Reckitt Benckiser (Bangladesh) Limited

Report and financial statements as at and for the year ended 31 December 2018

KPMG

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Independent auditor's report

To the Shareholders of Reckitt Benckiser (Bangladesh) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Reckitt Benckiser (Bangladesh) Limited ("the Company"), which comprise the statement of financial position as at 31 December 2018, and the 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.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its 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 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 judgement, 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.

Revenue recognition - sales of goods	
See Note 7 to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
Revenue recognition has significant and wide influence on financial statements. Revenue is recognised when the amounts and the related costs are reliably measured, and the performance obligation is complete through passing of control to the customers. Revenue from the sale of goods is recognised when the Company has delivered products to the customers at the shipping point and control has passed. The sales of the Compnay are derived from a large number of distributors which locate over the country with relatively small amount transactions. As a result, to obtain sufficient audit evidence, magnitude audit work and resource is required. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Company and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.	Our audit procedures in this area included, among others: - We understood, evaluated and validated the key controls related to the Company's sales process from end to end, from contracts approval and sign-off, recording of sales, all the way through cash receipts and customers' outstanding balances. - We tested the completeness of journal entries compared to financial statements; as well as if there any exception existed that the debit accounts of sales recognition were not related to cash and bank, trade receivable or advances from customers. - We conducted substantive testing of revenue recorded over the year using sampling techniques, by examining the relevant supporting documents including sales invoices and truck challans. In addition, we confirmed certain customers' receivable balances at the balance sheet date, selected on a sample basis by considering the amounts outstanding with those customers.

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Independent auditor's report (continued)

Revenue recognition - sales of goods (continued)	
See Note 7 to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
We focused on the proper cut-off of sales to the Company customers due to the fact that the documents of confirming the acceptance of the products were provided by numerous customers based in different locations. There is a risk of differences between the timing of acceptance of the products by the Company customers and when revenue was recorded. Accordingly, there could be potential misstatements that these revenue transactions are not recognised in the proper reporting periods.	- Furthermore, we tested the sales transactions recognized shortly before and after the balance sheet date, including the sales returns recorded after that date, to examine whether sales transactions were recorded in the correct reporting periods.
Recognition of deferred tax assets	
See Note14(D) to the financial statements	
The Company has recognised deferred tax assets for deductible temporary differences that it believes are recoverable. The recoverability of recognised deferred tax assets is in part dependent on the Company's ability to generate future taxable profits sufficient to utilise deductible temporary differences. We have determined this to be a key audit matter, due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences.	Our audit procedures in this area included, among others: - using our own tax specialists to evaluate the tax strategies that the Company expects will enable the successful recovery of the recognised deferred tax assets taking into account the Company's tax position and our knowledge and experience of the application of relevant tax legislation; - assessing and evaluating the prospective profits by evaluating historical and projected growth rates to assume that it will be sufficient to recover deductible temporary differences; and - evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.
Tax provisioning	
See Note 14 to the financial statements	
At year end the Company reported total income tax expense of BDT 193 million. The calculation of the tax expense is a complex process that involves subjective judgments and uncertainties, and requires specific knowledge and competencies.	In this area our audit procedures included: - use of our own local tax specialists to assess the Company's tax computation; - to analyse and challenge the assumptions used to determine tax provisions based on our knowledge and experiences of the application of the local legislation. - considering the adequacy of the Company's disclosures in respect of tax.