Apex Tannery Limited

Statement of Financial Position (Un-audited)

As at December 31, 2018

Tk in '000'

	Notes	As at Dec. 31, 2018	As at June 30, 2018
Assets			
Non Current Assets			
Property, plant and equipment	5	1,201,088	1,218,727
Advance for Land of Savar Factory		57,431	57,431
Investments	6	46,107	55,047
		1,304,626	**1,331,205**
Current Assets			
Inventories	7	1,101,463	791,006
Trade and other receivables	8	113,129	109,689
Advances, deposits and prepayments	9	150,201	168,350
Cash & cash equivalents	10	88,505	72,520
		1,453,298	**1,141,565**
Total Assets		**2,757,924**	**2,472,770**
Equity and Liabilities			
Shareholders' equity			
Issued, subscribed & paid-up capital			
1,52,40,000 ordinary shares @ Tk. 10 each		152,400	152,400
Share premium		425,333	425,333
Dividend equalization fund		6,528	28,888
Retained earnings		417,263	446,828
Fair valuation surplus of investment	11	38,551	47,491
		1,040,075	**1,100,940**
Non current liabilities			
Retirement benefit obligation		126,237	120,964
Deferred tax liabilities	22	21,114	20,529
		147,351	**141,493**
Current Liabilities			
Short term loan	12	436,376	1,763
Working capital loan	13	838,705	696,884
Time loan	14	150,938	306,105
Trade payables	15	33,445	116,018
Other payables	16	27,947	30,410
Provision for income-tax		83,087	79,157
		1,570,498	**1,230,337**
Total Equity and Liabilities		**2,757,924**	**2,472,770**
Net Asset Value Per Share (NAVPS) Tk.		**68.25**	**72.24**

Syed Manzur Elahi
Chairman

Md. Rahmatullah
Managing Director

Faruq Ahmad Siddiqi
Independent Director

Md. Main Uddin
Chief Financial Officer

Sushanta Kumar Paul
Company Secretary

Dated: 28 January 2019

AMARSTOCK

Apex Tannery Limited

Statement of Profit or Loss and Other Comprehensive Income (Un-Audited)

For the 2nd quarter ended December 31, 2018

Tk in '000'

	Notes	July 1, 2018 to December 31, 2018	July 1, 2017 to December 31, 2017	October 1, 2018 to December 31, 2018	October 1, 2017 to December 31, 2017
Sales		**950,554**	**982,480**	**478,163**	**549,515**
Cost of Sales		(818,446)	(863,671)	(402,742)	(484,196)
Gross Profit		**132,108**	**118,809**	**75,421**	**65,319**
Operating Expenses	19	(77,483)	(81,986)	(44,920)	(44,691)
Operating Profit		**54,625**	**36,823**	**30,501**	**20,628**
Financial Expenses	20	(58,478)	(41,417)	(34,952)	(21,387)
Non operating income					
Other income	21	18,081	16,277	8,970	8,484
Profit for the period		**14,228**	**11,683**	**4,519**	**7,725**
Provision for contribution to WPP & WF		(677)	(556)	(215)	(368)
Profit before income tax		**13,551**	**11,127**	**4,304**	**7,357**
Income tax					
Current tax expenses		(3,930)	(3,461)	(1,848)	(1,992)
Deferred tax (expenses) income	22	(586)	(1,643)	(791)	(495)
		(4,516)	**(5,104)**	**(2,639)**	**(2,487)**
Net profit after tax		**9,035**	**6,023**	**1,665**	**4,870**
Other comprehensive income					
Fair valuation surplus of investment (unrealized)		(8,940)	(2,133)	(465)	(151)
Total comprehensive income (loss)		95	3,890	1,200	4,719
Earnings per share without fair valuation surplus (Tk.)	23	**0.59**	**0.40**	**0.11**	**0.32**

Syed Manzur Elahi
Chairman

Md. Rahmatullah
Managing Director

Faruq Ahmad Siddiqi
Independent Director

Md. Main Uddin
Chief Financial Officer

Sushanta Kumar Paul
Company Secretary

Dated: 28 January 2019

Apex Tannery Limited

Statement of Changes in Equity (Un-Audited)

For the 2nd Quarter Ended December 31, 2018

Tk in '000

	Share Capital	Share Premium	Dividend Equalization Fund	Retained Earnings	Fair Valuation Surplus	Total
As at June 30, 2018	152,400	425,333	28,888	446,828	47,491	1,100,940
Net profit (July'18 to Dec.'18)				9,035		9,035
Cash dividend (2017-2018)			(22,360)	(38,600)		(60,960)
Fair valuation surplus					(8,940)	(8,940)
As at December 31, 2018	**152,400**	**425,333**	**6,528**	**417,263**	**38,551**	**1,040,075**

For the 2nd Quarter Ended December 31, 2017

Tk in '000

	Share Capital	Share Premium	Dividend Equalization Fund	Retained Earnings	Fair Valuation Surplus	Total
As at June 30, 2017	152,400	425,333	44,888	453,188	45,208	1,121,017
Net profit (July'17 to Dec.'17)				6,023		6,023
Cash dividend (2016-2017)			(16,000)	(44,960)		(60,960)
Fair valuation surplus					(2,133)	(2,133)
As at December 31, 2017	**152,400**	**425,333**	**28,888**	**414,251**	**43,075**	**1,063,947**

Syed Manzur Elahi
Chairman

Md. Rahmatullah
Managing Director

Faruq Ahmad Siddiqi
Independent Director

Md. Main Uddin
Chief Financial Officer

Sushanta Kumar Paul
Company Secretary

Dated: 28 January 2019

AMR STOCK

Apex Tannery Limited

Statement of Cash Flows (Un-Audited)

For the 2nd quarter ended December 31, 2018

Tk in '000'

	Note	2nd Qtr. Ended Dec. 31 2018	2nd Qtr. Ended Dec. 31 2017
Cash flow from operating activities		**(296,143)**	**(192,524)**
Collections from turnover and other income		965,194	983,075
Payments for purchase of leather, chemicals, spare parts, creditors and other expenses		(1,198,820)	(1,127,283)
Interest paid		(58,478)	(41,417)
Income-tax paid and/or deducted		(4,039)	(6,899)
Cash flow from investing activities		**(48,180)**	**(95,090)**
Acquisition of fixed assets		(48,180)	(32,103)
Capital work-in-progress		-	(62,987)
Cash flow from financing activities		**360,308**	**283,358**
Loans received/(paid)		421,268	344,318
Dividend paid		(60,960)	(60,960)
Net cash inflows/(outflows) for the period		**15,985**	**(4,256)**
Opening cash and bank balances		72,520	72,671
Closing cash and bank balances		**88,505**	**68,415**
Net Operating Cash Flows Per Share (NOCFPS) Tk.	25	**(19.43)**	**(12.63)**

Syed Manzur Elahi
Chairman

Md. Rahmatullah
Managing Director

Faruq Ahmad Siddiqi
Independent Director

Md. Main Uddin
Chief Financial Officer

Sushanta Kumar Paul
Company Secretary

Dated: 28 January 2019

AMARSTOCK

Apex Tannery Limited

Selected Notes to the Financial Statements

For the 2nd Quarter ended December 31, 2018

1. Company and its activities

a) The Company

Apex Tannery Limited was incorporated as a private limited company on 26th day of July 1976 under Companies Act 1913 and was converted into a public limited company in 1986. The shares of the Company are publicly traded at Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. The address of the registered office is Plot No.: XA1, XA2, XA3 & XS8, Bangladesh Small & Cottage Industries Corporation (BSCIC) Chamra Shilpa Nagari, Harindhara, Hemayetpur, Savar, Dhaka-1340.

b) Nature of business

The main activities of Apex Tannery are to produce high quality leather, by using Italian chemicals, technology, complying with world fashion standards and specifications. Its annual capacity is about 32 million Sft. of finished goat and cow leather. Apex exports to Europe, China, South America and all major leather market of the world.

2. Basis of preparation of financial statements

These financial statements have been prepared in accordance with the requirements of International Accounting Standard 34-Interim Financial Reporting, International Financial Reporting Standards (IFRS), Companies Act 1994, The Securities and Exchange Rules 1987 and other applicable laws and regulations.

3. Same Accounting Policies and Methods are used for preparation and presentation of 2nd Quarter Financial Statements

The same accounting policies and methods of computation are followed for preparation and presentation of 2nd Quarter Financial Statements of the Company for the period from July 01, 2018 to December 31, 2018 as compared to the most recent annual Financial Statements for the year ended June 30, 2018. This interim financial report includes only those selected explanatory notes as were deemed appropriate for better understanding of unaudited financial statements.

4. Seasonality/Cyclicality of interim Operation

The Company exports crust and finished leather to Europe, China, India, Japan and other major leather markets of the World. No significant seasonality/Cyclicality effect in export of finished leather.

5. Property, Plant and Equipment

	As at Dec. 31, 2018 Taka	As at June 30, 2018 Taka
Property, Plant and Equipment at cost	**2,044,864,764**	**1,996,685,247**
Less: Accumulated Depreciation	843,776,489	777,958,675
Written Down Value	**1,201,088,275**	**1,218,726,572**

	Amount in Taka	
	31-Dec-18	30-Jun-18

6. Investments

Apex Footwear Ltd. (1,36,700 shares @ 295.50)	40,394,850	49,335,030
CDBL (5,71,181 shares @ 10.00)	5,711,810	5,711,810
	46,106,660	**55,046,840**

7. Inventories

Goatskins	132,414,322	100,202,766
Cowhides	674,984,267	382,124,185
Chemicals	268,974,774	284,411,728
Spare-parts	25,090,104	24,267,649
	1,101,463,467	**791,006,328**

Inventories increased due to purchase large quantity of raw hides and skins after Eid-ul-Azha.

8. Trade and other receivables

Export bills receivable	104,643,450	104,054,425
Interest Income receivable	236,007	134,863
Rental Income receivable	8,250,000	5,500,000
	113,129,457	**109,689,288**

9. Advance, deposits & prepayments

L/C accounts (Goods in transit)	5,562,844	14,271,703
Advance income-tax	129,420,900	125,382,102
Advance rent	49,750	49,750
Advance to staff and workers	1,812,720	3,463,500
Advance to Suppliers and Contractors	1,275,000	6,234,947
Bank guarantee margin	1,404,780	8,273,745
Security deposit	10,674,824	10,674,824
	150,200,818	**168,350,571**

10. Cash & cash equivalents

Cash in hand		
- Head Office	216,533	528,365
- Factory	832,482	260,632
Cash at banks		
- Agrani Bank Ltd.	8,240,830	17,572,440
- Mutual Trust Bank Ltd.	20,535,547	13,452,289
- Jamuna Bank Ltd.	2,218	2,218
- State Bank of India	219,155	486,084
- Uttara Bank Ltd.	50,165,463	74,390
FDR	8,292,443	40,143,188
	88,504,671	**72,519,606**

	Amount in Taka	
	31-Dec-18	30-Jun-18

11. Fair Valuation Surplus of Investments

Investment in share of Apex Footwear Limited:		
Fair valuation surplus as of 30-06-2018		**47,490,947**
Fair value of 136,700 shares @ 295.50 as of 31-12-2018	40,394,850	
Fair value of 136,700 shares @ 360.90 as of 30-6-2018	49,335,030	(8,940,180)
Fair valuation surplus as of 31-12-2018		**38,550,767**

12. Short-term Loan **436,376,186** **1,762,981**

The company has taken Short-term loan from Agrani Bank Ltd., Amin Court Corp. Branch, Motijheel C/A, Dhaka-1000 as KORBANI ADVANCE for procurement of raw hides and skins after Korbani. This loan was sanctioned by Agrani Bank Ltd. against existing fixed assets and inventory as securities.

13. Working Capital Loan **838,705,262** **696,884,232**

The company has taken cash-credit (hypothecation) facilities from Agrani Bank Ltd., Amin Court Corporate Branch, Motijheel C/A, Dhaka-1000 against existing fixed assets and inventories as securities. The increased loan amount used to pay Time loan and to meet working capital requirements of the Company.

14. Time Loan **150,937,500** **306,104,557**

The amount represents time loan which has been taken from Uttara Bank Ltd. Corporate Branch, Dhaka. In order to meet further cost of Capital work-in-progress of Savar Factory, the Company has taken Time loan against existing inventory as securities.

15. Trade payables

Goat skin and Cow hides suppliers	**33,445,788**	**116,018,348**

16. Other payables

Workers' profits participation and welfare fund	3,781,246	3,103,841
Liabilities for freights, spare parts and other expenses	24,166,436	23,293,945
Liabilities to Suppliers of Building Materials	-	3,806,195
Audit fees	-	206,250
	27,947,682	**30,410,231**

17. Current Liabilities **1,570,498,235** **1,230,337,000**

Current Liabilities increased by 27.65% due mainly to increased amount of short term and working capital loan amounting Tk. 421,267,178 which was used to meet working capital requirements of the Company.

	Amount in Taka	
	01 Jul-31Dec'18	01 Jul-31Dec'17

18. Gross profit — **132,107,974** — **118,809,000**

Gross profit increased due mainly to low cost of raw hides and skins in the second Quarter 2018 compared to the same period previous year.

19. Operating expenses — **77,483,070** — **81,986,000**

Operating expenses decreased by 5% due to following :

a) Sales Commission decreased by Tk. 5,180,350 due to decrease in sales through Agent.

b) Sales promotional expenses decreased by Tk. 4,215,077 as compared to the same period previous year due to decrease in expenses of leather fair.

c) Freight & Forwarding expenses increased by Tk. 4,387,889 due to more shipment incurred by Air than Sea. Shipment expenses by Air are more than the expenses by Sea.

d) Administrative expenses increased by Tk. 504,959 as compared to the same period previous year due to following:

I. Expenses for maintenance of Vehicles increased due to old age of Vehicles.

II. Annual increment of staff salary and allowances.

20. Financial expenses — **58,477,952** — **41,416,998**

Financial expenses increased for taking short term and working capital loan amounting Tk. 421,267,178 during the second quarter ended 2018 to procure raw hides and skins after Korbani.

21. Other Income

Rental Income	15,153,183	14,728,291
Interest on FDR	747,967	865,202
Dividend Income	2,179,803	683,500
	18,080,953	**16,276,993**

22. Deferred Tax Expenses / (Income)

Deferred Tax (Assets) / Liabilities closing	21,114,435	12,584,746
Deferred Tax (Assets) / Liabilities opening	20,528,367	10,941,523
	586,068	**1,643,223**

23. Earnings Per Share (TK.) — **0.59** — **0.40**

a) Earnings Per Share decrease by 65.63% during this quarter due to mainly decrease in sales price and increase in financial expenses compare to same quarter previous year. However, Overall Earnings Per Share (Jul-Dec'18) increase by 47.50% compare to same period previous year.

	Amount in Taka	
	01 Jul-31Dec'18	01 Jul-31Dec'17
24. Reconciliation of net operating cash flow		
Profit after tax	9,034,915	6,022,937
Adjustment for non-cash items and others:		
Depreciation & Amortization	65,817,815	59,024,639
Provisions	5,272,525	5,102,000
Tax expenses	4,515,685	5,103,823
Contribution to WPPF	677,405	556,239
Changes in:		
Inventories	(310,457,467)	(210,811,439)
Trade and other receivables	(3,440,457)	(15,681,996)
Advances, deposits and prepayments	18,149,182	(5,902,390)
Trade and other payables, Employment benefits	(85,712,735)	(35,937,839)
Net cash from operating activities	**(296,143,132)**	**(192,524,025)**
25. Net Operating Cash Flows Per Share (NOCFPS) Tk.	**(19.43)**	**(12.63)**

Net Operating Cash Flows Per Share (NOCFPS) decreased due to following reasons:

a) During the second quarter ended 2018 collections from turnover and bills receivables decreased by 1.82% compared to same period previous year.

b) During the second quarter ended 2018 payment for purchase of leather, chemicals, spare parts, creditors and other expenses increased by 6.35%.

c) The operating cash flows per share (NOCPPS) decrease from same period previous year mainly because of increase in inventories for future sales.

26. General

a) Figures appearing in these financial statements have been rounded off to the nearest Taka in thousand.

b) Figures of previous period have been re-arranged/restated wherever considered necessary for the purpose of current period's presentation.

Syed Manzur Elahi
Chairman

Md. Rahmatullah
Managing Director

Faruq Ahmad Siddiqi
Independent Director

Md. Main Uddin
Chief Financial Officer

Sushanta Kumar Paul
Company Secretary

Dated: 28 January 2019