# Report And Accounts

For the Year Ended June 30 2017



Apex Tannery Limited

MARSTOCK




40th Annual General Meeting of the Company held on October 2, 2016



A partial view of the Shareholders at the 40th Annual General Meeting





A partial view of the Shareholders at the 40th Annual General Meeting

# CONTENTS




| | |
|---|---|
| Our Vision, Mission, Values and Objectives | 04 |
| Corporate Directory | 05 |
| Directors and Management Team | 06 |
| Profile of Directors | 07 |
| Profile of Management Team | 10 |
| Report of the Directors | 11 |
| Financial Highlights | 19 |
| Financial Highlights (Graphical presentation) | 20 |
| Statement of Value Addition | 21 |
| Report on Corporate Social Responsibilities (CSR) | 22 |
| Report on Corporate Governance | 24 |
| Corporate Governance Compliance Report | 27 |
| Pattern of Shareholding | 36 |
| Audit Committee Report | 37 |
| Independent Auditors' Report | 40 |
| Statement of Financial Position | 41 |
| Statement of Profit or Loss and other Comprehensive Income | 42 |
| Statement of Cash Flow | 43 |
| Statement of Changes in Equity | 44 |
| Notes to the Financial Statements | 45 |
| Schedule of Fixed Assets | 62 |
| Notice of the AGM | 64 |
| Attendance slip and Proxy form | 65 |


SMARTSTOCK

# OUR VISION, MISSION, VALUES AND OBJECTIVES



## Our Vision

Our vision is to attain 100% customer satisfaction worldwide through continual quality improvement of our products.

## Our Mission

To understand and satisfy customer's wants and needs, we always try to add value, reduce costs and provide innovative thinking for improvement of our product quality, with world class compliance and working standards.

## Our Values

### To our customers we offer

- A commitment to provide best quality product and timely delivery
- Production of world-class quality leather, meet the requirements of customers with competitive price and up to date fashion trends
- Quick response to the expectations of our valued customers in terms of quality and product development

### To our employees we offer

- A desirable and rewarding place to work
- Provide motivation for team work and career development
- The opportunity to grow to employee's maximum potential
- Sufficient offsite and on the job training

### To our shareholders we offer

- Attractive return with minimum risk of their investment
- A commitment to continuous improvement and adding value through all activities and managing resources

### To our suppliers we offer

- Easy terms of trade
- Payment within due time

## Our Objectives

- 100% on time delivery of the services to our valued customers
- 100% accuracy in documentation
- 100% customers acceptance of our services as valid and usables in accordance with their requirements
- Overall reduction of cost by 2% every year
- Reduction of customer complaints by 10% every year.



# CORPORATE DIRECTORY

## BOARD OF DIRECTORS

**Chairman**
Syed Manzur Elahi

**Managing Director**
Md. Rahmatullah

**Directors**
Syed Nasim Manzur
Md. Hedayetullah
Kazi Sanaul Hoq
Faruq Ahmad Siddiqi
Sayed Alamgir Farrouk Chowdhury

## AUDIT COMMITTEE

**Chairman**
Faruq Ahmad Siddiqi

**Members**
Syed Nasim Manzur
Md. Hedayetullah
Sayed Alamgir Farrouk Chowdhury

## MANAGEMENT COMMITTEE

**Chairman**
Syed Manzur Elahi

**Members**
Md. Rahmatullah
Md. Hedayetullah
Ansarul Islam
M. Abdul Majed
Anup Kumar Mukherjee

## HUMAN RESOURCES COMMITTEE

**Chairman**
Md. Hedayetullah

**Members**
Ansarul Islam
M. Abdul Majed
Anup Kumar Mukherjee
Md. Golam Sarwar

## COMPANY SECRETARY
Sushanta Kumar Paul

## AUDITORS
Malek Siddiqui Wali
Chartered Accountants

## CORPORATE GOVERNANCE AUDITOR

**ARTISAN**
Chartered Accountants

## CHIEF FINANCIAL OFFICER
Anup Kumar Mukherjee

## TAX ADVISER
Khandker Fazlul Quadir

## LEGAL ADVISER
Mohsen Rashid
Advocate, Supreme Court of Bangladesh

## BANKERS
Agrani Bank Ltd.
Jamuna Bank Ltd.
Uttara Bank Ltd.

## REGISTERED OFFICE
Plot # XA1, XA2, XA3 and XS8
BSCIC Chamra Shilpa Nagari
Harindhara, Hemayetpur, Savar, Dhaka-1340

## FACTORY

**Unit I**
Plot # XA1, XA2, XA3 and XS8
BSCIC Chamra Shilpa Nagari
Harindhara, Hemayetpur, Savar, Dhaka-1340

**Unit II**
Shafipur
Kaliakoir, Gazipur

# DIRECTORS AND MANAGEMENT TEAM



Syed Manzur Elahi
Chairman



Md. Rahmatullah
Managing Director



Syed Nasim Manzur
Director



Md. Hedayetullah
Director



Kazi Sanaul Hoq
Director



Faruq Ahmad Siddiqi
Independent Director



Sayed Alamgir Farrouk Chowdhury
Independent Director



M. Abdul Majed
Executive Director



Ansarul Islam
Executive Director



Anup Kumar Mukherjee
Chief Financial Officer



Sushanta Kumar Paul
Company Secretary

# PROFILE OF DIRECTORS



## Syed Manzur Elahi
## Chairman

### Chairman
- Apex Footwear Ltd.
- Apex Investments Ltd.
- Apex Enterprises Ltd.
- Quantum Consumer Solutions Ltd.
- Blue Ocean Footwear Ltd.
- Apex Pharma Ltd.
- Grey Advertising Bangladesh Ltd.

### Director
- International Publications Ltd. (Financial Express)
- Mutual Trust Bank Ltd.
- Central Depository Bangladesh Ltd. (CDBL)
- Credit Rating Agency of Bangladesh Ltd. (CRAB)

### Trustee
- East West University

### Other Activities
- Former Adviser, Caretaker Government of Bangladesh, 1996 and 2001
- Former Director, Bangladesh Krishi Bank
- Former Director, Export Promotion Bureau
- Former Director, Bangladesh Bank
- Former President, Metropolitan Chamber of Commerce and Industry
- Former Director, Sonali Bank Ltd.
- Former President, Bangladesh Employers Association
- Former Chairman of Bangladesh Association of Banks (BAB)
- Former Vice Chairman of the Bangladesh Association of Publicly Listed Companies (BAPLC)

### Education
B.A. (Distinction) in 1962 from St. Xavier's College, Kolkata & M.A. (Economics) in 1964 from Dhaka University.



## Md. Rahmatullah
## Managing Director

### Chairman
- F B Footwear Ltd.
- Footbed Footwear Ltd.
- Parliamentary Standing committee on Ministry of Information, Bangladesh Parliament

### President
- Dhaka City North Awami League

### Chairperson
- Bangladesh-Bharat Shampreeti Parishad

### Managing Director
- Apex Property Development Ltd.
- Daichipex Textile Mills Ltd.

### Director
- Pioneer Insurance Company Ltd.

### Member
- Bangladesh Jatiya Sangshad (1986-1988, 1996-2001, 2008-2013 & 2014-till to date)
- Parliamentary Standing Committee on Ministry of Post Telecommunication & Technology.
- Bangladesh Press Council

### Chief Adviser
- Bangladesh Finished Leather, Leathergoods and Footwear Exporters' Association (BFLLFEA)
- Dhaka Mahanagar Samity (Dhaka Samity)

### Founder Chairman
- A.K.M. Rahmatullah University College Beraid, Gulshan, Dhaka
- Alhaj Rahimullah Madrasa & Yatimkhana Beraid, Gulshan, Dhaka
- Roushan Ara Girls High School Beraid, Gulshan, Dhaka
- Halima Rahmatullah Dakhil Madrasa & Yatimkhana, Fulbaria, Mymensingh

### Education
Bachelor of Arts from Chittagong University.

# PROFILE OF DIRECTORS



## Syed Nasim Manzur
## Director

### Chairman
- Landmark Footwear Ltd.

### Managing Director
- Apex Footwear Ltd.
- Apex Enterprises Ltd.

### Founding Director
- Quantum Consumer Solutions Ltd.
- Blue Ocean Footwear Ltd.
- Apex Investments Ltd.
- Guardian Life Insurance Ltd.

### Director
- Apex Pharma Ltd.
- Grey Advertising Bangladesh Ltd.
- Pioneer Insurance Co. Ltd.
- International Publications Ltd.
- FRIENDSHIP (An Internationally acclaimed Non Government Organization which provides health and educational service in remote and inaccessible chars of the northern region of the Country)
- Bangladesh Business Limited

### Adviser
- Leathergoods and Footwear Manufacturers & Exporters Association of Bangladesh (LFMEAB)

### Former President
- Metropolitan Chamber of Commerce and Industry (MCCI), Dhaka

### Guest Speaker
- The National Defence College (NDC) Mirpur, Dhaka.

### Education
- Graduated in Economics in Entrepreneurial Management from the Wharton School of the University of Pennsylvania, USA in 1990



## Md. Hedayetullah
## Director

### Chairman
- Hedayetullah Securities Ltd.

### Vice Chairman
- Mutual Trust Bank Ltd.

### Managing Director
- FB Footwear Ltd.
- Footbed Footwear Ltd.

### Director
- Daichipex Textile Mills Ltd.
- Apex Property Development Ltd.

### Education
- B.Sc (Honors) in Leather Technology from the British School of Leather Technology, Northampton, UK & M. A. in international Business from Webster University, Regents College, London, United Kingdom.

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# PROFILE OF DIRECTORS



## Kazi Sanaul Hoq
## Director

### Chairman
- ICB Capital Management Ltd.

### Managing Director
- Investment Corporation of Bangladesh(ICB)

### Director
- British American Tobacco Bangladesh Co. Ltd.(BATBC).
- Linde Bangladesh Ltd.
- GlaxoSmithKline Bangladesh Ltd. (GSK)
- Renata Ltd.
- Credit Rating Agency Bangladesh Ltd. (CRAB)
- Credit Rating Information and Services Ltd. (CRISL)
- Standard Bank Ltd.
- National Tea Company Ltd.
- Central Depository Bangladesh Ltd. (CDBL)

### Trustee
- Bangladesh Krishi Gobeshona Endowment Trust (BKGET)

### Past Responsibilities
- Managing Director, Rajshahi Krishi Unnayan Bank (RAKUB).
- Managing Director (Current Charge) and Deputy Managing Director, Agrani Bank Ltd.
- General Manager, BDBL.

### Education
B.Com (Hons), M.Com in Accounting from University of Dhaka.



## Faruq Ahmad Siddiqi
## Independent Director

### Former Chairman
- Bangladesh Securities and Exchange Commission (March 2006 to March 2009)

### Retired Secretary to the Govt. of Bangladesh (2002 to 2006)
- Ministry of Education
- Ministry of Commerce
- Ministry of Post & Telecommunication

### Member
- National Board of Revenue (1999-2001)

### Independent Director
- Al-Arafah Islami Bank Ltd.
- Runner Automobile Ltd.

### Education
B. A. (Hons) M. A. English, Language and Literature from the University of Dhaka. (1967)



## Sayed Alamgir Farrouk Chowdhury
## Independent Director

### Retired Secretary to the Govt. of Bangladesh
- Ministry of Health and Family Welfare
- Ministry of Commerce
- Ministry of Local Government

### Former President
- National Tennis Federation

### Former Vice President
- Bangladesh National Football and Cricket Federation

### Former Chairman
- Selection Committee for the Bangladesh National Cricket and Soccer teams

### Former Commissioner
- Rajshahi Division

### Former Director General
- Industries and Food

### Former Advisor
- Bangladesh Enterprise Institute and FBCCI

### Former Partite Consultant
- CIDA, CUTS, EU, DFID, Oxford Policy Management, OPM, USAID

### Education
- Masters Degree in Economics from University of Dhaka in 1964 and Masters Degree in Economics from Williams College, USA in 1978.

# PROFILE OF MANAGEMENT TEAM



## M. Abdul Majed
## Executive Director

### Director

- Pioneer Insurance Company Ltd.
- Alliance Leathergoods & Footwear Ltd.
- Alliance Focus Footwear Ltd.



## Ansarul Islam
## Executive Director

### Past Responsibilities

- Served under Orbital Commerce & Agencies (BD) Ltd.

### Education

B.Com. from University of Dhaka.



## Anup Kumar Mukherjee FCA
## Chief Financial Officer

### Past Responsibilities

- Head of Accounts and Finance Sonargaon Textiles Ltd.
- Chief Accountant, Quality Group
- Chief Accountant, Fashion Group
- Manager-Accounts and Finance, Shagufta Group
- Dy. Manager-Audit & Consultancy ACNABIN, Chartered Accountants
- Finance Officer, CARE-Bangladesh

### Education

M.com., Chartered Accountant



## Sushanta Kumar Paul ACS
## Company Secretary

### Past Responsibilities

- Company Secretary, Dhaka Insurance Ltd.
- Company Secretary Continental Insurance Ltd.
- Senior Executive Officer, Pragati Life Insurance Ltd.
- Senior Executive Officer, Progressive Life Insurance Ltd.

### Education

M.Com., Chartered Secretary





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# পরিচালকমন্ডলীর প্রতিবেদন

**সুধী শেয়ারহোল্ডারবৃন্দ,**

আপনাদের পরিচালকমন্ডলীর পক্ষে আমি ২০১৭ ইং সালের জুন ৩০, সমাপ্ত আর্থিক বছরের প্রতিবেদন ও হিসাব আনন্দের সাথে উপস্থাপন করছি।

**কার্যক্রম পর্যালোচনা**

কোম্পানীর কারখানা সাভারে স্থানান্তরের কারনে উৎপাদন ব্যাহত হওয়ার ফলে বিক্রয় গত বছরের তুলনায় ১০% হ্রাস পেয়েছে। নীট মুনাফা হ্রাস পেয়েছে কারণ: (ক) সাভারে কারখানা নির্মানের ব্যয় সংকুলান করতে অধিকাংশ এফ,ডি,আর নগদায়ন এবং এফ,ডি,আর সুদের হার কমে যাওয়ায় অন্যান্য আয় কমেছে। (খ) সাভার চামড়া শিল্প এলাকায় স্থাপিত নতুন কারখানার মূলধনী কাজের উপরন্তু ব্যয় বাবদ গৃহীত ঋণের ফলে আর্থিক ব্যয় বৃদ্ধি পেয়েছে।

উপরোল্লিখিত প্রতিকূল অবস্থা সত্ত্বেও কোম্পানীর ব্যবস্থাপনা উৎপাদন ও পরিচালন ব্যয় নিয়ন্ত্রণ করতে সক্ষম হয়েছে যা কোম্পানীর মুনাফা বজায় রাখতে অবদান রেখেছে। যা হোক, আলোচ্য বছরের ৪র্থ কোয়ার্টারে কাঁচা চামড়ার নিম্ন মূল্য মুনাফা বজায় রাখতে সহায়ক হয়েছে।

**তুলনামূলক বার্ষিক ফলাফল**

| | | চলতি বছর | পূর্ববর্তী বছর | + বৃদ্ধি -হ্রাস % |
|---|---|---|---|---|
| • বিক্রয় | (হাজার টাকায়) | ১,৯৫১,৮১৩ | ২,১৫৮,৩৬৩ | (৯.৫৭) |
| • কাঁচা চামড়ার (গরু) ক্রয় মূল্য | (প্রতি বর্গফুট, টাকায়) | ৭৩.৪৯ | ৮৬.৭৯ | (১৫.৩২) |
| • কাঁচা চামড়ার (ছাগল) ক্রয় মূল্য | ” | ৩৪.৮২ | ৪৩.২১ | (১৯.৪২) |
| • গরুর চামড়ার বিক্রয় মূল্য | ” | ১৫৪.১২ | ১৬৮.০০ | (৮.২৬) |
| • ছাগলের চামড়ার বিক্রয় মূল্য | ” | ৮৯.০০ | ১১২.৮৬ | (২১.১৪) |
| • কেমিক্যাল ব্যয় | ” | ৩৬.২০ | ৩৪.৬৬ | ৪.৪৪ |
| • স্থায়ী খরচ | (হাজার টাকায়) | ১৫৮,১৮৪ | ১৮৫,০৩৬ | (১৪.৫১) |
| • মোট মুনাফা | ” | ২৬০,৫৭৬ | ২৯১,১৮২ | (১০.৫১) |
| • নীট মুনাফা | ” | ৪৫,০২৮ | ৯১,৪১৮ | (৫০.৭৫) |
| • শেয়ার প্রতি আয় | ( টাকা ) | ২.৯৫ | ৬.০০ | (৫০.৭৫) |

**কাঁচামালের মজুদ**

আমরা সাধারণত ঈদ-উল-আয্হার সময় বিপুল পরিমান কাঁচা চামড়া ক্রয় করে থাকি। যার ফলে ঈদ-উল-আয্হা ব্যতিত বছরের অন্যান্য সময়ে কাঁচা চামড়ার স্বল্প যোগান আমাদের উৎপাদনকে ব্যাহত করতে পারে না। এ বছর ১৫৪ দিনের উৎপাদন ব্যয়ের সমপরিমান কাঁচামাল মজুদ রয়েছে।

**মুনাফার বন্টন**

হাজার টাকায়

| | সমাপনী বছর জুন ৩০, ২০১৭ ইং | সমাপনী বছর জুন ৩০, ২০১৬ ইং |
|---|---|---|
| কর পরবর্তী নীট মুনাফা | ৪৫,০২৮ | ৯১,৪১৮ |
| বিগত বছর সমূহের রিটেইন্ড মুনাফা (লভ্যাংশ পরবর্তী) | ৪০৮,১৬০ | ৩৮৩,৩৫৩ |
| হিসাবনীতির পরিবর্তনের প্রভাব (টীকা নং ৩-কিউ) | - | (৫,৬৫১) |
| | **৪৫৩,১৮৮** | **৪৬৯,১২০** |
| প্রস্তাবিত নগদ লভ্যাংশ | ৬০,৯৬০ | ৬০,৯৬০ |
| অবশিষ্ট জের স্থানান্তরিত | ৩৯২,২২৮ | ৪০৮,১৬০ |
| | **৪৫৩,১৮৮** | **৪৬৯,১২০** |



**লভ্যাংশ**

এবছর আপনাদের কোম্পানীর ই,পি,এস ছিল ২.৯৫ টাকা। পরিচালক পর্ষদ ১৭ই আগষ্ট ২০১৭ ইং তারিখের সভায় প্রতিটি ১০ টাকার শেয়ারের উপর ৪.০০ টাকা হারে লভ্যাংশ প্রস্তাব করেছে। এই সাধারণ সভায় আপনাদের সম্মতিতে উক্ত লভ্যাংশ প্রদান করা হবে।

**কর্মসংস্থান**

চামড়া শিল্প প্রতিষ্ঠানে শ্রমিকদের সার্বিক পরিস্থিতি মোটামুটি শান্ত ও সন্তোষজনক ছিল, যদিও তৈরী পোশাক শিল্পে শ্রমিক অসন্তোষ বিরাজিত ছিল। আপনাদের কোম্পানীর শ্রমিক এবং কর্মচারীদের সাথে সৌহার্দ্যপূর্ণ সুসম্পর্ক ও উচ্চ নৈতিকতা বজায় রয়েছে। প্রতিষ্ঠানের শ্রম শক্তি নিম্নরূপ ঃ

| | বর্তমান বছরের মোট | পূর্ববর্তী বছরের মোট |
|---|---|---|
| শ্রমিক | ৫৮৭ | ৬১১ |
| কর্মচারী | ১৭০ | ১৭৯ |
| ব্যবস্থাপনা | ৩১ | ৩২ |

**চামড়া শিল্পের ভবিষ্যত**

বাংলাদেশের চামড়া শিল্পের প্রধান বাজার হলো ইউরোপিয় ইউনিয়ন এবং চায়না। ইউরোপিয় ইউনিয়নে অর্থনৈতিক মন্দাভাব পুনরুদ্ধারে ধীরগতি এবং নাজুক অবস্থা বিরাজমান। শ্রমিক স্বল্পতা এবং ক্রমবর্ধমান উৎপাদন ব্যয়, সেই সাথে চামড়ার প্রক্রিয়াজাতকরণে এবং চামড়াজাত পণ্য উৎপাদনে উদীয়মান দেশসমূহ যেমন ভিয়েতনাম এবং কম্বোডিয়ার উৎপাদন অংশ বৃদ্ধির কারণে ২০১৬ ইং সালে বিশ্বব্যাপী জুতা উৎপাদনে চায়নার উৎপাদনের অংশ ঐতিহাসিকভাবে সংকুচিত হয়েছে। চায়না এবং ইউরোপিয় ইউনিয়নে ২০১৬ ইং সালে চামড়াজাত জুতার অতিশয় অবনমিত চাহিদার জন্য উল্লিখিত অবস্থাই দায়ী।

গত এপ্রিল ৮, ২০১৭ ইং তারিখে বাংলাদেশ সরকার জনস্বার্থে, বাংলাদেশ এনভায়রনমেন্ট লইয়ার্স এসোসিয়েশন (বেলা) নামক প্রতিষ্ঠান কর্তৃক হাজারীবাগস্থ ট্যানারীসহ পরিবেশ দূষণকারী শিল্পের বিরুদ্ধে দায়ের করা মামলার রায় অনুসারে, মহামান্য হাইকোর্টের নির্দেশক্রমে পানি, গ্যাস ও বিদ্যুৎ সংযোগ বিচ্ছিন্ন করেছে। সরকার কর্তৃক নির্দেশিত লিখিত সময়সীমা ৩১ শে ডিসেম্বর ২০১৬ ইং যা পরবর্তীতে অলিখিতভাবে বর্ধিত সময়সীমা ৩০ শে জুন ২০১৭ ইং, বাস্তবায়নের লক্ষ্যে আমরা তখন থেকেই আমাদের মেশিনারিজ হাজারীবাগ থেকে বিসিক চামড়া শিল্প নগরী, হেমায়েতপুর, সাভারে অবস্থিত নতুন কারখানায় স্থানান্তর প্রক্রিয়া শুরু করেছিলাম। এই প্রক্রিয়া থাকিলে উৎপাদন স্বল্পমাত্রায় ব্যাহত হতো।

মহামান্য হাইকোর্ট কর্তৃক পানি, গ্যাস ও বিদ্যুৎ সংযোগ বিচ্ছিন্ন করার নির্দেশ ছিল আমাদের জন্য আকস্মিক ও অপ্রত্যাশিত যা আমাদের হাজারীবাগস্থ কারখানার উৎপাদন প্রক্রিয়ায় আকস্মিক বিপর্যয় ঘটিয়েছে এবং ফলস্বরূপ ৮ই এপ্রিল ২০১৭ ইং থেকে বিক্রয়ে নেতিবাচক প্রভাব পড়েছে। আমাদের কারখানায় পানি, গ্যাস ও বিদ্যুৎ সংযোগ বিচ্ছিন্নতার কারণে উৎপাদিত পণ্য বিদেশে রপ্তানী করতে অনেক বিলম্ব হয়েছে যা শুধুমাত্র আমাদের ক্রেতা অসন্তোষই সৃষ্টি করেনি বরং ভবিষ্যতে কার্যাদেশ সম্পূর্ণ করার বিষয়ে আমাদের উপর ক্রেতাদের আস্থা ক্ষুন্ন হয়েছে ।

যাহোক, আমরা কোম্পানীর ব্যবস্থাপনার কঠোর পরিশ্রম এবং ত্যাগস্বীকারের জন্য তাদেরকে ধন্যবাদ জানাই। যার দরুণ আমরা হাজারীবাগ কারখানা হতে হেমায়েতপুর, সাভারে অবস্থিত নতুন কারখানাতে মেশিনারিজ স্থানান্তর করে এপ্রিল ২৭, ২০১৭ ইং তারিখ হতে উৎপাদন ও রপ্তানী প্রক্রিয়া শুরু করতে পেরেছি।

**ব্যবসায়িক ঝুঁকি এবং বিবেচ্য বিষয়**

আমরা যদিও মহামান্য হাইকোর্টের আদেশ অনুসারে গত ৮ই এপ্রিল ২০১৭ইং তারিখ থেকে হাজারীবাগস্থ কারখানায় পানি, গ্যাস ও বিদ্যুৎ সংযোগ বিচ্ছিন্ন করার দরুণ উৎপাদন প্রক্রিয়া বন্ধ করেছিলাম, তথাপি হেমায়েতপুর, সাভারে অবস্থিত নতুন কারখানায় ২৭শে এপ্রিল ২০১৭ইং তারিখ হতে উৎপাদন শুরু করি। এখানে উল্লেখ্য যে, বিসিক (BSCIC) সাভার ট্যানারী এস্টেটে সি,ই,টি,পি যথাযথভাবে পরিচালনা করতে ব্যর্থ হয়েছে। এই প্রতিবেদন লেখার সময় পর্যন্ত, সি,ই,টি,পি দক্ষতার সাথে কার্যকরী না হওয়ার ফলে পরিবেশগত সমস্যা সৃষ্টি হচ্ছে। দেশের সংবাদ মাধ্যমগুলোতে ব্যাপকভাবে প্রকাশিত হয়েছে যে, বিসিক (BSCIC) সাভার ট্যানারী এস্টেটে একটি কার্যকরী সি,ই,টি,পি দক্ষতার সাথে পরিচালিত হলে পরিবেশগত সমস্যাগুলি সৃষ্টি হতো না।



আমাদের মূল লক্ষ্য এবং মূখ্য বিনিয়োগ  হলো কমপ্লায়েন্স বজায় রাখা এবং পরিবেশ দূষণ মুক্ত টেকসই মানদন্ডসমূহ অক্ষুন্ন রাখা। সাভার ট্যানারী এস্টেটের সি,ই,টি,পি সঠিক ভাবে কার্যকরী করার দায়িত্বে নিয়োজিত সরকারী কর্তৃপক্ষের ব্যর্থতা আমাদের মূল লক্ষ্য অর্জনের ক্ষেত্রে বাধার সৃষ্টি করেছে। এরূপ পরিস্থিতিতে আমাদের কিছুসংখ্যক নিয়মিত এবং সুখ্যাত ক্রেতাদের কার্যাদেশ বাতিলের পরিমান বৃদ্ধি পাচ্ছে যা আগামী অর্থ বছরে রপ্তানী রাজস্বে নেতিবাচক প্রভাব ফেলবে।

উপরোল্লিখিত অবস্থার পরিপ্রেক্ষিতে, আমাদের ব্যবস্থাপনা বাংলাদেশ সরকারের অনুমোদন স্বাপেক্ষে হেমায়েতপুর, সাভারে অবস্থিত নতুন কারখানাতে বিকল্প ব্যবস্থা হিসেবে উৎকৃষ্ট মানের ই,টি,পি নির্মান করার বিষয়টি বিবেচনায় রেখেছে। আমরা মনে করি যে, নিজস্ব ই,টি,পি তে বিনিয়োগ করলে সেটা লাভজনক হবে কারন নিজস্ব ই,টি,পি শুধুমাত্র বর্তমান সি,ই,টি,পি এর কার্যকরী হওয়ার দীর্ঘসূত্রতা কাটিয়ে উঠার জন্যই নয় বরং উৎপাদনের ধারাবাহিকতা বজায় রাখতে বিকল্প ব্যবস্থা হিসেবে কাজ করবে।

### পরিচালক নির্বাচন

সৈয়দ মঞ্জুর এলাহী এবং সৈয়দ নাসিম মঞ্জুর আর্টিকেলস্ অব এসোসিয়েশনের ধারা অনুযায়ী পরিচালক পর্ষদ থেকে অবসর গ্রহন করেছেন এবং যোগ্য বিধায় পুণঃনির্বাচিত হওয়ার প্রস্তাব করেছেন। পরিচালক পর্ষদ ফারুক আহমদ সিদ্দিকী কে ইনডিপেনডেন্ট পরিচালক হিসেবে বাংলাদেশ সিকিউরিটিজ এ্যান্ড এক্সচেঞ্জ কমিশনের কর্পোরেট গভর্নেন্স প্রজ্ঞাপন অনুসারে এই সাধারণ সভায় পুণঃনিয়োগের জন্য মনোনয়ন প্রদান করেছেন।

### পরিচালক পর্ষদের সভা ও উপস্থিতি

আলোচ্য বছরে পরিচালক পর্ষদের চারটি সভা অনুষ্ঠিত হয়। উক্ত সভাসমূহে পরিচালকগণের উপস্থিতি ছিল নিম্নরূপঃ

| পরিচালকগণের নাম | সভায় উপস্থিতি |
|---|---|
| সৈয়দ মঞ্জুর এলাহী | ৪ |
| মোঃ রহমতউল্লাহ | ৪ |
| সৈয়দ নাসিম মঞ্জুর | ৩ |
| মোঃ হেদায়েতউল্লাহ | ৪ |
| মোঃ ইফতিখার-উজ-জামান (নমিনেশন উইথড্রন অন ১৬ আগষ্ট ২০১৭ ইং) | ৪ |
| কাজী ছানাউল হক (কো-অপ্টেড অন ১৭ আগষ্ট ২০১৭ ইং) | - |
| ফারুক আহমদ সিদ্দিকী | ৪ |
| সৈয়দ আলমগীর ফারুক চৌধূরী | ২ |

যে সকল পরিচালকগণ সভায় উপস্থিত থাকতে পারেননি তাদের ছুটি মঞ্জুর করা হয়েছিল।

### নিরীক্ষা কমিটি

কোম্পানীর আর্থিক অবস্থান, নিরীক্ষা এবং সংবিধিবদ্ধ ও নিয়ন্ত্রনকারী সংস্থাসমূহের প্রয়োজনীয় শর্তাবলী পরিপালনের লক্ষ্যে নিরীক্ষা কমিটি গঠিত হয়েছিল। কোম্পানীর নিরীক্ষক নিয়োগের ক্ষেত্রে কমিটি পরিচালক পর্ষদকে সুপারিশ করেছেন এবং অভ্যন্তরীন নিরীক্ষার ক্ষেত্রসমুহ মূল্যায়ন করেছেন। নিরীক্ষা কমিটির প্রতিবেদন সংযুক্ত করা হল।

নিম্নেবর্নিত পরিচালকগনের সমন্বয়ে নিরীক্ষা কমিটি গঠিত হয়েছিলঃ

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| ১. ফারুক আহমদ সিদ্দিকী | ইনডিপেনডেন্ট পরিচালক | চেয়ারম্যান |
| ২. সৈয়দ নাসিম মঞ্জুর | পরিচালক | সদস্য |
| ৩. মোঃ হেদায়েতউল্লাহ | পরিচালক এবং অভ্যন্তরীন নিরীক্ষা প্রধান | সদস্য |
| ৪. সৈয়দ আলমগীর ফারুক চৌধূরী | ইনডিপেনডেন্ট পরিচালক | সদস্য |



## কোম্পানীর বিষয়াবলী ও আর্থিক প্রতিবেদন

কোম্পানীর কর্পোরেট গভর্নেন্স বাংলাদেশ সিকিউরিটিজ এ্যান্ড এক্সচেঞ্জ কমিশনের প্রয়োজনীয় দিক নির্দেশনার সাথে একাত্ব হয়েছে এবং তদানুযায়ী পরিচালকমন্ডলী আনন্দের সাথে নিশ্চিত করেছেন যেঃ

ক. আর্থিক বিবরনী ও তদসংক্রান্ত টীকাসমূহ কোম্পানী আইন ১৯৯৪ এবং বাংলাদেশ সিকিউরিটিজ এ্যান্ড এক্সচেঞ্জ কমিশনের নীতিমালা ১৯৮৭ এর আলোকে প্রস্তুত করা হয়েছে। এই সকল বিবরনীসমূহে কোম্পানী সংক্রান্ত বিষয়াবলী, এর পরিচালনা নীতিমালা, অর্থ প্রবাহ এবং তারল্যের পরিবর্তন সঠিকভাবে উপস্থাপিত হয়েছে।

খ. কোম্পানীর হিসাববহি যথাযথভাবে রক্ষিত হয়েছে।

গ. আর্থিক বিবরনীসমূহ প্রস্তুতকালে হিসাবসংক্রান্ত নীতিমালা যথাযথভাবে প্রয়োগ করা হয়েছে এবং হিসাব সংক্রান্ত প্রাক্কলনসমূহ যৌক্তিকতা ও বিচক্ষণতার আলোকে করা হয়েছে।

ঘ. আর্থিক বিবরণী প্রস্তুতকালে বাংলাদেশে প্রযোজ্যতার ভিত্তিতে আন্তর্জাতিক হিসাব মানসমূহ অনুসরন করা হয়েছে।

ঙ. অভ্যন্তরীণ নিয়ন্ত্রণ ব্যবস্থা ছিল যথাযথ এবং এর কার্যকর প্রয়োগ নিশ্চিত করা হয়েছে।

চ. কোম্পানী সাধারণ ব্যবসায়িক কার্যক্রমের অংশ হিসাবে এপেক্স ফুটওয়্যার লিমিটেড, মিউচুয়াল ট্রাস্ট ব্যাংক লিমিটেড, গার্ডিয়ান লাইফ ইন্স্যুরেন্স লিমিটেড এবং পাইওনিয়ার ইন্স্যুরেন্স কোম্পানী লিমিটেড এর সাথে লেনদেন করেছে।

ছ. চলমান প্রতিষ্ঠান হিসাবে কোম্পানীর সক্ষমতা নিঃসন্দেহে প্রমাণিত।

জ. পাঁচ বছরের কার্যকারিতা ও আর্থিক ফলাফলসমূহের উপাত্ত সংযুক্ত করা হয়েছে।

## শেয়ার হোল্ডিং

কোম্পানীর পরিচালকদের ৩০শে জুন ২০১৭ইং তারিখে শেয়ারহোল্ডিং বাংলাদেশ সিকিউরিটিজ এ্যান্ড এক্সচেঞ্জ কমিশনের দিক নির্দেশনা অনুযায়ী সংযুক্ত করা হল (Annexure - I)।

## পরিচালকগণের পারিতোষিক

বাংলাদেশ সিকিউরিটিজ এ্যান্ড এক্সচেঞ্জ কমিশনের প্রজ্ঞাপন অনুযায়ী ৩০ জুন, ২০১৭ইং সমাপ্ত বছরের জন্য পরিচালকগনকে প্রদত্ত পারিতোষিক নোট নং ৩৭-এ দেখানো হয়েছে।

## কর্পোরেট গভর্নেন্স কমপ্লায়েন্স রিপোর্ট

বাংলাদেশ সিকিউরিটিজ এ্যান্ড এক্সচেঞ্জ কমিশনের দিক নির্দেশনা অনুযায়ী "কর্পোরেট গভর্নেন্স কমপ্লায়েন্স রিপোর্ট" সংযুক্ত করা হল।

## বহি:নিরীক্ষক নিয়োগ

নিরীক্ষক মেসার্স মালেক সিদ্দিকি ওয়ালী, চার্টার্ড এ্যাকাউন্ট্যান্ট্স এর নিয়োগ মেয়াদ ৪১তম বার্ষিক সাধারণ সভায় শেষ হয়ে যাবে এবং যোগ্য বিধায় ২০১৭-২০১৮ ইং অর্থ বছরের জন্য পরবর্তী বার্ষিক সাধারণ সভা পর্যন্ত তারা নিয়োগ লাভের আগ্রহ প্রকাশ করেছেন।

## স্বীকৃতি

পরিচালক পর্ষদ কোম্পানীর সকল সদস্য, গ্রাহক, সরবরাহকারী এবং অন্যান্য সংশ্লিষ্ট ব্যক্তিবর্গের অব্যাহত সমর্থন ও প্রচেষ্টা প্রদানের জন্য আন্তরিকভাবে ধন্যবাদ জানাচ্ছে। তাদের সমর্থন ছাড়া এই সাফল্য অর্জন করা কখনই সম্ভব হতো না।

পরিচালকমন্ডলীর পক্ষে,

আগষ্ট ১৭, ২০১৭ইং
ঢাকা।

**সৈয়দ মঞ্জুর এলাহী**
চেয়ারম্যান



# REPORT OF THE DIRECTORS

## DEAR SHAREHOLDERS,

On behalf of your Directors, I have the pleasure in submitting the Report and Financial Statements for the year ended June 30, 2017.

## PERFORMANCE REVIEW

Turnover decreased by about 10% compared to prior year due mainly to disruption of production for shifting factory to Savar. Net profit decreased due to (a) low contribution from other income since reduced rate of FDR interest and FDR amount. FDR amount decreased as the fund was utilized to meet development expenditure for new factory at Savar. (b) increase in financial expenses as the Company has taken finance to meet further cost of Capital work-in-progress at Tannery Industrial Park, Savar, Dhaka.

Despite of such adverse circumstances, the Management was able to control costs and operating expenses that were contributed to a great extent to maintain profitability of the Company. The main contributing factor of cost reduction was low cost of raw hides and skins. However, decrease in cost of raw hides and skins during Q4 of the year helped to maintain profitability.

## PERFORMANCE SUMMARY YEAR ON YEAR

| | | This Year | Previous Year | + Increase - Decrease % |
|---|---|---|---|---|
| • Sales | (Taka in thousand) | 1,951,813 | 2,158,363 | (9.57) |
| • Raw Cowhides purchase price | (Taka/sft.) | 73.49 | 86.79 | (15.32) |
| • Raw Goatskins purchase price | ” | 34.82 | 43.21 | (19.42) |
| • Cow leather selling price | ” | 154.12 | 168.00 | (8.26) |
| • Goat leather selling price | ” | 89.00 | 112.86 | (21.14) |
| • Chemical cost | ” | 36.20 | 34.66 | 4.44 |
| • Operating expenses | (Taka in thousand) | 158,184 | 185,036 | (14.51) |
| • Gross profit | ” | 260,576 | 291,182 | (10.51) |
| • Net profit | ” | 45,028 | 91,418 | (50.75) |
| • Earnings per share | (Taka) | 2.95 | 6.00 | (50.75) |

## INVENTORIES

We normally purchase huge quantities of raw hides and skins during the Eid-ul-Azha festival, so that our production is not adversely affected due to low supply during the rest of the year. This year’s inventory represents 154 days of production.



## APPROPRIATION OF PROFITS

| | Taka in thousand | |
|---|---|---|
| | **Year Ended June 30, 2017** | **Year Ended June 30, 2016** |
| Profit after tax | 45,028 | 91,418 |
| Prior year's retained earnings (Post dividend) | 408,160 | 383,353 |
| Effect of changes in accounting policy (Note no. 3-q) | - | (5,651) |
| Balance of profit available for Appropriation | **453,188** | **469,120** |
| Proposed cash dividend | 60,960 | 60,960 |
| Retained earnings carried forward | 392,228 | 408,160 |
| | **453,188** | **469,120** |

## DIVIDENDS

During the year EPS of your Company was Taka 2.95. Directors decided in the Board Meeting held on August 17, 2017 to recommend dividend of Taka 4.00 per share of Taka 10/- each. After your approval in this General Meeting, the dividend will be paid to the Shareholders.

## EMPLOYMENT

Although the labour situation in the RMG sector was unsatisfactory, if not violent sometimes, the labour environment in the leather sector was quiet. Labour relation in your Company was cordial and morale of the workers was high. The breakdown of your Company's human resources are:

| | This Year Total | Previous Year Total |
|---|---|---|
| Workers | 587 | 611 |
| Staff | 170 | 179 |
| Management | 31 | 32 |

## INDUSTRY OUTLOOK AND POSSIBLE FUTURE DEVELOPMENTS

Our major export markets continue to be in the EU and China. Economic recovery in the EU, which is a major export destination for Bangladeshi crust & finished leather, continues to be slow and fragile. Globally in 2016, China's share of footwear production has shrunk to a historical low due to continuously escalating costs and labour shortages, with new emerging leather processing and leather footwear manufacturing countries like Vietnam and Cambodia capturing share. This led to very depressed demand for leather footwear production both in China and EU in 2016.

On April 8, 2017, the Government authorities disconnected all utilities connections in Hazaribagh, in compliance with an order of the High Court in a public interest litigation filed by the Bangladesh Environment Lawyers Association (BELA) for action against industries creating pollution, including tanneries in Hazaribagh. We were already in the process of shifting our machineries from Hazaribagh to our new facility in the Savar Tannery Estate of the Bangladesh Small and Cottage Industries Corporation (BSCIC), in Hemayetpur, Savar, in a planned manner towards the previously announced Government written deadline for closure of all tannery factories in Hazaribagh by December 31, 2016, and subsequently informally extended to June 30, 2017, that would have caused minimal disruption to





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production. The Court order for immediate disconnection of utilities was sudden and unexpected, and the disruption to our plans had catastrophic consequences to our revenue resulting from production at Hazaribagh coming to a standstill from April 8, 2017. This also caused severe delays in shipments for export to our overseas customers, which not only generated great discontent but also shook their confidence in our ability to fulfill future orders.

However, we are pleased to report that thanks to the tremendous hard work and sacrifice of the management team, we have since been able to make progress on shifting of usable machineries from the Hazaribagh facility to the Hemayetpur facility, from where we have been gradually re-starting production from April 27, 2017 and exporting marketable products.

## RISKS AND CONCERNS

Although we were compliant with the High Court's order in ceasing production at the Hazaribagh facility on April 8, 2017, and we were able to commence partial production in Hemayetur, Savar, on April 27, 2017, BSCIC has failed to duly operate the Central Effluent Treatment Plant (CETP) at the BSCIC Savar Tannery Estate. At the time of writing this report, the CETP is still not functioning efficiently, leading to environmental problems which a CETP is supposed to mitigate, as has been widely reported in the Bangladesh media.

Our goal and our major investments to maintain compliance and environmental sustainability standards are jeopardized by the inability of the Government authorities entrusted with the responsibility to ensure a properly functioning CETP at the Savar Tannery Estate. This situation has increased the likelihood of cancellation of orders by some of our regular and most reputable customers, with significant negative impact to our export revenue in the next financial year.

In these circumstances, the Management is exploring an option to build an ETP dedicated solely for its Hemayetpur facility, with the approval of the Government. We consider the costs of investment in a private ETP to be worthwhile, not only to overcome the delays for a CETP but also as an alternative for continuity in production for any disruption in operation of the CETP.

## DIRECTORS ELECTION

Mr. Syed Manzur Elahi and Mr. Syed Nasim Manzur retire from the Board in terms of Articles of Association and being eligible, offer themselves for re-election. The Board of Directors nominated Mr. Faruq Ahmad Siddiqi for re-appointment as an Independent Director, his re-appointment require approval in this AGM according to BSEC Corporate Governance Notification.

## BOARD MEETINGS AND ATTENDANCE

During the year four Board Meetings were held and the attendance by each Director was as follow:

| Name of Directors | No. of meetings attended |
|---|---|
| Syed Manzur Elahi | 4 |
| Md. Rahmatullah | 4 |
| Syed Nasim Manzur | 3 |
| Md. Hedayetullah | 4 |
| Md. Iftikhar-uz-Zaman (Nomination withdrawn on August 16, 2017) | 4 |
| Kazi Sanaul Hoq (Co-opted on August 17, 2017) | - |
| Faruq Ahmad Siddiqi | 4 |
| Sayed Alamgir Farrouk Chowdhury | 2 |

The Directors who could not attend the meetings were granted leave of absence.

## AUDIT COMMITTEE

The Audit Committee was set up to review the financial results, audit and compliance with the statutory and



regulatory requirements. The Committee recommended to the Board of Directors, the appointment of the Company's auditors and reviewed the scope of internal audit. Audit committee report is annexed.

| | | |
|---|---|---|
| 1. Faruq Ahmad Siddiqi | Independent Director | Chairman |
| 2. Syed Nasim Manzur | Director | Member |
| 3. Md. Hedayetullah | Director & Head of Internal Audit | Member |
| 4. Sayed Alamgir Farrouk Chowdhury | Independent Director | Member |

## CORPORATE & FINANCIAL REPORTING

The Company has complied with all the requirements of Corporate Governance as required by the Bangladesh Securities and Exchange Commission.

Accordingly the Directors are pleased to confirm the following:

(a) The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act 1994 and Securities and Exchange Rules 1987. These statements present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity.

(b) Proper books of accounts of the Company have been maintained.

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

(d) The International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of financial statements.

(e) The systems of internal control are sound and have been effectively implemented and monitored.

(f) The company has carried on transactions with Apex Footwear Limited, Mutual Trust Bank Ltd, Guardian Life Insurance Limited and Pioneer Insurance Company Limited in the normal course of business.

(g) There are no significant doubts upon the Company's ability to continue as a going concern.

(h) The key operating and financial data for last five years is annexed.

## SHARE HOLDING

In accordance with the requirement of the Bangladesh Securities and Exchange Commission, pattern of shareholdings as of 30th June 2017 are given in Annexure- I.

## REMUNERATION OF DIRECTORS

In accordance with the requirement of the Bangladesh Securities and Exchange Commission, remuneration of directors for the year ended 30th June 2017 are given in note number 37.

## CORPORATE GOVERNANCE COMPLIANCE REPORT

In accordance with the requirement of the Bangladesh Securities and Exchange Commission, "Corporate Governance Compliance Report" is annexed.

## EXTERNAL AUDITORS APPOINTMENT

M/s. Malek Siddiqui Wali, Chartered Accountants, Auditors retires at this Annual General Meeting and being eligible, offer themselves for re-appointment for the year 2017-2018.

## ACKNOWLEDGEMENT

The Directors take this opportunity to acknowledge the continued support and efforts of all members of the Company, as well as all customers, suppliers and associates during the past year. Our performance would not have been possible without their support.

On behalf of the Board,

August 17, 2017
Dhaka.

**Syed Manzur Elahi**
Chairman



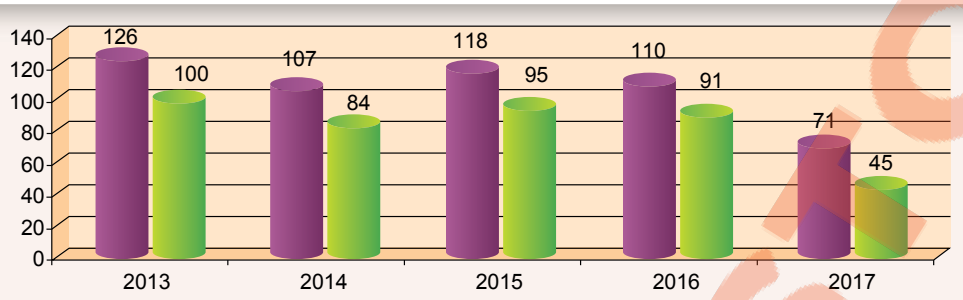
# FINANCIAL HIGHLIGHTS

Taka in thousand

| Particulars | 2017 | 2016 Restated | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Sales | 1,951,813 | 2,158,363 | 3,771,638 | 3,793,167 | 3,248,799 |
| Gross profit | 260,576 | 291,182 | 273,390 | 225,764 | 253,309 |
| Profit before tax | 71,298 | 110,010 | 117,843 | 106,931 | 126,047 |
| Net profit after tax | 45,028 | 91,418 | 95,269 | 84,024 | 100,157 |
| Authorized capital | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| Issued and paid up capital | 152,400 | 152,400 | 152,400 | 152,400 | 152,400 |
| Property, plant & equipment | 1,094,204 | 270,744 | 270,134 | 277,953 | 280,531 |
| Investment & non-current assets | 1,280,439 | 956,688 | 608,940 | 375,989 | 323,791 |
| Current assets | 1,095,562 | 917,218 | 1,144,001 | 1,109,035 | 1,112,356 |
| Current liabilities | 1,135,867 | 575,602 | 542,389 | 313,070 | 311,474 |
| Net current assets | (40,305) | 341,616 | 601,612 | 795,965 | 800,882 |
| Dividend | 60,960 | 60,960 | 68,580 | 68,580 | 60,960 |
| Earnings per share (Taka) | 2.95 | 6.00 | 6.25 | 5.51 | 6.57 |
| Dividend per share (Taka) | 4.00 | 4.00 | 4.50 | 4.50 | 4.00 |
| Market value per share at year end (Taka) | 152.00 | 139.10 | 110.70 | 142.60 | 86.70 |
| Net asset value per share (Taka) | 73.56 | 74.38 | 73.48 | 71.67 | 69.38 |
| Net operating cash flow per share (Taka) | 2.50 | 3.08 | 6.05 | 4.97 | 31.12 |
| Price earnings ratio (Times) | 51.53 | 23.18 | 17.71 | 25.88 | 13.20 |
| Dividend yield ratio (%) | 2.63 | 2.88 | 4.07 | 3.16 | 4.61 |
| Current ratio | 0.96 | 1.59 | 2.11 | 3.54 | 3.57 |
| Quick ratio | 0.34 | 0.54 | 1.14 | 2.10 | 2.28 |
| Return on shareholder's fund (%) | 4.19 | 8.37 | 8.87 | 8.02 | 9.77 |
| Interest coverage ratio | 2.27 | 4.38 | 3.23 | 3.70 | 3.34 |

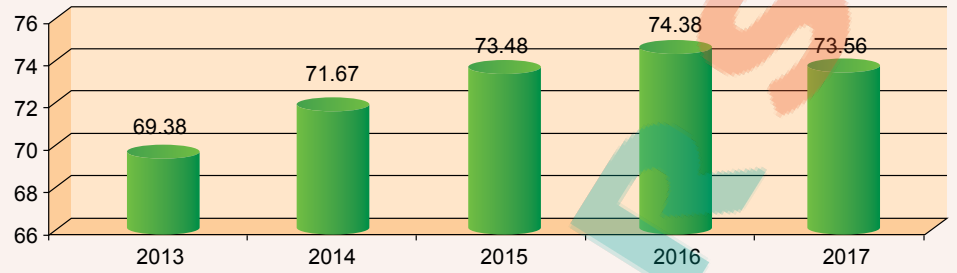


# FINANCIAL HIGHLIGHTS (GRAPHICAL PRESENTATION)

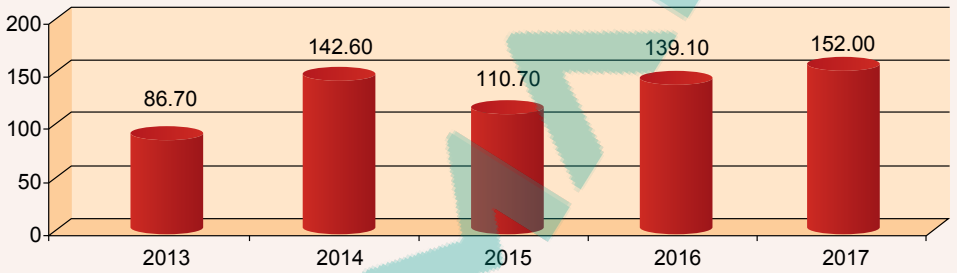



Profit before tax (Tk. in million)

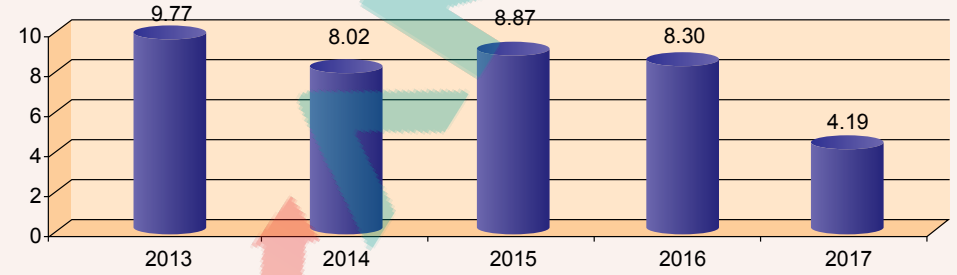
Net profit after tax (Tk. in million)



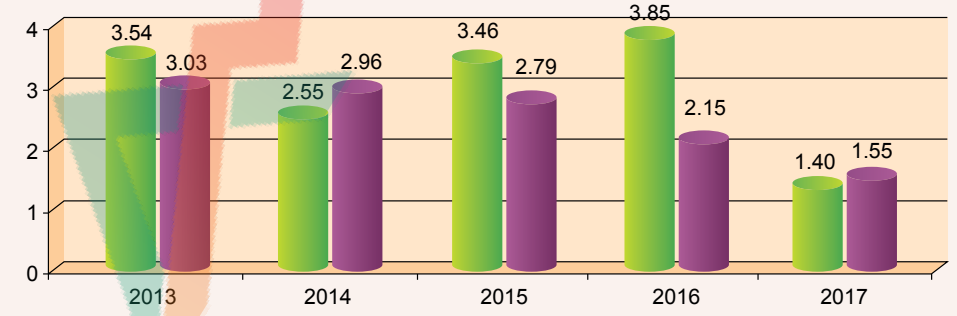

Net asset value per share (Tk.)




Market value per share (Tk.) at year end




Return on shareholder's fund (%)




**Components of EPS (Tk.)**

Net operating income

Net other income

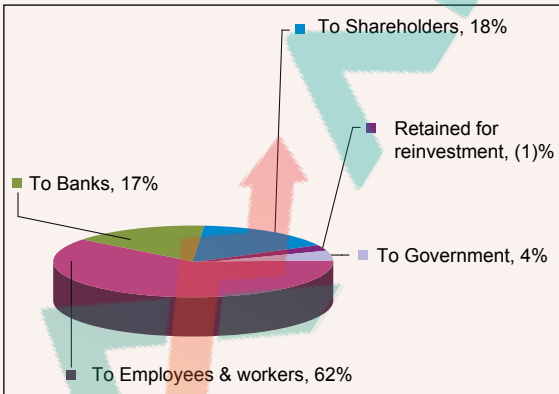


# STATEMENT OF VALUE ADDITION

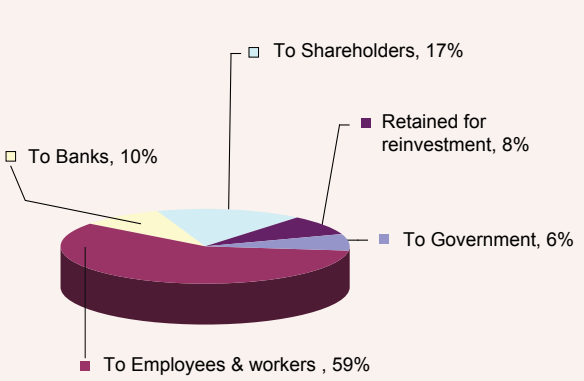
Taka in thousand

| | Year Ended June 30, 2017 | Year Ended June 30, 2016 |
|---|---|---|
| **Value added** | | |
| Sales | 1,951,813 | 2,158,363 |
| Bought in materials and services | (1,640,576) | (1,847,100) |
| | 311,237 | 311,263 |
| Other income | 31,437 | 43,574 |
| **Available for distribution** | **342,674** | **354,837** |

| | | | | |
|---|---|---|---|---|
| **Distribution of value addition** | | | | |
| To Government (Income Tax) | 13,192 | 03.85% | 20,844 | 05.87% |
| To Employees & workers (Salary, wages and other benefits) | 212,409 | 61.98% | 210,617 | 59.36% |
| To Banks (Interest and charges) | 58,966 | 17.21% | 34,209 | 09.64% |
| To Shareholders (Dividend) | 60,960 | 17.79% | 60,960 | 17.18% |
| | 345,527 | 100.83% | 326,630 | 92.05% |
| Retained for reinvestment and future growth | (2,853) | (0.83)% | 28,207 | 7.95% |
| | **342,674** | **100.00%** | **354,837** | **100.00%** |




**Distribution of value addition in 2016-2017**




**Distribution of value addition in 2015-2016**

# REPORT ON CORPORATE SOCIAL RESPONSIBILITIES (CSR)

Apex Tannery Limited believes in commitment to society by achieving sustainable growth, protect interest of stakeholders, continual quality improvement of business, enhance shareholders value and manage risks in an improved way.

ATL maintain relationship, trust and commitment to stakeholder's interest through:

- Health care assistance to workers and people living in poverty
- Provide training on occupational health and safety for its employees
- Disaster relief to poor community people and slum dwellers
- Assist in education for poor community people and workers
- Donate to needy women for their marriage
- Donate to charitable organizations like mosques, graveyards etc.

**Some of CSR activities conducted during the year:**



Noni Gopal Nath of Hazaribagh received a cheque for his sister's marriage from Mr. Syed Abdul Matin, General Manager (Finance) and Md. Golam Sarwar, Sr. Manager (Admn.) of the Company.



Executive Director Mr. M. Abdul Majed provided a cheque to Ms. Mahinur of Hazaribagh for her treatment.



General Manager (Accounts) Mr. Santosh Kumar Biswas and Md. Golam Sarwar, Sr. Manager (Admn.) handed over a cheque as financial assistance to Md. Nurul Islam (father of deceased worker Md. Shamim Mia) of Hazaribagh.



Executive Director Mr. M. Abdul Majed donated a cheque to Ms. Khaleda of Hazaribagh as financial assistance for her children's education.

# REPORT ON CORPORATE GOVERNANCE

Corporate Governance clearly defines the rights and responsibilities of the Board of Directors, Management, Shareholders and other Stakeholders. The Board supports Management, Internal and External Auditors and other related parties including the Shareholders. A good corporate reputation is the most valuable and competitive asset of a company. Apex Tannery Limited believes in the continued improvement of corporate governance. The Board of Directors and the Management Team of Apex Tannery Limited is committed to maintaining effective corporate governance through a culture of accountability and transparency.

**Board of Directors**

The Board of Directors comprises of 07 (Seven) members including two Independent Directors. All Directors have sound knowledge in the area of tannery, managerial expertise and sound academic and professional knowledge. They are well conversant with corporate governance.

**Appointment of Board Members**

The Directors of the Board are appointed by the Shareholders in the Annual General Meeting who are accountable to the Shareholders.

**Appointment of Independent Directors**

The Board of Directors appointed two Independent Directors. Shareholders approved appointment of Independent Directors in its 38th Annual General Meeting held on September 23, 2014 and 39th Annual General Meeting held on October 4, 2015. In selecting Independent Directors, the Company always look for individuals who possess experience; strong inter personal skill and independence. Independent Directors are considered by the Board to be independent of the Company and free of any business or other relationship that could interfere with the exercise of their independent judgment. The Board believes that their experience and knowledge assist in providing both effective and constructive contribution to the Board.

**The Role of the Chairman and Managing Director**

Position of the Chairman and Managing Director (CEO) are clearly identified. The Chairman is responsible for leading the Board and its effectiveness .The Managing Director serves as the Chief Executive of the Company.

**Audit Committee**

The Audit Committee was established as a sub-committee of the Board and has jurisdiction over Apex Tannery Limited. The Audit Committee is comprised of four members of the Board including two Independent Directors one of them is the Chairman of the Committee. The Audit Committee assists the Board.

**Company Secretary**

Sushanta Kumar Paul has been appointed as the Company Secretary of the Company. He provides legal matters to the Board. Among other functions, the Company Secretary:

- Bridges between the Board of Directors and Shareholders on strategic and statutory decision.
- Acts as a quality assurance agent in all information towards the Shareholders and the Board
- Is responsible for ensuring that the appropriate Board procedures are followed.
- Acts as the “Disclosure Officer” of the Company and monitors the compliance of the Acts, rules, regulations, notifications, guidelines, orders/directives etc. issued by the Bangladesh Securities and Exchange Commission, Stock Exchange (s) applicable to the conduct of the business activities of the Company.

The Company Secretary keeps the records of the Company’s compliance / noncompliance status of the conditions imposed by BSEC which has been shown in the compliance report on BSEC Notification.



### Chief Financial Officer

Anup Kumar Mukherjee has been appointed as the Chief Financial Officer of the Company. He looks after the overall financial affairs of the Company. Among other functions, the Chief Financial Officer:

- Prepares quarterly and annual financial statements.
- Financial reporting procedures in line with the requirement of Bangladesh Accounting Standards.
- Reports financial position of the Company in its Board meeting.

### Financial Reporting and Transparency

Financial Statements have been prepared in line with the International Accounting Standards, Bangladesh Accounting Standards and other legislations as applicable in Bangladesh. Timely publication of quarterly and annual financial statements with comprehensive details beyond the statutory requirement.

### Compliance with Applicable Rules and Regulations

The Company's business activities are guided and supervised by local laws and regulations:

- The Companies Act 1994.
- The Bangladesh Securities and Exchange Commission.
- Listing rules of Dhaka and Chittagong Stock Exchange Limited.
- Bangladesh Accounting Standards.

### Purchase Committee

A purchase committee is functioning with a group of executives, headed by a senior most executive to examine the purchase proposal of goods. Among others, the followings are the main responsibilities of the Committee:

- To evaluate the received proposal and find out the effectiveness of each proposal.
- To prepare a report on the basis of evaluation of the purchase proposal with recommendation and sent to concerned departments for obtaining approval from the competent authority.
- To supervise the entire activities against procurement.

### Statutory Audit

Statutory Audit of the Company is governed by the Companies Act 1994. The Company Act provides guidelines for the appointment, scope of work and retirement of auditors. Shareholders appoint auditors and fix their remuneration in the Annual General Meeting.

### Internal Audit

Internal Audit support the Company to achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of its risk management and control. Internal Audit activity is governed by the Internal Team, which is approved by the Board.

### Internal Control

The Company has an Internal Audit department consisting of five members and headed by the Head of Internal Auditor. The Internal control system is maintained and reviewed by an internal audit function that reports to Management and the Audit Committee.

Internal Control mechanism is built by the Company's systems and procedures to reduce the risk of error and fraud. It may be able to reduce the risk that financial statements contains. The Board of Directors ensures sound internal control to provide reasonable assurance regarding the achievement of the Company's objectives in the areas of:

- Effectiveness and efficiency of operations.
- Reliability of financial reporting.
- Compliance with laws and regulations.





TRADER STOCK



### Code of Conduct

Apex Tannery Limited has adopted Codes of Conduct for securing good business ethics and conduct in all aspects of the Company's activities. The Code of Conduct is properly communicated to and with all employees and other activities and is strictly required to abide by it.

### Management Committee

The day-to-day Management of the Company is entrusted with the Managing Director and the Management Committee. The Management Committee serves the interest of the Company and achieves sustainable growth. The members of the Management Committee are jointly accountable for the entire management of the Company and decide on the basic issues of business policy and corporate strategies.

### Restrictions on dealing in the Company's share by insiders

The Company has established policy relating to trading shares by Directors, Employees and other insiders. The securities laws also impose restrictions on similar sort of transaction.

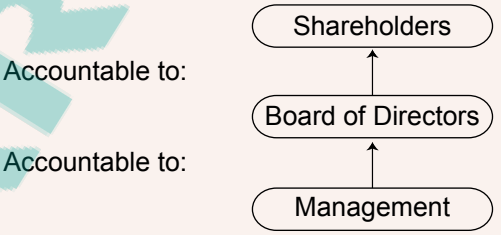
### Group Term Life Insurance Policy

The Board of Directors has approved for group term life insurance policy for employees of Apex Tannery Limited with Guardian Life Insurance Limited.

### Going Concern

The Company has adequate resources to continue operational existence for the future. For this reason, the Company continues to adopt the going concern basis in preparing the financial statements.

### Communication with Shareholders




The Company encourages communication with shareholders throughout the year and welcomes their participation at shareholders meeting. The Company is transparent with the stakeholders, including the owners of the Company. Four times each year, Apex Tannery Limited reports to its shareholders regarding its business, financial position and earnings. These include:

- Quarterly and annual financial statements
- Annual General Meeting
- Price sensitive disclosure and other disclosure to the BSEC and Stock Exchanges

In additional information, the Company is under a legal and regulatory requirement to publish via the newspaper. Apex Tannery Limited believes in transparency and accountability to the society as a whole through establishment of an efficient and effective Corporate Governance procedure.



# CORPORATE GOVERNANCE COMPLIANCE REPORT

Status of compliance with the conditions imposed by the Commissions Notification No. SEC/CMR-RCD/2006-158/134/Admin/44 dated 07th August 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969 (Report under Condition No.7.00)

| Condition No. | | Title | Compliance status | Remarks (If any) |
|---|---|---|---|---|
| 1 | **Board of Directors** | | | |
| 1.1 | **Board's Size**<br>The number of the Board members shall not be less than 5 (five) and more than 20 (twenty); | | Complied | The Apex Tannery Limited Board is comprised of 7 (Seven) Directors |
| 1.2 | **Independent Directors** | | | |
| | (i) | At least one fifth (1/5) of total number of directors shall be Independent Director; | Complied | There are two Independent Directors in the Board of Apex Tannery Limited, namely: Mr. Faruq Ahmad Siddiqi and Mr. Sayed Alamgir Farrouk Chowdhury. |
| | (ii) | For the purpose of this clause "independent director" means a director: | | |
| | (ii) a) | Does not hold any share or holds less than 1% shares of the total paid-up shares of the Company; | Complied | The Independent Directors have declared their compliances. |
| | (ii) b) | Who is not a sponsor and not connected with any sponsor/director/ shareholder who hold 1% or more shares of the total paid-up shares on the basis of family relationship; | Complied | Do |
| | (ii) c) | Does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies; | Complied | Do |
| | (ii) d) | Not a member, director or officer of any stock exchange; | Complied | Do |
| | (ii) e) | Not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market; | Complied | Do |
| | (ii) f) | Not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of any statutory audit firm; | Complied | Do |
| | (ii) g) | Not be an independent director in more than 3 (three) listed companies; | Complied | Do |



| Condition No. | | Title | Compliance status | Remarks (if any) |
|---|---|---|---|---|
| | (ii) h) | Not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Banking Financial Institution (NBFI); | Complied | The Independent Directors have declared their compliances. |
| | (ii) i) | Not been convicted for a criminal offence involving moral turpitude; | Complied | Do |
| | (iii) | Appointed by the Board of Directors and approved by the shareholders in the AGM; | Complied | In practice |
| | (iv) | The post of Independent Director can not remain vacant for more than 90 (ninety) days; | Complied | There was no vacancy in the position of Independent Director. |
| | (v) | Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded; | Complied | Every Director has signed a confirmation as to its compliance. |
| | (vi) | Tenure of office of an Independent Director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only; | Complied | |
| **1.3** | **Qualification of Independent Director** | | | |
| | (i) | Shall be a Knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business; | Complied | The qualification and background of Independent Directors justify their ability as such. |
| | (ii) | Should be a Business Leader / Corporate Leader / Bureaucrat / University Teacher with Economics or Business Studies or Law background / Professionals like Chartered Accountants, Cost and Management Accountants, Chartered Secretaries. Must have at least 12 (twelve) years of corporate management / professional experiences; | Complied | Existing Independent Directors are Bureaucrat having more than 12 (Twelve) years experience. |
| | (iii) | In special cases the above qualifications may be relaxed subject to prior approval of the Commission; | Not applicable | |
| **1.4** | **Chairman of the Board and Chief Executive Officer** | | | |
| | | Chairman and CEO shall be filled by different individuals. Chairman shall be elected from among the Directors. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the CEO. | Complied | Chairman of the Board and CEO are different individuals. The roles and responsibilities of Chairman and the CEO are approved in Board meeting. |
| **1.5** | **The Directors' Report to Shareholders** | | | |
| | (i) | Industry outlook and possible future developments in the industry; | Complied | The Directors report comply with the guidelines. |



| Condition No. | | Title | Compliance status | Remarks (If any) |
|---|---|---|---|---|
| | (ii) | Segment-wise or product-wise performance; | Complied | The Directors report comply with the guidelines. |
| | (iii) | Risks and Concerns; | Complied | Do |
| | (iv) | Discussion on cost of goods sold, Gross Profit Margin and Net profit Margin; | Complied | Do |
| | (v) | Discussion on continuity of any Extra-ordinary gain or loss; | Not applicable | Do |
| | (vi) | Disclosure for related party transactions; | Complied | Do |
| | (vii) | Utilization of proceeds from public issues, rights issues and/or through any others; | Not applicable | Do |
| | (viii) | Explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer and Direct Listing; | Not applicable | Do |
| | (ix) | Explanation about significant variance occurs between Quarterly Financial performance and Annual Financial Statements; | Not applicable | Do |
| | (x) | Remuneration to directors including independent directors; | Complied | Do |
| | (xi) | Fairness of financial statement; | Complied | Do |
| | (xii) | Maintenance of proper books of account; | Complied | Do |
| | (xiii) | Application of appropriate accounting policies and estimates; | Complied | Do |
| | (xiv) | Followed IAS, BAS, IFRS, and BFRS in preparation of the financial statements; | Complied | Do |
| | (xv) | Soundness of internal control system; | Complied | Do |
| | (xvi) | Ability to continue as a going concern; | Complied | Do |
| | (xvii) | Significant deviations from the last year; | Complied | Do |
| | (xviii) | Key operating and financial data of at least preceding 5 (five) years; | Complied | Do |
| | (xix) | Reasons for not declared dividend; | Complied | Dividend has been declared. Mentioned in the Directors' Report. |
| | (xx) | Number of Board meetings held during the year and attendance; | Complied | Disclosed in Directors Report |
| | (xxi) | Pattern of shareholdings and name wise details disclosing aggregate number of shares; | Complied | Attached in Annexure-I |
| | (xxi) a) | Parent/Subsidiary/Associated Companies and other related parties (Name wise Details); | Complied | Attached in Annexure-I |



| Condition No. | | Title | Compliance status | Remarks (if any) |
|---|---|---|---|---|
| | (xxi) b) | Directors, CEO, CS, CFO, HIA and their spouses and minor children (Name wise details); | Complied | Attached in Annexure-I |
| | (xxi) c) | Executives (name wise details); | Complied | Attached in Annexure-I |
| | (xxi) d) | Shareholders holding ten percent (10%) or more voting interest (Name wise details); | Complied | Attached in Annexure-I |
| | (xxii) | Director appointment/re-appointment; | Complied | Disclosed in the Annual Report |
| | (xxii) a) | A brief resume of the director; | Complied | Do |
| | (xxii) b) | Expertise in specific functional areas; | Complied | Do |
| | (xxii) c) | Holding the directorship and the membership of committees of the board other than this company; | Complied | Do |
| **2** | **Chief Financial Officer (CFO), Head of Internal Audit (HIA), Company Secretary (CS)** | | | |
| | 1 | The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of CFO, the Head of Internal Audit and the CS; | Complied | The Company has appointed CFO, CS, and Head of Internal Audit. There are clearly defined roles, responsibilities and duties which have been approved by the Board as per requirement of BSEC notification. |
| | 2 | The Chief Financial Officer (CFO) and the Company Secretary (CS) of the Company shall attend the meetings of the Board of Directors; | Complied | In practice. |
| **3** | **Audit Committee** | | | |
| | (i) | The company shall have an Audit Committee as a sub- committee of the Board of Directors; | Complied | Already in place. |
| | (ii) | Assistance of the Audit Committee to the Board of Directors; | Complied | In practice. |
| | (iii) | The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.; | Complied | Do |
| **3.1** | **Constitution of the Audit Committee** | | | |
| | (i) | Compositions (At least three members should be in Audit Committee); | Complied | The Audit Committee is composed of 4 (Four) members. |
| | (ii) | Appointment of Members of the Audit Committee (Members should appointed by the Board with at least one Independent Director); | Complied | The members of the Audit Committee are appointed by the Board who are Directors and which includes 2 (Two) Independent Directors. |



| Condition No. | | Title | Compliance status | Remarks (If any) |
|---|---|---|---|---|
| | (iii) | Qualification of Members of the Audit Committee (Members should be "financially literate" and at least one (01) member shall have accounting or related financial management experience); | Complied | Based on the academic qualification and professional experiences, the Board reviewed and considered that all the existing members of the Audit Committee are "Financially Literate" and they have "Related Financial Management experience" as per BSEC notification. |
| | (iv) | Casual vacancy in Audit Committee shall be filled by the Board; | Complied | The Board appointed Audit Committee member in due time. |
| | (v) | The Company Secretary shall act as the Secretary of the committee; | Complied | In practice |
| | (vi) | The quorum of the Audit Committee (AC) meeting shall not constitute without at least 1 (one) Independent Director; | Complied | Do |
| **3.2** | **Chairman of the Audit Committee** | | | |
| | (i) | The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an Independent Director; | Complied | Mr. Faruq Ahmad Siddiqi has been appointed as Independent Director who is also Chairman of Audit Committee. |
| | (ii) | Chairman of the Audit Committee shall remain present in the Annual General Meeting (AGM); | Complied | In practice |
| **3.3** | **Role of Audit Committee** | | | |
| | (i) | Oversee the financial reporting process; | Complied | In practice |
| | (ii) | Monitor choice of accounting policies and principles; | Complied | Do |
| | (iii) | Monitor Internal Control Risk management process; | Complied | Do |
| | (iv) | Oversee hiring and performance of external auditors; | Complied | Do |
| | (v) | Review the annual financial statements before submission to the board for approval; | Complied | Do |
| | (vi) | Review the quarterly financial statements before submission to the board for approval; | Complied | Do |



| Condition No. | | Title | Compliance status | Remarks (If any) |
|---|---|---|---|---|
| | (vii) | Review the adequacy of internal audit function; | Complied | In practice |
| | (viii) | Review statement of significant related party transactions; | Complied | Do |
| | (ix) | Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors; | Complied | Do |
| | (x) | Disclosure about the uses/ applications of funds raised by IPO/RPO/ Right Issue; | Not applicable | |
| 3.4.1 | **Reporting of the Audit Committee** | | | |
| | (i) | The Audit Committee shall report on its activities to the Board of Directors; | Complied | |
| | (ii) | The Audit Committee shall immediately report on the following findings to the Board: | | |
| | (ii) a) | Report on conflicts of interest to the Board of Directors; | Not applicable | There was no reportable case of conflict of interest in the year 2016- 2017. |
| | (ii) b) | Will report any suspected or presumed fraud or irregularities or material defect in the internal control system to the Board; | Not applicable | Do |
| | (ii) c) | Will report any suspected infringement of laws, including securities related laws, rules and regulations to the Board; | Not applicable | Do |
| | (ii) d) | Will report any other matters which shall be disclosed to the Board of Directors immediately; | Not applicable | Do |
| 3.4.2 | **Reporting to the Authorities (BSEC)** If any materials impact on the financial condition & results of operation, unreasonably ignored by the Board of Directors; | | Not applicable | Do |
| 3.5 | **Reporting to the Shareholders and General Investors** Report on activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.4.1 (ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company; | | Complied | The Audit Committee report is disclosed in the Annual Report and signed by the Chairman of the Audit Committee. |
| 4. | **Engagement of External/ statutory auditors** | | | |
| | (i) | Non-engagement of Appraisal or valuation services or fairness opinions; | Complied | In practice |
| | (ii) | Non-engagement in designing Financial information systems and implementation; | Complied | Do |
| | (iii) | Non-engagement in Book-keeping; | Complied | Do |
| | (iv) | Non-engagement in Broker-dealer services; | Complied | Do |



| Condition No. | | Title | Compliance status | Remarks (If any) |
|---|---|---|---|---|
| | (v) | Non-engagement in Actuarial services; | Complied | In practice |
| | (vi) | Non-engagement in Internal audit services; | Complied | Do |
| | (vii) | Non-engagement in services that the Audit Committee determines; | Complied | Do |
| | (viii) | No partner or employees of the external audit firm's shall possess any share of the company they audit at least during the tenure of their audit assignment of that company; | Complied | Do |
| | (ix) | Audit/certification Services on compliance of Corporate Governance as required under clause (i) of condition # 7 | Complied | Do |
| **5.** | **Subsidiary Company** | | | |
| | (i) | Composition of the Board of Directors; | Not applicable | Apex Tannery Limited does not have any subsidiary company. |
| | (ii) | At least 1 (one) Independent Director to the subsidiary company; | Not applicable | |
| | (iii) | Submission of minutes to the holding company ; | Not applicable | |
| | (iv) | Review of minutes by the holding company ; | Not applicable | |
| | (v) | Review of Financial Statements by holding company; | Not applicable | |
| **6.** | **Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO) to the Board** | | | |
| | (i) a) | The CEO & CFO will certify to the Board that they have reviewed the financial statements and believe that these financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; | Complied | CEO and CFO certified to the Board regarding financial statements. |
| | (i) b) | The CEO & CFO will certify to the Board that they have reviewed the financial statements and believe that these financial statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws; | Complied | Do |
| | (ii) | There are, to the best knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violation of the Company's code of conduct; | Complied | Do |
| **7.** | **Reporting and Compliance of Corporate Governance** | | | |
| | (i) | Obtain certificate about compliance of conditions of Corporate Governance Guidelines; | Complied | Certified by ARTISAN, Chartered Accountants |
| | (ii) | Directors shall state in the Directors' report about the compliance with the conditions of the Corporate Governance Notification; | Complied | Published with the Directors' Report |



# CEO AND CFO'S CERTIFICATION TO THE BOARD

Dated: 17 August, 2017

The Board of Directors
Apex Tannery Limited
Plot # XA1, XA2, XA3 and XS8
BSCIC Chamra Shilpa Nagari
Harindhara, Hemayetpur
Savar, Dhaka - 1340

Dear Sir,

(1) We have reviewed financial statements of the company for the year ended 30th June, 2017 and to the best of our knowledge and belief:

(a) These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading.

(b) These statements together present true and fair view of the Company's affairs and are in compliance with Bangladesh Accounting Standards (BAS) and other applicable laws.

(2) There are, to the best of our knowledge and belief, no transaction entered into by the company during the year which is fraudulent, illegal or violation of the company's code of conducts.

**Md. Rahmatullah**
Chief Executive Officer

**Anup Kumar Mukherjee** FCA
Chief Financial Officer

**ARTISAN**
**CHARTERED ACCOUNTANTS**

Shah-Ali Tower (Level- 6 & 7)
33, Kawran Bazar, Dhaka-1215
Tel: 028189885
Mobile # 01922797851
e-mail: slm.reza@yahoo.com

## CERTIFICATE OF COMPLIANCE TO THE SHAREHOLDERS OF

## APEX TANNERY LIMITED

## ON THE CONDITIONS OF CORPORATE GOVERNANCE GUIDELINES

We have reviewed the statement of compliance of Conditions of Corporate Governance guidelines prepared by the Management of APEX TANNERY LIMITED to comply with the Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 7th August 2012 of Bangladesh Securities and Exchange Commission (BSEC), where the Company is listed.

The responsibility for compliance with the Conditions of Corporate Governance Guideline is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Company's compliance with the provisions of the conditions of Corporate Governance guidelines and report if it does not.

Based on our review, we certify that nothing has come to our attention except as stated in status of Compliance statement which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Conditions of Corporate Governance as applicable to the Company for the year ended on June 30, 2017.

Dhaka, 30 August 2017

**Md. Selim Reza FCA FCS**
Partner
**ARTISAN**
Chartered Accountants



# PATTERN OF SHAREHOLDING

As of June 30, 2017

Annexure – I

**(a) Parent/Subsidiary/Associated companies and other related parties (name wise details): N/A**

**(b) Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details):**

| SL. No. | Name | Number of Shareholding | Name of Spouse | Shares held by the Spouse/ Children |
|---|---|---|---|---|
| **01** | **Directors** | | | |
| i | Syed Manzur Elahi | 3,85,550 | Mrs. Niloufer Manzur | - |
| ii | Md. Rahmatullah | 3,04,800 | Mrs. Halima Rahmatullah | 1,43,500 |
| iii | Syed Nasim Manzur | 3,24,100 | Mrs. Samia Huq | - |
| iv | Md. Hedayetullah | 3,04,950 | Mrs. Afia Hedayetullah | - |
| v | Md. Iftikhar-uz-Zaman, MD of ICB (Nomination withdrawn by ICB on 16 August 2017) | 54,05,617 | Mrs. Shayla Zaman | - |
| | Kazi Sanaul Hoq, MD of ICB (Co-opted on 17 August 2017) | | Anwara Begum | - |
| vi | Faruq Ahmad Siddiqi (Independent Director) | - | Begum Shamsur Nahar | - |
| vii | Sayed Alamgir Farrouk Chowdhury (Independent Director) | - | Mrs. Israt Alamgir | - |
| **02** | **Chief Executive Officer** Md. Rahmatullah | 3,04,800 | Mrs. Halima Rahmatullah | 1,43,500 |
| **03** | **Head of Internal Audit and Director** Md. Hedayetullah | 3,04,950 | Mrs. Afia Hedayetullah | - |
| **04** | **Chief Financial Officer** Anup Kumar Mukherjee | - | Mrs. Swapna Mukherjee | - |
| **05** | **Company Secretary** Sushanta Kumar Paul | - | Mrs. Munni Paul | - |

**(c) Executives (Top five salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit):**

| Name | Designation | Shares held |
|---|---|---|
| M. Abdul Majed | Executive Director | 4,200 |
| Ansarul Islam | Executive Director | - |
| Syed Abdul Matin | General Manager (Finance) | 50 |
| Md. Sayeed Hossain | General Manager (Commercial) | - |
| Md. Nazrul Islam Khan | General Manager (Production) | - |

**(d) Shareholders who are holding 10% or above shares: Nil**



# AUDIT COMMITTEE REPORT

**Background**

In accordance to the best practices of Corporate Governance, the Board of Directors of Apex Tannery Limited established an Audit Committee on April 24, 2006 in its 19th Board Meeting as per Circulation of BSEC vide order no SEC/CMRRCD/2006-158/Admin/02-06 dated 9th January, 2006 and status of compliance with the conditions imposed by the Commissions Notification No. SEC/CMRRCD/2006-158/129/Admin/43 dated 03 July, 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

The Audit Committee supports the Board in fulfilling its responsibilities more efficiently.

**Composition of the Audit Committee**

The Audit Committee is now composed of the following members:

| | | |
|---|---|---|
| Faruq Ahmad Siddiqi | Independent Director | Chairman |
| Syed Nasim Manzur | Director | Member |
| Md. Hedayetullah | Director & Head of Internal Audit | Member |
| Sayed Alamgir Farrouk Chowdhury | Independent Director | Member |
| Sushanta Kumar Paul | Company Secretary | Secretary |

The Chief Financial Officer attends the meeting by invitation only as and when necessary. The Company Secretary functions as the Secretary of the Audit Committee.

**Meeting**

During the year ended 30th June 2017, the Audit Committee held four meetings. Proceedings of the Audit Committee Meetings were reported regularly to the Board of Directors. The details of attendance of the Audit Committee Members have been shown below:

Audit committee meeting and attendance during the year ended 30th June 2017

| Name of Members | No. of meeting held | No. of meeting attended |
|---|---|---|
| Faruq Ahmad Siddiqi | 4 | 4 |
| Syed Nasim Manzur | 4 | 1 |
| Md.Hedayetullah | 4 | 3 |
| Sayed Alamgir Farrouk Chowdhury | 4 | 3 |

The Members who could not attend the meetings were granted leave of absence.

**Role of the Audit Committee**

The Audit Committee assisted the Board of Directors in fulfilling its responsibilities regarding the Company's accounting and financial reporting process by monitoring the following:



- The integrity of the Company's financial statements
- The independence , qualifications and performance quality of its external auditors
- The Company's system of internal controls
- The performance of the Company's internal audit process
- The Company's compliance with laws, regulations and codes of conduct with a view to safeguard the interest of all stakeholders of the Company

**Summary of Activities**

The Audit Committee carried out the following activities during the financial year ended June 30, 2017

**Regulatory Compliance**

The Committee examined whether the Company's procedures are in place to ensure compliance with

- The laws and regulations framed by the Regulatory Authorities (BSEC, DSE, CSE and RJSC).
- Internal regulations approved by the Board of Directors.

The Company is duly following the rules and regulations of the Regulatory bodies and also strictly follows areas with conflict of interest. The Committee was satisfied that the Company substantially complied with these regulatory requirements.

**Financial Reporting**

The Committee assisted the Board of Directors and the management to carryout their responsibilities of preparing true and fair financial statements in accordance with the books of accounts and Bangladesh Accounting Standards by:

- Reviewing adequacy and effectiveness of the internal control system and procedures in order to provide reasonable assurance that all transactions are accurately and completely recorded in the books of accounts.
- Reviewing integrity of the process by which financial statements are prepared from the books of accounts.
- Reviewing the process by which provisions of Bangladesh Accounting Standards are complied.

**The Committee also reviewed**

- The quarterly and annual financial statements of the Company prior to recommending them for the approval by the Board.
- The annual audited financial statements of the company with external auditors prior to submission to the Board for approval. The review focused particularly on changes of accounting policy and compliance with applicable accounting standards as adopted in Bangladesh and other legal & regulatory requirements.

**Internal Control**

The Committee examined whether the Management has set up the appropriate compliance culture across the Company in order to ensure that all employees have a clear understanding of their roles and responsibilities. The Committee reviewed the arrangements made by the management for building up a suitable Management Information System (MIS) including computerized systems and its applications thereof.

**Internal Audit**

The Committee reviewed and discussed the relevant reports of special investigations which were submitted by the Audit Team. They are as follows:

- The annual audit plan for adequacy of scope and comprehensive coverage of these activities of the Company.





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- The audit programs, resources requirements for the year and assessed the performance of the internal audit functions.
- The internal audit reports, audit recommendations and management responses to these recommendations and actions taken to improve the system of internal control and procedures.
- Exercise internal audit of Apex Tannery Limited. Review the effectiveness of Internal Audit functions including performance and compliance with professional standards. Examine audit findings and material weakness and monitor implementation of audit action plans.

The Committee advised the management to take effective steps for rectification of all the lapses and weaknesses identified by internal audit and to take utmost care, so that such weaknesses and lapses shall not be repeated in future. Department heads attended the meetings when their reports were discussed.

**External Audit**

The Committee met with the external auditors at the conclusion of the annual audit and exchanged views on their Audit Report. The Committee reviewed the findings and recommendations made by the external auditors in order to remove the weaknesses as detected in the external auditing process.

The Committee reviewed the performance of the External Auditors and recommended to the Board on their appointment and fees.

**Approval of Financial Statements**

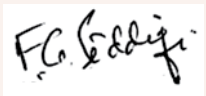
The Audit Committee reviewed and examined the Annual Financial Statements for the year ended 30th June, 2017 prepared by the Management and audited by the External Auditors M/s. Malek Siddiqui Wali, Chartered Accountants and recommended to place the same before the Board for consideration.

The Board approved the same at its 282nd Meeting held on 17th August 2017.

**Acknowledgement**

The Audit Committee expressed of sincere thanks to the Chairman and Members of the Board, Management and the Auditors for their support in carrying out its duties and responsibilities effectively.

On behalf of the Audit Committee,



**Faruq Ahmad Siddiqi**
Chairman of Audit Committee



# INDEPENDENT AUDITORS' REPORT

## To the Shareholders of Apex Tannery Limited

We have audited the accompanying Financial Statements of Apex Tannery Limited, which comprise the statement of financial position as at 30th June, 2017 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 a summary of significant accounting policies and other explanatory notes.

### Management's Responsibilities for the Financial Statements

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Accounting Standards (BAS)/Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, Bangladesh Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines, which is necessary to enable the preparation of financial statements that are free from material misstatement, where due to fraud or error.

### Auditors Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance where the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the Financial Statements prepared in accordance with Bangladesh Accounting Standards (BAS)/Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the state of the company's affairs as of 30th June, 2017 and of the results of its operations and its cash flows for the period then ended and comply with the Companies Act 1994, relevant schedule of Bangladesh Securities and Exchanges Rules 1987 and other applicable laws and regulations.

### We also report that

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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 those books;
c) The company's Statement of Financial Position, Statement of Profit or Loss and other Comprehensive Income dealt with by the report are in agreement with the books of accounts;
d) The expenditures incurred and payments made were for the purpose of the company's business.

Dated: Dhaka
August 17, 2017

**Malek Siddiqui Wali**
Chartered Accountants

# APEX TANNERY LIMITED

## Statement of Financial Position as of June 30, 2017

Taka in thousand

| | Notes | As of June 30, 2017 | As of June 30, 2016 Restated |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 1,094,204 | 270,744 |
| Capital work-in-progress | 5 | 76,040 | 577,002 |
| Advance for land of Savar factory | 6 | 57,431 | 57,431 |
| Investments | 7 | 52,764 | 49,374 |
| Deferred tax assets | 8 | - | 2,137 |
| | | **1,280,439** | **956,688** |
| **Current assets** | | | |
| Inventories | 9 | 713,771 | 607,810 |
| Trade and other receivables | 10 | 168,466 | 139,112 |
| Advances, deposits and prepayments | 11 | 140,654 | 128,581 |
| Cash & cash equivalents | 12 | 72,671 | 41,715 |
| | | **1,095,562** | **917,218** |
| **Total Assets** | | **2,376,001** | **1,873,906** |
| **Equity and Liabilities** | | | |
| **Shareholders' equity** | | | |
| Share capital | 13 | 152,400 | 152,400 |
| Share premium | | 425,333 | 425,333 |
| Dividend equalization fund | | 44,888 | 44,888 |
| Retained earnings | | 453,188 | 469,120 |
| Fair valuation surplus of investment | 14 | 45,208 | 41,818 |
| | | **1,121,017** | **1,133,559** |
| **Non-current liabilities** | | | |
| Retirement benefit obligations | 15 | 108,175 | 104,803 |
| Government grant | 16 | - | 59,942 |
| Deferred tax liabilities | 8 | 10,942 | - |
| | | **119,117** | **164,745** |
| **Current liabilities** | | | |
| Short-term loan | 17 | 606 | - |
| Working capital loan | 18 | 159,193 | 392,889 |
| Time loan | 19 | 759,253 | - |
| Trade payables | 20 | 115,836 | 43,797 |
| Other payables | 21 | 35,712 | 86,841 |
| Provision for income-tax | 22 | 65,267 | 52,075 |
| | | **1,135,867** | **575,602** |
| **Total Equity and Liabilities** | | **2,376,001** | **1,873,906** |
| Net asset value per share (NAVPS) Tk. | | 73.56 | 74.38 |

The annexed notes form an integral part of these financial statements.
For and on behalf of the Board of Directors

**Md. Rahmatullah**
Managing Director

**Faruq Ahmad Siddiqi**
Independent Director

**Sushanta Kumar Paul**
Company Secretary

Signed in terms of our annexed report of even date.

Dated: Dhaka
August 17, 2017

**Malek Siddiqui Wali**
Chartered Accountants





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# APEX TANNERY LIMITED

## Statement of Profit or Loss and other Comprehensive Income
## For the year ended June 30, 2017

Taka in thousand

| | Notes | Year Ended June 30, 2017 | Year Ended June 30, 2016 Restated |
|---|---|---|---|
| **Sales** | 24 | **1,951,813** | **2,158,363** |
| Cost of sales | 25 | (1,691,237) | (1,867,181) |
| **Gross profit** | | **260,576** | **291,182** |
| Operating expenses | 26 | (158,184) | (185,036) |
| **Operating profit** | | **102,392** | **106,146** |
| Financial expenses | 28 | (58,966) | (34,209) |
| **Non operating income** | | | |
| Other income | 29 | 31,437 | 43,574 |
| **Profit for the year** | | **74,863** | **115,511** |
| Contribution to workers' profit participation fund | | (3,565) | (5,501) |
| **Profit before income tax** | | **71,298** | **110,010** |
| Income tax expenses | 30 | (26,270) | (18,592) |
| **Net profit after tax** | | **45,028** | **91,418** |
| **Other comprehensive income** | | | |
| Fair valuation surplus of investments (unrealized) | 14 | 3,390 | (3,390) |
| **Total comprehensive income** | | **48,418** | **88,028** |
| **EPS without fair valuation surplus (Tk.)** | 31 | **2.95** | **6.00** |

The annexed notes form an integral part of these financial statements.
For and on behalf of the Board of Directors

**Md. Rahmatullah**
Managing Director

**Faruq Ahmad Siddiqi**
Independent Director

**Sushanta Kumar Paul**
Company Secretary

Signed in terms of our annexed report of even date.

Dated: Dhaka
August 17, 2017

**Malek Siddiqui Wali**
Chartered Accountants

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

AMAR STOCK

# APEX TANNERY LIMITED

## Statement of Cash Flow for the year ended June 30, 2017

Taka in thousand

| | Year Ended June 30, 2017 | Year Ended June 30, 2016 |
|---|---|---|
| **A. Cash flow from operating activities** | | |
| Collections from turnover/bills receivable and other income | 1,952,468 | 2,224,533 |
| Payments for purchase of leather, chemicals, spare-parts, payments of creditors and other expenses | (1,834,258) | (2,118,950) |
| Interest paid | (58,966) | (34,209) |
| Payments to workers' profit participation fund | (4,951) | (5,837) |
| Income tax paid | (16,196) | (18,629) |
| **Net cash generated by operating activities** | **38,097** | **46,908** |
| **B. Cash flow from investing activities** | | |
| Acquisition of property, plant and equipment | (27,882) | (18,998) |
| Capital work-in-progress | (486,052) | (283,011) |
| **Net cash used in investing activities** | **(513,934)** | **(302,009)** |
| **C. Cash flow from financing activities** | | |
| Loans received/(paid) | 526,163 | (30,599) |
| Government grant | 40,162 | 59,942 |
| Dividend received/(paid) | (59,532) | (66,459) |
| **Net cash used in financing activities** | **506,793** | **(37,116)** |
| **Increase / (decrease) in cash and cash equivalents (A+B+C)** | **30,956** | **(292,217)** |
| Opening cash and cash equivalents | 41,715 | 333,932 |
| **Closing cash and cash equivalents** | **72,671** | **41,715** |
| Net operating cash flows per share (NOCFPS) Tk. | 2.50 | 3.08 |

The annexed notes form an integral part of these financial statements.
For and on behalf of the Board of Directors

**Md. Rahmatullah**
Managing Director

**Faruq Ahmad Siddiqi**
Independent Director

**Sushanta Kumar Paul**
Company Secretary

Signed in terms of our annexed report of even date.

Dated: Dhaka
August 17, 2017

**Malek Siddiqui Wali**
Chartered Accountants



# APEX TANNERY LIMITED
## Statement of Changes in Equity

### For the year ended June 30, 2017

Taka in thousand

| Particulars | Share Capital | Share Premium | Dividend Equalization Fund | Retained Earnings | Fair Valuation Surplus | Total |
|---|---|---|---|---|---|---|
| As at June 30, 2016 | 152,400 | 425,333 | 44,888 | 469,120 | 41,818 | 1,133,559 |
| Net profit | | | | 45,028 | - | 45,028 |
| Cash dividend for 2015-2016 | | | | (60,960) | - | (60,960) |
| Fair valuation surplus | | | | | 3,390 | 3,390 |
| **As at June 30, 2017** | **152,400** | **425,333** | **44,888** | **453,188** | **45,208** | **1,121,017** |

### For the year ended June 30, 2016

Taka in thousand

| Particulars | Share Capital | Share Premium | Dividend Equalization Fund | Retained Earnings | Fair Valuation Surplus | Total |
|---|---|---|---|---|---|---|
| As at June 30, 2015 | 152,400 | 425,333 | 44,888 | 451,933 | 45,208 | 1,119,762 |
| Effect of changes in accounting policy for deferred tax on fair valuation surplus of investment (Note # 3-q and 8.2) | | | | (5,651) | | (5,651) |
| Net profit | | | | 91,418 | - | 91,418 |
| Cash dividend for 2014-2015 | | | | (68,580) | - | (68,580) |
| Fair valuation surplus | | | | | (3,390) | (3,390) |
| **As at June 30, 2016** | **152,400** | **425,333** | **44,888** | **469,120** | **41,818** | **1,133,559** |

The annexed notes form an integral part of these financial statements.
For and on behalf of the Board of Directors

**Md. Rahmatullah**
Managing Director

**Faruq Ahmad Siddiqi**
Independent Director

**Sushanta Kumar Paul**
Company Secretary

Signed in terms of our annexed report of even date.

Dated: Dhaka
August 17, 2017

**Malek Siddiqui Wali**
Chartered Accountants

# APEX TANNERY LIMITED

## Notes to the Financial Statements for the year ended June 30, 2017

### 1. Reporting entity

#### a) Company profile

Apex Tannery is the largest tannery in Bangladesh and one of the largest in South Asia. It is a 100% export oriented company. The Company is using state of the art machineries from Italy, France and Germany. 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 principal activities of Apex Tannery are to produce high quality leather, by using Italian chemicals, technology, complying with world fashion standards and specifications. During the year its annual capacity was enhanced to 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. It has two manufacturing facilities; Unit I situated at Bangladesh Small & Cottage Industries Corporation (BSCIC) Chamra Shilpa Nagari, Hemayetpur, Savar and Unit II situated at Shafipur, Gazipur, both engaged in processing and finishing cow and goat leather for 100% export. Unit II has been leased out to Apex Footwear Ltd. for 10 years from 01.10.2011.

### 2. Basis of preparation of financial statements

#### a) Statement of compliance

The financial statements have been prepared in accordance with Bangladesh Accounting Standards (BAS), Bangladesh Financial Reporting Standards (BFRS), Companies Act 1994, The Securities and Exchange Rules, 1987 and other applicable laws and regulations.

#### b) Basis of measurement

The financial statements have been prepared on historical cost basis except :

i) Note 7 : Investment in marketable securities which is measured at fair value

ii) Note 15 : Retirement benefit obligations

#### c) Date of authorization

The Board of Directors has authorized these financial statements on August 17, 2017.

#### d) Functional and presentation currency

These financial statements are presented in Bangladesh Taka which is the company's functional currency.

#### e) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an on going basis. Revisions of accounting estimates are recognized in the period in which the estimates are revised or any future periods affected.

In particular, information about significant areas of estimates and judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

I. Note 8 : Deferred tax assets
II. Note 9 : Inventory valuation
III.Note 22 : Provision for tax

#### f) Reporting period

The reporting period of the company covers one year from July 1, 2016 to June 30, 2017.



## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all period presented in these financial statements.

### a. Property, plant & equipment

I) Recognition and measurement:

Property, plant & equipment (PPE) are initially measured at cost. After initial recognition an item of PPE carried at cost less accumulated depreciation in accordance with BAS 16 "Property plant & equipment". Cost of PPE represents cost of purchase price, import duties and non refundable purchase taxes after deducting trade discounts and rebates and any cost directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

II) Subsequent cost:

The costs of the day-to-day servicing of PPE are recognized in the Statement of Profit or Loss and other Comprehensive Income. The costs of replacing of PPE are recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably.

III) Depreciation:

The Company uses reducing balance method to depreciate property, plant & equipment. No depreciation is charged on Land and Land development. Depreciation of an asset begins when it is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with BFRS 5 and the date that the assets are derecognized. The rates of depreciation and category of property, plant and equipment are as follows:

| | |
|---|---|
| Building | 10% |
| Plant & machinery | 15% |
| Furniture & fittings | 10% |
| Vehicles | 20% |

Depreciation has been charged to cost of goods sold & administrative expenses consistently.

### b. Inventories

Inventories comprise of raw materials, work-in-process and finished goods, chemicals and spare-parts. They are stated at a lower of cost and net realizable value, in accordance with BAS 2 "Inventories". The cost of inventories is measured by using the weighted average cost formula. The cost of inventories represents all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

### c. Trade and other receivables

These are carried at original invoice value considered good and collectible.

### d. Cash and cash equivalents

Cash and cash equivalents comprises cash in hand, cash at Bank and FDR which is readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value.

### e. Trade and other payables

These are recognized for amounts to be paid in the future for goods and services.

### f. Income taxes

I) Current income tax :

The corporate tax rate for publicly listed companies is 25%. However companies deriving income from export are entitled to exemption of 50% tax on such income. Since the company is 100% export-oriented, 50% of operating income will not be subject to tax under paragraph 28 of Part A of the Sixth Schedule of the IT Ordinance, 1984. The provision made has been calculated on the above basis, which is adequate.

II) Deferred income tax:

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities for financial reporting purpose and the corresponding tax bases used for taxation purpose. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

**g. Employee benefits**

The Company maintains both defined contribution plan and defined benefit plan for its eligible permanent employees.

I) Defined contribution plan (Provident fund):

The Company operates a contributory Provident fund for its eligible permanent employees. The fund is approved by the National Board of Revenue (NBR). The fund is administered by a Board of Trustee and is funded by contribution partly from the employee and partly from the Company at predetermined rates. The contribution is invested separately from the Company's assets.

II) Contribution to workers' profit participation/ welfare funds:

The Company provides 5% of its profit before tax as a contribution to workers profit participation / welfare funds in accordance with the Bangladesh Labour Act 2006 (as amendment in 2013).

III) Defined benefit plan (Gratuity):

The Company maintains an unrecognized gratuity fund for its permanent employees, under which an employee is entitled to the benefits depending on the length of services and last drawn basic salary.

**h. Statement of cash flow**

Statement of Cash flow is prepared in accordance with BAS-7 under direct method and as outlined in the Securities and Exchange Rule, 1987.

**i. Foreign currency transaction**

Transactions in foreign currencies are converted into Bangladesh Taka at the exchange rate prevailing on the date of transaction in accordance with provisions of BAS 21 "The effects of changes in foreign currency rates".

**j. Financial risk management**

I) Market risk:

Market risk refers to the risk of adverse market conditions affecting the sales and profitability of the Company. Mostly, the risk arises from falling demand for the product which would harm the performance of the Company. Apex Tannery Ltd. is an export oriented company and market of those products are various countries of EU, China, South America, India, Japan and all other major leather markets in the World. As there are very few suppliers from Bangladesh (in terms of exporting in large quantity), ATL is less exposed to Market risk.

II) Credit risk:

Credit risk represents the risk that counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. Credit risk arises mainly from trade debtors, advances and prepayments. The management of ATL carefully manages its exposure to credit risk. Credit risks are managed through the credit policies of the Company.

III) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to settle or meet its financial obligations as they fall due. The management of ATL carefully manages its exposure to liquidity risk. The management of the Company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses and its financial obligations.

**k. Revenue recognition**

I) Sale of goods: The Company recognizes revenue when risk and rewards associated with ownership has been transferred to the buyer, which satisfied all the conditions for the revenue recognition as provided in BAS 18 "Revenue Recognition".

II) Dividend income is recognized when the right to received payment is established

III) Interest income is recognized when accrued on a time proportion basis

IV) Rental Income Recognition when accrued on the tenancy agreement basis



**l. Earnings per share (EPS)**

The Company calculates Earnings per share (EPS) in accordance with BAS 33 "Earnings per share" which has been shown on the face of Statement of Profit or Loss and other Comprehensive Income.

**m. Components of the Financial Statements**

According to the Bangladesh Accounting Standard (BAS) 1 "presentation of Financial Statements", the complete set of Financial Statements includes the following components:

I. Statement of Financial Position as at June 30, 2017.
II. Statement of Profit or Loss and other Comprehensive Income for the year ended June 30, 2017.
III. Statement of Changes in Equity for the year ended June 30, 2017.
IV. Statement of Cash Flow for the year ended June 30, 2017.
V. Accounting policies and explanatory notes.

**n. Subsequent disclosure of events occurring after the reporting period**

There is no adjusting event between the end of the Reporting period and the date when Financial Statements are authorized for issue of such importance non-disclosure of which would affect the availability to the user of the financial statement to make proper evaluation and decision.

**o. Impairment**

The carrying amount of assets other than inventories and deferred tax assets are reviewed at each financial position date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. An impairment loss is recognized in the Statement of Comprehensive Income when the carrying amount of the asset exceeds its recoverable amount.

**p. Segment reporting**

The Company's operation predominantly comprises only one segment i.e. Leather; hence no segment reporting is felt necessary.

**q. Restated statement**

According to "Para 20 of BAS-12" Income tax requires to make deferred tax provision on temporary difference arising on fair value surplus of marketable securities. However, inadvertently the Company did not maintain deferred tax on fair value surplus of marketable securities. For more compliance with BAS, the Company is going to recognize the deferred tax of fair value of marketable securities in the current year, The financial statement is now being restated in accordance with "Para 42 of BAS-8" Accounting policy, changes in accounting estimates & errors.

| | Up to 30-06-2015 | 2015-16 | 2016-17 |
|---|---|---|---|
| Deferred tax expenses / (Income) on fair valuation surplus of investments | 5,651,007 | (423,770) | 423,770 |
| | 5,651,007 | (423,770) | 423,770 |

The deferred tax Expenses / (Income) of fair value up to 30th June 2015 was adjusted with comparative changes in equity. The deferred tax Expenses/ (Income) of fair value was adjusted with concerned years statement of profit or loss and other comprehensive income by restating of financial statements for the year ended 30th June 2016.



| | | As of June 30, 2017 Taka | As of June 30, 2016 Taka |
|---|---|---|---|
| **4.** | **PROPERTY, PLANT AND EQUIPMENT** | | |

Details of Property, plant and equipment and depreciation as of June 30, 2017 are shown in the annexed **"Schedule -A"**

| | | |
|---|---|---|
| Opening balance (At cost) | **897,675,475** | **878,677,445** |
| **Add:** Addition during the year | 859,731,691 | 18,998,030 |
| | **1,757,407,166** | **897,675,475** |
| **Less:** Transferred during the year | - | - |
| **Closing balance (At cost)** | **1,757,407,166** | **897,675,475** |
| **Less:** Accumulated Depreciation | 663,203,384 | 626,931,545 |
| **Written down value** | **1,094,203,782** | **270,743,930** |

Details of additions of buildings and plant & machineries are as follows:

Amount in Tk.

| Particulars | Buildings | Plant & machineries |
|---|---|---|
| Transferred from Capital Work-in-progress | 641,949,284 | 290,004,682 |
| Government grant (Note # 16) | (100,104,093) | - |
| Addition during the year | 8,811,873 | 906,280 |
| **Additions (Schedule-A-01)** | **550,657,064** | **290,910,962** |

| | | | |
|---|---|---|---|
| **5.** | **CAPITAL WORK-IN-PROGRESS** | **76,040,290** | **577,002,237** |
| | 5a) Buildings at Savar | 76,040,290 | 503,842,504 |
| | 5b) Plant and machineries for Savar factory | - | 73,159,733 |

**5a) Buildings at Savar**

| | | |
|---|---|---|
| **Opening balance** | **503,842,504** | **217,612,350** |
| Addition during the year | 214,147,070 | 286,230,154 |
| | 717,989,574 | 503,842,504 |
| Transferred to Property, Plant & Equipment (Building) | (641,949,284) | - |
| **Closing balance** | **76,040,290** | **503,842,504** |

The amount represents construction cost of dormitory building at Savar which are under progress and not put to use during the year under audit.

**5b) Plant and machineries for Savar factory**

| | | |
|---|---|---|
| **Opening balance** | **73,159,733** | **5,461,198** |
| Addition during the year | 216,844,949 | 67,698,535 |
| | 290,004,682 | 73,159,733 |
| Transferred to Property, Plant & Equipment (Plant and machineries) | (290,004,682) | - |
| **Closing balance** | **-** | **73,159,733** |

| | | | |
|---|---|---|---|
| **6.** | **ADVANCE FOR LAND OF SAVAR FACTORY** | **57,431,401** | **57,431,401** |

The amount paid to Bangladesh Small and Cottage Industries Corporation (BSCIC) against 300,000 SFT Land at BSCIC Leather Industrial Park, Savar, Dhaka, on which the Company constructed its new factory building.



| | | As of June 30, 2017 Taka | As of June 30, 2016 Taka |
|---|---|---|---|
| **7.** | **INVESTMENTS** | | |
| | Apex Footwear Limited (136,700 shares @ 344.20) | 47,052,140 | 43,661,980 |
| | Central Depository Bangladesh Limited (571,181 shares @ 10.00) | 5,711,810 | 5,711,810 |
| | | **52,763,950** | **49,373,790** |

Investment in shares of Apex Footwear Limited has been recorded at fair value as per BAS-39. The quoted price was Taka 344.20 per Taka 10 each share as at June 30, 2017 and company's cost price for 136,700 shares was Taka 13.49 per Taka 10 each share. Investment in shares of Central Depository Bangladesh Limited has been recorded at cost price as the security is not traded in stock exchanges.

| | | | |
|---|---|---|---|
| **8.** | **DEFERRED TAX LIABILITIES / (ASSETS)** | **10,941,523** | **(2,136,844)** |
| | Deferred tax assets (Note # 8.1) | (13,521,909) | (13,100,375) |
| | Deferred tax liabilities (Note # 8.2) | 24,463,432 | 10,963,531 |
| | **8.1 Deferred tax assets** | | |
| | Provision for gratuity | **(13,521,909)** | **(13,100,375)** |
| | **8.2 Deferred tax liabilities** | **24,463,432** | **10,963,531** |
| | Property, plant & equipment | 18,812,425 | 5,736,294 |
| | Fair valuation surplus of investment | 5,651,007 | 5,227,237 |

| | | Sft. | Taka | Taka |
|---|---|---|---|---|
| **9.** | **INVENTORIES** | | | |
| | **Goatskins** | | | |
| | - Raw | 287,118 | 12,920,318 | 15,337,377 |
| | - Wetblue | 647,793 | 33,685,222 | 33,475,540 |
| | - Work in Process | 102,095 | 5,615,213 | 6,829,115 |
| | - Crust/Finished | 615,629 | 39,708,072 | 42,799,517 |
| | **Cowhides** | | | |
| | - Raw | 511,679 | 45,027,762 | 40,452,014 |
| | - Wetblue | 1,299,199 | 143,990,181 | 126,992,139 |
| | - Work in Process | 201,778 | 24,415,151 | 30,264,642 |
| | - Crust/Finished | 895,643 | 124,046,561 | 97,212,485 |
| | Chemicals | | 259,004,145 | 193,726,244 |
| | Spare-parts | | 25,357,996 | 20,720,306 |
| | | | **713,770,621** | **607,809,379** |

- Inventories are valued at lower of cost price and net realizable value.
- Inventories at the end of the year are equivalent to 154 days consumption based on current year's cost of sales.
- A team, consisting of Auditors and Management staff, carried out physical verification of the inventories as of June 30, 2017.
- Inventories were hypothecated to Agrani Bank Ltd., Amin Court Corporate branch as security of working capital loan.



| | As of June 30, 2017 Taka | As of June 30, 2016 Taka |
|---|---|---|

## 10. TRADE AND OTHER RECEIVABLES

| | | |
|---|---|---|
| Export bills receivable | 162,851,656 | 133,564,509 |
| Rental income receivable | 5,500,000 | 5,000,000 |
| Interest receivable | 114,455 | 547,283 |
| | **168,466,111** | **139,111,792** |

- Most of the above bills receivable remained from the sales of June 2017 and were considered good which will be collected within 90 days.
- Rental income receivable from Apex Footwear Limited.

## 11. ADVANCE, DEPOSITS & PREPAYMENTS

| | | |
|---|---|---|
| L/C accounts (Goods-in-transit) | 11,048,571 | 25,086,750 |
| Advance income tax | 109,667,268 | 93,471,542 |
| Advance rent | 49,750 | 1,461,833 |
| Advance to staff and workers | 692,313 | 1,122,813 |
| Advance to suppliers & contractors | 246,900 | - |
| Bank guarantee margin | 8,273,745 | 776,340 |
| Security deposit | 10,674,824 | 6,661,907 |
| | **140,653,371** | **128,581,185** |

- L/C accounts (goods-in-transit) represent cost incurred on import of chemicals and spare parts which will be adjusted against respective inventory items.
- Advance income taxes are made to statutory authorities.
- Advance due from staff & workers are regularly being realized through their salaries.
- In the opinion of the Directors, all current assets have on realization in the ordinary course of business, a value at least equal to the amounts at which they are stated in the Statement of Financial Position.
- There is no aggregate amount due from Directors, Officers of the Company or by any associated companies.
- There are no claims against the company, which can be acknowledged as bad debt.
- Bank guarantee margin increased due to issuing bank guarantee to Customs authority against imported plant and machineries for Savar factory.
- Increased amount of security deposit paid to Titas Gas Transmission and Distribution Company Ltd. and Dhaka REB-3 amounting Tk. 1,246,100 and Tk. 2,766,817 respectively.



AMARSTOCK



| | | As of June 30, 2017 Taka | As of June 30, 2016 Taka |
|---|---|---|---|
| **12.** | **CASH AND CASH EQUIVALENTS** | | |
| | **Cash in hand** | | |
| | Head Office | 3,086,935 | 237,164 |
| | Factory | 485,418 | 263,355 |
| | **Cash at banks** | | |
| | Agrani Bank Ltd. | 15,931,784 | 17,576,138 |
| | Rupali Bank Ltd. | 15,046 | 16,196 |
| | Mercantile Bank Ltd. | - | 4,947,444 |
| | Mutual Trust Bank Ltd. | 4,729,845 | 7,406,395 |
| | Jamuna Bank Ltd. | 8,176,500 | - |
| | Uttara Bank Ltd. | 388,504 | - |
| | State Bank of India | 1,327,216 | 4,150,251 |
| | **FDR** | 38,530,009 | 7,118,319 |
| | | **72,671,257** | **41,715,262** |

Cash balances were physically verified and bank balances were reconciled.

| | | | |
|---|---|---|---|
| **13.** | **SHARE CAPITAL** | | |
| | **Authorized Capital** | **500,000,000** | **500,000,000** |
| | (50,000,000 ordinary shares of Tk.10/- each) | | |
| | **Issued, subscribed & fully paid-up capital** | **152,400,000** | **152,400,000** |
| | (15,240,000 ordinary shares of Tk.10/- each) | | |

Distribution schedule showing the number of shareholders and their share holdings in percentage has been disclosed below:

| Number of share holders | Range of holdings | Total holdings | % |
|---|---|---|---|
| 6,671 | Less than & equal 5,000 shares | 2,063,130 | 13.54 |
| 123 | 5,001 shares to 50,000 shares | 1,708,603 | 11.21 |
| 16 | 50,001 shares to 100,000 shares | 1,169,913 | 7.68 |
| 9 | 100,001 shares to 200,000 shares | 1,241,495 | 8.14 |
| 5 | 200,001 shares to 300,000 shares | 1,288,195 | 8.45 |
| 4 | 300,001 shares to 400,000 shares | 1,319,400 | 8.66 |
| 0 | 400,001 shares to 500,000 shares | 0 | 0 |
| 3 | 500,001 shares to 1000,000 shares | 2,360,709 | 15.49 |
| 2 | over 1000,000 share | 4,088,555 | 26.83 |
| **6,833** | | **15,240,000** | **100.00** |

| | | | |
|---|---|---|---|
| **14.** | **FAIR VALUATION SURPLUS OF INVESTMENTS** | | |
| | Investment in Apex Footwear Limited: | | |
| | **Fair valuation surplus as of 30-06-2016** | | **41,817,897** |
| | Fair value of 136,700 shares @ 344.20 as of 30-6-2017 | 47,052,140 | |
| | Fair value of 136,700 shares @ 319.40 as of 30-6-2016 | (43,661,980) | 3,390,160 |
| | **Fair valuation surplus as of 30-06-2017** | | **45,208,057** |



| | | As of June 30, 2017 Taka | As of June 30, 2016 Taka |
|---|---|---|---|
| **15.** | **RETIREMENT BENEFIT OBLIGATIONS** | | |
| | **Opening balance** | **104,803,103** | **90,790,015** |
| | Provision for the year | 12,079,210 | 16,223,321 |
| | Payments during the year | (8,707,043) | (2,210,233) |
| | **Closing balance** | **108,175,270** | **104,803,103** |
| **16.** | **GOVERNMENT GRANT** | | |
| | **Opening balance** | **59,941,946** | **59,941,946** |
| | Add: During this year | 40,162,147 | - |
| | | 100,104,093 | 59,941,946 |
| | Less: Transferred to Building account | 100,104,093 | - |
| | **Closing balance** | **-** | **59,941,946** |

The amounting Tk.100,104,093 received from Bangladesh Small and Cottage Industries Corporation (BSCIC), Govt. of Bangladesh for the purpose of shifting compensation. According to BAS 20 (Bangladesh Accounting Standard 20), as the conditions (1) Completion of construction work of factory building and (2) Starting of commercial production at Savar factory were met, the amount of grant was deducted in arriving at the carrying value of the Asset (Factory building), as such the grant is recognized in income over the life of the factory fuilding by way of a reduced depreciation charge.

| | | | |
|---|---|---|---|
| **17.** | **SHORT TERM LOAN** | **606,074** | **50** |

The amount represents Interest for the Q4 (April to June 2017), which was subsequently paid. Short term loan taken from Agrani Bank Ltd., Amin Court Corporate 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.

| | | | |
|---|---|---|---|
| **18.** | **WORKING CAPITAL LOAN** | | |
| | Agrani Bank Ltd. | **159,192,488** | **392,888,714** |

The company has taken cash-credit (hypothecation) facilities from Agrani Bank Ltd., Amin Court Corp. Branch, Motijheel C/A, Dhaka-1000 against existing fixed assets and inventories as securities.

| | | | |
|---|---|---|---|
| **19.** | **TIME LOAN** | | |
| | Jamuna Bank Ltd. | 405,628,159 | - |
| | Uttara Bank Ltd. | 353,625,010 | - |
| | | **759,253,169** | **-** |

In order to meet further cost of Capital work-in-progress at Savar factory, the Company has taken Time Loan from Jamuna Bank Ltd. Motijheel Branch, Dhaka and Uttara Bank Ltd. Corporate Branch, Dhaka, against existing inventories as securities.

| | | | |
|---|---|---|---|
| **20.** | **TRADE PAYABLES** | | |
| | Hides & Skins | **115,835,696** | **43,796,927** |

This represents the amount payable for raw cow hides & goat skins.



| | | As of June 30, 2017 Taka | As of June 30, 2016 Taka |
|---|---|---|---|
| 21. | **OTHER PAYABLES** | | |
| | Contribution to WPP & WF | 5,238,637 | 6,624,210 |
| | Liabilities for freights, spare parts & other expenses | 14,408,656 | 9,111,149 |
| | Liabilities to Suppliers of Building Materials | 15,858,142 | 70,917,900 |
| | Audit fees | 206,250 | 187,500 |
| | | **35,711,685** | **86,840,759** |

- Payment against outstanding expenses were made subsequently in due time. For other credits, payments are generally made by due date.
- There are no liabilities for expenses due more than 12 months.
- In the opinion of the Directors, no liabilities in the Statement of Financial Position are at a value less than the amount at which it is repayable at the date of the Statement of Financial Position.

| | | | |
|---|---|---|---|
| 22. | **PROVISION FOR INCOME TAX** | | |
| | **Opening balance** | **52,075,274** | **57,345,956** |
| | Add: During the year | 13,192,105 | 20,843,735 |
| | | 65,267,379 | 78,189,691 |
| | Adjustment of income tax for assessment year 2013-2014 | - | (26,114,417) |
| | **Closing balance** | **65,267,379** | **52,075,274** |

| | | Year Ended June 30, 2017 Taka | Year Ended June 30, 2016 Taka |
|---|---|---|---|
| 23. | **PROPOSED DIVIDEND** | **60,960,000** | **60,960,000** |

The Board of Directors proposed dividend @40% for the year at the Board Meeting held on August 17, 2017.

The proposed dividend is not recognized as a liability at the Statement of Financial Position date in accordance with Bangladesh Accounting Standard (BAS) 10 " Events after the Reporting Date".

Bangladesh Accounting Standard (BAS) 1 "Presentation of Financial Statements" also require that the dividend proposed after the Statement of Financial Position date but before the financial statements are authorized for issue, be disclosed either on the face of the Statement of Financial Position as a separate component of equity or in the notes to the financial statements.

The provision of Companies Act, 1994, requires that dividend stated to be in respect of period covered by the financial statements and that are proposed or declared after the Statement of Financial Position date but before approval of the financial statements should be either adjusted or disclosed.

Considering the requirements of BAS-1, BAS-10 and Companies Act 1994, proposed dividend has been disclosed in the financial statements.





AMARSTOCK



| | | | Year Ended June 30, 2017 | Year Ended June 30, 2016 |
|---|---|---|---|---|
| **24.** | **SALES** | | | |
| | | **Sft.** | **Taka** | **Taka** |
| | Finished Cow Leather | 11,527,986 | 1,776,651,232 | 1,930,145,353 |
| | Finished Goat Leather | 1,968,074 | 175,161,407 | 228,217,522 |
| | | **13,496,060** | **1,951,812,639** | **2,158,362,875** |
| **25.** | **COST OF SALES** | | | |
| | Opening stock | 1,314,870 | 140,012,002 | 144,138,138 |
| | Add: Cost of production | 13,692,462 | 1,714,979,531 | 1,863,054,609 |
| | Less: Closing stock | 1,511,272 | 163,754,633 | 140,012,002 |
| | Cost of sales | **13,496,060** | **1,691,236,900** | **1,867,180,745** |
| | **Cost of production** | | | |
| | Goatskins consumed | 32 | 80,310,114 | 91,374,876 |
| | Cowhides consumed | 33 | 848,372,526 | 1,025,699,365 |
| | Chemicals consumed | 34 | 495,683,363 | 471,614,334 |
| | Spare parts consumed | 35 | 17,013,070 | 17,607,968 |
| | Packing materials | | 3,003,403 | 3,372,680 |
| | Direct labour | | 94,417,426 | 96,735,547 |
| | Factory overhead | 36 | 176,179,629 | 156,649,839 |
| | | | **1,714,979,531** | **1,863,054,609** |
| **26.** | **OPERATING EXPENSES** | | **158,183,589** | **185,035,525** |
| 26a. | Administrative expenses | | 59,246,150 | 57,768,815 |
| 26b. | Marketing, selling and distribution expenses | | 98,937,439 | 127,266,710 |



| | | Year Ended June 30, 2017 Taka | Year Ended June 30, 2016 Taka |
|---|---|---|---|
| **26a.** | **ADMINISTRATIVE EXPENSES** | | |
| | Salary & allowances | 25,066,074 | 26,352,916 |
| | Gratuity | 2,487,565 | 2,028,389 |
| | Staff welfare | 3,016,858 | 2,838,164 |
| | Telephone & fax | 165,157 | 171,945 |
| | Repairs & maintenance | 212,710 | 262,630 |
| | Printing & stationery | 117,341 | 161,396 |
| | Postage | 8,854 | 11,194 |
| | Vehicle maintenance | 1,640,826 | 1,790,253 |
| | Fuel & lubricant | 1,897,521 | 1,901,412 |
| | Electricity & water | 1,440,654 | 1,359,561 |
| | Social responsibilities (CSR) | 1,172,440 | 1,280,828 |
| | Renewal & registration | 1,457,695 | 844,646 |
| | Advertisement | 670,456 | 659,095 |
| | Entertainment | 185,557 | 166,681 |
| | AGM expenses | 1,098,995 | 1,006,366 |
| | Forms & fees | 284,388 | 297,166 |
| | Membership subscription | 349,352 | 385,395 |
| | Board meeting fees | 417,550 | 440,400 |
| | Directors' remuneration | 10,260,000 | 10,260,000 |
| | Legal & audit fees (Note # 27) | 566,217 | 547,500 |
| | Depreciation (Schedule-A-01) | 6,729,940 | 5,002,878 |
| | | **59,246,150** | **57,768,815** |

- Gratuity and staff welfare increased because of annual increment
- Electricity & water increased due to rate increase
- Renewal & registration increased due to renewal of certificates for new address of factory and registered office
- Advertisement expenses increased due to advertisement published for change in address of registered office
- Entertainment increased because of increasing cost of food
- AGM expenses increased due to increase of cost of printing annual report

| | | | |
|---|---|---|---|
| **26b.** | **MARKETING, SELLING AND DISTRIBUTION EXPENSES** | | |
| | Sales commission | 57,898,062 | 75,344,036 |
| | Sales promotion | 11,493,343 | 13,421,613 |
| | Freight & forwarding expenses | 29,546,034 | 38,501,061 |
| | | **98,937,439** | **127,266,710** |

- Details of sales commission paid to agents are given on the next page.
- Freight & forwarding expenses included in marketing, selling and distribution expenses instead of cost of sales and the expenses of previous year amounting Tk.38,501,061 has been rearranged.



## Sales commission

We certify that the local & foreign agents, whose details are given below, have no connection whatsoever with any Director.

| Local/Foreign Agent | Address | Taka |
|---|---|---|
| ABC Leather | House # 50/1, Road # 11/A, Dhanmondi, Dhaka-1209 | 5,950,206 |
| Abedin Corporation | House # 50/1, Road # 11/A, Dhanmondi, Dhaka-1209 | 5,479,430 |
| Ambico Trade (Pvt.) Ltd. | 34/B/1 Kalunagar, Hazaribagh, Dhaka-1209 | 1,862,689 |
| Cheng Hui Shan | No. 24 Alley-2, Lane-104, Wenhua S. Rd. Nantow, Taiwan | 508,313 |
| Kema Trading | 77 Hazaribagh T/A, Dhaka | 373,622 |
| Eastern European Consultants | Tomasz Zielinski, 30-133 Krakow UL, Poland | 4,303,287 |
| Euro Asia | Baitul Khair Room # 20, Purana Paltan, Dhaka | 126,320 |
| Shampan Trading Corporation | 49 Hazaribagh, T/A, Dhaka-1209 | 7,018,250 |
| Fair International | 86 Shere-e-Bangla Road, Dhaka-1209 | 42,035 |
| Famaz International | Via Grande, 22-24 Santa Croce, Italy | 775,405 |
| Focus Leather Enterprise | Barbara Kielar, 30-234 Krakow, Poland | 4,119,452 |
| PRP International | 594/C Khilgaon Police Line, Dhaka-1219 | 2,793,955 |
| Ridge International | 87/1 Moneshwar Road, Dhaka-1209 | 1,949,230 |
| Megumi International | 66/14 West Razabazar, Dhaka | 918,000 |
| Universal Leather Corporation | 27 Dilkusha C/A, Dhaka-1000 | 2,143,855 |
| Inleather | Via Di Pelle, 2956029 B. Croce Sull Arno (PI), Italy | 1,617,759 |
| Integra Leather | 93/4-A Moneswar Road, Zigatola, Dhaka | 84,787 |
| Interkid | AG Castano Primo, Italy | 1,216,659 |
| Yip Yan Fai | House # 8, Narcissua path, Palm Springs, Hongkong | 1,182,524 |
| J.M. Corporation | 20 Hazaribagh, Dhaka | 3,617,510 |
| Kashem Enterprise | 68/7/A, Jigatala, Dhaka-1209 | 499,554 |
| Keywin Trading Corporation | Concord Tower, 123 Kazi Nazrul Islam Avenue, Dhaka | 10,597,122 |
| Hajee Mazharul Haque Ltd. | 79/1 Water Works Road, Posta, Dhaka | 559,640 |
| Bangla Leather Corporation | 124 Hazaribagh T/A, Room # 43-44, Dhaka-1209 | 158,458 |
| **Total** | | **57,898,062** |

| | | Year Ended June 30, 2017 Taka | Year Ended June 30, 2016 Taka |
|---|---|---|---|
| **27.** | **LEGAL & AUDIT FEES** | | |
| | Legal fees (Professional fees) | 360,000 | 360,000 |
| | Audit fees | 206,217 | 187,500 |
| | | **566,217** | **547,500** |
| **28.** | **FINANCIAL EXPENSES** | | |
| | Bank interest | 57,374,930 | 33,212,471 |
| | Bank charges | 1,590,616 | 996,306 |
| | | **58,965,546** | **34,208,777** |

Bank interest and charges increased due to the Company availed more amount of loan during the year under audit as compared to the previous year.



| | | | | Year Ended June 30, 2017 Taka | Year Ended June 30, 2016 Taka |
|---|---|---|---|---|---|
| **29.** | **OTHER INCOME** | | | | |
| | Dividend income-Cash | | | 1,427,952 | 2,121,421 |
| | Interest on FDR | | | 1,129,121 | 15,464,898 |
| | Rental income | | 32,250,000 | | |
| | Less: Depreciation (Schedule -A-02) | 2,665,390 | | | |
| | Rent, rates & taxes | 189,345 | | | |
| | Insurance premium | 515,241 | (3,369,976) | 28,880,024 | 25,987,751 |
| | | | | **31,437,097** | **43,574,070** |

Cash dividend amounting Tk.1,427,952 received from Central Depository Bangladesh Limited. Rental income of Unit II was received / receivable from Apex Footwear Limited as monthly rent @ Tk.2,500,000 for three Months from July 2016 to September 2016 and @ Tk.2,750,000 for nine Months from October 2016 to June 2017.

| | | | |
|---|---|---|---|
| **30.** | **INCOME TAX EXPENSES** | **26,270,472** | **18,593,242** |
| 30a. | Current tax expenses | 13,192,105 | 20,843,740 |
| 30b. | Deferred tax expenses/(income) | 13,078,367 | (2,250,498) |

**30a. CURRENT TAX EXPENSES**

| | Rate of Tax | Taxable Profit | Tax | Tax |
|---|---|---|---|---|
| **On export profit after adjustment of gratuity** | 25% on 50% of income | 43,233,834 | 5,404,228 | 10,056,293 |
| **On other income** | | | | |
| Dividend on investment (Cash) | 20% | 1,427,952 | 285,590 | 424,284 |
| Rental income | 25% | 28,880,024 | 7,220,007 | 6,496,938 |
| Interest on FDR | 25% | 1,129,121 | 282,280 | 3,866,225 |
| | | **74,670,931** | **13,192,105** | **20,843,740** |

**30b. DEFERRED TAX EXPENSES / (INCOME)**

| | | |
|---|---|---|
| Deferred tax (assets)/liabilities closing | 10,941,523 | (2,136,844) |
| Deferred tax (assets)/liabilities opening | (2,136,844) | 113,654 |
| | **13,078,367** | **(2,250,498)** |

**31 EARNINGS PER SHARE (EPS)**

COMPONENTS OF EARNINGS PER SHARE ARE AS FOLLOWS:
(Earnings per share without fair valuation surplus of investment)

| | | |
|---|---|---|
| Net operating income | 1.40 | 3.85 |
| Net other income | 1.55 | 2.15 |
| **Earnings per share (Tk.)** | **2.95** | **6.00** |



| | | Year Ended June 30, 2017 | Year Ended June 30, 2016 |
|---|---|---|---|
| **32.** | **GOATSKINS CONSUMED (RAW & WETBLUE)** | | |
| | **Sft.** | **Taka** | **Taka** |
| Opening stock (raw) | 290,733 | 15,337,377 | 18,863,289 |
| Add: Purchase this year | 2,208,204 | 76,888,835 | 74,409,700 |
| Less: Closing stock | 287,118 | 12,920,318 | 15,337,377 |
| | 2,211,819 | 79,305,894 | 77,935,612 |
| Add: Opening stock (wetblue) | 581,290 | 33,475,540 | 41,661,975 |
| Less: Closing stock | 647,793 | 33,685,222 | 33,475,540 |
| | 2,145,316 | 79,096,212 | 86,122,047 |
| Add: Opening WIP | 109,953 | 6,829,115 | 12,081,944 |
| Less: Closing WIP | 102,095 | 5,615,213 | 6,829,115 |
| | **2,153,174** | **80,310,114** | **91,374,876** |

| | | | |
|---|---|---|---|
| **33.** | **COWHIDES CONSUMED (RAW & WETBLUE)** | | |
| Opening stock (raw) | 439,696 | 40,452,014 | 42,416,121 |
| Add: Purchase this year | 11,757,665 | 864,096,825 | 1,069,000,646 |
| Less: Closing stock | 511,679 | 45,027,762 | 40,452,014 |
| | 11,685,682 | 859,521,077 | 1,070,964,753 |
| Add: Opening stock (wetblue) | 1,109,449 | 126,992,139 | 93,144,288 |
| Less: Closing stock | 1,299,199 | 143,990,181 | 126,992,139 |
| | 11,495,932 | 842,523,035 | 1,037,116,902 |
| Add: Opening WIP | 245,133 | 30,264,642 | 18,847,105 |
| Less: Closing WIP | 201,778 | 24,415,151 | 30,264,642 |
| | **11,539,287** | **848,372,526** | **1,025,699,365** |

| | | | |
|---|---|---|---|
| **34.** | **CHEMICAL CONSUMED** | | |
| Opening stock | | 193,726,244 | 133,621,683 |
| Add: Purchase this year | | 560,961,264 | 531,718,895 |
| Less: Closing stock | | 259,004,145 | 193,726,244 |
| | | **495,683,363** | **471,614,334** |

Chemicals purchase during the year:

| | MT | USD | Euro | Taka | Taka |
|---|---|---|---|---|---|
| Imported | 3,843 | 3,768,358 | 2,075,289 | 521,957,374 | 499,739,540 |
| Local | 287 | 00 | 00 | 39,003,890 | 31,979,355 |
| | **4,130** | **3,768,358** | **2,075,289** | **560,961,264** | **531,718,895** |



## 35. SPARE PARTS CONSUMED

| | Year Ended June 30, 2017 Taka | Year Ended June 30, 2016 Taka |
|---|---|---|
| Opening stock | 20,720,306 | 21,010,760 |
| Add: Purchase this year | 21,650,760 | 17,317,514 |
| Less: Closing stock | 25,357,996 | 20,720,306 |
| | **17,013,070** | **17,607,968** |

## 36. FACTORY OVERHEAD

| | | |
|---|---|---|
| Salary & allowances | 71,514,681 | 66,611,784 |
| Gratuity | 6,864,338 | 7,119,927 |
| Staff welfare | 4,569,267 | 2,317,889 |
| Entertainment | 1,390,983 | 1,205,861 |
| Postage | 121,433 | 166,714 |
| Printing & stationery | 415,077 | 340,164 |
| Repair & maintenance | 9,076,662 | 11,941,101 |
| Insurance premium | 8,823,307 | 8,761,784 |
| Telephone & fax | 218,771 | 212,013 |
| Vehicle maintenance | 2,923,346 | 2,605,093 |
| Carriage inward | 7,223,098 | 8,826,279 |
| Power, gas & water | 32,119,675 | 31,690,863 |
| Consumable store | 645,476 | 469,425 |
| Rent, rates & taxes | 2,964,241 | 3,724,676 |
| Conveyance | 432,765 | 287,356 |
| Depreciation (Schedule -A-01) | 26,876,509 | 10,368,910 |
| | **176,179,629** | **156,649,839** |

- Salary & allowances increased because of annual increment
- Staff welfare increased due to increase of medical expenses
- Entertainment increased due to increase of Foreigners entertainment
- Printing & stationery expenses increased due to rate increase
- Insurance premium increased due to holding more inventory as well as credit facilities
- Telephone expenses increased due to more communication with customers
- Vehicle maintenance increased due to old age of vehicles
- Power, gas & water increased because of rate increase
- Consumable store expenses increased because of shifting factory to Savar
- Conveyance increased due to frequent travel for shifting factory to Savar

## 37. AGGREGATE AMOUNT PAID TO THE DIRECTORS AND KEY MANAGEMENT PERSONNEL

| | Year Ended June 30, 2017 Taka | Year Ended June 30, 2016 Taka |
|---|---|---|
| **Directors** | | |
| Meeting Fees | 417,550 | 440,400 |
| Remuneration | 10,260,000 | 10,260,000 |
| **Key management personnel** | | |
| Salary & allowances | 21,856,547 | 21,591,450 |



## 38. DISCLOSURE AS PER SCHEDULE XI PART II OF THE COMPANIES ACT 1994.

### 38.1 EMPLOYEE POSITION

The Company engaged 788 employees of which 445 is permanent employees and 343 is casual and temporary workers as required. All employees received total salary of above Tk. 36,000.00 per annum.

### 38.2 PRODUCTION CAPACITY UTILIZATION

| Particulars | Sft. per year | % |
|---|---|---|
| Capacity per year (Calculated on weighted average method) | 27,052,055 | |
| Actual Production | 13,692,462 | 50.62 |

During the year under audit, production capacity enhanced to 32 Mn. Sft. finished Goat and Cow leather from 26 Mn. Sft. per year. The Company shifted its factory from Hazaribagh to Savar and started commercial production at new factory from April 27, 2017. Therefore, above mentioned production capacity utilization per year calculated on weighted average method.

## 39. RELATED PARTY DISCLOSURES

The Company carried out a number of transactions with related parties in the normal course of business, The nature of transactions and their values are shown below:

| Name of the Related Parties | Nature of transactions | Value in TK. | Balance in Tk. |
|---|---|---|---|
| Apex Footwear Ltd. | Lease rental | 32,250,000 | 5,500,000 |
| Pioneer Insurance Company Ltd. | Fixed assets & LC related | 8,823,307 | - |
| Mutual Trust Bank Ltd. | Current deposit | 185,884,550 | 4,729,845 |
| Guardian Life Insurance Ltd. | Group insurance | 622,100 | - |

## 40. FOREIGN CURRENCY TRANSACTION

During the year foreign currency transaction was as follows:

| | 2016-2017 | | 2015-2016 | |
|---|---|---|---|---|
| | Euro | USD | Euro | USD |
| Materials and Others | 2,075,289 | 3,768,358 | 2,422,400 | 3,875,412 |
| Export Earnings | - | 24,965,306.90 | - | 27,919,813.63 |

## 41. GENERAL

41.1 All financial information presented in Taka have been rounded off to the nearest Taka, Taka in thousand.

41.2 Figures of the year 2015-2016 have been rearranged whenever considered necessary to ensure comparability with the current period.

## 42. CONTINGENT LIABILITIES

There was no sum for which the company was contingently liable as on June 30, 2017.

**Md. Rahmatullah**
Managing Director

**Faruq Ahmad Siddiqi**
Independent Director

**Sushanta Kumar Paul**
Company Secretary

**Malek Siddiqui Wali**
Chartered Accountants

Dhaka, August 17, 2017

# SCHEDULE OF FIXED ASSETS AS OF 30 JUNE 2017

## Property, Plant and Equipment: Tk. 1,094,203,782

**Schedule -A**
Amount in Taka

| Particulars | COST | | | | Rate (%) | DEPRECIATION | | | | Written Down Value as on 30.06.2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance as on 01.07.2016 | Addition during the year | Adjustment / disposal during the year | Balance as on 30.06.2017 | | Balance as on 01.07.2016 | Charged during the year | Adjustment / disposal during the year | Balance as on 30.06.2017 | |
| Land | 156,086,936 | 5,242,315 | - | 161,329,251 | - | - | - | - | - | 161,329,251 |
| Building | 162,227,469 | 550,657,064 | - | 712,884,533 | 10 | 140,772,015 | 11,805,648 | - | 152,577,663 | 560,306,870 |
| Plant & Machinery | 442,785,098 | 290,910,962 | - | 733,696,060 | 15 | 386,920,737 | 16,154,372 | - | 403,075,109 | 330,620,951 |
| Furniture & fittings | 27,050,990 | 354,823 | - | 27,405,813 | 10 | 22,551,635 | 469,068 | - | 23,020,703 | 4,385,110 |
| Vehicles | 109,524,982 | 12,566,527 | - | 122,091,509 | 20 | 76,687,158 | 7,842,751 | - | 84,529,909 | 37,561,600 |
| **Total 2016-2017** | **897,675,475** | **859,731,691** | **-** | **1,757,407,166** | **-** | **626,931,545** | **36,271,839** | **-** | **663,203,384** | **1,094,203,782** |
| **Total 2015-2016** | **878,677,445** | **18,998,030** | **-** | **897,675,475** | **-** | **608,543,436** | **18,388,108** | **-** | **626,931,545** | **270,743,930** |

## Property, plant & equipment-Unit I

**Schedule –A-01**
Amount in Taka

| Particulars | COST | | | | Rate (%) | DEPRECIATION | | | | Written Down Value as on 30.06.2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance as on 01.07.2016 | Addition during the year | Adjustment / disposal during the year | Balance as on 30.06.2017 | | Balance as on 01.07.2016 | Charged during the year | Adjustment / disposal during the year | Balance as on 30.06.2017 | |
| Land | 143,317,690 | 5,242,315 | - | 148,560,005 | - | - | - | - | - | 148,560,005 |
| Building | 41,031,128 | 550,657,064 | - | 591,688,192 | 10 | 37,723,935 | 9,990,822 | - | 47,714,757 | 543,973,435 |
| Plant & Machinery | 328,844,686 | 290,910,962 | - | 619,755,648 | 15 | 278,561,321 | 15,317,223 | - | 293,878,544 | 325,877,104 |
| Furniture & fittings | 26,167,949 | 354,823 | - | 26,522,772 | 10 | 21,798,418 | 456,086 | - | 22,254,504 | 4,268,268 |
| Vehicles | 109,038,482 | 12,566,527 | - | 121,605,009 | 20 | 76,202,820 | 7,842,318 | - | 84,045,138 | 37,559,871 |
| **Total 2016-2017** | **648,399,935** | **859,731,691** | **-** | **1,508,131,626** | **-** | **414,286,494** | **33,606,449** | **-** | **447,892,943** | **1,060,238,683** |
| **Total 2015-2016** | **629,401,905** | **18,998,030** | **-** | **648,399,935** | **-** | **398,914,705** | **15,371,788** | **-** | **414,286,494** | **234,113,441** |

**Charged to:**

| | |
|---|---|
| Cost of Production (Factory overhead) | 26,876,509 |
| Profit & Loss Account (Administrative expenses) | 6,729,940 |
| | **33,606,449** |

- Addition of land represents purchase of 9.27 decimals land at Kandi Boilarpur, Savar, Dhaka.
- Addition of plant & machinery represents purchase of 32 nos. Soaking and Liming Drums, 3 nos. Lab Drums, 1 nos. Fleshing Machine, Busber Trunking & Panel Board and other imported machineries parts
- Vehicle purchased for management
- Addition of furniture & fittings represent purchase of computer, printer and ancillaries.
- There are no intangible assets.
- Depreciation has been charged on reducing balance method.

**Schedule -A-02**

## Property, plant & equipment- Unit II

Amount in Taka

| Particulars | COST | | | | | DEPRECIATION | | | | Written Down Value as on 30.06.2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance as on 01.07.2016 | Addition during the year | Adjustment / disposal during the year | Balance as on 30.06.2017 | Rate (%) | Balance as on 01.07.2016 | Charged during the year | Adjustment / disposal during the year | Balance as on 30.06.2017 | |
| Land | 12,769,246 | - | - | 12,769,246 | - | - | - | - | - | 12,769,246 |
| Building | 121,196,341 | - | - | 121,196,341 | 10 | 103,048,080 | 1,814,826 | - | 104,862,906 | 16,333,435 |
| Plant & Machinery | 113,940,412 | - | - | 113,940,412 | 15 | 108,359,416 | 837,149 | - | 109,196,565 | 4,743,847 |
| Furniture & fittings | 883,041 | - | - | 883,041 | 10 | 753,217 | 12,982 | - | 766,199 | 116,842 |
| Vehicles | 486,500 | - | - | 486,500 | 20 | 484,338 | 433 | - | 484,771 | 1,729 |
| **Total 2016-2017** | **249,275,540** | - | - | **249,275,540** | - | **212,645,051** | **2,665,390** | - | **215,310,441** | **33,965,099** |
| **Total 2015-2016** | **249,275,540** | - | - | **249,275,540** | - | **209,628,731** | **3,016,321** | - | **212,645,052** | **36,630,488** |

Depreciation of Unit II Taka 2,665,390 charged against rental income.



**SCHEDULE OF FIXED ASSETS**





# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 41st Annual General Meeting of Apex Tannery Limited will be held on Monday, September 25, 2017 at 10:00 a.m. at the Bangladesh Shooting Sports Federation, Gulshan-1, Dhaka-1212, to transact the following business:

1. To receive and adopt the Audited Accounts for the year ended June 30, 2017 and the Reports of the Auditors and Directors thereon
2. To declare dividend
3. To elect Director
4. To appoint Independent Director
5. To appoint auditors for the year 2017-2018 and fix their remuneration

**By Order of the Board**

September 10, 2017
Plot # XA1, XA2, XA3 and XS8
BSCIC Chamra Shilpa Nagari
Harindhara, Hemayetpur
Savar, Dhaka - 1340

**(Sushanta Kumar Paul ACS)**
Company Secretary

**Notes:**

1. September 10, 2017 is the record date. Shareholders whose names will appear in the Members register of the Company or in the Depository Register on that date will eligible to attend at the Annual General Meeting and receive dividend.
2. A member entitled to attend and vote at the Annual General Meeting may appoint a proxy in his stead. The proxy form, duly stamped must be deposited at the Corporate Office of the Company not later than 48 (forty eight) hours before the time fixed for the meeting. Annual report and proxy form can be available on the website **www.apextannery.com**.
3. Admission to the hall will be only on production of the attendance slip sent with the notice.
4. In compliance with the Bangladesh Securities and Exchange Commission Circular No. SEC/ CMRRCD/2009-193/154 dated 24 October, 2013 no Gift/Gift Coupon/Food Box/Biscuit Box/Cash or Cash kinds shall be distributed at the Annual General Meeting.



# APEX TANNERY LIMITED

## PROXY FORM

I/We.....

of.....

being a Member of **Apex Tannery Limited**, hereby appoint

Mr./Ms. .....

of.....

as my /our proxy to attend and vote for me/us and on my/our behalf at the 41st Annual General Meeting of the company to be held on Monday, September 25, 2017 at 10:00 a.m. and/or at any adjournment thereof.

As witness my hand this ..... day of ..... 2017.

---
Signature of Proxy

Affix Revenue Stamp of Tk. 20.00

---
Signature of the Shareholder

No. of shares held ----------

Register Folio/BO ID No.

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | |

**Note:** A Member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on his behalf. The proxy form duly completed must be deposited at the registered office of the Company not later than 48 hours before the time fixed for the meeting.

PROXY FORM

# APEX TANNERY LIMITED

## ATTENDANCE SLIP

I hereby record my attendance at the 41st Annual General Meeting being held on Monday, September 25, 2017 at 10:00 a.m. at the Bangladesh Shooting Sports Federation, Gulshan-1, Dhaka-1212.

Name of member/proxy _____

Register Folio/BO ID No.

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | |

Signature ----------

**Note:** Shareholders attending meeting in person or proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

ATTENDANCE SLIP

AMAR STOCK



# Apex Tannery Limited

Factory and Registered Office :
Plot # XA1, XA2, XA3 & XS8, BSCIC Chamra Shilpa Nagari, Harindhara,
Hemayetpur, Savar, Dhaka-1340
Phone # 01711686592, E-mail : info@apextannery.com, apex@accesstel.net
Website : www.apextannery.com