

FAR Chemical Industries Limited

Auditor's Report and Financial Statements
For the year ended June 30, 2020

SHIRAZ KHAN BASAK & CO.
CHARTERED ACCOUNTANTS
R.K Tower

86, Bir Uttam C.R Datta Road, (312 Sonargaon Road), Level-10, Hatirpool, Dhaka-1205.



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(An associate firm of D. N. Gupta & Associates)

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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 2020 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 2020, 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

We draw attention to Note # 3.07 in the financial statements that the company has renewable lease arrangement with Bangladesh Export Processing Zone Authority (BEPZA) for industrial plot # 135-136 in Cumilla EPZ. Since inception to the last year, the lease has classified as operating lease as per IAS - 17 Leases. In the context of the application of IFRS 16, right-of-use assets and lease liabilities were recognized by the company onward on 1 July 2019 in accordance with the modified approach and without applying retrospective impact. In addition, the Company has decided not to apply the new guidance to leases whose term will end within twelve months of the date of initial application and leases of low-valued assets. In calculating the present value of lease payments, the company uses incremental borrowing rate 9% because the interest rate implicit in the lease is not readily determinable. Our opinion is not modified in this respect.

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.756,684,767. 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. There is also a risk that revenue may be overstated/understated due to the timing	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; - Segregation of duties in invoice creation and





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differences between L/C opening and goods exported.

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.

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.

[See note number 20 for details]

Valuation of Inventory

The inventory of BDT 535,592,517 as at 30th June 2020, held in warehouses and across multiple product lines in the factory.

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.

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.

We challenged the appropriateness of management's assumptions applied in calculating the value of the inventory provisions by:

- Evaluating the design and implementation of key inventory controls operating across the company's factory and warehouse;
- Checked and verified the stock count report done by the management as on date.
- We have reconciled the inventory with purchase, production and sales to ensure the physically 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/ obsolescence.
- 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 inventories and comparison to the associated provision to assess whether inventory provisions are complete;
- Obtaining a detailed review with the subsequent sales to compare with the net realizable value.

[See note number 06 for details]





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Valuation of Property, Plant and Equipment

The carrying value of the PPE amounted to BDT 1,934,391,972 as at 30 June 2020. The valuation of PPE was identified as a key audit matter due to the significance of this balance to the financial statements.

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.

Our audit included the following procedures:

- We reviewed the opening balances of PPE which was audited by another auditors including assessed 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;
- We evaluated whether the useful lives determined and applied by the management were in line with historical experience and the market price;
- We checked whether the depreciation of PPE items was commenced timely, by comparing the date of the classification from capital in progress to ready for use, with the date of the act of completion of the work.
- We performed physical asset verification at the year end, observed procedures of asset acquisition, depreciation and disposal and finally assessed the appropriateness and presentation of disclosures as per relevant accounting standards.

[See note number 04 for details]

Management's Consideration of the Potential Impact of COVID-19

Management has made estimates and judgments that there was limited adverse impact of COVID-19 on the company.

In doing so, management have made estimates and judgments that are critical to the outcomes of these considerations with particular focus on the company's ability to continue as a going concern for a period of at least 12 months from the date of the signing of the financial

Our audit included the following procedures:

- We obtained management's most recent financial results forecasts and liquidity analysis underlying their going concern assessment and tested the integrity of the forecasts, including mathematical accuracy.
- We challenged management on the key assumptions included in the scenarios and we subjected management's most recent forecasts to





statements.

As a result of the impact of COVID-19 on the wider financial markets we have determined management's consideration of the potential impact of COVID-19 (including their associated estimates and judgments) to be a key audit matter.

additional stress testing to confirm that both management and the Board have considered a balanced range of outcomes in their assessment of the potential impact of COVID-19.

- Based on our procedures, we have not identified any other matters to report with respect to both management's and the Board's considerations of the potential impact of COVID-19 on the current and future operations of the company.

[See note number 3.18 for details]

Other Matters

Due to the pandemic situation of COVID-19 all over the world, physical verification of inventory could not be held by us for the the year ended June 30, 2020 considering the health risks. However, during the course of our audit we have carried out audit procedures to ensure the value of inventory as on 30 June, 2020 is appropriate and free from any material misstatement. Detailed audit procedures are described in the key audit matter paragraph of this report.

Other information

Management is responsible for the other information. The other information comprises all of the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.





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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 International Standards on Auditing (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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

As part of an audit in accordance with International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the company's financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We have not come across any other key audit issue for the year under audit, and as such noting is reportable.





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Report on other Legal and Regulatory Requirements

In accordance with the Companies Act, 1994 and the Securities and Exchange Rules 1987, we also report the following:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- c) the statement of financial position and statement of profit or loss and other comprehensive income together with the annexed notes dealt with by the report are in agreement with the books of account and returns; and
- d) the expenditure incurred was for the purposes of the Company's business.

Dated, Dhaka
October 28, 2020



Ramendra Nath Basak, FCA
Partner
Shiraz Khan Basak & Co.
Chartered Accountants

FAR Chemical Industries Limited
Statement of Financial Position
As at June 30, 2020

Notes	Amount in Taka	
	30-06-2020	30-06-2019
Assets		
Non-current assets	1,935,940,443	1,848,690,252
Property, plant & equipment	4.00 1,934,391,972	1,847,141,781
Security deposit	5.00 1,548,471	1,548,471
Current assets	1,156,145,135	1,173,100,869
Inventories	6.00 535,592,517	468,297,673
Trade receivables	7.00 581,905,470	617,542,172
Advances, deposits and prepayments	8.00 23,608,225	38,808,225
STD Account (IPO)	9.00 2,945,000	2,945,000
STD Account (Dividend)	10.00 718,079	718,079
Cash and cash equivalents	11.00 11,375,844	44,789,720
Total Assets	3,092,085,578	3,021,791,121
Shareholder Equity and Liabilities		
Shareholders' equity	3,045,645,723	2,973,502,086
Share capital	12.00 2,180,934,230	1,982,667,480
Retained earnings	13.00 864,711,493	990,834,606
Non-Current Liabilities	5,603,529	-
Lease Liability	14.00 5,603,529	-
Current Liabilities	40,836,326	48,289,035
Trade payables	15.00 32,426,095	38,964,750
Short term borrowings	16.00 131,076	2,002,142
Refundable Deposits (IPO)	17.00 2,945,000	2,945,000
Dividend payables	18.00 718,079	718,079
Creditors and accruals	19.00 4,616,076	3,659,064
Total Shareholder Equity and Liabilities	3,092,085,578	3,021,791,121
Net Assets Value (NAV) per share	29.00 13.96	15.00

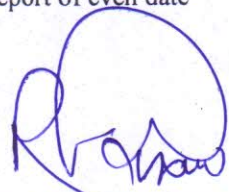
The annexed notes form an integral part of these financial statements.

 Chairman
  Managing Director
  Director
  Chief Financial Officer
  Company Secretary

As per our annexed report of even date

Dated: October 28, 2020
Place: Dhaka

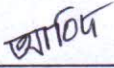
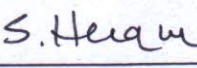
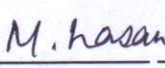
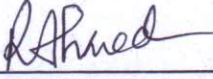
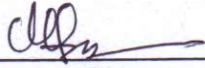



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Chartered Accountants

FAR Chemical Industries Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended June 30, 2020

	Notes	Amount in Taka	
		30-06-2020	30-06-2019
Revenue	20.00	756,684,767	1,186,680,670
Less: Cost of sales	21.00	666,519,144	955,231,408
Gross profit		90,165,623	231,449,262
Less: Operating expenses			
Selling and distribution expenses	22.00	7,450,982	10,042,905
Administrative expenses	23.00	8,914,660	11,062,686
Employee Welfare expenses	24.00	772,549	767,287
		17,138,191	21,872,878
Profit from operation		73,027,432	209,576,384
Less: Financial expenses	25.00	1,119,903	784,914
Add: Foreign Exchange Gain/(Loss)	26.00	38,234	87,131
		71,945,763	208,878,601
Add: Other income	27.00	197,874	280,687
Profit before tax		72,143,637	209,159,288
Less: Income tax expenses		-	-
Profit after tax		72,143,637	209,159,288
Basic Earnings Per Share (EPS)	28.00	0.33	0.96


The annexed notes form an integral part of these financial statements.

				
Chairman	Managing Director	Director	Chief Financial Officer	Company Secretary

As per our annexed report of even date

Dated: October 28, 2020
Place: Dhaka




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Chartered Accountants


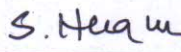
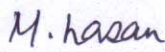
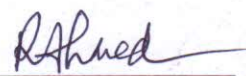

FAR Chemical Industries Limited
Statement of Changes in Equity
For the year ended June 30, 2020

Particulars	Share Capital	Retained Earnings	Total
	Taka	Taka	Taka
Balance at July 01,2019	1,982,667,480	990,834,606	2,973,502,086
Bonus Issue	198,266,750	(198,266,750)	-
Profit during the year	-	72,143,637	72,143,637
Balance at 30 June 2020	2,180,934,230	864,711,493	3,045,645,723

FAR Chemical Industries Limited
Statement of Changes in Equity
For the year ended June 30, 2019

Particulars	Share Capital	Retained Earnings	Total
	Taka	Taka	Taka
Balance at July 01,2018	1,802,424,980	961,917,818	2,764,342,798
Bonus Issue	180,242,500	(180,242,500)	-
Profit during the year	-	209,159,288	209,159,288
Balance at 30 June 2019	1,982,667,480	990,834,606	2,973,502,086


The annexed notes form an integral part of these financial statements.

				
Chairman	Managing Director	Director	Chief Financial Officer	Company Secretary

As per our annexed report of even date

Dated: October 28, 2020
Place: Dhaka




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Chartered Accountants

FAR Chemical Industries Limited
Statement of Cash Flows
For the year ended June 30, 2020

Notes	Amount in Taka	
	30-06-2020	30-06-2019
A. Cash flows from operating activities:		
Receipt from customers	792,321,469	1,195,781,197
Receipt from other income	197,874	280,687
Payment for cost of expenses	(663,861,481)	(919,599,704)
Payment for operating expenses	(15,506,684)	(21,156,025)
Payment of financial expenses	(1,119,903)	(784,914)
Net cash from operating activities	112,031,276	254,521,241
B. Cash flows from investing activities:		
Acquisition of property, plant and equipment	(143,327,036)	(231,805,752)
Net cash used in investing activities	(143,327,036)	(231,805,752)
C. Cash flows from financing activities:		
Receipt/(Payment) against short term loan	(2,002,142)	(145,715)
Payment of Lease liability	(119,914)	-
Net Cash used in financing activities	(2,122,056)	(145,715)
D.Net increase in cash and cash equivalents(A+B+C)	(33,417,817)	22,569,774
E. Foreign Exchange Gain/(Loss)-FC A/C	3,941	9,847
F. Opening cash and cash equivalents	44,789,720	22,210,099
G. Closing cash and cash equivalents (D+E+F)	11,375,844	44,789,720
Net Operating Cash Flow Per Share (N 30.00)	0.51	1.28

The annexed notes form an integral part of these financial statements.

				
Chairman	Managing Director	Director	Chief Financial Officer	Company Secretary

As per our annexed report of even date

Dated: October 28, 2020
Place: Dhaka




SHIRAZ KHAN BASAK & CO.
Chartered Accountants

FAR Chemical Industries Limited
Notes to the Financial Statements
For the year ended June 30, 2020

1.00 Reporting Entity

1.01 Background of the Company

FAR Chemical Industries Limited (the Company') was incorporated in Bangladesh on 22 March 2007 as a Private Limited Company under the Companies Act 1994 with its Corporate office at House No: 11 (Floor: 5-A), Road No: 12, Niketon, Gulshan-1, Dhaka-1212 and Registered office & factory is situated at Plot # 135-136 in CEPZ, Comilla Export Processing Zone, Comilla, Bangladesh. Subsequently the company has been converted to Public Limited Company under the Companies Act 1994 on 19 June 2012 and issue of Public offer of 12,000,000 ordinary shares of Tk. 10.00 each at par totaling to Tk.120,000,000 as Bangladesh Securities and Exchange Commission (BSEC) ref no. BSEC/CI/IPO-220/2013/98 dated February 05, 2014.

1.02 Nature of Business

The principal activities of the Company are to manufacture and export of Chemical products to different export oriented Textiles, dyeing and Apparels industries. Some of the Principal products and services are:

- Softening Agent
- Scouring Agent
- Anti-Foaming Agent
- Leveling Agent
- Fixing Agent
- Stabilizer
- Retarding Agent
- Bleaching Agent and
- Other chemical products.

2.00 Basis of Preparation of Financial Statements

2.01 Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Accounting Standards (IAS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), the Companies Act 1994, the Securities and Exchange Rules, 1987 and other applicable laws and regulations in Bangladesh.

2.02 Regulatory Compliances

As required FAR Chemical Industries Limited comply with the following major legal provisions in addition to the Companies Act 1994 and other applicable laws and regulations:

The Income Tax Ordinance 1984;
The Income Tax Rules 1984;
The Value Added Tax Act 2012;
The Value Added Tax Rules 2012
The Customs Act 1969
Bangladesh labour law 2006 (Amended)
The Securities and Exchange Rules, 1987 and
Bangladesh EPZ related rules and regulations.

2.03 Measurement Bases used in preparing the Financial Statements

The financial statements have been prepared on the historical cost basis, and therefore, do not take into consideration the effect of inflation. The accounting policies, unless otherwise stated,

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have been consistently applied by the company and are consistent with those of the previous year.

2.04 Reporting Currency and Level of Precision

The financial statements are presented in Bangladeshi Taka (Taka/Tk), which is the Company's functional currency. All financial information presented in Taka have been rounded off to the nearest Taka.

2.05 Preparation and Presentation of Financial Statements of the Company

The Board of Directors of FAR Chemical Industries Ltd is responsible for the preparation and presentation of financial statements.

2.06 Use of Estimates and Judgements

The preparation of these financial statements in conformity with International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected thereby.

In particular, information about significant areas of estimation on uncertainty and critical judgments in applying accounting policies that have the most significant affect on the amounts recognized in the financial statements are included in the following notes:

Note: 4 Property, Plant and Equipment

Note: 6 Inventories

Note: 7 Trade Receivables

Note: 8 Advance, Deposit and Pre-payments

Note: 15 Trade Payables

2.07 Reporting Period

The financial period of the companies covers one year from 1 July 2019 to 30 June 2020 and is followed consistently.

2.08 Cash Flow Statement

Statement of cash flows is prepared in accordance with "IAS 7: Cash Flow Statement" and the cash flow from operating activities have been presented under Direct Method as required by the Securities and Exchange Rules, 1987 and considering the provisions that "Enterprises are Encouraged to Report Cash Flow from Operating Activities using the Direct Method".

2.09 Compliance with the Requirements of Notification of the Securities and Exchange Commission dated 04.06.2008 under ref. # SEC/CMMRPC/2008-181/53/Adm/03/28

- a) Notes to the financial statements marked from 3.00 to 3.19 setting out the policies are unambiguous with respect to the reporting framework on which the accounting policies are based.
- b) The accounting policies on all material areas have been stated clearly in the notes marked from 3.00 to 3.19.
- c) The accounting standards that underpin the policies adopted by the company can be found in the following places of the notes to the financial statements:

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Sl. No.	Name of the IAS	IAS's no.
1	Presentation of Financial Statements	1
2	Inventories	2
3	Statement of Cash Flows	7
4	Accounting policies, Changes in accounting Estimates & Errors	8
5	Events after the Reporting Period	10
6	Income Taxes	12
7	Property, Plant and Equipment	16
8	Employees Benefits	19
9	The Effects of Changes in Foreign Exchange Rates	21
10	Borrowing Costs	23
11	Related Party Disclosures	24
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13	Interest in Joint Ventures	31
14	Earnings Per Share	33
15	Impairment of Assets	36
16	Provision, Contingent Liabilities and Contingent Assets	37
17	Financial Instruments: Recognition & Measurement	39

SL. No.	Name of the IFRS	IFRS No
1	Financial Instruments: Disclosures	7
2	Operating Segments	8
3	Financial Instruments	9
4	Disclosure of Interests in Other Entities	12
5	Revenue from Contracts with Customers	15

- d) The financial statements are in compliance with the International Financial Reporting Standards (IFRS) which are issued by the International Accounting Standards Board (IASB).

3.00 Significant Accounting Policies

3.01 Property, Plant & Equipment

3.01.1 Recognition and Measurement

Tangible fixed assets are accounted for according to "IAS 16: Property, plant and equipment", Items of property, plant and equipment are measured at cost or revaluation less accumulated depreciation. The cost of acquisition of an asset comprises its purchase price and any attributable cost of bringing the assets to its working condition for its intended Expenditure incurred after the assets have been put into use, such as repairs maintenance is normally charged off as revenue expenditure in the year in which it incurs. In situation where it can be clearly demonstrated that the expenditure has resulted increase in the future economic benefit expected to be obtained from the asset expenditure is capitalized as an additional cost of the assets.

3.01.2 Depreciation

Depreciation is provided on Reducing Balance Method except Leasehold Land Development (Cumilla EPZ) on the value at which the assets carried in the books of Accounts. Depreciation is charged at the rates varying from 2.50% to 20% depending on the estimated useful life of assets. Depreciation is provided on Leasehold Land development on straight-line method the lease term of 30 years. Depreciation has been charged on additions during the period of available for utilization of Property, Plant & machinery.

Rates of depreciation of assets considering their useful lives are as follows:

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<u>Category</u>	<u>Rate</u>
Leasehold Land Development	3.33%
Factory Buildings	2.50%
Plant and Machinery	10%
Electrical Installation	10%
Compressor	10%
Forklift	10%
Water line Installation	10%
Office Equipment	10%
Furniture & Fixture	20%
ROU Assets (Leased Land)	(on straight line on the basis of leased tenure)

3.02 Components of the Financial Statements

According to the International Accounting Standards (IAS)-1 "Presentation of Financial Statements" the complete set of financial statements includes the following components.

- i. Statement of financial position as at 30 June, 2020
- ii. Statement of Profit or Loss and other comprehensive income for the financial year ended on 30 June, 2020
- iii. Cash Flows Statements for the financial year ended on 30 June, 2020
- iv. Statement of changes in equity for the financial year ended on 30 June, 2020
- v. Accounting policies and explanatory notes for the financial year ended on 30 June, 2020

3.03 Inventories

Inventories are measured at lower of cost and ex-factory net realizable value in compliance with "IAS 2: Inventories". The cost of inventories is based on weighted average principle and includes expenditure for acquiring the inventories and bringing them to their existing location and condition. Net realizable value is estimated upon selling price in the ordinary course of business less estimated cost of completion. When the inventories are used, the carrying amounts of those inventories are recognized as expense in the year in which the related revenue is recognized.

3.04 Revenue

In compliance with the requirements of IFRS 15 Revenue from contracts with customers, Entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized only when following steps match with a transaction;

- a) Identification of the contract(s) with a customer;
- b) Identification of the performance obligation in a contract;
- c) Determine the transaction price;
- d) Allocate the transaction price to the performance obligations in the contract;
- e) Recognition revenue when (or as) the entity satisfies a performance obligation by transferring control over goods or services to a customer;

3.05 Foreign Currency Transaction/Translation

Foreign currency transactions are translated into Bangladeshi Taka at the exchange rates ruling at the transaction dates according to IAS 21: "The effect of changes in Foreign Exchange Rates". Monetary assets and liabilities denominated in the foreign currencies are translated at prevailing rates on the balance sheet (financial position) date. Non monetary assets and liabilities denominated in foreign currencies, which are related at historical cost, are translated into Bangladesh Taka at the exchange date ruling at the date of transactions. Foreign exchange fluctuation gain/losses are charged to statement of Profit or Loss and Other Comprehensive Income whenever arise.

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3.06 Financial Expenses

Financial costs comprise of interest expense on short term loan. The costs are charged to revenue except those are capitalized in accordance with IAS 23: Borrowing Costs.

3.07 Leased Assets

The company made renewable lease arrangement with Bangladesh Export Processing Zone Authority (BEPZA) for industrial Plot #135-136 in Cumilla EPZ on 15 October 2008 for 30 years. Since inception to the last year, the lease has classified as an operating lease as it does not transfer substantial risks and rewards incidental to the ownership consistent with the view laid down in IAS - 17 Leases. The total area is 4,000 Sq. meters (approximately).

In the context of the application of IFRS 16, right-of-use assets and lease liabilities were recognized onward on 1 July 2019. The Company transitioned to IFRS 16 in accordance with the modified approach and therefore prior years' figures were not adjusted. In addition, the Company has decided not to apply the new guidance to leases whose term will end within twelve months of the date of initial application and leases of low-valued assets. The asset is written off on a straight-line basis over the rest tenure of the lease agreements onward from 1 July, 2019. Hence, the useful life of any lease assets depends on the number of periods the assets can be used. The useful life of such assets is dependent on individual agreement and can vary from one agreement to another. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In calculating the present value of lease payments, the company uses incremental borrowing rate which is at present @ 9% at the date of commencement of IFRS 16 by the company for leased assets because the interest rate implicit in the lease is not readily determinable.

3.07.1 Measurement of lease payments

In the corresponding year, Lease payment (excluding cost for services such as insurance and maintenance) are recognized as expense in the income statement as per requirement of IAS 17. In the reporting year, depreciation, interest expenses, impairment losses etc. recognized as expense in the income statement as per requirement of IFRS 16.

3.08 Financial Instruments

Non-derivative financial instruments comprise trade receivables, trade payables, cash and cash equivalents and share capital.

Trade Receivables

Trade receivables are recognized initially at invoice value and subsequently measured at the remaining amount less allowance for doubtful receivable at the year end, if any. Receivables from foreign currency transactions are recognized in Bangladeshi Taka using exchange rates prevailing on the date of transaction.

Trade Payables

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and with banks on current and deposit accounts and short term investments which are held and available for use by the company without any restriction. There is insignificant risk of change in value of the same.

Share Capital

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effect.

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3.09 Taxation

3.09.1 Current Tax

FAR Chemical Industries Limited is situated at Cumilla Export Processing Zone, Cumilla Bangladesh and runs its business there. All industries run in the EPZ are eligible for exemptions from payment of tax for a period of 10 years as per income tax regulation vide IRD SRO No. 289-Law/89, dated 19 August 1989. During the financial year 2019-2020 the company has completed its tax exemption period. So from the financial year 2020-2021 the company's operating income will be under the income tax as applicable for the publicly listed company.

3.09.2 Deferred Tax

Deferred tax arises due to temporary difference deductible or taxable for the transaction which is recognized in the income statement. A temporary difference between the tax base of an asset or liability and its carrying amount/or amount in the Statement of Financial Position. Deferred tax assets or liability is the year income tax recoverable or payable in future periods recognized in the current period "IAS 12: Income Tax.

Since the income of the company is exempted from tax. So the calculation of deferred not required for the company.

3.10 Provisions

The preparation of financial statements in conformity with International Accounting Standard IAS - 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 IAS - 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.

An appropriate level with regard to an adequate provision for risks and uncertainties has been shown in the Statement of Financial Position. An amount recorded as a provision represents the best estimate of the probable expenditure required to fulfill the current obligation on the date of Statement of Financial Position.

3.11 Contingencies

Contingent liabilities and assets are current or possible obligations or assets, arising from past events and whose existence is due to the occurrence or non-occurrence of one or more uncertain future events which are not within the control of the company. In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets are disclosed in the notes to the financial statements.

3.12 Earnings per Share (EPS)

This has been calculated in compliance with the requirements of "IAS 33: Earnings per Share" by dividing the basic earnings by the weighted average number of ordinary Shares outstanding during the year.

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Basic Earnings

This represents earnings for the period attributable to the ordinary shareholders. As there are no preference dividend, minority interest or extra ordinary items, the net profit for the year has been considered as fully attributable to ordinary shareholders. Basic earnings per has been calculated by dividing the net profit or loss by the number of weighted average ordinary share outstanding during the year.

Diluted Earnings per Share (DEPS)

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and number of ordinary shares outstanding, for the effect of all dilutive potential ordinary shares. However, dilution of EPS is not applicable for these financial statements as there were no potential ordinary shares during the relevant period.

3.13 Segment Reporting

No segmental reporting is applicable for the company as required by "IFRS 08: Operating Segments" as the company operates in a single industry segment and within as geographical segment.

3.14 Event after Statement of Financial Position Date

In compliance with the requirements of "IAS-10: Event after the reporting period" that provide additional information about the company's position at the date of the financial position are reflected in the financial statements and events after the reporting period that are not adjusting events are disclosed in the notes when materials.

There was no significant event that has been occurred between the statement of financial position date and date on which the financial statements are authorized for issue.

3.15 Employee Benefits

3.15.1 Worker's Profit Participation

Accordance with the requirement of section 234 of Labor Act, 2006, the company should contribute 5% of net profit before charging the amount to the aforementioned fund. But the company established in Comilla Export Processing Zone and have to comply only BEPZA rules relating to services matter concerning workers and officers employed in the company operating in the Export Processing Zone Bangladesh, which imposed by BEPZA. So there is no provision for Worker's Profit Participation Fund in company's profits as per BEPZA rules.

3.15.2 Provident Fund

The Company has established and maintaining Contributory Provident Fund in compliance to the requirement of "The EPZ employees (Contributory) Provident Fund Policy -2012". The fund is administrated by the 6 members Board of Trustees of which 3 members are nominated from employer's side and remaining 3 members fulfilled from the representative from Workers Welfare Association. All members of trustee shall hold their position for three years. The member of the trustee board within the limit of the policy shall together hold absolute measure to take any decision for implementation of the provident fund.

3.15.3 Workers Welfare Fund

The company has been paying against "Workers Welfare Fund" to BEPZA since 1st February 2013 in compliance to the requirement of BEPZA rules. The management of the fund is maintained by BEPZA according to the rules & guidelines imposed under the style of 'Constitution and Operation Procedure of EPZ Worker's Welfare Fund 2012'.

3.16 Financial Risk Management Policies

The company is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties.

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The company does not hold or issue derivative financial instruments for speculative or trading purposes.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the interest rate exposure arises from short and long term borrowings from banks. The company has no significant risk of fluctuations in interest rates.

Foreign Currency Risk

The company is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies. The company primarily utilizes forward exchange contracts with maturities of less than one year to hedge such financial liabilities denominated in foreign currencies. The forward exchange contracts entered into at the reporting date also relate to anticipated purchases, denominated in foreign currencies, for the subsequent period.

Credit Risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the company as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. However, due to the large number of parties comprising the group's customer base, Management does not anticipate material losses from its debt collection.

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the company's performance to developments affecting a particular industry. The breakup amount due from customers other than related parties as disclosed in note 7.00 to these financial statements is presented below:

Due from customer other than related parties:

Gross trade and other receivable	Tk. 581,905,470 .00
Less: Related Parties	Tk. 998,368.00
Net from Customers	<u>Tk. 580,907,102.00</u>

Out of the total trade debts of Tk. 581,905,470 .00 the company has not made any provision. The aging profile to the trade debts overdue is as follows:

Time duration	Gross Amount	Impairment
Upto 6 months	581,905,470 .00	-
Over 6 months	-	-
Total	581,905,470 .00	-

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Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and bank balances and availability of funding through an adequate amount of committed credit facilities. The company aims to maintain flexibility in funding by keeping committed credit lines open. The maturity profile of the company's liabilities based on contractual maturities is as follows:

Financial Liability	Carrying Amount	On Demand	Contractual Cash flows	Upto One year	More than one year
Trade payable	32,426,095	-	32,426,095	32,426,095	-
Short term borrowing	131,076	-	131,076	131,076	-
Total	32,557,171	-	32,557,171	32,557,171	-

Fair Values

The fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently, difference may arise between the carrying value and the fair value estimates. As at June 30, 2020 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

3.17 Date of Authorization and Proposed Dividend

The financial statements were authorized for issue on 28 October, 2020 by the board of the Directors of the company. Board of Directors recommended 1% cash dividend for the financial year ended 30th June, 2020. Therefore, amount to be distributed as dividend BDT. 21,809,343 subject to final approval by the shareholders at the company's forthcoming AGM.

3.18 Impact of Covid-19

There are no going concern threats due to Covid-19 as the company has adequate resources to continue the company. However, being a deemed export oriented company it has been facing global impact of Covid-19. As a result during the period its sales revenue has declined.

3.19 General

- i) Comparative figures have been re-arranged where considered necessary to ensure better comparability with the current period without causing any impact on the profit and value of assets and liabilities as reported in the financial statements.
- ii) Figures for the year 2018-2019 have been rearranged wherever considered necessary to ensure comparability with the current year.



		Amount in Taka	
		30-06-2020	30-06-2019
4.00	Property, plant & equipment		
	At cost		
	Opening balance	2,461,325,646	2,229,519,894
	Addition during the year	143,458,112	231,805,752
		2,604,783,759	2,461,325,646
	Accumulated depreciation		
	Opening balance	614,183,866	553,590,103
	Charged during the year	56,207,921	60,593,763
		670,391,786	614,183,866
	Written down value as on June 30	1,934,391,972	1,847,141,781
5.00	Security Deposit		
	Land lease at BEPZA, Plot : 135-136	1,152,985	1,152,985
	Deposit for electricity	395,486	395,486
		1,548,471	1,548,471
6.00	Inventories		
	<u>Notes</u>		
	Raw materials	341,647,339	335,134,783
	Work-in-process	10,259,547	10,154,239
	Packaging materials	8,976,751	7,021,747
	Finished goods	168,777,293	111,955,729
	Store items	5,931,587	4,031,175
		535,592,517	468,297,673
6.01	Raw materials		
	Opening stock	335,134,783	296,137,074
	Add: Purchase during the year	586,247,931	818,640,738
	Raw materials available for production	921,382,714	1,114,777,812
	Less: Input to production	579,735,375	779,643,029
		341,647,339	335,134,783
6.02	Work-in-process		
	Opening work-in-process	10,154,239	10,436,343
	Add: Current year	601,239,844	812,236,728
		611,394,083	822,673,071
	Less: Transfer to finished goods	601,134,536	812,518,832
		10,259,547	10,154,239
6.03	Packaging materials		
	Opening stock	7,021,747	6,140,905
	Add: Purchase during the year	23,459,473	33,474,541
		30,481,220	39,615,446
	Less: Consumption during the year	21,504,469	32,593,699
		8,976,751	7,021,747
6.04	Finished goods		
	Opening stock	111,955,729	109,623,373
	Add: Production during the year	723,543,158	957,960,236
	Less: Cost of free issue	(202,450)	(396,472)
	Production available for export	835,296,437	1,067,187,137
	Less: Cost of goods sold	666,519,144	955,231,408
		168,777,293	111,955,729
6.05	Store items		
	Opening stock	4,031,175	4,622,188
	Add: Purchase during the year	10,731,251	13,460,507
		14,762,426	18,082,695
	Less: Consumption during the year	8,830,839	14,051,520
		5,931,587	4,031,175

	Amount in Taka	
	30-06-2020	30-06-2019
7.00 Trade receivables		
Opening balance	617,542,172	626,642,699
Add: Export during the year	756,684,767	1,186,680,670
Less: Realization during the year	792,321,469	1,195,781,197
	<u>581,905,470</u>	<u>617,542,172</u>
Receivables due over six months	-	-
Receivables due below six months	581,905,470	617,542,172
	<u>581,905,470</u>	<u>617,542,172</u>

This is considered as fully secured and guaranteed payment by export letter of credit opening bank against export order and is considered good & realizable within one year as per the terms of export letter of credit. The classification of receivables as required by the Schedule XI of the Companies Act, 1994 are given below:

Particulars	30-06-2020	30-06-2019
i. Receivables considered good in respect of which the company is fully secured	581,905,470	617,542,172
ii. Receivables considered good in respect of which the company holds no security other than the debtor personal security	-	-
iii. Receivables considered doubtful or bad	-	-
iv. Receivables due by directors or other officers & staffs	-	-
v. Receivables due from companies under same management	998,368	1,298,504
vi. The maximum amount of receivable due by any director or other officer of the company	-	-

7.01 Movement of Trade Receivable		
Opening Balance	617,542,172	626,642,699
Add: Export/ Credit Sales during the year	756,684,767	1,186,680,670
Less: Realized during the year	792,321,469	1,195,781,197
	<u>581,905,470</u>	<u>617,542,172</u>

8.00 Advances, deposits and prepayments		
Sundry Advances	8.01	20,642,960
Advance Salary		35,842,960
M/S. Abul Khair Steel		2,554,515
M/S. Sattar Enterprise		423,125
		345,267
		126,414
		65,483
		<u>23,608,225</u>
		<u>38,808,225</u>

8.01 Sundry Advances		
Mr. MA Bari		4,795,917
Mr. Uttam Kumar		5,125,489
M/S. Gazi Enterprise		2,124,096
M/S. Omer Electrical Engineering Works		1,794,524
Md. Abul Khair Manik		8,795
M/S. Bangla Trac Ltd.		-
M/S. L/N Enterprise		249,951
M/S. Creative Design and Development		258,746
M/S. Tropical Vertical Mover		11,447,854
M/S. Denmark Refrigeration Workes		26,647,854
		817,897
		947,852
		211,125
		112,547
		211,787
		254,781
		57,765
		76,583
		717,773
		624,584
		<u>20,642,960</u>
		<u>35,842,960</u>

8.02 Movement of Advances, Deposits and Prepayments		
Opening Balance	38,808,225	56,904,297
Add: Addition during the year	19,125,257	13,840,291
	57,933,482	70,744,588
Less: Adjustment during the year	34,325,257	31,936,363
	<u>23,608,225</u>	<u>38,808,225</u>



		Amount in Taka	
		30-06-2020	30-06-2019
9.00	STD Account (IPO)		
	STD Account (BRAC Bank)	2,945,000	2,945,000
		<u>2,945,000</u>	<u>2,945,000</u>
10.00	STD Account - Dividend		
	STD Account (SBACBL)	718,079	718,079
		<u>718,079</u>	<u>718,079</u>
11.00	Cash and Cash equivalents		
	Cash in hand - Head Office	1,085,730	1,094,781
	Cash in hand - Factory	5,808,611	4,901,174
	Cash at bank:		
	Al-Arafah Islami Bank Ltd	4,136,942	38,494,391
	Social Islami Bank Limited	64,250	64,250
	Social Islami Bank Limited	266,300	220,886
	SBAC Bank Limited	1,730	-
	Bank Asia Limited	12,281	14,238
		<u>11,375,844</u>	<u>44,789,720</u>
12.00	Share capital:		
12.01	Authorized share capital :		
	300,000,000 ordinary shares of Taka 10/= each.	<u>3,000,000,000</u>	<u>3,000,000,000</u>
12.02	Issued, subscribed and paid-up capital:		
	218,093,423 Ordinary Shares of Tk. 10/- each fully paid-up.	<u>2,180,934,230</u>	<u>1,982,667,480</u>

The shareholding position of the company are as under:

Name	No. of shares	Percentages (%)	Amount in Taka
Sponsors & Directors	65,957,620	30.24%	659,576,200
Local Institutions	28,572,075	13.10%	285,720,750
General Shareholder	123,563,728	56.66%	1,235,637,280
Total	218,093,423	100.00%	2,180,934,230

12.03 Classification of shareholders by holdings:

The composition of shareholders at June 30, 2020.

Ranges of Shareholdings	30-06-2020		30-06-2019	
	No. of Holder	% of holding	No. of Holder	% of holding
Less than or equal to 500 Shares	2,944	19.46%	2,980	20.41%
501 to 1,000 Shares	1,921	12.69%	1,838	12.59%
1,001 to 5,000 Shares	5,500	36.35%	5,544	37.98%
5,001 to 10,000 Shares	2,067	13.66%	1,800	12.33%
10,001 to 20,000 Shares	1,353	8.94%	1,282	8.78%
20,001 to 30,000 Shares	484	3.20%	432	2.96%
30,001 to 40,000 Shares	253	1.67%	210	1.44%
40,001 to 50,000 Shares	152	1.00%	126	0.86%
50,001 to 100,000 Shares	282	1.86%	243	1.66%
100,001 to 1,000,000 Shares	159	1.05%	125	0.86%
Over 1,000,000 Shares	17	0.11%	18	0.12%
Total	15,132	100.00%	14,598	100.00%

13.00 Retained earnings

Opening balance	990,834,606	961,917,818
Less: Dividend	198,266,750	180,242,500
	<u>792,567,856</u>	<u>781,675,318</u>
Add: Profit during the year	72,143,637	209,159,288
	<u>864,711,493</u>	<u>990,834,606</u>

	Amount in Taka	
	30-06-2020	30-06-2019
14.00 Lease Liability		
Opening balance	-	-
Add: Current year charged	5,854,519	-
Less: Payment	119,914	-
Less: Short term lease liability	131,076	-
	<u>5,603,529</u>	<u>-</u>
15.00 Trade Payable		
CJTECH Co Ltd.	11,599,663	10,584,920
SFC Co Ltd.	11,798,543	8,848,361
SBC Co Ltd.	1,167,842	7,742,107
OCI Corporation	2,876,706	11,789,362
Nuchem Dyestuffs PVT. Ltd	4,983,341	-
	<u>32,426,095</u>	<u>38,964,750</u>
15.01 Movement of Trade Payable		
Opening Balance	38,964,750	40,035,250
Add: Import/Purchases during the year	620,438,655	865,575,786
Less: Payment made during the year	626,977,310	866,646,286
	<u>32,426,095</u>	<u>38,964,750</u>
16.00 Short term borrowings		
Trust Receipt	-	2,002,142
Lease Liability	131,076	-
	<u>131,076</u>	<u>2,002,142</u>
17.00 Refundable Deposits (IPO)		
IPO Application Money	2,945,000	2,945,000
	<u>2,945,000</u>	<u>2,945,000</u>
18.00 Dividend payables		
Dividend payable	718,079	718,079
	<u>718,079</u>	<u>718,079</u>
19.00 Creditors and accruals		
Electricity bill	48,219	133,790
Water bill	12,881	68,479
Medical subscription-BEPZA	21,402	21,548
Employee Welfare Fund	8,393	8,348
Automation Service-BEPZA	1,000	1,000
Land Rent	160,578	161,669
Bangladesh Association of Publicly Listed Companies	50,000	50,000
Dhaka Stock Exchange Ltd	997,400	970,364
Chittagong Stock Exchange Ltd	997,400	970,364
Central Depository Bangladesh Ltd	128,899	106,000
Salaries and wages	1,031,548	654,503
Director remuneration and fees	50,000	50,000
Sundry creditors	488,568	130,146
M/S Jubair Construction	92,458	4,416
Audit and professional fees	300,000	300,000
M/S Alhaj Supply & Transport	94,783	8,750
M/S Khan Associates	132,547	19,687
	<u>4,616,076</u>	<u>3,659,064</u>

RF



	Amount in Taka	
	30-06-2020	30-06-2019
20.00 Revenue		
Softening Agent	238,538,770	375,277,964
Scouring Agent	101,377,916	157,490,776
Anti-Foaming Agent	68,161,317	107,801,966
Levelling Agent	67,041,260	104,217,752
Fixing Agent	65,205,373	101,337,971
Stabilizer	72,528,113	114,146,837
Retarding Agent	77,830,989	121,655,769
Bleaching Agent	32,085,612	50,874,938
Others	33,915,418	53,876,697
	<u>756,684,767</u>	<u>1,186,680,670</u>

Sales Revenue has declined during the Year 2019-2020 than the previous year due to fall of unit selling price as well as the global effect of Covid-19.

21.00 Cost of sales		
Raw materials consumed-Chemicals (Note-21.01)	579,735,375	779,643,029
Packaging materials consumed (Note-21.02)	21,504,469	32,593,699
	<u>601,239,844</u>	<u>812,236,728</u>
Add: Work in process- Opening	10,154,239	10,436,343
	<u>611,394,083</u>	<u>822,673,071</u>
Less: Work in process- Closing	10,259,547	10,154,239
Total consumption	<u>601,134,536</u>	<u>812,518,832</u>
Add: Manufacturing overhead (Note-21.03)	66,875,196	85,574,766
Add: Depreciation (Annexure-A)	55,533,426	59,866,638
Cost of production	<u>723,543,158</u>	<u>957,960,236</u>
Add: Finished goods - opening	111,955,729	109,623,373
	<u>835,498,887</u>	<u>1,067,583,609</u>
Less: Finished goods - closing	168,777,293	111,955,729
Change of finished goods stock	<u>666,721,594</u>	<u>955,627,880</u>
Less: Cost of free issue	202,450	396,472
	<u>666,519,144</u>	<u>955,231,408</u>

The Company is exempted from VAT as the manufacturing unit is situated in Comilla Export Processing Zone, Cumilla. The referred SRO No. -88-98/1739/Custom Act. dated May 28/1998.

21.01 Raw materials consumed-chemicals		
Opening Stock	335,134,783	296,137,074
Add: Purchase during the period	586,247,931	818,640,738
Raw materials available for production	<u>921,382,714</u>	<u>1,114,777,812</u>
Less: Closing Stock	341,647,339	335,134,783
Consumption during the period	<u>579,735,375</u>	<u>779,643,029</u>
21.02 Packaging materials consumed		
Opening Stock	7,021,747	6,140,905
Add: Purchase during the period	23,459,473	33,474,541
Consumable Item available for packing.	<u>30,481,220</u>	<u>39,615,446</u>
Less: Closing Stock	8,976,751	7,021,747
Consumption during the period	<u>21,504,469</u>	<u>32,593,699</u>



	Amount in Taka	
	30-06-2020	30-06-2019
21.03 Manufacturing overhead		
Salaries and wages	23,545,455	23,845,913
Fuel, water and power	20,434,028	27,245,709
Printing and stationary	486,674	865,657
Conveyance expenses	554,780	1,094,751
Mobile bill	55,875	55,875
Store and spares consumed (Note-6.05)	8,830,839	14,051,520
Rent, rates and taxes	5,249,667	7,348,361
Medical expenses	654,870	896,586
Food and Tiffin	1,320,457	1,557,949
Labor charge	1,654,084	2,024,584
Repair and maintenance (Note-21.03.1)	2,286,947	3,676,874
Carrying Charge	655,836	865,361
Other overhead	1,145,684	2,045,626
	<u>66,875,196</u>	<u>85,574,766</u>
21.03.1 Repairs and maintenance		
Plant and Machinery	1,962,927	2,602,469
Buildings	221,473	476,798
Others	102,547	597,607
	<u>2,286,947</u>	<u>3,676,874</u>
22.00 Selling and distribution expenses		
Advertisement expenses	-	345,000
Salaries and wages	1,954,500	2,024,584
Transportation and handling expenses	2,891,377	3,841,633
Repairs and maintenance	184,705	296,756
Rent	360,000	108,000
Electricity & water	595,267	822,222
Sales promotion expenses	460,100	750,600
Traveling expenses	284,567	596,304
Entertainment expenses	154,790	295,527
Miscellaneous expenses	35,478	58,905
Sample, test and analysis	125,400	288,765
Cost of free issue	202,450	396,472
Depreciation (Annexure-A)	202,349	218,138
	<u>7,450,982</u>	<u>10,042,905</u>
23.00 Administrative expenses		
Salaries and wages	1,293,815	1,497,832
Postage and telecommunication	36,257	49,982
Traveling, haulage and passage	375,425	833,754
Repair and maintenance	147,485	89,948
Electricity, fuel and water	437,361	521,785
Printing and stationery	145,355	155,433
Rent, rates and taxes	4,613,658	5,736,419
Subscription and donation	168,778	65,770
Entertainment	35,480	50,960
Legal and professional Charge	25,000	69,780
Audit and professional fees	300,000	300,000
Miscellaneous expenses	35,400	85,605
News paper and periodicals	4,700	4,650
AGM Expenses	155,800	435,780
Director remuneration	600,000	600,000
Board meeting attendance fees	68,000	56,000
Depreciation (Annexure-A)	472,147	508,988
	<u>8,914,660</u>	<u>11,062,686</u>

	Amount in Taka		
	30-06-2020	30-06-2019	
24.00 Employee welfare expenses	772,549	767,287	
	<u>772,549</u>	<u>767,287</u>	
25.00 Financial expenses			
Bank Charges	59,311	57,320	
Interest on Trust Receipt	537,657	727,594	
Interest on lease liability	522,935	-	
	<u>1,119,903</u>	<u>784,914</u>	
26.00 Foreign Exchange Gain/(Loss)			
Exchange Gain/(Loss)	38,234	87,131	
	<u>38,234</u>	<u>87,131</u>	
27.00 Other income			
Sale of wastage	197,874	280,687	
	<u>197,874</u>	<u>280,687</u>	
28.00 Basic earnings per share for the year:			
Earnings from Core Business			
a) Net Profit after Tax excluding other Income	71,945,763	208,878,601	
b) Weighted average number of shares outstanding (Note-28.01)	218,093,423	198,266,748	
Basic Earnings per share (EPS) from core business(a/b)	<u>0.33</u>	<u>1.05</u>	
Earnings from other Income			
a) Other Income	197,874	280,687	
b) Weighted average number of shares outstanding	218,093,423	198,266,748	
Basic Earnings per share from other Income (a/b)	<u>0.0009</u>	<u>0.0014</u>	
Basic earnings per share	<u>0.33</u>	<u>1.05</u>	
Basic earnings per share (Adjusted)	<u>0.33</u>	<u>0.96</u>	
28.01 Weighted average number of shares outstanding			
For the year 2019-2020			
Particulars	Number of Share	Weight	Weighted average no. of Shares
Opening Shares	198,266,748	365/365	198,266,748
Bonus Shares	19,826,675	365/365	19,826,675
Total	218,093,423		218,093,423
For the year 2018-2019			
Particulars	Number of Share	Weight	Weighted average no. of Shares
Opening Shares	180,242,498	365/365	180,242,498
Bonus Shares	18,024,250	365/365	18,024,250
Total	198,266,748		198,266,748
29.00 Net Assets Value (NAV) per share			
Total Assets	3,092,085,578		3,021,791,121
Less: Total outside liability	46,439,855		48,289,035
a. Net Asset Value	<u>3,045,645,723</u>		<u>2,973,502,086</u>
b. Total number of shares outstanding	218,093,423		198,266,748
Net Assets Value (NAV) per share (a/b)	<u>13.96</u>		<u>15.00</u>

	Amount in Taka	
	30-06-2020	30-06-2019
30.00 Net operating cash flow per share (NOCFPS)		
a) Net Operating Cash Flow (Numerator)	112,031,276	254,521,241
b) No of Shares outstanding	218,093,423	198,266,748
Net operating cash flow per share (NOCFPS) (a/b)	0.51	1.28
31.00 Reconciliation of cash generated by operations		
Net Profit/(Loss) Before Tax	72,143,637	209,159,288
Add: Depreciation	56,207,921	60,739,477
Increase/Decrease in inventory	(67,294,844)	(41,337,790)
Increase/Decrease in bills receivables	35,636,702	9,100,527
Increase/Decrease in advance, deposits & prepayments	15,200,000	18,096,072
Increase/Decrease in bills payables	(815,212)	(1,070,500)
Increase/Decrease in Dividend payables	-	(6,375)
Increase/Decrease in STD Account (Dividend)	-	6,375
Increase/Decrease in expense in borrowing	-	(145,715)
Increase/Decrease in creditors & accrues	957,013	(10,272)
Foreign Exchange Gain	(3,941)	(9,847)
	112,031,276	254,521,241



33.00 Related party transactions

During the period, the Company carried out a number of transactions with related parties in the normal course of business. The names of the related parties and nature of these transactions have been set out in accordance with the provision of IAS 24- Related Party Disclosures:

Name of related party	Nature of Transaction	Outstanding Balance as at June 30, 2020
M.L. Dyeing Limited	Sale of Goods	998,368
	Total	998,368

33.00 Production and product mix

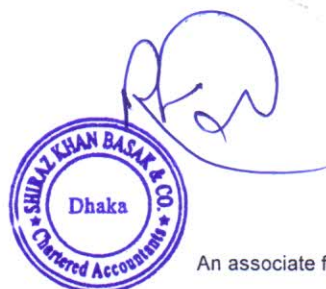
Production capacity per year 11,000,000 Kg and during the year company produces 7,039,907 Kg of different types of Chemicals made up as follows:

Type of Chemicals	Production Qty in Kg	Product Mix
Softening Agent	1,637,556	23.26%
Scouring Agent	614,640	8.73%
Anti-Foaming Agent	642,340	9.12%
Levelling Agent	521,624	7.41%
Fixing Agent	603,720	8.58%
Stabilizer	647,561	9.20%
Retarding Agent	864,399	12.28%
Bleaching Agent	927,001	13.17%
Others	581,067	8.25%
Total	7,039,907	100.00%

33.A Disclosure as per requirement of Schedule XI, part II, note 5 of para 3

Employee Position (as on June 30, 2020)

Salary Range	Officer & Staff		Worker	Total Employee
	Factory	Head Office		
Below 6300	18	5	63	86
Above 6300	7	13	197	217
Total	25	18	260	303



33. Disclosure as per requirement of Schedule XI, part II, para 4 of companies act 1994

Payment to directors within the year of July 1, 2019 to June 30, 2020

Remuneration & Board Meeting attendance Fees: Tk.668,000

Directors' are entitled Tk. 2,000 as Board Meeting fee for attending each Board Meeting and Remuneration of Managing Director entitled Tk. 50,000 per month. The break down is as follows:

Name of Board of Directors	Designation	Director Remuneration	Meeting attending fees	Total Taka
Mr. Abid Mustafizur Rahman	Chairman	-	14,000	14,000
Md. Shirazul Haque (Representative of FAR Pharmaceuticals Ltd.)	MD	600,000	14,000	614,000
Md. Mehedi Hasan (Representative of S.S Energy Explosion Ltd.)	Director	-	14,000	14,000
Mr. Akik Habibuzzaman	Independent Director	-	12,000	12,000
Mr. Md. Abdullah	Independent Director	-	14,000	14,000
Total		600,000	68,000	668,000

34.00 Events after reporting period (IAS-10)

There was no significant event that has been occurred between the statement of financial position date and the date on which the financial statements are authorised for issue except note- 3.17.

35.00 Other commitments, contingencies and relevant information

35.01 Quantity wise schedule as required under Para 3, Schedule XI, Part II of the Companies Act, 1994

Quantity wise schedules of sales, raw material consumed and opening and closing stock of finished goods relating to the financial statements for the year ended 30 June, 2020 as required under Para 3, Schedule XI, Part II of the Companies Act 1994 are given below:

Particulars	01-07-2019 to 30-06-2020		01-07-2018 to 30-06-2019	
	Quantity in Kg	Amount in Taka	Quantity in Kg	Amount in Taka
Export- Sales	6,375,895	756,684,767	8,795,822	1,186,680,670
Total	6,375,895	756,684,767	8,795,822	1,186,680,670

35.02 Capital expenditure commitment

The company has procured land area 342.46 decimal for its second unit at Rupanj, Narayanganj. Land development work is going on to set up second unit.

35.03 Directors' interest in contracts with the company

There was no transaction resulting in Directors' interest with the Company and no leasing facilities have been made available to the Directors.

35.04 Foreign remittances

No remittances was made in foreign currency on account of dividend, royalty, technical experts, professional advisor fees, interest, etc.




FAB Chemical Industries Limited
Schedule of Property, Plant and Equipment
For the year ended June 30, 2020

Annexure A

Particulars	Cost				Rate of depreciation/amortization	Depreciation			Written Down Value as at June 30, 2020
	Balance as on July 01, 2019	Addition during the year	Disposal during the year	Balance as on June 30, 2020		Charged during the year	Adjustment during the year	Balance as on June 30, 2020	
Leasehold land development	35,030,163	-	-	35,030,163	3.33%	873,772	-	9,664,526	25,365,637
Land and Land development	1,071,938,078	137,529,093	-	1,209,467,171	0.00%	-	-	-	1,209,467,171
Factory building	325,449,642	-	-	325,449,642	2.5%	6,907,147	-	56,070,923	269,378,719
Plant and machinery	835,260,970	-	-	835,260,970	10.00%	37,229,454	-	500,195,886	335,065,084
Electrical installation	64,769,413	-	-	64,769,413	10.00%	3,267,797	-	35,359,236	29,410,177
Compressor	81,106,070	-	-	81,106,070	10.00%	4,445,377	-	41,097,679	40,008,391
Fork lift	15,562,879	-	-	15,562,879	10.00%	776,929	-	8,570,519	6,992,360
Water line installation	18,458,150	-	-	18,458,150	10.00%	983,588	-	9,605,856	8,852,294
Office equipment	7,373,521	62,000	-	7,435,521	10.00%	388,742	-	3,905,847	3,529,674
Furniture and Fixture	6,376,761	12,500	-	6,389,261	20.00%	4,586,200	-	4,945,562	1,443,699
Sub-total	2,461,325,647	137,603,593	-	2,598,929,240		55,232,168	-	669,416,034	1,929,513,206
Leased Assets	-	5,854,519	-	5,854,519		975,753	-	975,753	4,878,766
Grand-total	2,461,325,647	143,458,112	-	2,604,783,759		56,207,921	-	670,391,787	1,934,391,972
Balance as on June 30, 2020	2,461,325,647	143,458,112	-	2,604,783,759		56,207,921	-	670,391,787	1,934,391,972
Balance as on June 30, 2019	2,229,519,894	231,805,752	-	2,461,325,646		60,593,763	-	614,183,866	1,847,141,781

Allocation of depreciation

Cost of sales (Note-21)	55,533,426	98.80%
Selling and Distribution Expenses (Note-22.00)	202,349	0.36%
Administrative Expenses (Note-23.00)	472,147	0.84%
	<u>56,207,921</u>	<u>100%</u>

Leasehold land development represents the cost incurred to develop land after being 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 basis. ROU of Leased Assets amortized on straight line basis based on remaining lease periods.

