....to the financial statements	
Legal and regulatory matters	
<p>Group has several legal proceedings, claims and government investigations and inquiries pending that expose it to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may be difficult to predict.</p> <p>These uncertainties inherently affect the amount and timing of potential outflows with respect to the provisions which have been established and other contingent liabilities.</p> <p>Overall, the legal provision represents the Group's best estimate for existing legal matters that have a probable and estimable impact on the Group's financial position.</p>	<p>We obtained an understanding, evaluated the design and tested the operational effectiveness of the Group's key controls over the legal provision and contingencies process.</p> <p>We enquired to those charged with governance to obtain their view on the status of all significant litigation and regulatory matters.</p> <p>We enquired of the Group's internal legal counsel for all significant litigation and regulatory matters and inspected internal notes and reports. We also received formal confirmations from external counsel.</p> <p>We assessed the methodologies on which the provision amounts are based, recalculated the provisions, and tested the completeness and accuracy of the underlying information.</p> <p>We also assessed the Group's provisions and contingent liabilities disclosure.</p>
See note no.....to the financial statements	
IT systems and controls	
Our audit procedures have a focus on information technology systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls.	We tested the design and operating effectiveness of the Group's IT access controls over the information systems that are critical to financial reporting. We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were appropriately reviewed and authorized.

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Risk	Our response to the risk
<p>Our areas of audit focus included user access management, developer access to the production environment and changes to the IT environment. These are key to ensuring IT dependent and application based controls are operating effectively.</p>	<p>We tested the Group's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorisation. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.</p> <p>Where deficiencies were identified, we tested compensating controls or performed alternate procedures. In addition, we understood where relevant, changes were made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting.</p>
<p>See note no.....to the financial statements</p>	

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