

Private & Confidential

**Auditor's Report and Financial Statements
of**

Far Chemical Industries Limited

11 (Floor: 5-A), Road No: 12, Niketon
Gulshan-1, Dhaka-1212.

For the Year Ended 30 June 2022

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

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**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 2022 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 2022, 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.

Emphasis of Matter

1. We draw attention to Note # 3.20 of the financial statements that Amalgamation/merger of S.F. Textile Industries Ltd. with FAR Chemical Industries Ltd. has been decided. The application for amalgamation process has been admitted by the High Court Division of the Supreme Court of Bangladesh. Shareholders and the Creditors of the Company has accepted the decision of amalgamation/merger following EGMs and Creditors Meetings.
2. We draw attention to Note # 3.19 of the financial statements that the Company has shifted its chemical factory's plant, equipment and machineries from Cumilla EPZ to newly constructed factory at Rupgonj, Narayagonj. The company, as of the date of signing the report, could not restart the chemical factory at the new location, is now non-functioning of the transferred items, will require additional machineries to run further. Hence the Company management is considering the viability of the chemical project. These events or conditions, however indicate that a material uncertainty exists in running the chemical factory. On the other hand, the company has completed construction work of spinning unit in its own premises at Rupgonj Narayanganj and has started its trial production on October 17, 2022.
3. We also draw attention to Note # 13.00 of the financial statements that the Company incurred a loss BDT 24.41 crore, adjusted with Retained Earnings, on disposal of fixed assets while transferred from Cumilla EPZ to Rupganj, Narayanganj and during handover the leasehold lands to EPZ authority.



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
<p>Revenue recognition</p> <p>At year end the company reported total revenue of BDT.34,872,966. The company generates revenue from sale of goods to customers. The timing of the revenue recognized and realized increases the risk of exposure of revenue to foreign exchange fluctuations.</p> <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>	<p>We have tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> - 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; - 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 Property, Plant and Equipment</p> <p>The carrying value of the PPE amounted to BDT 3,169,560,395 as at 30 June 2022. The valuation of PPE was identified as a key audit matter due to the significance of this balance to the financial statements.</p> <p>Expenditures are capitalized if they create new or enhance the existing assets, and expensed if they relate to repair or maintenance of the assets. Classification of expenditures involves judgment. The useful lives of PPE items are based on management's estimates regarding the period during which the asset or its significant components will be used. The estimates are based on historical experience and market practice and take into consideration the physical condition of the assets.</p>	<p>Our audit included the following procedures:</p> <ul style="list-style-type: none"> - We reviewed the addition during the year under our audit, checked the related accounting treatment and associated deferred tax as recognized by the company. - We assessed whether the accounting policies in relation to the capitalization of expenditures are in compliance with IFRS and found them to be consistent; - We obtained a listing of capital expenditures incurred during the year and, on a sample basis, checked whether the items were procured based on internal purchase order that had been properly approved by the responsible individuals; - We inspected a sample of invoices and L/C documents to determine whether the classification between capital and operating expenditure was appropriate;

