

Kohinoor Chemical Company (Bangladesh) Limited

Auditor's Report and Financial Statements

As at and for the year ended 30 June 2025

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KOHINOOR CHEMICALS COMPANY (BANGLADESH) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kohinoor Chemicals Company (Bangladesh) Limited (the Company), which comprise the statement of financial position as at 30 June 2025 and the 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.

In our opinion, except for the effects of the matter described in the Basis for Opinion section of our report the accompanying financial statements give a true and fair view of the financial position of the Company as at 30 June 2025 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987 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 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) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, 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 note no. 24 as per the BSEC Directive No. BSEC/CMRRCD/2021-386/03, (3)(vii) Unclaimed dividend shall be transferred to CMSF Capital Market Stabilization Fund which is older than three years is required to transfer which was not followed by the company. Subsequently an amount of BDT 8,254,866 transferred on 08 September 2025.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

Key audit matter description	How the scope of our audit responded to the key audit matter
Revenue	
ISAs require that, as part of our overall response to the risk of fraud, when identifying and assessing the risks of material misstatement due to fraud, we evaluate which types of revenue or revenue transactions might give rise to potential fraud risks.	<u>Audit procedures performed</u> We performed walkthroughs of the revenue cycle at significant components to gain an understanding of when the revenue should be recognized, to map out the relevant controls end to end and the processes in place.

Key audit matter description	How the scope of our audit responded to the key audit matter
<p>At the year ended, the company reported total revenue of Taka 6,469,741,882. The Company manufacturer and sells different kinds of Soap Cosmetics and Toiletries products across all geographical areas in Bangladesh. We have specifically focused this key audit matter to cut-off and occurrence for revenue recorded within 30 June 2025. Pressures to meet stakeholders' expectations could provide incentives to record revenues where controls of the goods have not passed.</p> <p>Revenue is measured net of trade discount and VAT. Time of revenue recognition is matter. The revenue may overstated for the early recognition of revenue to achieve the desire result.</p> <p>The associated disclosure is included within Note 26. For specific detail on the Company's accounting policy, please see Note 3.06.</p>	<p>We assessed the design and implementation of these controls. We tested a sample of individual sales transactions and traced to dispatch notes and subsequent cash receipt or other supporting documents.</p> <p>We identified and considered the impact of any credit notes or inventory returns occurring after year-end, including evaluating the impact of any material overdue debts from customers.</p> <p>With regard to the implementation of IFRS 15 "Revenue from Contract with Customers", we verified management's conclusion from assessing different types of contracts and the accuracy of the revised accounting policies in light of the industry specific circumstances and our understanding of the business. We tested the appropriateness of the accounting treatment on a sample basis. In addition, we verified the accuracy of IFRS 15 related disclosures.</p> <p><u>Key observations communicated to the Audit Committee</u></p> <p>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.</p>
<u>Inventory</u>	
<p>At the reporting date, the carrying value of inventory amounted to Taka 1,483,829,848. Inventories were considered as a key audit matter due to the size of the balance and because inventory valuation involves management judgement.</p> <p>Inventory valuation and existence was an audit focus area because of the number of locations/stores that inventory was held at, and the judgement applied in the valuation of inventory to incorporate inventory shrinkage.</p> <p>According to the Company's accounting policy, inventories are measured at the lower of cost or net realizable value. The Company has specific procedures for identifying risk for obsolete items and measuring inventories at the lower of cost and net realizable value.</p>	<p><u>Audit procedures performed</u></p> <ul style="list-style-type: none"> ☒ Assessing the compliance of Company's accounting policies over inventory with applicable accounting standards. ☒ Assessing the inventory valuation process and practices. On major locations, we tested the effectiveness of the key controls. ☒ Assessing the analyses made by management with respect to slow moving and obsolete stock. ☒ Attending inventory count on 30 June 2025 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 inventories. ☒ Reviewing the historical accuracy of inventory provisioning, and the level of inventory write-offs during the year.

Key audit matter description	How the scope of our audit responded to the key audit matter
<p>The associated disclosure is included within Note 6. For specific details on the Company's accounting policy, please see Note 3.08.</p>	<p>☒ Evaluating the correctness of the valuation of raw materials and packing material as per FIFO method.</p> <p>☒ Reviewing the calculation of standard labor hours and their regular comparison with actual labor hours of production; and reviewing the process of valuing work-in-progress.</p> <p><u>Key observations communicated to the Audit Committee</u></p> <p>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.</p>
<u>Property, plant and equipment</u>	
<p>At the reporting date, the carrying value of the Company's property, plant and equipment amounted to Taka 308,504,545. The valuation of property, plant, and equipment was identified as a key audit matter due to the significance of this balance to the financial statements, as well as the significance of management's judgements in determining its valuation.</p> <p>In considering the valuation of property, plant, and equipment, we focused on the assessment of the following:</p> <ul style="list-style-type: none"> • Inherent risks associated with property, plant and equipment. • Potential misstatements in property, plant, and equipment on account of frauds and errors. • Assessment of useful lives of assets. • Assessment of impairment of assets. <p><u>Inherent risks associated with property, plant and equipment</u></p> <ul style="list-style-type: none"> • Property, plant and equipment may include assets that should have been derecognized following sale, other transfer of rights or abandonment. • Expenditure that should have been recognized as property, plant and equipment but has not been so recognized, including capitalized finance costs. 	<p><u>Audit procedures performed</u></p> <p>☒ We obtained an understanding of the client and its environment to consider inherent risk related to property, plant, and equipment. Our understanding includes:</p> <ul style="list-style-type: none"> ➤ Obtaining an understanding of the internal control over property, plant, and equipment. ➤ Assessing the risks of material misstatement and designing tests of controls and substantive procedures that cover the following aspects: <ul style="list-style-type: none"> ✓ Substantiate the existence of property, plant, and equipment. ✓ Establish the completeness of recorded property, plant, and equipment. ✓ Verify the cut-off of transactions affecting property, plant, and equipment. ✓ Establish the proper valuation or allocation of property, plant, and equipment and the accuracy of transactions affecting property, plant, and equipment. ✓ Determine the correctness and appropriateness of classification of property, plant and equipment. • We obtained an understanding of the potential misstatements in property, plant, and equipment on account of frauds and errors. • We evaluated the assumptions made by management in the determination of useful lives to ensure that these are consistent with the principles of IAS 16. "Property, Plant and Equipment".

Key audit matter description	How the scope of our audit responded to the key audit matter
<ul style="list-style-type: none"> • Depreciation may have been incorrectly calculated. <p><u>Potential misstatements in property, plant, and equipment on account of frauds and errors</u></p> <ul style="list-style-type: none"> • Purchase of an asset at an inflated price especially from a related party. • Wrong write-off of the asset as scrap, obsolescence, missing, donated, or destroyed. • Expenditures for repairs and maintenance recorded as property, plant and equipment or vice versa. • Capitalization of expenditure which are not normally attributable to the cost of the property, plant and equipment. • Recording of an asset purchased, which in effect has not actually been received by the entity at all. <p><u>Assessment of useful lives of assets</u> Management applies estimates and judgements in its determination of useful lives of assets and reviews the useful lives of assets at each financial year end and adjusts for changes, where appropriate.</p> <p><u>Impairment of assets</u> At the end of each reporting period, management assesses whether there is any indication that an asset may be impaired. If any such indication exists, management estimates the recoverable amount of the asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.</p> <p>The associated disclosure is included within Note 5. For specific details on the Company's accounting policy, please see Note 3.02.</p>	<ul style="list-style-type: none"> • We compared the useful lives of each class of asset in the current year to the prior year to determine whether there were any significant changes in the useful lives of assets, and considered the reasonableness of changes based on our knowledge of the business and the industry. • We verified records e.g. contractor bills, work orders and certification of work performed by the specialized personnel to ensure that the assets under construction or pending installation and not yet ready for intended use are classified as work in progress. • We also verified the date on which the assets are moved from the capital work in progress account to the property, plant and equipment (the date on which the asset is ready for intended use), so that the depreciation on property, plant and equipment may be computed correctly. • We reconciled the movement of capital work in progress from opening to closing, specifically verifying additions during the year, capital assets completed during the year and impairment of any opening capital work in progress items. • We assessed whether there are circumstances that indicate a possible impairment of property, plant and equipment and if such circumstances exist, how the same have been dealt with by the entity. <p><u>Key observations communicated to the Audit Committee</u></p> <p>We were satisfied that the property, plant and equipment recognition and measurement policies have been applied appropriately. Based on the work performed, we concluded that property, plant and equipment have been recorded appropriately.</p>

Other Information

As per Section 11(a) of the Companies Act 1994 (Amended 2020) requires public companies to include “PLC” in their company name. Which was not complied by the company.

However, our opinion is not modified in respect of these matters.

Reporting on Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditors’ report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 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.

If we identify such material inconsistencies or apparent material misstatement, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in respect of these matters.

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, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations 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.

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 judgement 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.
- ☒ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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 auditor's 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 and relevant notifications issued by Bangladesh Securities and Exchange Commission, we also report the following:

- ৴) 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;
- ৵) 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;
- ৶) the statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of accounts; and
- ৷) the expenditure incurred was for the purposes of the Company's business.

Firm's Name : Anil Salam Idris & Co., Chartered Accountants

Firm's FRC Enlistment No. : CAF-001-100

Signature :

Engagement Partner Name : Md. Anwar Hossain, FCA
Managing Partner/ Enrollment No. 1415

FRC Enlistment No. : CA-001-282

DVC Number : 12510231415AS637174

Date : 23 OCT 2025

