

Private & Confidential

AND
FINANCIAL STATEMENTS
OF
CHEMICAL INDUSTRIES LIMITED
FOR THE YEAR ENDED JUNE 30, 2021

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

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**AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
OF
FAR CHEMICAL INDUSTRIES LIMITED
FOR THE YEAR ENDED JUNE 30, 2021**



**Independent Auditor's Report
To the Shareholders of
FAR Chemical Industries Limited**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FAR Chemical Industries Limited (the "Company"), which comprise the Statement of Financial Position as at 30 June 2021 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 2021, 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.

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
Revenue recognition	
At year end the company reported total revenue of BDT.591,668,471. 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.	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;



<p>There is also a risk that revenue may be overstated/understated due to the timing differences between L/C opening and goods exported.</p> <p>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.</p>	<ul style="list-style-type: none">- 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. <p><i>[See note number 22 for details]</i></p>
<p>Valuation of Inventory</p> <p>The inventory of BDT 24,788,277 as at 30th June 2021, held in warehouses and across multiple product lines in the factory.</p> <p>Inventory value is measured as follows: Inventories are stated at the lower of cost and net realizable value in accordance with IAS 2 'Inventories'. As a result, the management apply judgment in determining the appropriate values for value in use, work-in-progress, values for slow moving or obsolete items and need to apply impairment provision.</p> <p>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.</p>	<p>We challenged the appropriateness of management's assumptions applied in calculating the value of the inventory provisions by:</p> <ul style="list-style-type: none">- 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.- Comparing the net realizable value, obtained through a detailed review of sales subsequent to the year-end, to the cost price of a sample of

