DIRECTOR'S REPORT

Bismillahir Rahmanir Rahim

Honourable Shareholders,

On behalf of the Board of Directors, it is our pleasure to present the Directors' Report of KDS Accessories Limited, together with the Audited Financial Statements, for the financial year ended 30 June 2026.

This year marks a remarkable milestone in the Company's journey as we celebrate 35 years of operations and contribution to Bangladesh's Ready-Made Garment (RMG) industry. Since its inception in 1991, KDS Accessories Limited has evolved from its humble beginnings into a diversified manufacturer and trusted supplier of garment accessories, supporting internationally recognized brands through quality products, dependable service and continuous improvement.

This year's Annual Report theme, "Connecting Every Detail. Powering Apparel Through Integrated Solutions," reflects the Board's view that every part of the business people, processes, products, customers, suppliers, and stakeholders is interconnected, and that each connection contributes to quality, efficiency, and sustainable value. The sections that follow set out how that connected approach was applied during the year under review.

Our Business and Market Position

KDS Accessories Limited is one of the established manufacturers in Bangladesh's garment accessories sector, offering a diversified range of products, including corrugated cartons, buttons, soft-line printing products (labels, elastics and offset printing), hangers and gum tape.

Serving internationally recognized buyers and brands, the Company has developed a reputation for quality, reliability and compliance with international standards. Our diversified product portfolio and integrated manufacturing capabilities enable us to support customers across different stages of their supply chains.

The Board considers that the Company's strength lies not only in manufacturing individual products but in connecting every element of its operations to meet customer requirement through product quality, timely delivery, operational flexibility, and customer confidence. This remains central to the Company's business strategy.

Business Environment and Industry Overview

During FY 2025-2026, the global business environment remained challenging due to geopolitical uncertainties, changing international trade conditions, fluctuations in commodity prices and continuing pressure on global supply chains. These developments influenced consumer demand, sourcing decisions and pricing strategies across the international apparel industry.

Bangladesh's RMG sector, the country's principal export-oriented industry, also experienced a challenging year. According to export statistics published by BGMEA based on EPB data, RMG export earnings reached approximately USD 38.70 billion during FY 2025-2026, representing a decline of 1.64% compared with the previous financial year.

The domestic manufacturing sector continued to face elevated raw-material prices, energy costs, wage adjustments, foreign exchange volatility, and higher financing expenses, compounded by inflationary pressure. As a backward-linkage manufacturer serving the RMG industry, the Company's performance remained closely connected to the production activities, sourcing decisions, and export performance of its customers. Against this backdrop, maintaining cost competitiveness, production efficiency, quality standards, and reliable delivery remained the Board's key priorities throughout the year.

Performance Overview For FY-2025-2026

Revenue and Gross Profit:

During FY 2025-2026, the Company generated revenue of Tk. 2,806.97 million, compared with Tk. 2,888.16 million in the preceding year, representing a decrease of 2.81%. Gross profit also declined to Tk. 458.31 million from Tk. 496.45 million, while the gross profit margin stood at 16.33% against 17.19% in the previous year. The decline was mainly attributable to prevailing market uncertainties, raw-material price pressure and increased manufacturing costs. Management continued to focus on procurement efficiency, production optimisation and cost control to mitigate these challenges

Profitability and Earnings Per Share

Despite the decline in revenue and gross profit, the Company achieved profit before WPPF and tax of Tk. 208.95 million, compared with Tk. 202.94 million in the previous year. Profit after WPPF and tax increased to Tk. 164.47 million from Tk. 163.75 million, resulting in EPS of Tk. 2.20 compared with Tk. 2.19. This performance reflects the Company's resilience and continued focus on operational efficiency and prudent financial management.

Shareholders' Equity and Net Asset Value

Shareholders' equity increased to Tk. 2,160.59 million as at 30 June 2026, compared with Tk. 2,070.86 million in the previous year. Accordingly, NAV per share improved to Tk. 28.91 from Tk. 27.71, reflecting the continued strengthening of the Company's equity base and financial position.

Cash Flow and Working Capital Management

NOCFPS stood at Tk. (2.52) during FY 2025-2026, compared with Tk. 2.19 in the previous year. The negative cash flow primarily resulted from the timing difference between collections from customers and payments to suppliers, together with working capital requirements. Management will continue to strengthen collection efficiency, inventory management and working capital utilisation to improve operating cash flow.

Financial Position and Capital Investment

The Company's current liabilities decreased to Tk. 1,962.51 million from Tk. 2,384.65 million, while non-current liabilities declined to Tk. 191.89 million from Tk. 202.56 million. During the year, the Company invested Tk. 27.41 million in fixed assets and capital work-in-progress, compared with Tk. 13.73 million in the preceding year, supporting the maintenance and improvement of its manufacturing infrastructure.

Operational Excellence and Business Development

During the year, the Company continued to connect production processes, procurement, quality assurance, and customer requirements to enhance operational efficiency and service reliability. Management emphasized effective resource utilization, production planning, equipment maintenance, and wastage reduction amid rising input costs and competitive market conditions.

The Company's diversified product portfolio and established customer relationships remained key strengths in maintaining business continuity and reinforcing its position in the RMG supply chain. The Board also notes the continued contribution of the Company's solar power plants and rainwater harvesting systems in reducing reliance on grid power, supporting both cost efficiency and the Company's environmental footprint.

Outlook

Looking to FY 2026-27, the Board expects the operating environment to remain competitive. The Company's priorities for the coming year are to deepen its customer relationships and broaden its customer base; improve production efficiency and capacity utilization through continued production planning, preventive maintenance, and sharpen cost competitiveness building on the discipline that held net profit steady; maintain financial discipline and effective working capital management, consistent with the Company's dividend track record; extend its investment in solar power and other sustainable manufacturing practices, alongside further automation and data-driven process improvement; and continue its investment in employee development and workplace safety.

Through these interconnected efforts, the Board aims to reinforce the Company's operational capabilities, maintain customer confidence, and achieve sustainable long-term growth.

Segment & Product's Performance

Operational Performance:

Particulars	Unit	01 July 2025 to 30 June 2026			01 July 2024 to 30 June 2025		
		Production Capacity (Pcs/GG)	Actual Production (Pcs/GG)	Capacity Utilization in (%)	Production Capacity (Pcs/GG)	Actual Production (Pcs/GG)	Capacity Utilization in (%)
Carton	Pcs	31,750,000	23,963,640	75.48%	31,750,000	24,323,902	76.61%
Label (PFL,NFL & WL)	Pcs Yard	211,340,208	66,524,244	31.48%	211,340,208	79,496,228	37.62%
Offset Printing	Pcs	150,009,600	12,674,310	8.45%	150,009,600	33,449,163	22.30%
Heat Transfer	Pcs	24,960,000	3,672,298	14.71%	24,960,000	2,352,936	9.43%
Button	GG	360,000	184,818	51.34%	360,000	222,759	61.88%
Gum Tape	Pcs	4,290,000	658,655	15.35%	4,290,000	707,587	16.49%
Hanger	Pcs	45,000,000	1,076,971	2.39%	45,000,000	-	0.00%

For calculation of capacity utilization, weighted average of actual production capacity of each products has been considered

Product Wise Revenue:

Product name	Contribution to Total Revenue			
	Year 2025-2026		Year 2024-2025	
	In taka	In %	In taka	In %
Carton	2,367,673,692	84.35%	2,369,700,007	82.05%
Label (PFL,NFL & WL)	170,207,269	6.06%	216,090,920	7.48%
Offset Printing	39,922,634	1.42%	65,502,992	2.27%
Heat Transfer	13,328,978	0.47%	10,671,292	0.37%
Button	161,622,271	5.76%	173,719,327	6.01%
Gum Tape	49,076,478	1.75%	52,473,631	1.82%
Hanger	5,139,736	0.18%	-	0.00%
Total	**2,806,971,058**	**100.00%**	**2,888,158,169**	**100.00%**

Risk and Concerns

Board of Directors reviews the risk management practices and actions deployed by the Management with respect to identification, impact assessment, monitoring, mitigation and reporting of key risks while trying to achieve its business objectives. A detailed report on Risk & Concerns are given in Annexure-J, P-124.

Analysis cost of goods sold, gross profit margin and net profit margin (Refer to Annexure-D, Page No: 62).

Financial Performance and Business Review

Despite the challenging operating environment, the Company demonstrated resilience in its financial performance during FY 2025-2026. Although revenue and gross profit experienced moderate declines, the Company maintained its overall profitability and achieved a slight improvement in earnings per share.

Last 5 year's key Operating and Financial Performance:

Amount in Taka

Particulars	2025-2026	2024-2025	2023-2024	2022-2023	2021-2022
Revenue	2,806,971,058	2,888,158,169	2,530,678,096	2,794,569,748	3,199,681,329
Gross Profit	458,307,076	496,448,581	458,228,137	555,024,234	496,703,842
Profit before WPPF & Tax	208,945,525	202,943,023	199,486,867	207,613,436	198,510,645
Profit after WPPF & Tax	164,472,125	163,746,486	153,759,686	153,252,545	165,725,402
Earnings Per Share (EPS)	2.20	2.19	2.16	2.15	2.33
Shareholders' Equity	2,160,586,086	2,070,855,441	1,942,700,136	1,860,122,810	1,820,762,043
Current Liabilities	1,962,509,561	2,384,647,229	1,871,754,366	2,275,553,891	2,582,244,823
Non-Current Liabilities	191,887,339	202,558,184	218,181,830	243,582,292	244,789,178
Addition to Fixed Assets & CWIP	27,414,069	13,727,979	12,282,772	15,371,140	87,113,736
NAV Per Share	28.91	27.71	27.29	26.13	25.58
Net Operating Cash Flow Per Share (NOCFPS)	(2.52)	2.19	11.38	(8.97)	8.97

Extra-ordinary gain / (loss)

There is no extraordinary gain or loss occurred during the reporting period.

Related party transactions

There have been no materially significant related party transactions between the Company and the Directors, the management, the subsidiaries or the relatives except for those disclosed in the financial statements in Note 40 and in Annexure-G, Page: 66 in accordance with relevant International Accounting Standards (IAS).

Utilization of proceeds raised through public issues, rights issues and/or any other instruments

Initial Public offering (IPO) of KDS Accessories Limited was made in 2015 and the fund raised thereby has already been utilized as reported to the regulators. No other issues of any instrument including right share was made during the year.

Explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing

KDS Accessories Limited went for IPO in 2015 and after that the company didn't raise any fund by any sort of offerings up to 2020-21. Moreover, the financial results have improved during the year under review. Therefore, no explanation is required in this connection.

Significant variance between Quarterly and Annual Financial Statements

There was no significant difference between quarterly performance and overall period ended performance of the Company.

Remuneration to directors including independent directors

Directors of KDSAL don't enjoy any facilities in the name of remuneration, bonus or any other form except the Managing Director for his direct participation to Company's day to day operations. Managing Director enjoys remuneration and festival bonus for his contribution to the Company which are as under:

Name of Directors	Designation	Amount
Mr. Khalilur Rahman	Chairman	
Mr. Salim Rahman	Managing Director	6,100,000
Ms. Tahsina Rahman	Director	
KDS Garments Ind. Limited. Represented by Mr. Asif Md Tanvir Hossain FCA	Director	
Professor Sarwar Jahan	Independent Director	

Internal Control System

The Company has an internal control system, commensurate with the size, scale and complexity of its operations. The scope and authority of the Internal Audit function is defined in the Internal Audit Charter. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Board.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Board.

Minority Shareholders' Protection

The Board is and shall be committed to respect the rights of the minority shareholders to voting, right to information, dividends and appraisal of any alteration in Memorandum and Articles.

Going Concern

The Directors consider that the Company has adequate resources to remain in operation for the foreseeable future and has therefore continued to adopt the going concern basis in preparing the financial statements.

Significant deviation in operating results compared to previous period

There is no such deviation in operating results compared to the previous period.

Dividend Declaration

In recognition of our commitment to value creation, the Board of Directors is pleased to declare 10% cash dividend for the fiscal year 2025-2026. This dividend reflects our performance and dedication to rewarding our valued shareholders.

Board of Directors'

i) Structure and size of the Board:

On 30 June 2026, there were 5 members on the Board of the Company. The Board comprises Chairman, Managing Director, Two Directors and One Independent Director.

ii) Status of Companies in which Directors also hold Directorship.

An Annexure is attached to this report on the status of Companies in which Directors are also hold Directorship. Annexure-I, Page: 68.

iii) Director's Retirement and Re-election.

In accordance with the Articles of Association of the Company, one third of the total number of Directors is to retire by rotation in every year. In the forthcoming Annual General Meeting the following two Directors will retire and being eligible, offer themselves for re-appointment:

a) Mr. Khalilur Rahman
b) KDS Garments Ind Ltd. Represented by Mr. Asif Md Tanvir Hossain FCA

iv) Board Meeting and Attendance:

During the reporting period the Board met 5 times. The attendance record of the Directors is as follows:

Name of Directors	Designation	Nos of Meeting	Attendance
Mr. Khalilur Rahman	Chairman	5	5
Mr. Salim Rahman	Managing Director	5	5
Ms. Tahsina Rahman	Director	5	5
KDS Garments Ind. Limited. Represented by Mr. Kamrul Hasan Siddiqui FCA, ACMA (UK), CGMA	Director	5	4
Professor Sarwar Jahan	Independent Director	5	5

Appointment of Independent director

As per provision of Corporate Governance Guidelines notification no: **SEC/CMRRCD/2006-158/207/ADMIN/80** Dated 3rd June 2018 by Bangladesh Securities & Exchange Commission (BSEC) Professor Sarwar Jahan was appointed as Independent Director of the Company for a period of 3 (Three) years in 35th Annual General Meeting (AGM). Short-bio data of the said director is enclosed herewith in the section of Director's Profile. Page: 17.

Shareholding Pattern

(Refer to Annexure-H, Page No:66)

Directors' involvement in other business

(Refer to Annexure-I, Page No:68)

Management discussion and analysis

The Board of Directors converse on the increase /decrease of revenue, cost of goods sold, gross and net profit margin. The Board also takes instant actions on the inquiry as required. A detailed report on discussion in the regard is comprised in Annexure-D, Page: 62.

Certification by the CEO & the CFO

Declaration of certificate by the CEO & the CFO to the Board as required under condition no. 3(3) of Corporate Governance Code is included in **Annexure-A, Page: 51**

Credit Rating

Credit Rating Information and Services PLC (CRISL) assigned rating for your company as below:

Long Term	AA-	Short Term	ST-2

Above rating have been assigned on the basis of good fundamental such as good profitability, sound infrastructural arrangement with state-of-the art, pioneer and market leader in Garment Accessories industry, experienced management. Entities rated in this category are adjudged to be of high quality, offer higher safety and have credit quality. Your Company in the evaluation of Credit Rating Company was also placed with "Stable".

Subsequent Events

There is no subsequent event after the date of balance sheet and till the date of this report which could affect the ability of the users of these financial statements to make an appropriate evaluation.

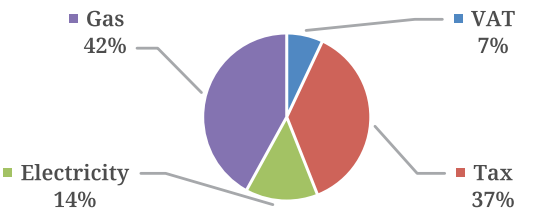
Nomination and Remuneration Committee (NRC):

KDS Accessories Limited has formed a Nomination and Remuneration Committee (NRC) on 3rd December, 2018 as a sub-committee of the Board of Directors. This committee will assist the Board of Directors in formulation of the nomination criteria or policy to determine qualifications, experiences, remuneration and independence of directors and top level of executives.

The NRC has three members including one Independent Director. A detailed roles and activities of the NRC has been provided in "The Report of The Nomination and Remuneration Committee (NRC)". **Page: 46**.

Contribution to National Exchequer

Being a responsible business entity, KDSAL is paying and facilitating collection of Government's revenue. In the reporting period, we have paid collected and deposited a significant amount of tax, VAT and duties. During the period, KDSAL contributed to Tk. 125,635,924 to the Government Exchequer along with utility bill which is presented below:



Audit Committee

The Board has constituted the Audit Committee as follows:

Name of Directors	Nos of Meeting
Professor Sarwar Jahan	Chairman & Independent Director
Ms. Tahsina Rahman	Member
KDS Garments Inds. Ltd. Represented by Mr. Asif Md Tanvir Hossain FCA	Member
Mr. Mohammad Ilias	Member Secretary

During the reporting period under review, the Committee held four meetings. A detailed of the roles and activities of the audit Committee has been provided in “The Report of the Audit Committee”. **Page:44.**

Corporate Social Responsibility (CSR)

Over the years, your company's commitment to Corporate Social Responsibility (CSR) activities is part and parcel of the Company's business model. Your Company has been contributing to the welfare of the community, research and development and protection of environment. Few initiatives of CSR of your company are mentioned below:

- Contributing donation to the Educational Institutes.
- Launching Tree Plantation program in patronizing a green environment.
- Contribute for safe drinking water supply.

Awards & Recognition

Since starting your Company received the following awards and recognitions:

- ISO 14001:2015 Certified.
- ISO 9001:2015 Certified.
- BS OHSAS 18001:2007 Certified.
- FSC Chain of Custody Certification Standard & FSC CoC Certification of Multiple Sites Standard
- OEKO-TEX Standard 100 Certified for Woven Labels.
- OEKO-TEX Standard 100 Certified for Elastic Labels.
- OEKO-TEX Standard 100 Certified for Buttons.
- Achievement Award of Trim Qualification Program by Intertek.
- CAP Closure Verification Visit Results by Alliance.

Information Technology

We, at KDS Accessories always strive for the innovation in business by adopting something different, smarter or better for bringing positive impact in terms of value, quality or productivity.

We believe that now accurate business planning, effective marketing, global sales, systematic management, real time monitoring, instant customer support and long-term business growth cannot be achieved at the optimum level without IT and we plan ahead of others to enable our operations process through IT.

Some of our IT enabled applications and systems are Accounting Management System (AMS), HRIS, Sales & Distribution Management System (SDMS), Production Management System (PMS), Inventory Management System (IMS), Inventory & Procurement Managing System (IPMS), Fixed Asset Management System (FAMS) and Fund Management System (FMS). Through these applications management can view various reports for its review and decision from any location..



Website

Company maintains a website namely **www.kdsaccessories.com** which is linked with the websites of the stock exchanges and it is functional from the date of listing and all disclosures and financials are available in the website of the company.

Human Resources

Human Resources are a fundamental asset across the entire business model.

The development of the company builds its competitive advantage on the skills and commitment of its employees, promoting and rewarding pro-activity, goal orientation and teamwork.

The HR Department of your company operates with specific policy, manual and plan designed by the world class consulting firm and approved by the Board of Directors.

We provide on-the-job training and development opportunities to enhance our employees' carrier progression. Through different training, staff's professional knowledge in corporate operations, occupational and management skills are enhanced.

KDS Accessories is an equal opportunity employer and does not discriminate on the basis of personal characteristics. Company has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behavior, employees right and benefits. We establish and implement policies that promote a harmony and respectful workplace.

Information in compliance to the condition No 4 of the commission's notification No. BSEC/CMRR D/2009-193/10/ADMIN/118, Dated 22 March 2021.

NAME OF THE DIRECTORS	POSITION IN COMPANY	NO OF SHAREHOLDING	% OF SHAREHOLDING
Mr. Khalilur Rahman	Chairman	32,129,198	42.99%
Mr. Salim Rahman	Managing Director	10,531,861	14.09%

Lien or Pledge Information:

During the period from July 2025 to June 2026, the following directors of the company has not availed any loan or credit facility by lien or pledge of their shares to the lenders at the time of borrowings. They also had not availed any margin loan from the stockholder or portfolio manager..

Code of Conduct

The underlying philosophy of KDS Accessories Limited's Code is to conduct the business in an ethical manner as well as create a work environment that is conducive for members and associates alike, based on the Company's values and beliefs.

Code of Conduct for Board of Directors was framed and followed accordingly in discharging their duties and responsibilities

Appointment of Auditors & Professional

A. Appointment of External Auditors:

A. Qasem & Co, Chartered Accountants, having its office at Faruk Mahal (3rd Floor), Plot-93, Agrabad C/A, Chattogram-4100, Bangladesh is recommended for appointment of external Auditor of the company for the next accounting year for the period from 01 July 2026 to 30 June 2027 and till the conclusion of 36th AGM subject to the approval of shareholders in next AGM and the remuneration to be fixed mutually by the Board of Directors of the Company and the said firm.

B. Appointment of Professional for Corporate Governance Certificate:

On the willingness to be appointed as professional to certify on the compliance of corporate governance as issued by the Bangladesh Securities and Exchange Commission, the Board of Directors in its meeting held on 26 October 2026, recommended the appointment of Shafiq Basak & Co., Chartered Accountants, having its office at National House (1st Floor), 109, Agrabad C/A, Chattogram-4100 for the year 2026-2027 subject to the approval by the shareholders in the 35th AGM.

Compliance of Corporate Governance

Pursuant to notification No: BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 by Bangladesh Securities and Exchange Commission (BSEC), the Corporate Governance Report and the Auditors' Certificate regarding compliance of conditions of Corporate Governance are made part of the Annual Report and attached in Annexure-B & C, Page: 52-61 respectively

Directors' Responsibilities Statement

Pursuant to the BSEC notification No. BSEC/ CMRRCD/ 2006-158/207/Admin/ 80 dated 03 June 2018 the Directors confirm that:

i) The financial statements prepared by the management of KDS Accessories Limited fairly present its state of affairs, the result of its operations, cash flows and changes in equity.

ii) Proper books of Account of the company have been maintained.

iii) Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.

iv) International Accounting Standards (IAS)/ International Financial Reporting Standards (IFRS) as applicable in Bangladesh have been followed in preparation of the financial statements and any departure therefrom has been adequately disclosed.

v) The system of internal control is sound in design and has been effectively implemented and monitored.

vi) There are no doubts upon the Company's ability to continue as a going concern and the accounts have been prepared on going concern basis.

vii) The significant deviations from previous period in the operating results of the company have been highlighted in the report and the reasons thereof have been explained.

viii) The key operating and financial data of last 5 years is disclosed in Page: 38.

ix) The number of Board Meeting held during the reporting period and the attendance by each director is disclosed in this report in Page: 39.

x) The pattern of shareholding is disclosed in Annexure-H, Page: 66.

xi) A compliance status report with requirements of Corporate Governance as required by BSEC is disclosed in Corporate Governance Report and is disclosed in Annexure-C, Page:53.

xii) Directors' profile is attached in page no 14-18 and their directorship and business interest in other organizations have been disclosed in Board of Directors segment and in Annexure-I, Page: 68.

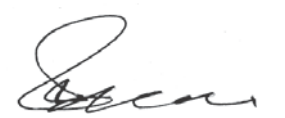
Appreciation

We thank our customers, vendors, investors, business associates and bankers for their continued support during the years. We place on record our appreciation of the contribution made by workers and employees at all levels. Our resilience to meet challenges was made possible by their hard work, solidarity, co-operation and support

We thank the Government of Bangladesh, and Government Agencies and Regulatory Bodies-BSEC, DSE, CSE, CDBL, RJSC, NBR and others related parties for their support and look forward to their continued support in the future.

Allah Hafiz

on behalf of the Board



Khalilur Rahman
Chairman
26 October 2026