

KDS ACCESSORIES LIMITED
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 30 JUNE 2023

INDEPENDENT AUDITORS' REPORT
to the Shareholders of
KDS ACCESSORIES LIMITED

Opinion

We have audited the accompanying financial statements of **KDS ACCESSORIES LIMITED** (the Company), which comprise the Statement of Financial Position as at 30 June 2023, the Statement of Profit or loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the period from 1 July 2022 to 30 June 2023, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to explanations given to us, the accompanying financial statements, prepared in accordance with International Financial Reporting Standards (IFRSs), give a true and fair view of the financial position of the company as at 30 June 2023 and of its financial performance and cash flows for the period from 1 July 2022 to 30 June 2023 and comply with the Companies Act, 1994, the Securities and Exchange Rules, 2020 and other applicable laws and regulations.

Basis of opinion

We conducted our audit in accordance with International Standard on Auditing (ISAs) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). Our responsibilities under those standards are further described in "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) that are relevant to our audit of the financial statements in Bangladesh and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained are sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in the auditors' professional judgment, were of most significance in the audit of the financial statements for the year ended 30 June 2023. These matters, and any comments we make on the results of our procedures thereon, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

1. IAS-2 Inventory	How our audit addressed the key audit matter
The Company has closing inventory BDT 782.22 million. Inventory is carried in the financial statements at the lower of cost and net realisable value.	<ul style="list-style-type: none"> • Verified a sample of inventory items to ensure that costs have been appropriately recorded. • Tested on a sample basis the net realisable value by comparing costs to recent selling prices and assessing the reasonableness of any resulting write down of inventory items.



1. IAS-2 Inventory (Continued)	How our audit addressed the key audit matter
<p>The exercise for the assessment of the net realisable value involves the use of judgement and assumptions that may vary depending on technological and socio-economical conditions and is therefore considered a significant key audit matter. Please refer to note 3.05 and 9 to the financial statements.</p>	<ul style="list-style-type: none"> • Performed cut-off tests to determine that the purchases and sales of the inventories have been captured in the correct accounting period. • Confirmed physical existence and completeness by performing annual physical inventory on a sample basis. • Confirmed all necessary disclosures have been made and that the information is appropriately presented.
2. IFRS-15 Revenue Recognition	How our audit addressed the key audit matter
<p>Appropriateness of revenue recognition and disclosures has significant and wide influence on financial statements.</p> <p>As described in the accounting policy note 3.15 to the financial statements, the company recognises revenue upon transfer of control as per IFRS 15 – Revenue from Contracts with Customers. The company has reported total revenue of BDT 2,794.57 million. Refer to note 25 to the financial statements.</p> <p>This material item is subject to considerable inherent risk due to the complexity and identifying revenue and the high number of transactions from which revenue is being recognised. Against this background, the proper application of the accounting standards is considered to be complex and assumptions made by management.</p>	<ul style="list-style-type: none"> • Assessed the relevant systems supporting the accounting of revenue. • Performed walkthrough test to understand the adequacy and the design of the revenue cycle. • Assessed the invoicing and measurement systems up to entries in the general ledger. • Examined customer contracts, invoices and receipts of payment on a test basis. • Conducted analytical procedures such as trend analysis, ratio analysis, and variance analysis on a sample basis. • Obtained and reviewed supporting documents for sales transactions recorded. • Tested the timing of revenue recognition as well as cut off checked. • Tested the revenue charging model against the regulatory guidelines and accounting standards, on a sample basis. • Assessed whether the sufficient disclosure has been given.
3. IAS-24 Identification and completeness of disclosure of related party transactions	How our audit addressed the key audit matter
<p>We determined the identification and completeness of disclosure of related party transactions as set out in respective notes to the financial statements as a key audit matter due to high volume of business transactions with related parties during the year ended 30 June 2023.</p>	<ul style="list-style-type: none"> • Obtained an understanding of the Company's processes and procedures in respect of identifying related parties; approval and recording of related party transactions including how management determines all transactions/ balances with related parties are determined at arm's length and entered into in the normal course of business and disclosed in the financial statement.
3. IAS-24 Identification and completeness of disclosure of related party transactions	How our audit addressed the key audit matter
<p>Refer to note 13 and 37 to the financial statements.</p>	<ul style="list-style-type: none"> • We tested, on a sample basis, related party transactions with the underlying documents and for authorization and approval for such transactions. • We have obtained balance confirmation from the related parties.



3.	IAS-24 Identification and completeness of disclosure of related party transactions	How our audit addressed the key audit matter
		<ul style="list-style-type: none"> • We read minutes of shareholder meetings, board meetings and minutes of meetings of those charged with governance in connection with transaction with related parties effected during the year. • We have recalculated interest on due balance to confirm during the year's interest income. • Evaluated the completeness of the disclosures through reading of statutory information, books and records and other documents obtained during the course of our audit.

Reporting on other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The draft annual report is expected to be made available to us after the date of this auditor's report but before finalization of the annual 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.

When we read the annual report before finalization, if we conclude that there is a material misstatement therein, we will communicate the matter to those charged with governance of the Company so that the matter is duly addressed in the annual report.

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

Management is responsible for the preparation and fair presentation of these financial statements of the Company in accordance with International Financial Reporting Standards (IFRSs), the Companies Act, 1994, the Securities and Exchange Rules, 2020 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance 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.



Corporate Office:

📍 : House # 15, Road # 12, Block # F, Niketon
Gulshan-1 Dhaka-1212, Bangladesh
☎ : +88 (02)8836015-7 📞 : +88 01681126120
✉ : hfc@hfc-bd.com 🌐 : www.hfc-bd-com

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (a) 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.
- (b) 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.
- (c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (e) 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.
- (f) 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 communicate with 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.

We determine those matters, from the matters communicated with those charged with governance, 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.

Other Matter:

The financial statements of the Company for the year ended 30 June 2022 were audited by Hoda Vasi Chowdhury & Co Chartered Accountants and issued unqualified opinion on 4 October 2022.



