

**FAR CHEMICAL INDUSTRIES LIMITED**  
**CHANGES IN EQUITY STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Particulars	Ordinary Share Capital	Retained Earnings	Total
As at July 01, 2009	10,000,000	(4,319,641)	5,680,359
Addition during the year	89,900,000	-	89,900,000
Net Profit during the year	-	32,948,079	32,948,079
<b>Total</b>	<b>99,900,000</b>	<b>28,628,438</b>	<b>128,528,438</b>

**FAR CHEMICAL INDUSTRIES LIMITED**  
**CHANGES IN EQUITY STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Particulars	Ordinary Share Capital	Retained Earnings	Total
As at July 01, 2008	10,000,000	-	10,000,000
Net Profit during the year	-	(4,319,641)	(4,319,641)
<b>Total</b>	<b>10,000,000</b>	<b>(4,319,641)</b>	<b>5,680,359</b>



Chairman




Managing Director



Director Finance & Company Secretary

Dated: Dhaka, September 24, 2010

  
MAHBUB MOHSIN & CO.  
CHARTERED ACCOUNTANTS



**FAH CHEMICAL INDUSTRIES LIMITED**  
**SCHEDULE OF FIXED ASSETS**  
**AS AT JUNE 30, 2010**

Annexure-A

Particulars	Cost			Rate of Dep. / Amortization (%)	Depreciation			Written Down Value as at 30-06-2010
	Balance as on 1st July 2009	Addition during the Year	Balance as on 30th June 2010		Balance as on 1st July 2009	Charge during the Year	Balance as on 30th June 2010	
Leasehold Land & Land Development	8,206,544	425,698	8,632,242	3.33%	68,319	278,091	346,410	8,285,832
Factory Building	47,656,453	31,985,423	79,641,876	2.5%	297,853	1,583,783	1,881,636	77,760,240
Plant & Machinery	461,672,324	-	461,672,324	10%	11,541,808	45,013,052	56,554,860	405,117,464
Electrical Installation	19,041,858	846,527	19,888,385	10%	476,046	1,898,908	2,374,954	17,513,431
Compressor	3,621,489	-	3,621,489	10%	90,537	353,095	443,632	3,177,857
Fork lift	625,478	-	625,478	10%	15,637	60,984	76,621	548,857
Water line Installation	3,853,115	-	3,853,115	10%	96,328	375,679	472,007	3,381,108
Office Equipment	1,313,921	12,546	1,326,467	10%	32,848	128,735	161,583	1,164,884
Furniture & Fixture	2,265,415	98,527	2,363,942	20%	113,271	440,282	553,553	1,810,389
<b>Total</b>	<b>548,256,597</b>	<b>33,368,721</b>	<b>581,625,318</b>		<b>12,732,647</b>	<b>50,132,609</b>	<b>62,865,256</b>	<b>518,760,062</b>

**Allocation of depreciation**

Manufacturing Expenses	98.80%	49,531,018
Administrative Expenses	0.84%	421,114
Selling & Distribution Expenses	0.36%	180,477
	<u>100%</u>	<u>50,132,609</u>

Leasehold Land Development represents the cost incurred to develop land after taken-over from BEPZA. Soil filling, internal road and boundary wall are the components of this amount. Total area of the factory is 43,065 Sq. ft as per lease agreement and the lease term is for 30 years. Accordingly the Leasehold Land Development cost is being amortized over a period of 30 years on Straight Line Method.

Depreciation has been charged on acquisition of Fixed assets during the half year irrespective of the date of acquisition.



FAR CHEMICAL INDUSTRIES LTD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2010

**00 The Company and its operations**

**01 Legal form of the Company**

The Company was incorporated on March 22, 2007 as a 'Private' company limited by shares, registered under the Companies Act 1994 vide Certificate of Incorporation No. C-66261(3753)/2007.

**02 Address of the Registered Office**

The registered office of the company is located at M.L.Tower , 1, East Rampura, DIT Road, Dhaka-1219.

**03 Nature of Business activities**

The principal activities of the company are to carry on the business of Chemicals & Dye Stuff Manufacturing and Exporting to 100% export oriented Dyeing and Textiles Industries in Bangladesh.

**04 Capital Structure of the Company**

Detailed break down of the capital structure of the company has been presented under note 8.02 of this report.

**05 Production Unit**

Production unit of the company is situated at Comilla Export Processing Zone, Plot No:135-136 in Comilla. Production facility of the company comprises of two units namely 'Chemicals' and 'Dyes' unit.

**06 Summary of significant accounting as per rules**

**01 Basis of preparation and presentation of the financial statements**

The financial statements have been prepared and disclosures of information are made in accordance with the requirements of the Companies Act 1994, the Securities and Exchange Rules 1987 (as applicable) and BAS's as well as BFRSs (as applicable) and adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). The Balance sheet and Profit and loss account have been prepared according to BAS 1 Presentation of Financial Statements based on accrual basis of accounting following going concern assumption under generally accepted accounting principles and practices in Bangladesh.

**02 Accounting convention and assumption**

The financial statements are prepared under the historical cost convention.

**03 Principal accounting policies**

The specific accounting policies have been selected and applied by the company's management for significant transactions and events that have a material effect within the framework for the preparation and presentation of financial Statements.

Financial Statements have been prepared and presented in compliance with applicable BASs. Previous year's figures were re-arranged where felt necessary.

There were no significant changes in the accounting policies and valuation policies affecting the financial position and performance of the Company. However, changes made to the presentation are explained in the note for each respective item.

Accounting and valuation methods are disclosed for reasons of clarity. The company classified the expenses using the function of expenses method as per BAS 1.



**14 Applicable Accounting Standards:**

The following BAS are applicable to the financial statements for the year under review:

BAS	1	Presentation of Financial Statements
BAS	2	Inventories
BAS	7	Cash Flow Statements
BAS	8	Accounting policies, Changes in Accounting Estimates and Errors
BAS	10	Events after the Balance sheet Date
BAS	16	Property, Plant and Equipment
BAS	18	Revenue
BAS	19	Employee Benefits
BAS	21	The effects of Changes in Foreign Exchange Rates
BAS	23	Borrowing Costs
BAS	24	Related Party Disclosures
BAS	33	Earnings per Share
BAS	37	Provisions, Contingent liabilities and Contingent Assets
BAS	38	Intangible Assets

**15 Property, Plant and equipment**

Tangible fixed assets are accounted for according to BAS 16 (Property, Plant and Equipment) at Historical cost less accumulated depreciation and the Capital work-in-progress is stated at cost. Both tangible and intangible assets are depreciated/ amortized according to the Accelerated depreciation method other than Leasehold land development.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized as non operating income and reflected in the profit and loss account.

**16 Depreciation of fixed assets**

Depreciation is provided on Accelerated depreciation method (except Land Development) on the cost at which the asset is carried in the books of account

Half year's depreciation has been charged on additions irrespective of the date of acquisition.

**The depreciation /amortization rate(s) are as follows:**

<u>Category of fixed assets</u>	<u>Rate %</u>
Leasehold Land Development	3.33
Factory Building	2.50
Plant & Machinery	10
Electrical Installation	10
Compressor	10
Fork lift	10
Waterline Installation	10
Office Equipment	10
Furniture & Fixture	20



**17 Valuation of stocks**

Inventories are stated at the lower of cost or net realizable value in compliance with the requirements of Para 21 and 25 of BAS 2.

**Category of Stocks**

Raw & packing materials including WIP  
Finished Goods at Factory

At warehouses  
Stores Items  
Materials in-transit

**Basis of valuation**

: Moving average (Weighted) Cost  
: At lower of cost or net estimated  
Realizable value  
: At cost  
: At cost  
: Book value (i.e. cost so far incurred).

Cost comprises of the value of materials and attributable direct labor, depreciation & production overheads.

**108 Bills Receivable**

Bills Receivable is carried at invoice amount without making any provision for doubtful debts, since sales/exports are based on 100% confirmed letter of credit with fixed maturity dates.

**109 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and cash at bank, which are available for use by the company without any restrictions. There is an insignificant risk of change in value of the same.

**110 Foreign currency transaction**

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction date in accordance with BAS 21 (The Effects of changes in Foreign Exchange Rates). No exchange gain/loss has been recognized in connection with foreign currency transaction since all such transactions are in US dollars and significant gains/losses even out during regular course of companies business.

**111 Creditors and accrued expenses**

**111.1 Trade and other payables**

Liabilities are recorded at the amount payable for settlement in respect of goods and services received by the company.

**111.2 Provision**

The preparation of financial statements in conformity with Bangladesh accounting standards BAS 37 (Provisions, Contingent Liabilities and Contingent Assets) requires management to make estimates and assumption that affect the reported amounts of revenues and expenses, assets and liabilities, and the disclosure requirements for contingent assets and liabilities during and at the date of the financial statements.

In accordance with the guidelines as prescribed by BAS 37 provisions were recognized in the following situations:

- When the Company has a present obligation as a result of past event;
- When it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- Reliable estimates can be made of the amount of the obligation.

We have shown the provisions in the balance sheet at an appropriate level with regard to an adequate provision for risks and uncertainties. An amount recorded as a provision represents the best estimate of the probable expenditure required to fulfill the current obligation on the balance sheet date.

**112 Employee benefits (BAS 19):**

The company provides no employee benefits like Provident Fund, Gratuity or Workers' Profit Participation Fund and therefore compliance of BAS 19 is not applicable. The management however intends to initiate such benefit plans in future.

