AUDITORS' REPORT TO THE SHAREHOLDERS
of
Kohinoor Chemical Company (Bangladesh) Limited

Opinion

We have audited the financial statements of Kohinoor Chemical Company (Bangladesh) Limited (the "Company"), which comprise the Statement of Financial Position as at 30 June 2020, 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 give true and fair view, in all material respects, of the financial position of the Company as at 30 June 2020, and of its performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 2.4.

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 Auditors' 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.

Risk	Our response to the risk
Revenue recognition	
At year end the company reported total revenue of BDT 3,899,549,785. Revenue is measured net of discounts by customers on the company's sales. Estimation of discounts and rebates recognized based on sales made during the year is material and considered to be complex and judgmental. Therefore, there is a risk of revenue being misstated as a result of faulty estimations over discounts and rebates.	We have tested the design and operating effectiveness of key controls focusing on the following: • Calculation of discounts, incentives and rebates; • Segregation of duties in invoice creation and mod ification; and • Timing of revenue recognition. Our substantive procedures in relation to the revenue recognition comprises the following: • Obtaining supporting documentation for sales transactions recorded either side of year end as well as credit notes issued after the year end date to determine whether revenue was recognized in the correct period;
There is also a risk that revenue may be overstated due to fraud through manipulation of the discounts, incentives and rebates recognized resulting from the pressure local management may feel to achieve performance targets.	• Within a number of the company markets, comparing current year rebate accruals to the prior year and, where relevant, completing further inquiries and testing. • Agreeing a sample of claims and rebate accruals to supporting 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. Key observations communicated to the Audit Committee We were satisfied that the revenue recognition policies have been applied appropriately. Based on the work performed, we concluded that revenue has been recorded appropriately.

Valuation of Inventory

The company had inventory of BDT 916,560,031 at reporting date, held in distribution centers, warehouses and numerous branches, and across multiple product lines. Inventories are carried at the lower of cost and net realizable value. As a result, the management apply judgment in determining the appropriate values for slow-moving or obsolete items.	We challenged the appropriateness of managment's assumptions applied in calculating the value of the inventory provisions by: • evaluating the design and implementation of key inventory controls operating across the group, including those at a sample of distribution centers and warehouses. • attending inventory counts and reconciling the count results to the inventory listings to test the completeness of data; • 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 inven tories and comparison to the associated provision to assess whether inventory provisions are com plete; • reviewing the historical accuracy of inventory provisioning, and the level of inventory write-offs during the year; and • challenging the completeness of inventory provi sions through assessing actual and forecast sales of inventory lines to assess whether provisions for slow-moving/ obsolete stock are valid and complete. Key observations communicated to the Audit Committee We were satisfied that the inventory recognition and measurement policies have been applied appropriately. Based on the work performed, we concluded that inventories have been recorded appropriately.

Legal and regulatory matters

The company has pending legal proceedings against BCIC/ Government debenture that expose it to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may be difficult to predict. These uncertainties inherently affect the amount and timing of potential outflows with respect to the provisions which have been established and other contingent liabilities.	We obtained an understanding, evaluated the design and tested the operational effectiveness of the copny's key controls over the legal provision and contingencies process. We enquired to those charged with governance to obtain their view on the status of all significant litigtion and regulatory matters. We enquired of the company's internal legal cousel for all significant litigation and regulatory matters and inspected internal notes and reports. We also received formal confirmations from external cousel. We assessed the methodologies on which the provision amounts are based, recalculated the provisions, and tested the completeness and accracy of the underlying information.

Risk	Our response to the risk
Overall, the legal provision represents the company's best estimate for existing legal matter that has a probable and estimable impact on the company's financial position.	We also assessed the company's provisions and contingent liabilities disclosure. Key observations communicated to the Audit Committee We were satisfied that the Legal and regulatory matters disclosed in the financial statement appropriately. Based on the work performed, we concluded that Legal and regulatory matters have been recorded appropriately.

Other Information

Management and Those Charged with Governance are responsible for the other information. The other information comprises the information included the Annual Report, but not included the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the information is materially inconsistent with financial statements or our knowledge obtain in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this information, we are required to report the fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as explained in note 2, 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. The Companies Act, 1994 require the Management to ensure effective internal audit, internal control and risk management functions of the Company.

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.

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 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 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 suffi cient 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, inten tional 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.
- 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 disclo sures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclu sions 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 disclo sures, 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 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.

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 accounts as required by law have been kept by the Company so far as it appeared from our examination of these books;

c) the statements of financial position and the statement of profit or loss and comprehensive income dealt with by the report are in agreement with the books of accounts and returns; and

d) the expenditure incurred was for the purposes of the Company's business.

Sd/-

Dated, Dhaka
07 November, 2020

Md. Enamul H. Choudhury
Senior Partner
S. F. Ahmed & Co.
Chartered Accountants