

COMPONENT AUDITOR PLANNING MEMORANDUM

[Items with an "*" denote "significant matters [significant findings or issues]."]

Group Name:	Alpha Rank Limited	Period-End:	<u>30 June 2021</u>
Component Name:	<u>Cosmopolitan Industries Private Limited</u>		

This planning memo should be read in combination with supporting appendixes referenced herein. See responses below for references to additional supporting information.

UNDERSTANDING THE ENTITY AND ITS ENVIRONMENT

Background information

Cosmopolitan Industries (Pvt.) Limited (here-in-after referred to as the "Company" or "(CIPL)") was incorporated in Dhaka, Bangladesh on 26 June 2005 as a private limited company under the Companies Act, 1994. The registered office of the Company is situated at House # 17, Road # 15, Sector # 03, Rabindra Swarani, Uttara, Dhaka. The Company is a subsidiary of Epic Designers Ltd., Hong Kong.

External factors affecting the entity: World-wide competition in the Garments industries.

General economic conditions and their effect on the component: Garments business depends on the suitable economic condition especially in high end country Europe and America. As the customer for the component is their parent, they are not directly affected.

Applicable laws and regulations, including the applicable financial reporting framework: The component is registered under Companies Act-1994 in Bangladesh, so its primary regulator is the Registrar of Joint Stock Company in Bangladesh (RJSC) and for the taxation matter, National Board of Revenue (NBR). Applicable Financial Framework for the component is International Financial Reporting Standard (IFRS).

Internal factors affecting the entity: Entity's business is directly linked with its parent, so directions from the parent entity is the most influencing factor.

Significant changes in the component from the prior period: No significant changes.

History of errors/unadjusted misstatements: No such thing noted.

Management's process for measurement and review of the entity's financial performance: Management reviews Financial Statements quarterly and same is sent to parent company for review.

Competence of local management: Sound

Operating locations: Bangladesh

Accounting policies

Extent of adoption of group policies at the component: Component runs their business with the policy of their own, which is in line with the IAS/IFRS.

Instances of the component's noncompliance with the group accounting policies as set out in the referral instructions and the reporting pack: No such instances found.

The introduction of new accounting standards and their effect on the component: No such instances found.

Any significant changes in accounting policies: No changes in accounting policy.

Accounting and financial reporting matters: Component follows International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs) and the Companies Act, 1994 along with other applicable laws and regulations in Bangladesh in preparation of its financial statements.

Accounting estimates and related judgments:

Component uses estimates and judgment in the following areas:

- i). Depreciation
- ii). Amortization of software
- iii). Provision for expenses
- iv). Revaluation of asset

Significant events and unusual transactions

Summarize significant events and unusual transactions that have occurred at the component level since the prior period.

No such instances happened.

Internal controls

Document your understanding of the components of internal control.

We have documented our understanding through the process understanding of the component internal control system in practice and noted that the component follows a checker and a maker concept in their internal control system and found it is satisfactory.

COMPONENT AUDIT TEAM RISK ASSESSMENT/FRAUD DISCUSSION

Summarize the significant items noted during your component audit team discussion regarding the susceptibility of the entity's financial statements to material misstatements, including any fraud-related matters and related responses. Include in your summary items such as the following:

- **How and where the component audit team believes material misstatement due to fraud or error is most likely to occur:** Revenue and COGS
- **The existence of internal or external factors that affect the entity:** The parent company is the only customer. So, this is the biggest challenge for the company.
- **Any history of fraud or known fraud that has occurred at the entity:** No such instances noted by us.
- **Other matters that may affect the potential for material misstatement due to fraud:** Management override of control may be one of the other matters.

[Note: All significant fraud risks identified should be included in the significant risk section of this memorandum. Management override of internal controls is a presumed fraud risk.]

ASSESSMENT OF AND RESPONSE TO ENGAGEMENT RISK

Is the classification of the engagement risk greater-than-normal or much-greater-than-normal?

☐ Yes

☒ No

Document:

- The classification of engagement risk: Normal
- The factors considered in our assessment of engagement risk, including fraud risk factors.

- i) No allegations of material fraud noted in recent years against the entity.
- ii) No regulatory or criminal investigations noted.
- iii) No unusually aggressive time constraints is noted to complete the audit
- iv) No restatements of prior financial statements were noted
- v) No such case like, regular or frequent change in auditor.

Based on the above, we considered Engagement Risk is Normal

COMPONENT MATERIALITY AND COMPONENT PERFORMANCE MATERIALITY [TOLERABLE MISSTATEMENT]

Did the group engagement team provide component materiality and component performance materiality [tolerable misstatement] in the referral instructions, and will the component auditor be using such amounts?

☒ Yes

☐ No

ACCOUNTING ESTIMATES, SIGNIFICANT RISKS, AND CERTAIN OTHER SIGNIFICANT MATTERS [SIGNIFICANT FINDINGS OR ISSUES]*

Has the group engagement team or the component audit team identified any of the following?

1. Accounting estimates highly dependent upon judgment or assumptions (including accounting estimates that represent significant risks).*
2. Other significant risks i.e., other than accounting estimates that represent significant risks.*
3. Matters that are significant involving the selection, application, and consistency of accounting policies.
4. Matters that are significant involving complex or unusual transactions.*

☐ Yes

☒ No

SIGNIFICANT RISKS IDENTIFIED BY GROUP ENGAGEMENT TEAM NOT APPLICABLE

Did we conclude that certain risks identified by the group engagement team's referral instructions are not applicable to the component?

☐ Yes

☒ No

RISKS OF MATERIAL MISSTATEMENT THAT ARE LOWER AND HIGHER

Summarize your planned responses to the risks of material misstatement (RoMMs) that are lower and higher (e.g., whether you plan to test controls, use of analytics, substantive analytical procedures versus tests of details). The component audit team may provide references to RoMM working papers or other

working papers that indicate the RoMMs, relevant controls to be tested, and substantive procedures to be performed.

It has been documented in the ROMM.

INTERNAL CONTROL

As part of our risk assessment procedures, we have also performed an evaluation of the design of controls and a determination of whether they have been implemented sufficiently to identify and assess risks and to plan and perform further audit procedures. Furthermore, we will test the operating effectiveness of controls.

We plan to rely on the operating effectiveness of controls in the following areas:

Export Sales and MOC (Management Override of Control)

ABILITY OF THE ENTITY TO CONTINUE AS A GOING CONCERN

Have you identified any events or conditions that cast significant [substantial] doubt with respect to the component's ability to continue as a going concern?

☐ Yes

☒ No

ACCOUNTING, AUDITING, AND INDEPENDENCE CONSULTATIONS

Do we plan or are we required to complete any accounting, audit, or independence consultations?

☐ Yes

☒ No

USING INTERNAL AUDIT FUNCTION (OR SIMILAR FUNCTION) AND/OR THE WORK OF OTHERS

Do we plan to use the work of the internal audit function (or similar function) and/or the work of others utilized in the audit?

☐ Yes

☒ No

USING THE WORK OF AN AUDITOR'S SPECIALIST

Do we plan to use the work of an auditor's specialist (external and internal) in the audit?

☐ Yes ☐ No

USING THE WORK OF A MANAGEMENT'S EXPERT

Do we plan to use the work of a management's expert in the audit?

☐ Yes ☐ No

USE OF AUDIT TOOLS

Do we plan to use audit tools during our audit procedures?

☐ Yes ☒ No

KEY AUDIT MATTERS/CRITICAL AUDIT MATTERS

Do we have a separate reporting requirement to communicate key audit matters (KAMs) or critical audit matters (CAMs)? *(These matters are to be communicated as soon as practicable and can be communicated prior to completion of the Component Auditor Summary Memorandum.)*

☐ Yes ☒ No

SIGNIFICANT CHANGES MADE TO THE OVERALL AUDIT STRATEGY OR THE AUDIT PLAN

To the extent applicable, document any significant changes made to the overall audit strategy or the audit plan for your component that was communicated by the group engagement team in the referral instructions and the reasons for such changes (e.g., as a result of a nonrecurring transaction or event that occurred subsequent to the preparation of planning).

No such changes occurred.

OTHER MATTERS OF SIGNIFICANCE TO THE GROUP

For any matters not documented elsewhere in this memorandum, document below those matters that would be of significance to reviewers.

No such matter exists.