

Queen South Textile Mills Limited
Utilization of IPO Proceed
For the month of May 31, 2020



Solution....Begins

**Independent Auditors' Report to the Bangladesh Securities & Exchange Commission (BSEC)
on utilization of the IPO Proceeds
of Queen South Textile Mills Ltd.
For the Month of May 2020**

Qualified Opinion

We have audited the Report on utilization of IPO Proceeds (here in after "the Report") of **Queen South Textile Mills Ltd.** for the month of May, 2020.

In our opinion, except for the effect of the matters described in the Basis for Qualified opinion section of our report the accompanying the Report of the Company for the month May, 2020 is prepared, in all material respects, in accordance with section 2,3,4,5 and 6 of Part-C of conditions under sections 2CC of the Securities and Exchange Ordinance 1969 of SECTION (ii): CONDITIONS IMPOSED BY THE COMMISSION IN THE CONSENT LETTER for INITIAL PUBLIC OFFER (IPO) of the company as mentioned in the prospectus (here in after "THE CONDITIONS").

Basis for Qualified Opinion

1. The company has purchased natural gas engine generator set instead of purchasing 1 set of Yarn Package Drying Machine and 20 set of Stainless Steel trolleys as per IPO prospectus and this revision of IPO proceeds utilization plan was approved by the shareholders in the 17th Annual General Meeting held on 22 December, 2019. Intimated to BSEC of the said revision on December 24, 2019 without explanation as required by THE CONDITIONS.

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 IPO proceeds of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion

Emphasis of Matter

We draw attention to the fact that this report is prepared to assist the company to meet THE CONDITIONS. As a result, the Report may not be suitable for another purpose. Our report is solely for the company and regulator BSEC and should not be distributed to parties other than the company or regulator BSEC. Our opinion is not modified in respect of this matter.

Other Matters

According to THE CONDITIONS, the report on utilization of IPO Proceeds from April 2018 to February 2020 was audited by Messers Ahmed Zaker & Co., Chartered Accountants and subsequent periods up to this report are audited by us.

Responsibilities of Management and Those Charged with Governance for the Report

Management is responsible for the preparation of the Report in accordance with THE CONDITIONS and for such internal control as management determines is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Report

Our objectives are to obtain reasonable assurance about whether the Report is 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 and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken based on this report.

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

- Identify and assess the risks of material misstatement of the Report, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

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.



Other Reporting Requirement

Subject to our qualified opinion and basis for qualified opinion we also report that-

- a) The Company has utilized an amount of Taka 69,371,787 till June 30, 2020 for the *purposes/heads as specified in the prospectus and as per decision of shareholders in Annual General Meeting (AGM) held on December 22, 2019* out of total IPO proceeds of Taka 150,000,000. Balance IPO proceeds amounting to Taka 80,628,213 remain unutilized on the reporting month.
- b) IPO proceeds have not been utilized in line with the prospectus but approval of revision of IPO proceeds utilization taken in 17th AGM held on December 22, 2019 as per THE CONDITIONS.
- c) Utilization of IPO proceeds have not been completed within the time schedule/implementation schedule as specified in the published prospectus and as approved in the 16th and 17th AGM of the Company. IPO proceeds utilization period extended up to 31st October 2019 in its 16th AGM of the shareholders held on December 27, 2018 and subsequently up to June 30, 2020 in 17th AGM held on December 22, 2019 intimation of the said revision was made with BSEC on January 06, 2014 and December 24, 2019 respectively without explanation as require by the condition no. 6 of THE CONDITIONS.
- d) Utilization of IPO proceeds was accurate and made for the purpose of the company as mentioned/specified in the published prospectus and revised implementation schedule as approved by the shareholders in their 16th AGM and 17th AGM held on December 27, 2018 and December 22, 2019 respectively. Intimation of the said revision was made with BSEC on January 06, 2014 and December 24, 2019 respectively without explanation as require by the condition no. 6 of THE CONDITIONS.
- e) We couldn't verify whether the assets have been procured/imported/constructed maintaining proper/required procedures at a reasonable price as because comparative statements of procured goods were not made available for our verification.
- f) Verification of all necessary documents /papers/vouchers have been made in support of IPO proceeds making reconciliation with bank statements except as mentioned above.

Dated: Dhaka
July 16, 2020

Rahman Mostafa Alam & Co.
Chartered Accountants

Report on Utilization of IPO Proceeds

for the month of 31 May, 2020

: Queen South Textile Mills Ltd.

: Tk. 150,000,000

: January 15, 2018

: January 25, 2018

: Within 30th June 2020 Following the approval in the 17th AGM

Name of the Company
Amount (BDT) of Capital Raised Through IPO
Date of Close of Subscription
Proceeds Receiving Date
Last Date of Full Utilization of Fund as per Prospectus

SL.	Purpose Mentioned in the Prospectus	Time line as per prospectus	Revised time line (Up to 30th June 2020)	Utilized Amount		Total Un-utilized Amount	Un-utilized (%)	Remarks
				Amount as per Prospectus	This month			
a)	Construction of Automatic warehouse System	Within 12 months of receiving IPO fund	Up to 30th June 2020 as approved in the 17th AGM held on 22nd December 2019	74,644,050	-	74,644,050	100.00%	
b)	Acquisition & Installation of Machineries for modernization of existing factory	Within 12 months of receiving IPO fund	-	56,012,034	50,027,871	5,984,163	10.68%	
c)	Repayment of short term bank loan	Within 3 months of receiving IPO fund	-	6,343,916	6,343,916	-	0.00%	
d)	IPO Expenses	As and when required	-	13,000,000	13,000,000	-	0.00%	
Total				150,000,000	69,371,787	80,628,213		
Net interest on IPO Proceeds				11,318,527				
Un-utilized IPO Proceeds				80,628,213				
Total Un-Utilized IPO Proceeds with Interest Income				91,946,740				

Percentage:


Interest on IPO Proceeds: 7.55%

Un-Utilized IPO Proceeds with Interest Income: 61.30%

Notes:

- During the month, The company has utilized Tk. Nil.
- In respect of Acquisition & Installation of Machineries for modernization of existing factory, The company had opened a letter of Credit with Woori Bank, L/C No.200010219210699 valued EUR 300,000 dated : November 20,2019. The Company has purchased natural gas engine generator set through the said L/C and paid EUR 300,000 equivalent to Tk. 29,290,500 from own source from company's another bank account No. 1509230010757. The company will adjust Tk.5,984,163 from un-utilized IPO fund after the enchancement of FDR No. 0102 24300053090 upon receiving the importing machineries. The machineries have been reached at the designated destination but is not installed yet. It is mentionable here that the company has purchased natural gas engine generator set instead of purchasing 1 set of Yarn Package Drying Machine and 20 set of Stainless Steel trolleys as per prospectus and this plan was approved by the shareholders on the 17th Annual General Meeting and notified to BSEC.
- The Company had opened a Letter of Credit (L/C No. DC DAO964037) under Proforma Invoice No. NT0019001 on November 24, 2019 with HSBC Bank of total L/C value of USD 1,493,995 for importing automatic warehouse system machineries among which USD 996,975 has been paid as margin deposit from own source during December, 2019 and remaining USD 497,020 (USD 1,493,995- USD 996,975) will be paid from own source from Bank Account No.050-002120-005, HSBC Bank, Dhaka Gulshan Branch. The Automatic Warehouse System machineries have not been reached yet at the designated destination. The fund will be utilized/adjusted upon receiving the importing machineries and settlement of the said L/C.
- The Company has maintained Fixed Deposit Receipts (FDR) of Tk. 10,000,000 with Premier Bank Limited, Gulshan Branch, (FDR A/C NO. 0102 24300053090) as per bank certificate No. Premier/Gulshan/GB/2020/284 dated June 21, 2020.
- The Company has got permission from BEPZA (Bangladesh Export Processing Zones Authority) Dated: November 13,2018 for Construction of Automatic warehouse system and has started the construction work on February, 2019.
- The Time Frame for utilization of IPO Proceeds has been extended up to 31st October 2019 and approved by the Shareholders on the 16th Annual General Meeting held on December 27,2018. The revised IPO Utilization plan is yet to be approved by the Bangladesh Securities and Exchange Commission (BSEC). It is mentionable here that the Time Frame for utilization of IPO Proceeds has been extended for the 2nd time up to 30th June 2020 and approved by the Shareholders on the 17th Annual General Meeting held on December 22,2019 and notified to Bangladesh Securities and Exchange Commission (BSEC)


Chief Financial Officer


Company Secretary


CEO


Rahman Mostafa Alam & Co.
Chartered Accountants