

Private & Confidential

**Auditor's Report and Financial Statements
of
FAR Chemical & Textile Ind. PLC
For the Year Ended 30 June 2023**

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

Head Office:

Home Town Apartments (Flat-C, Level-15)
87, New Eskaton Road, Dhaka-1000.
Tel: 02-48319757, Mobile: 01713-013955
E-mail: kzk48@gmail.com, kzkc_bd@yahoo.com

Branch Office:

Sultana Tower (Level-12), 2 No. Kalabagan
Mirpur Road, Dhanmondi, Dhaka-1205.
Mobile : 01726-339892
E-mail: mahmudkzkcbd@gmail.com

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

FAR Chemical & Textile Ind. PLC

For the Year Ended 30 June 2023



**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 2023 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 2023, 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 the following matter

- As stated in note no.3.19.1 Amalgamation/Merger of S.F. Textile Industries Ltd. with FAR Chemical Industries Ltd. the company is merging with S.F. Textile Industries Ltd. The operation of FAR Chemical Industries Ltd's Chemical unit was suspended (no impairment made on the chemical unit refer to IAS 36) for shifting of factory facilities from CEPZ to Rupgonj own premises and running the Spinning unit from October 2022. But due to operation in the new facilities of Spinning unit and hike purchase price of raw materials globally impact the losses as stated in Note 3.18.
- The company stated in the Note-3.09.2 the fact refers to not comply with the applicability of deferred Tax.
- FAR Chemical Industries Limited didn't maintain Employee Benefit plans, which include the Contributory Provident Fund, Gratuity and Workers Profit Participation Fund(WPPF) by the applicable provision.





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	
<p>At year end the company reported total revenue of BDT. 542,553,420. 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.</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 25 for details]</i></p>
Valuation of Inventory	
<p>The inventory of BDT 330,463,495. as at 30th June 2023, 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-</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;

Head Office:

Home Town Apartments (Flat-C Level-15 & Flat-B, Level-13)
87, New Eskaton Road, Dhaka-1000.
Tel : 02-41032557, Mobile : +8801713-013955
e-mail : kzkc48@gmail.com, kzkc_bd@yahoo.com



Branch Office :

Sultana Tower (Level-12), 2 No. Kalabagan, Mirpur Road
Dhanmondi, Dhaka-1205, Mobile : 01726-339892
e-mail: mahmudkzkcdbd@gmail.com, mdeftekarali@gmail.com

