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**Auditor's Report and Financial Statements**

**of**

**M. L. DYEING & TEXTILE IND. PLC**

**For the Year Ended 30 June 2023**

 **KAZI ZAHIR KHAN & CO.**  
Chartered Accountants

**Head Office:**

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**Independent Auditor's Report  
To the Shareholders of  
M. L. DYEING & TEXTILE IND. PLC**

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

**Opinion**

We have audited the financial statements of **M. L. DYEING & TEXTILE IND. PLC** (the "Company"), which comprise the Statement of Financial Position as at 30 June 2023 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 2023, 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.

**Emphasis of Matter.**

We draw attention to the following matters through our report is not qualified in those regard.

- i. A fire incident occurred on 29 November 2022, with a total reported loss amounting to Taka 238,721,819. At that period, inventories- Raw Cotton damaged amounting to Taka 120,698,229, inventories- Finished Yarn Taka. 59,487,188 and the property, plant & equipment carrying amount was damaged amounting to Taka 58,536,402. On the other hand, the Company's fixed assets and inventories were covered by Insurance Company amount of Taka 310,000,000. The Company reported that the amount of recoverable insurance benefits against fire loss is yet to be finalized by the insurance company (City General Insurance Company Limited) surveyor and relevant concerned authority. The process has taken to determine the assessment for more than (10) ten months since 29 November 2022, the date of the fire incident. Property, Plant & Equipment under Note-3 of the Financial Statements represent the amount of Taka 2,857,035,176 as carrying value. The property, plant & equipment register not updates and no impairment test took place as per IAS 36 from inception.
- ii. Refer to Note no.6 amounting to Taka. 166,628,055, we didn't observe the physical counting of the inventory. The inventory balance is verified and counted by internal management. People charged with corporate governance provide related certificates on the closing balance. Subsequently, during the audit of the financial statements, we observe the process of maintaining physical inventory and consumption of the Inventories.
- iii. As stated in Note no.5 Investment in Associate, the company had a block investment balance as of 30 June 2023 (Taka.204, 200,000 as hold the threshold limit as director) of R.N. Spinning Mills Ltd. M.L Dyeing Ltd, treat R.N. Spinning Ltd. as an associate. To consider equity method under IAS-28, due to the continuation of loss of R.N. Spinning Ltd., the initial investment balance (Taka. 204, 200,000) shown Nil in the current period since 2020.

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### 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</b> At year end the company reported total revenue of BDT 1,074,600,069. 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. There is also a risk that revenue may be overstated/understated due to the timing differences between L/C opening and goods exported. 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.	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 revenue is recognized 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 with applicable accounting standards; - 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 recognized 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. <i>[See note number 18 for details]</i>
<b>Valuation of Inventory</b> The inventory of BDT 166,628,055 as at 30 <sup>th</sup> June 2023, held in warehouses and across multiple product lines in the factory. Inventory value is measured as follows: Raw & packing materials including WIP on Moving average (Weighted) Cost, Finished Goods at lower of cost or estimated net realizable value, Stores Items at cost, Materials in-transit at Book value i.e. cost so far incurred. As a result, the management apply judgment in determining the appropriate values for value in use, working progress, values for slow moving or obsolete items. While excess holding of inventories could impact efficient use of working capital similarly lower level of inventories can result in stock outs or irregular supply to the market.	We challenged the appropriateness of management's assumptions applied in calculating the value of the inventory provisions by: - Evaluating the design and implementation of key inventory controls operating across the company's factory and warehouse; - We have reconciled the inventory with purchase, production and sales to ensure the shown stock as on date was accurate. - Reviewing the historical accuracy of inventory provisioning and the level of inventory write-offs during the year; - We have considered the risk of inventory being expired/damaged due to the effect of COVID-19 and checked whether any provision was required for any such expiry/ obsolesce.

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