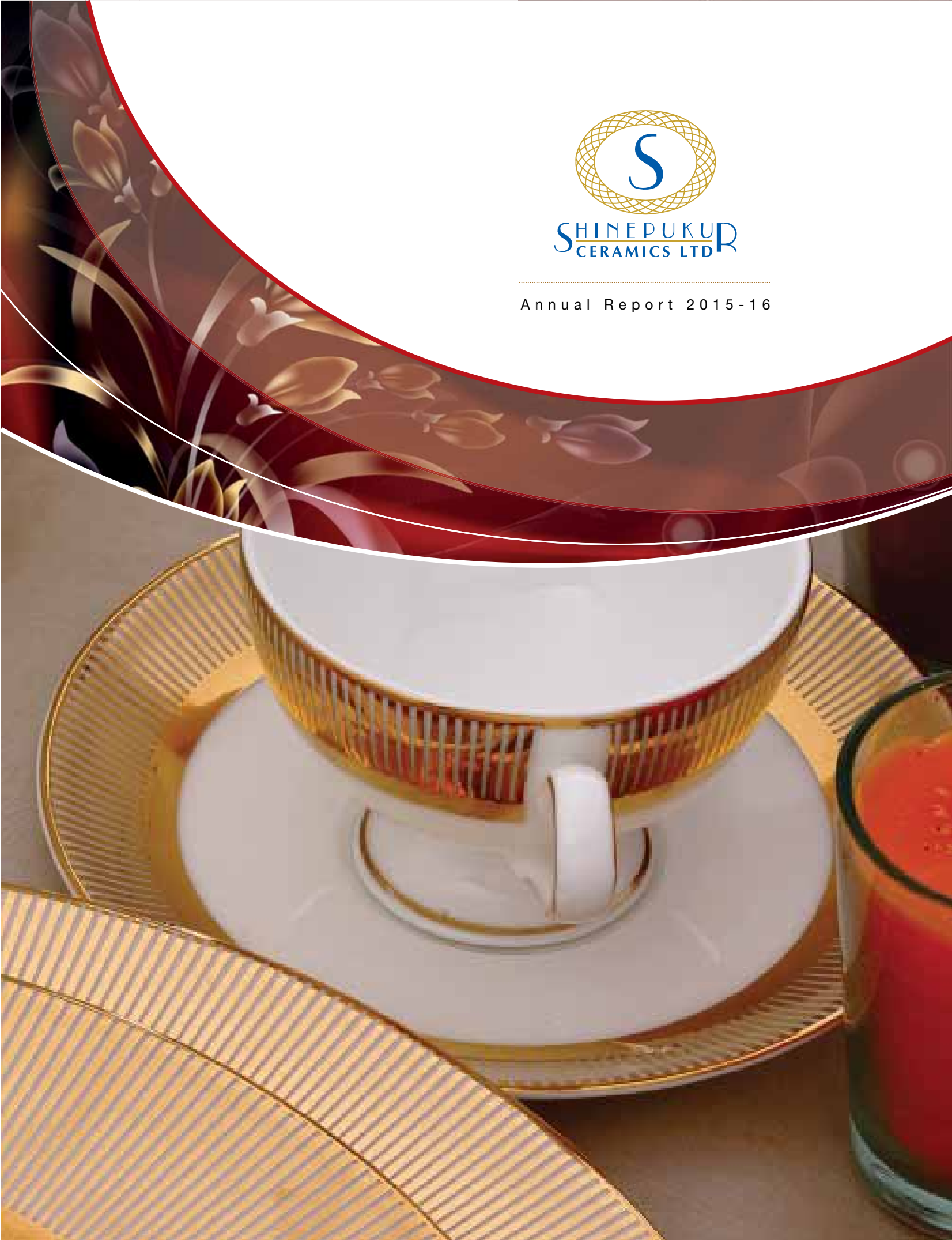




SHINEPUKUR  
CERAMICS LTD

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Annual Report 2015-16



The background image shows a large, multi-story red brick building, likely a school or institutional facility. The building has a central entrance with a covered walkway. To the left of the entrance, there is a fountain with a green sculpture of a person. The building has several windows and a balcony on the upper floor. The foreground is a paved area, and there are some trees and bushes. The sky is clear and blue.

## Mission

Each of our activities must benefit and add value to the common wealth of our society. We firmly believe that, in the final analysis we are accountable to each of the constituencies with whom we interact; namely: our employees, our customers, our business associates, our fellow citizens and our shareholders.



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## Key Data

- ◆ Year of Establishment (registration) : 1997
- ◆ Commercial Production : 1999
- ◆ Status : Public Limited Company
- ◆ First Export : 1999 (Porcelain in April & Bone China in November)
- ◆ Business Lines : Manufacturing, Marketing and Exporting of Porcelain and Bone China tableware.
- ◆ Overseas Offices & Associates : USA and UK
- ◆ Current Export Markets : USA, Canada, UK, Germany, France, Italy, Romania, Norway, Sweden, Denmark, Poland, Spain, Turkey, Japan, Australia, New Zealand, Brazil, India, Chile, Egypt, Russia etc.
- ◆ Authorized Capital (Taka) : 5,000 million
- ◆ Paid-up Capital (Taka) : 966.34 million
- ◆ Number of Shareholders : Over 24,000
- ◆ Stock Exchange Listing : 2008
- ◆ Number of Employees : Around 3,000



## 2015-16 Highlights

### NEW CUSTOMERS

- ◆ Tirag AS (Norway)
- ◆ GS Lab SRLS (Italy)
- ◆ WWRD (UAE) Sheraton Sharjah Beach (UAE)
- ◆ FCC Produkt AS (Norway)
- ◆ Jette Florich Design (Denmark)

### ACHIEVEMENTS

- ◆ Successfully accomplished periodic Review of Audit of ISO 9001:2008 in two separate quarters.
- ◆ Successfully qualify SQP audit of COSTCO (USA) and conducted CoC audit.
- ◆ Successfully conducted SMETA audit.
- ◆ Close to finish construction works to complete the 2nd Unit of Bone China Plant.



## Outline...

Shinepukur Ceramics Ltd. (SCL) – a BEXIMCO Company is the leading Bone China & Porcelain tableware manufacturer and exporter of Bangladesh. Shinepukur Ceramics has been a successful brand thanks to its state-of-the-art manufacturing facilities, about 2,700 highly skilled & motivated people and cutting-edge technology.

From its inception, SCL has been able to gain substantial headway against its competitors and acquire commendable market share from its competitors both in Porcelain and in Bone China. Therefore SCL's position in the world tableware industry is very high, with its world-class product quality, which helped to attract and retain leading century-old branded companies as its blue-chip customers from USA, Canada, UK, Germany, France, Italy, Japan, Sweden, Norway, Denmark, Finland, Spain, Poland, Mexico, Brazil, Chile, UAE, Australia, New Zealand, Turkey, India, Egypt, Russia and still growing.

In domestic market also, Shinepukur Ceramics Ltd. is very well known for its premium quality tableware products. In Bangladesh, SCL is the leader in Ceramics' Market and ranks as number 1 in terms of sales revenue and market share. It has more than 250 dealers to sell and distribute SCL product in Bangladesh Market. In the hospitality sector, all the international hotels in Bangladesh use SCL products.

The Company is ISO 9001:2008 certified and awarded National Export Trophy for record four (4) times by the Government of Bangladesh. SCL was also awarded 'Superbrands' (2010), 'D&B Corporate Award' (2011) and 'Asia's Most Promising Brands' (2013).

## SCL's Product Range

### PORCELAIN

- ◆ Plain Porcelain (Classical Porcelain, normally domestic use)
- ◆ Ivory China (Creamy coloured Porcelain, Domestic/Hotel use)
- ◆ Hi-Alumina (Hotelware)
- ◆ Satin China (White Porcelain, suitable for hotel/domestic use)

### BONE CHINA

- ◆ Real Bone China
- ◆ Fine Bone China
- ◆ Fine China



'SHINEPUKUR' is the name of trust and elegance that brings... *A Classic Touch in Life*

**Salman F Rahman**  
Vice Chairman



**A S F Rahman**  
Chairman

## Corporate Directories



## BOARD OF DIRECTORS

- ◆ **A S F Rahman**  
Chairman
- ◆ **Salman F Rahman**  
Vice Chairman
- ◆ **Iqbal Ahmed**  
Director
- ◆ **O K Chowdhury**  
Director
- ◆ **Masud Ekramullah Khan**  
Independent Director
- ◆ **Mohammad Asad Ullah, FCS**  
Executive Director & Company Secretary

## MANAGEMENT COMMITTEE

- ◆ **Mohammed Humayun Kabir, FCA**  
Chief Executive Officer
- ◆ **Md. Faruque Ali**  
Executive Director
- ◆ **Md. Luthfor Rahman**  
Executive Director (upto 18 Sept. 2016)

## INDEPENDENT AUDITORS

**M/S M. J. Abedin & Co.**  
Chartered Accountants  
National Plaza (3rd Floor)  
109, Bir Uttam CR Datta Road  
Dhaka 1205

## CORPORATE GOVERNANCE COMPLIANCE CERTIFIER

**SARashid & Associates**  
(Chartered Secretaries)  
Noakhali Tower, (10th Floor, 11-F)  
55/B, Purana Paltan  
Dhaka 1000

## LEGAL ADVISERS

**M/S Huq & Co.**  
Barristers & Advocate  
47/1 Purana Paltan  
Dhaka 1000

## BANKER

Sonali Bank Ltd. & Southeast Bank Ltd.

## REGISTERED OFFICE

17 Dhanmondi R/A, Road No. 2  
Dhaka 1205, Bangladesh

## PLANT

Beximco Industrial Park  
Sarabo, Kashimpur, Gazipur

RIDE ON TIME:

## Chronology

Shinepukur Ceramics Ltd. was registered in Bangladesh

1997

Commercial production of Porcelain Tableware was started in April, 1999 with a Production capacity of 8MT per day

Commercial production of Bone China Tableware was started in November, 1999 with a Production capacity of 3MT per day

Launching of Shinepukur's own brand - "SHINEPUKUR" in Bangladesh to establish strong domestic foothold

Launching of Shinepukur's own brand "DOEL" in India, this was developed to get the share in Indian market

1999

2000

In U.S.A., Shinepukur has set up a showroom to promote its own brand - "SHINEPUKUR", to have a strong footing in the vast USA market

Shinepukur's own Packaging Plant started its Production with capacity of 120,000 sheets per day

Received "National Export Trophy (Gold)" for FY 2000-2001 by the Govt. of Bangladesh as recognition for highest export

2001

Shinepukur received ISO 9001:2000 Certification from DNV (DET NORSKE VERITAS) of Netherlands on August 17, 2001, for design, manufacture and marketing of Ceramic Tableware

Shinepukur started its own Design Studio and Decal Plant with a printing capacity of 120,000 sheets per month

2003

To meet huge demand, Shinepukur expanded its Porcelain Plant to a capacity of 15MT per day

Received "National Export Trophy (Gold)" for FY 2002-2003 by the Govt. of Bangladesh as recognition for highest export

Shinepukur was listed in the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) as a Public Limited Company

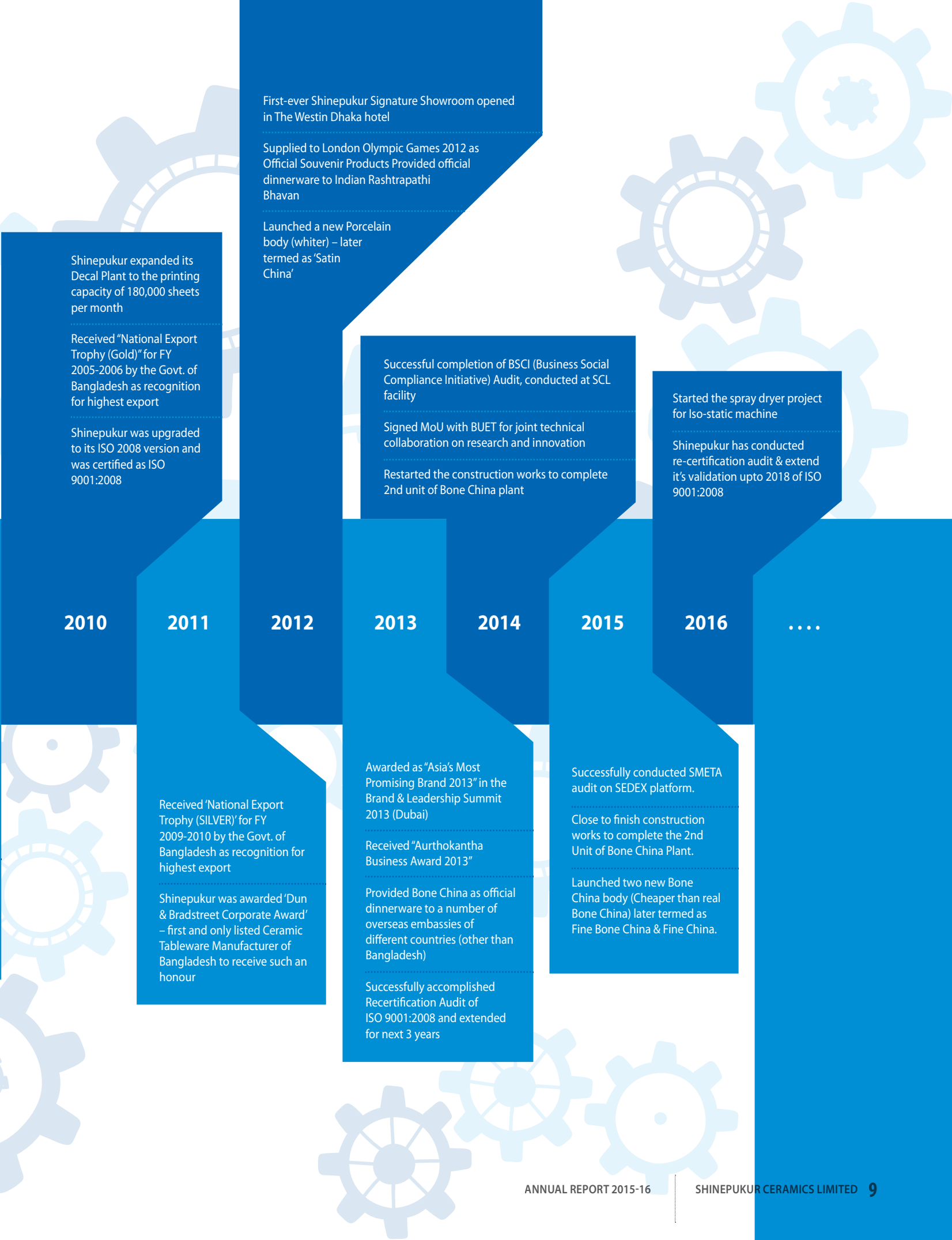
2005

2008

In a major expansion move, Shinepukur signed MOU with a renowned German company to expand its Bone China unit, at worth of Tk. 80 crore

Shinepukur was awarded 'Superbrands' - first and only Ceramic Tableware Manufacturer of Bangladesh to receive such an honour

2009



Shinepukur expanded its Decal Plant to the printing capacity of 180,000 sheets per month

Received "National Export Trophy (Gold)" for FY 2005-2006 by the Govt. of Bangladesh as recognition for highest export

Shinepukur was upgraded to its ISO 2008 version and was certified as ISO 9001:2008

2010

2011

Received 'National Export Trophy (SILVER)' for FY 2009-2010 by the Govt. of Bangladesh as recognition for highest export

Shinepukur was awarded 'Dun & Bradstreet Corporate Award' – first and only listed Ceramic Tableware Manufacturer of Bangladesh to receive such an honour

2012

First-ever Shinepukur Signature Showroom opened in The Westin Dhaka hotel

Supplied to London Olympic Games 2012 as Official Souvenir Products Provided official dinnerware to Indian Rashtrapathi Bhavan

Launched a new Porcelain body (whiter) – later termed as 'Satin China'

2013

Successful completion of BSCI (Business Social Compliance Initiative) Audit, conducted at SCL facility

Signed MoU with BUET for joint technical collaboration on research and innovation

Restarted the construction works to complete 2nd unit of Bone China plant

Awarded as "Asia's Most Promising Brand 2013" in the Brand & Leadership Summit 2013 (Dubai)

Received "Aurthokantha Business Award 2013"

Provided Bone China as official dinnerware to a number of overseas embassies of different countries (other than Bangladesh)

Successfully accomplished Recertification Audit of ISO 9001:2008 and extended for next 3 years

2014

2015

Successfully conducted SMETA audit on SEDEX platform.

Close to finish construction works to complete the 2nd Unit of Bone China Plant.

Launched two new Bone China body (Cheaper than real Bone China) later termed as Fine Bone China & Fine China.

2016

Started the spray dryer project for Iso-static machine

Shinepukur has conducted re-certification audit & extend it's validation upto 2018 of ISO 9001:2008

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# Magnificent Products







# Magnificent Products







## Blue-Chip International Customers







## Strong Local Footprint



### **Shinepukur Signature Showroom Dhanmondi (Dhaka)**

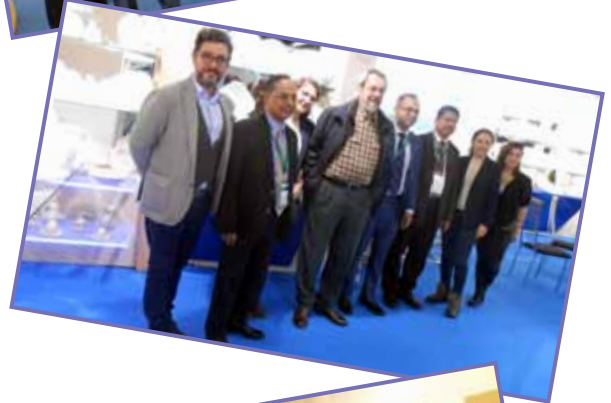
With an endeavour to explore the most untapped demand of Local Market, Shinepukur has yet again stepped into the concept of having its own another Showroom. It is in the same premise of YE LLOW, Dhanmondi. Worth to mention, during April 2012 Shinepukur launched its first-ever Signature Showroom in the Westin Dhaka, which stirred the SCL-lovers due to its unique kind of presentation.



# Post 2015-16 Activities

## PARTICIPATION AT AMBIENTE

Like every year, Shinepukur exhibited in Ambiente 2016 (February 12 - 16), the largest lifestyle show on earth and showcased its marvels of variety Ceramic Tableware. With extensive responses received in this particular fair from buyer communities across the globe-projects a shining future for Shinepukur.



## Facility Audits & Certifications



### SMETA

In July 2015 ITS (Intertek) successfully completed SMETA (Sedex Members Ethical Trade Audit) at SCL (Shinepukur Ceramics Limited) facility. The SMETA is based on ETI code and local law as the measurement tool & includes the two modules of Health and safety and Labour standards as well as the optional pillars of Environment and Business Ethics. This audit upholds SCL to a unique standard & open up a new array of opportunity to choose SCL as most of prominent customer as their supply partner.



### SQP

SQP (Supplier Qualification Program) provides a world-class Industry Standard that drives continuous improvement through open benchmarking. The program's strength lies in its accredited training programs, qualified trainers and auditors, risk-based scorecard as well as a continuous corrective and preventative action process.

As per advise of COSTCO (USA) supplier of SCL's most valuable customer WWRD, SCL has been conducted SQP audit by Intertek on September 2015. The successful completion of this audit at SCL facility resembled risk free production process available at SCL.

ISO 9001 : 2008  
Certified Company



### ISO 9001:2008

Shinepukur has been certified with ISO 9001:2008 (Upgraded in 2010 from ISO 9001:2000 version), two periodic audits in 2015 conducted by Det Norske Veritas (DNV). In fact ISO 9001:2008 is implemented by over one million companies and organizations in over 170 countries. This standard is based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement.

# Important Visits

## AMBASSEDORS >>>





## NATIONAL DEFENCE COLLEGE (NDC) >>>



# SHINEPUKUR CERAMICS LIMITED

17, DHANMONDI R.A, ROAD NO. 2, DHAKA-1205

## NOTICE OF THE 19TH ANNUAL GENERAL MEETING

Notice is hereby given that the 19th Annual General Meeting of the Shareholders of Shinepukur Ceramics Limited will be held on Saturday, the 19 November 2016 at 12.00 noon at Beximco Industrial Park, Sarabo, Kashimpur, Gazipur to transact the following business:

### AGENDA:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the period of 18 months ended on 30 June 2016 together with reports of the Auditors and the Directors thereon;
2. To elect Director;
3. To approve the re-appointment of Independent Director;
4. To approve the audit fee for the period of six months from 01 January 2016 to 30 June 2016 and to appoint Auditors for the year 2016-2017 and to fix their remuneration;
5. To adopt changes in Accounting year of the Company from January-December to July-June pursuant to the provision of the Finance Act 2015;
6. To transact any other business of the Company with the permission of the Chair.

By order of the Board,



**(MOHAMMAD ASAD ULLAH, FCS)**  
Executive Director & Company Secretary

Dated: 18 October, 2016

### NOTES:

- (1) The Shareholders whose names appeared in the Share Register of the Company or in the Depository Register on the record date i.e. 12 May 2016 as announced earlier, will be entitled to attend at the Annual General Meeting.
- (2) A member entitled to attend and vote at the General Meeting may appoint a Proxy to attend and vote in his/her stead. The Proxy Form, duly stamped, must be deposited at the Registered Office of the Company, not later than 48 hours before the time fixed for the meeting.
- (3) Admission to the meeting room will be strictly on production of the attendance slip sent with the Notice as well as verification of signature of Member(s) and/or Proxy-holder(s).
- (4) No gift or benefit in cash or kind shall be paid to the holders of equity securities in terms of Clause (c) of the Notification No.SEC/SRMI/2000-953/1950 dated 24 October 2000 for attending the AGM of the Company.







## চেয়ারম্যানের প্রতিবেদন

### প্রিয় শেয়ারহোল্ডারবৃন্দ,

আমি কোম্পানীর ১৯তম বার্ষিক সাধারণ সভায় পরিচালক পর্ষদের পক্ষ থেকে আপনাদের সকলকে স্বাগত জানাচ্ছি এবং কোম্পানীর ১লা জানুয়ারী ২০১৫ সাল থেকে ৩০শে জুন ২০১৬ সালে এই সময়কালের সার্বিক কার্যক্রমের বিবরণী এবং ভবিষ্যৎ পরিকল্পনা আপনাদের সামনে উপস্থাপন করছি।

### আর্থিক বছরের পরিবর্তন

শাইনপুকুর সিরামিকস লি:-এর আর্থিক বছর পঞ্জিকা বছর “জানুয়ারী-ডিসেম্বর” হইতে পরিবর্তন করিয়া অর্থ বছর “জুলাই-জুন” করা হইয়াছে। ইহা অর্থ আইন ২০১৫ সালের ধারা অনুযায়ী আয় বৎসর “জুলাই-জুন” অনুসরণ করার লক্ষ্যে বাংলাদেশ সিকিউরিটিস এন্ড এক্সচেঞ্জ কমিশন নির্দেশনা No. SEC/SRMIC/2011/1240/445 তারিখ ২৭ এপ্রিল ২০১৬ মোতাবেক পরিবর্তনের প্রয়োজন দেখা দেয়। ঐ নির্দেশনা অনুসরণ এবং প্রথমবার পরিবর্তন সাধনের লক্ষ্যে শাইনপুকুর সিরামিকস লি: ২০১৫ সালের নিরীক্ষিত হিসাব বিবরণীর সাথে জানুয়ারী-জুন ২০১৬ সালের ৬ মাসের হিসাব বিবরণী প্রস্তুত ও নিরীক্ষা সম্পন্ন করে।

একই ধারাবাহিকতায় আমি কোম্পানীর ০১ জানুয়ারী ২০১৫ সাল হইতে ৩০ জুন ২০১৬ ইং সাল পর্যন্ত ১৮ মাসের নিরীক্ষিত হিসাব বিবরণী উপস্থাপন করছি।

### ৩০ জুন ২০১৬ সমাপ্ত ১৮ মাস সময়ের কার্যক্রম ও সম্পাদন

এই সময় ১ জানুয়ারী ২০১৫ ইং হইতে ৩০ জুন ২০১৬ ইং (১৮ মাস) কোম্পানী রপ্তানী আয় ছিল ১,৩৪০.৬৬ মিলিয়ন টাকা- যা ২০১৪ (১২ মাস) সালে ছিল ১,২৩৫.৬১ মিলিয়ন টাকা। রপ্তানী বিক্রয় হ্রাস

পাওয়ার কারণে রপ্তানী প্রবৃদ্ধি হার ছিল ২৭.৬৭% ঋণাত্মক। তদুপরি ইউরো, লিরা ও পাউন্ড স্টার্লিং-এর বিপরীতে টাকার অতি মূল্যায়ন এবং উন্নতশীল দেশগুলোর অর্থনৈতিক শ্লথগতি এবং স্থবিরতা আমাদের কোম্পানীর পণ্যসমূহের চাহিদা ও বৈদেশিক রপ্তানিতে প্রভাব ফেলে। যাই হোক, কোম্পানী এই সময়ে স্থানীয় বিক্রয় বাবদ ৭১২.৮৪ মিলিয়ন টাকা উপার্জন করে- যা ২০১৪ সাল থেকে ৭.৫০% বেশী। তদুপরি, অন্যান্য খাত বিশেষ করে (আমদানী) ডিউটি ড্র ব্যাক (Duty Draw Back) ইন্সুরেন্স দাবী আদায় ও স্কাপ বিক্রি বাবদ কোম্পানী ২৭.০৫৮ মিলিয়ন টাকা আয় করে। কাজেই, অন্যান্য আয়সহ এই সময়ের সার্বিক আয় ছিল ২,০৮০.৫৬ মিলিয়ন টাকা- যা ২০১৪ সালে ছিল ১,৭০০.২৮ মিলিয়ন টাকা অর্থাৎ ২০১৪ সাল থেকে এই সময়ের আয় ১৮.৪২% কম।

মোট লাভের অনুপাত ২০১৪ সালের ২৫.২৯% এর স্থলে এই সময়ে কমে ২২.০৮% এ দাঁড়ায়। একইভাবে, পূর্ববর্তী সময়ের ২৩.৫০%-এর স্থলে সামগ্রিক আয়ের উপর EBITDA আলোচ্য সময়ে ১৮.৯৮% নেমে আসে। এটি ঘটে বিশেষত বিক্রির অনুপাতের (sales mix) কারণে। এই সময়ে (১৮ মাস) রপ্তানী ও স্থানীয় বিক্রির অনুপাত ৬৫:৩৫, ২০১৪ সালে এর অনুপাত ছিল ৭৪:২৬। রপ্তানী বিক্রয় কম হওয়ায় লাভের অংশও কম ছিল- যার ফলে মোট লাভ ও EBITDA কমে যায়। যাই হোক, দক্ষ কার্যকরী মূলধন ব্যবস্থাপনা কৌশল অবলম্বন করে কোম্পানী তার আর্থিক ব্যয় কম রাখতে সক্ষম হয় (পাওনা কমাওয়া ও দেনা দীর্ঘায়িত করিয়া)। ৩০ জুন ২০১৬ সমাপ্ত ১৮ মাসে মোট আর্থিক ব্যয় ছিল ৩৬৭.০২ মিলিয়ন টাকা। অপরপক্ষে ৩১ ডিসেম্বর ২০১৪ সমাপ্ত ১২ মাসে আর্থিক ব্যয় ছিল ২৫৮.৮৮ মিলিয়ন টাকা- যাতে আর্থিক ব্যয় ৫.৪৯% কম ছিল ২০১৪ সালের তুলনায়। যাই হোক, ৩০ জুন ২০১৬ সমাপ্ত ১৮ মাস সময়ে বিনিয়োগের প্রকৃত মূল্যের ক্ষতি হিসাব ধরে মোট ক্ষতি দাঁড়ায় ৫৯.৫৯ মিলিয়ন টাকা। অপরপক্ষে ৩১ ডিসেম্বর ২০১৪ সমাপ্ত ১২ মাসে বিনিয়োগের প্রকৃত মূল্যের লাভসহ মোট লাভ ছিল ১৫.৪৩ মিলিয়ন টাকা। এই সময়ে কোম্পানী বিগত বছরের জন্য আয়কর ঘাটতি সঞ্চিতি বাবদ ১৫.৬০ মিলিয়ন টাকা এবং বিনিয়োগের প্রকৃত মূল্যের ভিত্তিতে ক্ষতি ২৭.০৩ মিলিয়ন টাকা হিসাবে নিতে হয়। ৩০ জুন ২০১৬ সমাপ্ত ১৮ মাস সময়কালে এবং ৩০ ডিসেম্বর ২০১৪ সমাপ্ত ১২ মাসের শেয়ার প্রতি আয় দাঁড়ায় ঋণাত্মক যথাক্রমে -০.২২ এবং -০.০২। অন্যদিকে ৩০ জুন ২০১৬ সমাপ্ত ১৮ মাস ও ৩১ ডিসেম্বর ২০১৪ সমাপ্ত ১২ মাস সময় কালে নীট সম্পদ মূল্য ঋণাত্মক যথাক্রমে ২৮.০৯ এবং ২৯.০২ টাকা।

### উৎপাদন সম্প্রসারণ কর্মসূচী- বোন চায়না ইউনিট

কোম্পানী ২০০৮ সালে বোন চায়না উৎপাদন ক্ষমতা বাড়ানোর লক্ষ্যে প্রকল্প (বোন চায়না ইউনিট-২) গ্রহণ করে। ৫ বছর পর আর্থিক সীমাবদ্ধতা সত্ত্বেও ২০১৫ সালের মধ্যে প্রকল্প সমাপ্ত করার লক্ষ্যে ২০১৪ সালের দ্বিতীয়ার্ধে কোম্পানী প্রকল্পের কাজ পুনরায় শুরু করে। প্রকল্পের দালান, কিল্ন (Kiln), Casting Machine স্থাপন এবং ইলেকট্রিক্যাল কার্যাদি যথা

সময়ে শেষ হয়। ৩টি Jiggering Machine-এর মধ্যে ২টি মেশিন এই রিপোর্ট লেখার তারিখের মধ্যে স্থাপনের কাজ সম্পন্ন হয়। যাই হোক, তৃতীয় Jiggering Machineটি একটি অত্যাবশ্যকীয় যন্ত্রাংশ না পাওয়ার কারণে ইহা এখনো স্থাপন অসম্পূর্ণ আছে। আমরা আশা করি, তৃতীয় Jiggering Machine স্থাপন সম্পন্ন হইলে ২০১৬ সালের ডিসেম্বর মাসে বোন চায়না সম্প্রসারণ ইউনিটের কাজ সম্পন্ন হইবে এবং সম্পন্ন সম্প্রসারণ কর্মসূচী ২০১৭ সালের প্রথম দিকে Machinery পরীক্ষা নিরীক্ষা এবং Trial Production শুরু হবে। এরপর ২০১৭ সালের জুলাই মাস থেকে বাণিজ্যিক উৎপাদনের জন্য প্রকল্পটি প্রস্তুত থাকিবে।

### পোরসলিন ইউনিট- ISO static press machine operational Setting up granulation Plant

বিগত বছরের রিপোর্ট অনুযায়ী ২০১৫ সালের মধ্যে একটি Granulation Plant প্রতিস্থাপনের মাধ্যমে ISO static press machine কার্যকরী করার পরিকল্পনা ছিল কিন্তু আর্থিক অস্বচ্ছলতার কারণে পরিকল্পনাটি দেরি হচ্ছে। এর মধ্যে এলসির মাধ্যমে ৩৯০,০০০/= ইউরো মূল্যের মেশিনটি কারখানায় পৌঁছেছে। Granulation Tower-এর কাজ সম্পন্ন হয়েছে। মেশিন প্রতিস্থাপন ও ইলেকট্রিক্যাল কার্যাদি চলিতেছে। এই প্লান্টটি চালু হইলে বড় আকারের অর্ডার এবং নন-কাস্টিং (জিগারিং) পণ্য সামগ্রীর মান নিশ্চিত হবে।

### বিপণন এবং বিক্রয়

রপ্তানী বৃদ্ধি সাধনের জন্য শাইনপুকুর সিরামিক্স লিঃ আন্তর্জাতিক বাণিজ্য মেলায় অংশ গ্রহণ করে আসছে। অভ্যন্তরীণ বাজারের তীব্র চাহিদার পূরণের লক্ষ্যে এপ্রিল ২০১২ ইং ওয়েস্টিন, ঢাকায় প্রথম এজুকসিভ শো-রুম এবং বিক্রয় কেন্দ্রের কার্যক্রম শুরু হয়।

### জাতীয় রাজস্ব খাতে অবদান

আমরা আনন্দের সাথে জানাচ্ছি যে, শাইনপুকুর সিরামিক্স লিঃ এই ১৮ মাস সময়ে ১৫৭.০২৬ মিলিয়ন টাকার ও অধিক ভ্যাট এবং আয়কর প্রদান করেছে। যেখানে ২০১৪ (১২ মাস) সালে ছিল ৭৭.৫৬৩ মিলিয়ন টাকা। স্থানীয় বিক্রয় ও কাঁচামাল আমদানীর ক্ষেত্রে ১৫% ভ্যাট প্রদেয়। রপ্তানীকৃত টাকার উপর আয়কর ০.৬ % হারে কর্তন করা হয় (জুলাই ২০১৬ থেকে ০.৭০% হারে) এবং কাঁচামাল আমদানীর ক্ষেত্রে আয়কর ৫% হারে কর্তন করা হয়। যাই হোক, অগ্রীম আয়করসমূহ কর কর্তৃপক্ষ কর সম্পাদনের সময় সম্বন্বয় করিয়া থাকেন। ব্যবসায়িক আয়ের ক্ষেত্রে আয়কর হার ২৫% এবং অন্যান্য খাতের আয়ের উপর আয়কর হার ৩৫%।

### মানব সম্পদ

শাইনপুকুর সিরামিক্স লিঃ তার কর্মীবৃন্দকে মূল্যবান মানব সম্পদ হিসেবে বিবেচনা করে এবং আকর্ষণীয় নিয়োগ কর্তা হিসেবে শ্রম

বাজারে সুবিবেচিত। শাইনপুকুর সিরামিক্স লিঃ তার কর্মীবৃন্দের পেশা এবং ব্যক্তি উন্নতি সাধনকল্পে বিভিন্ন সুযোগ প্রদান করে। কর্মকর্তাদের বিশ্বস্ততা, পারস্পরিক সহযোগিতা এবং সমন্বয় সাধনের উপর গুরুত্ব আরোপ করে। কোম্পানীর লক্ষ্য বজায় রাখার জন্য এখানে কর্মীবৃন্দের দক্ষতা এবং উৎসাহ বৃদ্ধির ক্ষেত্রে সার্বিক সহযোগিতা করা হয়। ৩০ জুন ২০১৬-এ শাইনপুকুর সিরামিক্স লিঃ-এর মানব সম্পদের সংখ্যা দাঁড়ায় ২,৩৭৯ জন- যা ডিসেম্বর ২০১৪ সালের শেষে ছিল ৩,২০৮ জন।

### সামাজিক প্রতিশ্রুতি

শাইনপুকুর সিরামিক্স-এ আমাদের কর্মকাণ্ড সমাজের প্রতি দায়িত্ববোধের দৃষ্টিকোণ থেকে আমরা পরিচালনা করছি। সেজন্য আমাদের সকল কার্যক্রম সাধারণভাবে সমাজের মঙ্গলের দিকে লক্ষ্য করেই সম্পাদিত হয়ে থাকে। সামাজিক অঙ্গীকারের অংশ হিসাবে কোম্পানী সামাজিক গুরুত্ব সম্পন্ন অনুষ্ঠানাদি উপলক্ষে ক্রোড়পত্র প্রকাশনায় সহযোগিতা করে থাকে। বিভিন্ন প্রতিষ্ঠান ও পেশাদারিত্ব প্রতিষ্ঠানের আর্থ সামাজিক ও সাংস্কৃতিক উন্নয়ন কার্যক্রমে আমরা সক্রিয় সহযোগিতা ও সমর্থন যুগিয়ে থাকি। বুয়েট (BUET)-এর সাথে জানুয়ারী ২০১৫ সালে স্বাক্ষরিত সমঝোতা স্মারক (MOU) অনুযায়ী আমরা ৩ জন শিল্প গবেষণা কর্মীকে ৩ বৎসরের জন্য সহায়তা করে আসছি এবং শিল্প গবেষণা উন্নতি ও সিরামিক্স পণ্য সামগ্রীর উপর উচ্চ শিক্ষার জন্য আমাদের মান নিয়ন্ত্রণ গবেষণার যন্ত্রপাতি ব্যবহার করতে দেয়া হচ্ছে।

### কৃতজ্ঞতা স্বীকার

আমি আমাদের সম্মানিত গ্রাহক, ব্যাংকার, সরবরাহকারী, সরকারী সংস্থাসমূহ, বিধিবদ্ধ প্রতিষ্ঠানসহ সকল প্রতিষ্ঠানকে এবং যারা আমাদের ব্যবসা পরিচালনার সাথে জড়িত তাঁদের সকলকে আন্তরিক ধন্যবাদ জ্ঞাপন করছি। আমরা কোম্পানীর শেয়ার হোল্ডারদের প্রতি কৃতজ্ঞ-যাদের সার্বক্ষণিক মূল্যবান সহযোগিতা এবং সমর্থন কোম্পানীকে আজকের এই অবস্থানে এনেছে। আমরা যে সাফল্য অর্জন করেছি, তা সকলের সম্মিলিত প্রচেষ্টারই ফসল।

আমি আবারো আমাদের সকল শুভাকাঙ্ক্ষীগণকে আন্তরিক ধন্যবাদ জানাই এবং ভবিষ্যতে তাঁদের অব্যাহত সমর্থন ও সহযোগিতা কামনা করি।

*X. L. D. Lalinda*

### এ এস এফ রহমান

চেয়ারম্যান

তারিখ: ০৬ অক্টোবর ২০১৬





## Chairman's Statements

*Dear Shareholders,*

I take this opportunity to welcome you on behalf of the Board of Directors to this 19th Annual General Meeting of your Company, and to lay before you a brief resume of the affairs of the company for the period from 01 January 2015 to 30 June 2016 and its future plan.

### Change in Financial Year

Financial year of Shinepukur Ceramics Limited (SCL) has been changed to fiscal year (July-June) from calendar year (January-December). This is necessitated pursuant to the Directive issued by the Bangladesh Securities and Exchange Commission (No.SEC/SRMIC/2011/1240/445) dated 27 April 2016 to follow July - June as income year with effect from 01 July 2016 in compliance with the provision of the Finance Act 2015. In compliance of the said directive and for first time adoption of the change, SCL has prepared and has got audited the accounts for 6 months' from January - June 2016 in addition to the audited accounts for the year 2015. Consequently, I am pleased to report on 18 months' audited accounts from 01 January 2015 to 30 June 2016.

### Operations & Performance in 18 months' period ending on 30 June 2016

During the period 01 January 2015 to 30 June 2016 (18 months) the company earned export sales of Tk. 1,340.66 million against Tk 1235.61 million in 2014 (12 months), which had a negative growth of 27.67% primarily due to fall in export sales. The negative impact of appreciation of taka against Euro, Lira & Pound Sterling as well as economic slowdown and stagnancy in most of the advanced countries had resulted lower demand for tablewares & decreasing company's export sales. However, the company earned Tk. 712.84 million from local sales during the period, almost 7.5% higher than that of 2014. Also, the company earned other income Tk. 27.058 million, mainly against (import) Duty draw-back and receipts from insurance claim and scrap sales. Therefore, overall revenue including other income earned during the period was Tk. 2,080.56 million, 18.42% lower than 2014 when overall revenue earning was Tk.1700.28 million.

Gross profit ratio for the period went down to 22.08% compared to 25.29% of 2014. Similarly, EBITDA during the period went down

to 18.98% on overall revenue earnings from previous periods 23.05%. This is mainly due to change in sales mix. During the period under review (18 months) export domestic sales ratio is 65:35. The said ratio in 2014 was 74:26. The decline in export sales, where contribution margin was better, resulted lower GP and EBITDA. However, the company saved by finance cost through efficient working capital management (by reducing accounts receivable and lengthening the creditors and other payables). For the 18 months' ending 30 June 2016, total finance cost was Tk. 367.02 million compared to Tk. 258.88 million for the 12 months' ending on 31 December 2014. Therefore, finance cost savings was 5.49% over 2014. However, after recognizing the fair value loss of investment in shares, the total comprehensive loss of the company stood Tk. 59.59 million for the 18 months' ending 30 June 2016 against earning of net profit of Tk. 15.43 million for 12 months' ending on 31 December 2014. The company has to account for short provisions of Tk. 15.6 million for income tax expenses of earlier years and fair value loss of Tk. 27.03 million during the period under review. Earning per share both for the 18 months' ending on 30 June 2016 and for the 12 months' ending 31 December 2016 was negative, -0.22 and -0.02 respectively. Net Assets value (NAV) per share also decreased to Tk. 28.09 on 30 June 2016, which was Tk. 29.02 on 31 December 2014.

### Bone China Unit - Expansion Program

The company took the project to expand the Bone China production capacity (Bone China Unit-2) in the year 2008. After 5 years, despite financial constraints, the company restarted works in the second half of 2014 to complete the project by end of 2015. The physical part of the project and erection of kiln and installation works of casting machinery and related electrical fitting has been completed as per schedule. Two out of three Jiggering machines have also been installed as of reporting date. However, erection works and related electrical fittings of a jiggering machine has remained incomplete as of date due to non availability of a key electronic parts. It is expected that on completion of installation of this Jiggering machine will complete the expansion program of Bone China Unit by end of December 2016 and the whole project will ready for commercial production from July 2017, after testing and trial production in early 2017.





### Porcelain Unit - Plan for making ISO static press machine operational and setting up of granulation plant

As reported last year, we had a plan for making ISO static press machine operational by setting up a granulation plant by 2015. Due to financial constraints, the execution works of the plan was delayed. Meanwhile Letter of Credits for Euro 390 thousand was established and shipment has been reached to the factory premises. Physical construction works of the granulation tower has been completed. Works of erection and electrical fittings is progressing. On completion of granulation plant it is expected that SCL will be able to ensure on time delivery of volume orders and maintaining quality consistency of non casting (jiggering) items better.

### Marketing and Sales

To boost up export sales, SCL continues to participate in overseas trade fairs. To cater the needs of higher end of domestic market, first exclusive Showroom & Sales center was opened at Westin, Dhaka on April 2012.

### Contribution to National Exchequer

We are pleased to report that SCL paid over Taka 157.026 million in the form of VAT & Income tax during the period (18 months) which was Taka 77.563 million in 2014 (12 months). VAT is payable @ 15% on Local sales & on Import of raw materials. Income tax was deducted on export proceeds @0.6% (from July 2016 it is @0.7%) and on raw materials at import stage @5%. Deducted tax is however credited at the time of assessment by the income tax authorities. The business income is assessed @25% and other income is assessed @35%.

### Human Resources

Shinepukur Ceramics consider its human resources as the most important assets and mobilize people as an attractive employer. SCL offers opportunities for both professional & personal development to its employees. It practices a work environment of trust, cooperation & collaboration. We do so to develop the skills & enthusiasm of our employees to achieve the company goals on a sustainable basis. SCL's Human Resources Strength at the end of June 2016 stood 2,379 Nos. against 3,208 Nos. at the end of December 2014.

### Social Commitment

In Shinepukur Ceramics, we believe in our responsibilities towards the society we operate in. All our activities are therefore directed to the well being of the society in general. As part of the social commitment, the company sponsors news supplements on important social occasions. We also provided active co-operation and support to different organizations and professional institutions in their socio-cultural development programs. The MOU signed with BUET in January 2015 to support three researchers for three years & to allow the use of our QC laboratory equipments for advancement of Industry research & higher studies on Ceramic Table wares is continuing.

### Acknowledgement

I take this opportunity to express my sincere thanks to our customers, bankers, suppliers, government agencies, regulatory bodies and everyone with whom the company interacted in conducting its business. We are grateful to you, the shareholders, for extending at all times, your invaluable support and cooperation to bring the company to the level it has reached today. The success we have achieved so far was only possible because of the collective efforts of all concerned.

Once again, I convey my heartiest thanks to all our stakeholders and look forward to their continued support and cooperation in future.

*X. S. F. Rahman*

**A S F Rahman**

Chairman

Dated: 06 October 2016



## Corporate Governance

The maintenance of effective Corporate Governance remains a key priority to the Board of Shinepukur Ceramics Ltd. Recognizing the importance of it, the board and other senior management remained committed to high standards of Corporate Governance. To exercise about clarity of director's responsibilities towards the shareholders, Corporate Governance must be dynamic and focus to the business objectives of the Company and create a culture of openness and accountability. Keeping this in mind, clear structure and accountabilities supported by well-understood policies and procedures to guide the activities of Company's management, both in its day-to-day business and in the areas associated with internal control have been instituted.

### Internal Financial Control

The Directors are responsible for the Company's system of internal financial control. Although no system of internal control can provide absolute assurance against material misstatement and loss, the Company's system is designed to provide the directors with reasonable assurance that problems are timely identified and dealt with appropriately. Key procedures to provide effective internal financial control can be described in following heads:

**Management Structure** - The Company is operating through a well defined management structure headed by a Chief Executive Officer (CEO) under whom there are Executive Directors (ED) and Managers for various departments and according to hierarchy, various senior & mid level management staffs. The Chief Executive Officer, EDs and Managers meet at regular interval represented also by Administration, Finance, Marketing & Production heads.

**Financial Reporting** - There are comprehensive management reporting disciplines which involve the preparation of annual budgets by all operating departments. Executive management reviews the budgets and actual results are reported against the budget and revised forecasts are prepared at regular intervals.

**Asset Management** - The Company has sound asset management policy, which reasonably assures the safeguarding of assets against unauthorized use or disposition. The Company also follows proper records and policy regarding capital expenditure.

**Functional Reporting** - In pursuance with keeping the reliability of financial information used within the business or for publication, the management has identified some key areas which are subject to monthly reporting to the chairman of the board. These include monthly treasury operations, Financial Statements. Other areas are also given emphasis by reviewing on quarterly basis. These include information strategy, environmental and insurance matters.

### Statement of Director's responsibilities for preparation and presentation of the Financial Statements

The following statement is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors in relation to the financial statements.

The Companies Act 1994 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit for the year / period to that date. In preparing those financial statements the directors are required:

- to select suitable accounting policies and the apply them in a consistent manner;
- to make reasonable and prudent judgments and estimates where necessary;
- to state whether all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the notes to the financial statements;
- to take such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- to ensure that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with disclosure requirements to the Companies Act 1994 and the Securities and Exchange Rules 1987; and
- to prepare the financial statements on a going concern basis unless it is inappropriate to presume the Company will continue in business.



### Board Committees

**The Board** – The board is responsible to the shareholders for the strategic development of the Company, the management of the Company's assets in a way that maximizes performance and the control of the operation of the business.

The board of directors is responsible for approving Company policy and responsible to the shareholders for the Company's financial and operational performance. Responsibility for the development and implementation of Company policy and strategy, day-to-day operational issues is delegated by the board to the management of the Company.

**Board Structure and Procedure** – The membership of the board during the year / period ended 30 June 2016 stood at five directors. All directors are equally accountable at law to the shareholders for the proper conduct of the business.

The Company's Board currently comprises the Chairman, Vice-Chairman and three Directors. The name of the Directors appears on page 6.

**Appraisal Review Board** – Appraisal review board annually appraises the performances of every level of employees as per established policy. It determines the annual increment, promotion and parameter of remuneration for all level of executives.

### Going Concern

After making enquiries, the directors, at the time of approving the financial statements, have determined that there is reasonable expectation that the Company have adequate resources to continue operation for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

### Rights and relations with Shareholders

**Control Rights of Shareholders** – At annual general meeting, shareholders have rights of participation and supervision. They have the right to ask questions of and request of information from the board regarding item on the agenda to the extent necessary to make an informed judgment of the Company's affairs.

**Relations with Shareholders** – The annual general meeting are used as an important opportunity for communication with both

institutional and general shareholders. In addition, the Company maintains relations with shareholders through the corporate affairs secretarial department.

The following information can be addressed through the secretarial department:

- Dividend payment enquires
- Dividend mandate instruction
- Loss of share certificate/dividend warrants
- Notification of change of address

### Transfer of shares

The board believes that it is important to respond adequately to all the queries of both institutional and general shareholders. At the AGM the shareholders are offered an opportunity to raise with the board any specific question they have concerning the Company. In addition, meetings are also held between individual directors and institutional shareholders at various times during the year.



# Directors' Report to the Shareholders

For the period 01 January 2015 to 30 June 2016

*Dear Shareholders,*

The Directors have pleasure in submitting hereunder their report together with the Audited Accounts for the period ended 01 January 2015 to 30 June 2016 and Auditors' Report thereon:

Following a change made through the Finance Act 2015, the accounting year of companies, excluding banks, insurance and non-banking financial institutions (NBFIs), will commence on 01 July and conclude on 30 June. For first time adoption of this change, Shinepukur Ceramics Ltd's reporting period has been extended to 30 June 2016, in accordance with the directives of the Bangladesh Securities and Exchange Commission. Accordingly, we present the audited accounts for the period of 18 months from 01 January 2015 to 30 June 2016.

## Change in Accounting Year

As mentioned the Finance Act 2015 passed by the Bangladesh Parliament requires companies, excluding banks, insurance and NBFIs to follow July-June as their financial year. This change in the reporting period is effective from 01 July 2016. Consequent to the provision of the Finance Act, we need to adopt an accounting year that will commence from 01 July and conclude on 30 June. To comply with the regulation, we propose that effective from 01 July 2016 our accounting year will be a 12 month period starting from 01 July and ending 30 June instead of 01 January to December 31.

## Working Results

The Directors are pleased to report that the working results of the Company for 18 months from 01 January 2015 to 30 June 2016 are as follows:

*Taka in Thousand*

	For the 18 months ended 30 Jun'16	For the six Months ended 30 Jun'16	For the year ended Dec'15	For the year ended Dec'14
Net profit / (Loss) before tax	(60.74)	(78.67)	17.94	21.80
i. For the period under review	15.44	3.85	11.59	5.10
ii. Short provision for earlier years	15.60	15.60	-	31.00
iii. Deferred tax (Income)/Expenses	(59.55)	(59.22)	0.33	(11.96)
Less: Income tax (Expenses)/ Income:	28.18	40.09	(11.96)	(24.13)
Net profit / (Loss) after tax	(32.56)	(38.59)	6.03	(2.34)
Prior year's adjustment-Depreciation	(76.15)			-
Add: Balance brought forward from previous year	(85.77)	(85.77)	(85.77)	(83.43)
<b>Balance carried forward</b>	<b>(194.48)</b>	<b>(194.48)</b>	<b>(79.74)</b>	<b>(85.77)</b>

## Profitability / Loss

Loss incurred mainly due to: (i) lower export sales & (ii) recognizing the short provisions for income tax expenses for previous years.

## EPS and NAV per share

EPS comes to Tk. -0.22 per share for the 18 months' period ended on 30 June 2016. EPS turned to negative due to lower profit margin from exports sales. Profit margin decreased due to change in export: domestic sales mix from 74:26 in 2014 to 65:35 during the 18 months' period under review. Profit margin also affected due to appreciation of BDT against EURO, GBP and Turkish LIRA. Profit margin also went down for increased gas price.

NAV decreased to Taka 28.09/per share as on 30 June 2016 from Taka 29.02/per share as on 31 December 2014 due to negative EPS and recognition of fair value loss on investment in shares.

## Dividend

The Directors recommended no dividend for the period as the Company incurred loss and there is no available retained earning for declaring dividend.

### **Business Outlook- a general overview**

Though the Bangladeshi Ceramic Tableware manufacturing industry dates back to 1960's, but it started to flourish from late 1990's, when all the manufacturing set-ups were focusing towards export market. Traditionally, the tableware industry is labour-intensive and companies in developed countries experienced difficulties to remain competitive and began to search for alternative manufacturing destinations. Based on Sulphur free un-interrupted gas supply with required pressure and low labour cost, Ceramic Tableware Industries flourished in Bangladesh to supply ceramic products to top-brands of Europe, USA, Japan etc. This situation has now changed; gas pressure has become erratic; Supply of gas in future has become uncertain. Unit Price of gas has already been doubled for captive power generation (to Tk. 8.36 per CFT from Tk. 4.18/ per CFT) and increased more than 26% for industrial (kiln) use (to Tk. 6.74 per CFT from Tk. 5.86/per CFT) on October 2015. Consequently, the comparative advantages of Bangladesh for production of Ceramic Tablewares have eroded to a great extent. Government is contemplating further to increase the gas price.

Majority of export market for Bangladesh Ceramic Tableware have been Europe and the USA, where widespread economic slow down forced total Ceramics export businesses to fall. Withdrawal of GSP by USA for Bangladesh has also affected the ceramic tableware export to USA. Negative impact of these is already reflected in the total Bangladesh export of Ceramic products. It may be mentioned that Bangladesh total Export in Ceramic Product in 2013-14 was US\$ 47.58 million, which was decreased to US\$ 42.92 million in 2014-15 (9.79% decrease over 2013-14). The said Export has further went down in 2015-16 to US\$ 37.69 million, (12.19% decrease over 2014-15). As a result SCL also experienced tougher realities with a negative growth of export business.

### **Export Sales**

SCL Export Sales has decreased by 27.66% to Taka 1340.66 million during the 18 months' period ending 30 June 2016 compared to that of the year 2014 when export sales was Taka 1235.61 million, highest in the history of the company. There were various reasons that negatively put the export sales down. Our Export Sales has dropped due to, (i) decrease in global demand for tablewares for economic slowdown (ii) Appreciation of taka against Euro, LIRA & GBP (iii) stiff competition from raw materials rich competing countries, and (iv) erosion of Bangladesh's cost competitive advantages (for increasing gas and labour cost). However, export sales for SCL still continue to remain as the key driver with 65% of the total sales during the period. To keep the export sales uninterrupted, we strengthened the trust with existing customers through professional liaison and developing new product range within shortest possible time; by manufacturing more of their newer product ranges, quickly seizing opportunity with strong new brands and strategically focusing into markets that are less impacted by economic downtrend. Moreover, a thorough improvement of the product quality involving cross-quality check on every production stages and improving the products & packaging in-line with up-to-date international standards also contributed towards export performance. The most challenging part to achieve reliability from among the buyers' fraternity has been to establish Shinepukur Ceramics Ltd. as the most compliant facility, into fast changing global competitive market. Shinepukur has been proven quite successful in this field after series of Social Accountability audits from Sedex and buyers. These relentless & on-going endeavors will significantly & positively contribute in the upcoming confirmed export businesses. Therefore we are confident that, compared to total Bangladesh Export, SCL's export is expected to continue to perform better in future.

### **Domestic Sales**

Domestic Sales have also become challenging now a day. Increased product cost resulting from higher Gas & Electricity price has forced us to increase the product price. But the competitor companies and importers did not increase their price, making their product cheaper than SCL. Even under this difficult time, SCL earned Tk. 712.840 million from domestic sales which is 7.5% higher than domestic sales of 2014. This we have achieved by shifting our sales strategy specially focusing on domestic institutional sales.

### **Significant Accreditations**

To maintain consistency in the sales performance by ensuring all the required tough compliance in-place, is truly difficult proposition especially being a table ware manufacturer for the world's top brands. Shinepukur has been quite successful in excelling in its quality performance in every endeavor, crossing one benchmark to the other. Shinepukur efficiently passed the 3rd phase of SMETA (Sedex Members' Ethical Trade Audit) in August 2013 and completed twice the thorough review of 6 months' periodic ISO audits from DNV (Det Norske Veritas) in 2014.

## Directors

### **Retirement and Re-election**

Mr. Salman F Rahman, Director of the Company retires by rotation as per Articles 127 and 128 of the Articles of Association of the Company and being eligible offers himself for re-election.

### Re-appointment of Independent Director

As per the Corporate Governance Guidelines issued by the Bangladesh Securities and Exchange Commission dated 07 August 2012, Mr. Masud Ekramullah Khan was appointed as an Independent Director of the Company on 20-12-2012 for a period of 3 years upto 19-12-2015. After completion of the above 3 years the Board has re-appointed him as an Independent Director of the Company on 20.12.2015 for a further period of 3 years upto 19.12.2018, subject to the approval by the Shareholders in the Annual General Meeting.

### Board Audit Committee

The Company had an Audit Committee, which constituted in terms of the provisions of Corporate Governance Guidelines dated 07-08-2012 issued by BSEC which is as follows:

Mr. Masud Ekramullah Khan	Chairman
Mr. Iqbal Ahmed	Member
Mr. O K Chowdhury, FCA	Member
Mr. Mohammad Asad Ullah, FCS	Secretary

The detail of the activities of the audit committee has been provided in "Audit Committee Report".

### Auditors

The Directors hereby report that the existing Auditors M/s. M. J. Abedin & Co., Chartered Accountants, National Plaza (3rd floor), 109, Bir Uttam CR Datta Road, Dhaka-1205 who was appointed as Auditors of the Company in Seventeenth Annual General Meeting carried out the audit for the year ended 31 December 2015.

Due to the special requirement, as mentioned earlier, to prepare the 18 months audited accounts for approval in the AGM, M. J. Abedin & Co., Chartered Accountants, National Plaza (3rd floor), 109, Bir Uttam CR Datta Road, Dhaka-1205 was appointed to carry out audit for the period from 1 January 2016 to 30 June 2016 at an agreed fee of Tk. 345,000 (including VAT).

M/s. M. J. Abedin & Co., Chartered Accountants, National Plaza (3rd floor), 109, Bir Uttam CR Datta Road, Dhaka-1205 the Auditors of the Company retire at this meeting and have expressed their willingness to continue in the office for the year 2016-17.

### Board Meetings and Attendance

During the year 8 (Eight) Board Meetings were held. The attendance record of the Directors is as follows:

Name of Directors	Meetings attended
Mr. A S F Rahman	8
Mr. Salman F Rahman	8
Mr. Iqbal Ahmed	8
Mr. O K Chowdhury	8
Mr. Masud Ekramullah Khan	8

### Corporate and Financial Reports

The Directors are pleased to confirm that:

- The financial statements together with the notes thereon have drawn up conformity with the Companies Act 1994 and Securities and Exchanges Rules 1987. These statements presents fairly the Company's statement of affairs, the result of its operation, cash flow and statement of changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate Accounting Policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and judgment.
- The International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements.
- Internal Control System is sound in design and has been effectively implemented and monitored.
- There is no significant doubts about the ability of the Company to continue as a going concern.
- There is no significant deviations in operating result compared to last year / period.
- The summarized key operating and financial data of last five preceding years is annexed as "Comparative Statistics" in the Annual Report.
- The related party transaction have been disclosed in preparation of the financial statement (Note 32.01).
- The Pattern of shareholding is as followings:



## The Pattern of Shareholding

Name	Shares held
i) Parent/Subsidiary/Associate Companies and other related parties: Bangladesh Export Import Co. Ltd. As on 31-12-2013	73,483,009
ii) Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children:	
Mr. A S F Rahman, Chairman	2
Mr. Salman F Rahman, Vice-Chairman	1
Mr. O K Chowdhury, Director	1
Chief Executive Officer, Spouse and minor children	Nil
Company Secretary, Spouse and minor children	Nil
Chief Financial Officer, Spouse and minor children	Nil
Head of Internal Audit, Spouse and minor children	Nil
iii) Executives:	Nil
iv) Shareholders holding ten percent (10%) or more voting interest in the company Bangladesh Export Import Co. Ltd (Mentioned in SL. No. (i) above.)	73,483,009

## Key Operating and Financial Data

Taka in '000

Particulars	01-01-2015 – 30-06-2016	2014	2013	2012	2011
Paid Up Capital	1,469,661	1,469,661	1,469,661	1,277,966	1,111,275
Revenue	2,053,500	1,677,658	1,692,445	1,942,351	1,901,129
Gross Profit	453,346	424,214	451,340	674,038	653,104
Profit / (Loss) Before Income Tax	(60,745)	21,798	(46,912)	175,134	214,966
Net Profit / (Loss) after Income Tax	(32,561)	(2,336)	(57,629)	90,285	168,768
Tangible Assets (Gross)	5,980,714	5,967,244	5,939,973	5,920,505	5,905,581
Cumulative Surplus	(194,476)	(85,768)	(83,432)	358,761	435,167
Dividend	-	-	-	15% (B)	15% (B)
Return on Paid up Capital	(0.22)%	(0.16)%	(3.92)%	7%	15%
Shareholders' Equity	4,128,856	4,264,595	4,487,867	4,544,462	4,499,760
Earnings per Share (Taka)	(0.22)	(0.02)	(0.39)	0.71	1.52
Shareholders' Equity Per Share (Taka)	28	29	31	36	40
Number of Shareholders	23,085	30,828	30,822	27,040	28,730

all figures in thousand Taka except indicate otherwise

## Corporate Governance Compliance Status Report

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

## Acknowledgement

The Board of Directors have taken this opportunity to express our sincere thanks to our customers, bankers, suppliers, government agencies, regulatory bodies and everyone with whom the company interacted in conducting its business. We are grateful to you, the shareholders, for extending at all times, your invaluable support and cooperation to bring the company to the level it has reached today.

On behalf of the Board of Directors



**A S F Rahman**

Chairman

06 October 2016

Dhaka.

# Report of the CEO and the CFO

## to the Board of Directors of Shinepukur Ceramics Limited

We have reviewed accompanying Financial Statements of Shinepukur Ceramics Limited which comprise the Statement of Financial Position as at 30 June 2016, Statement of Profit or Loss & Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the period ended 01 January 2015 to 30 June 2016 and a summary of significant accounting policies and other explanatory notes.

These financial statements have been prepared and presented fairly in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), the Financial Institutions Act 1993, the rules and regulations issued by the Companies Act 1994 and other applicable laws and regulations.

The Company has taken proper and sufficient care in installing a system of Internal control, which is reviewed, evaluated and updated on an ongoing basis. The internal control and compliance department of the company conducts periodic audits to provide reasonable assurance that the established policies and procedures of the company were consistently followed.

Based on the internal control system of the company and our review of these financial statements, we certify that to the best of our knowledge and belief:

- i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- ii) these statements together present a true and fair view of the company's affairs and are in accordance with existing accounting standards and applicable laws;
- iii) no transactions entered into by the company during the year / period which are fraudulent, illegal or violation of the company's code of conduct;
- iv) proper books of accounts as required by law have been kept by the company;
- v) the expenditure incurred was for the purposes of the company's business;
- vi) adequate provisions have been made for the preparation of financial statements.



**Mohammed Humayun Kabir, FCA**  
Chief Executive Officer



**Md. Luthfor Rahman**  
Chief Financial Officer

Date: 06 October 2016





# Corporate Governance Compliance Status Report

## Annexure-I

Status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August, 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

### (Report under Condition No. 7.00)

Condition No.	Title	Compliance Status ("√" in appropriate column)		Remarks (If any)
		Complied	Not Complied	
<b>1</b>	<b>BOARD OF DIRECTORS:</b>			
1.1	Board's Size [number of Board members to be 5 – 20]	√		
<b>1.2</b>	<b>Independent Directors</b>			
1.2 (i)	Number of Independent Directors [at least 1/5]	√		
1.2 (ii)	Independent Director (ID) means a director:			
1.2 (ii) (a)	Holding no share or holding less than 1% shares	√		
1.2 (ii) (b)	Not being a sponsor and connected with any sponsor or director or shareholder holding 1% or more shares	√		
1.2 (ii) (c)	Not having any pecuniary or otherwise relationship with the company or its subsidiary/associated companies	√		
1.2 (ii) (d)	Not being member/director/officer of any stock exchange	√		
1.2 (ii) (e)	Not being shareholder/director/officer of any member of stock exchange or intermediary of capital market	√		
1.2 (ii) (f)	Not being partner/executive at present or during the preceding 3 years of the company's statutory audit firm	√		
1.2 (ii) (g)	Not being an ID in more than 3 listed companies	√		
1.2 (ii) (h)	Not convicted as defaulter in any loan of a bank or NBFI	√		
1.2 (ii) (i)	Not convicted for a criminal offence	√		
1.2 (iii)	To be appointed by BOD and approved in the AGM	√		
1.2 (iv)	The post cannot remain vacant for more than 90 days	--	--	N/A
1.2 (v)	Laying down of code of conduct of Board members and recording of annual compliance of the code	√		
1.2 (vi)	Tenure of ID : 3 years, may be extended for one term	√		
<b>1.3</b>	<b>Qualification of Independent Director</b>			
1.3 (i)	Being knowledgeable, having integrity, ability to ensure compliance with laws and make meaningful contribution	√		
1.3 (ii)	Being a Business Leader/ Corporate Leader/ Bureaucrat/ University Teacher(Economics/Business/Law)/CA/CMA/CS having 12 years of management/professional experience	√		
1.3 (iii)	Prior approval of the Commission in special cases	--	--	N/A
<b>1.4</b>	<b>Appointment of Chairman and CEO, defining their roles</b>	√		
<b>1.5</b>	<b>The Director's Report to Shareholders shall include</b>			
1.5 (i)	Industry outlook and possible future developments	√		
1.5 (ii)	Segment-wise or product-wise performance	√		Company operates in a single product segment- Ceramics. However, in relevant cases market segment performance has been analyzed.
1.5 (iii)	Risks and concerns	√		
1.5 (iv)	Discussion on COGS, Gross Profit and Net Profit Margins	√		
1.5 (v)	Discussion on continuity of Extra-Ordinary gain or loss	--		N/A
1.5 (vi)	Basis for and a statement of related party transactions	--		N/A
1.5 (vii)	Utilization of proceeds from issuing instruments	--		N/A
1.5 (viii)	Explanation, if the financial results deteriorate after going for IPO, RPO, Right Offer, Direct Listing, etc	--	--	N/A
1.5 (ix)	Explanation about significant variance between Quarterly Financial performance and Annual Financial Statements	--	--	N/A

Condition No.	Title	Compliance Status (“√” in appropriate column)		Remarks (If any)
		Complied	Not Complied	
1.5 (x)	Remuneration to directors including IDs	√		No remuneration has been paid to any Director during the period under review except Independent Director
1.5 (xi)	Fair presentation in financial statements	√		
1.5 (xii)	Maintaining proper books of accounts	√		
1.5 (xiii)	Consistent application of appropriate accounting policies, and accounting estimates being reasonable and prudent	√		
1.5 (xiv)	Following applicable IAS/BAS/IFRS/BFRS, and adequate disclosure for any departure there-from, if any	√		
1.5 (xv)	Soundness and monitoring of internal control system	√		
1.5 (xvi)	Statement regarding ability to continue as going concern	√		
1.5 (xvii)	Significant deviations from last year’s operating results	--	--	Explained in Chairman’s Statement / Directors’ Report
1.5 (xviii)	Summary of key operating/financial data of last 5 years	√		
1.5 (xix)	Reason for non declaration of Dividend	√		
1.5 (xx)	Number of Board meetings and attendance of directors	√		
1.5 (xxi)	Pattern of shareholding (along with name wise details) by-			
1.5 (xxi) (a)	Parent/Subsidiary/Associate Companies & related parties	√		
1.5 (xxi) (b)	Directors, CEO, CS, CFO, HOIA, their spouses & children	√		
1.5 (xxi) (c)	Executives (Top 5 salaried employees other than above)	√		
1.5 (xxi) (d)	Shareholders holding 10% or more voting interest	√		
1.5 (xxii)	In case of the appointment/re-appointment of a director,			
1.5 (xxii) (a)	A brief resume of the director	√		
1.5 (xxii) (b)	Nature of his/her expertise in specific functional areas	√		
1.5 (xxii) (c)	Names of companies in which he/she holds directorship and the membership of committees of the board	√		
<b>2</b>	<b>CFO, HEAD OF INTERNAL AUDIT AND CS:</b>			
2.1	Appointment of a CFO, a Head of Internal Audit and a CS and defining their roles, responsibilities & duties	√		
2.2	Attendance of CFO and CS in the meetings of the Board	√		
<b>3</b>	<b>AUDIT COMMITTEE:</b>			
3 (i)	Having Audit Committee as a sub-committee of the BOD	√		
3 (ii)	Audit Committee to assist the BOD in ensuring fairness of financial statements and a good monitoring system	√		
3 (iii)	Audit Committee being responsible to the BOD; duties of Audit Committee to be clearly set forth in writing	√		
<b>3.1</b>	<b>Constitution of the Audit Committee</b>			
3.1 (i)	Audit Committee to be composed of at least 3 members	√		
3.1 (ii)	Audit Committee members to be appointed by BOD and at least one Independent Director to be included	√		
3.1 (iii)	Audit Committee members to be “financially literate” and at least one to have accounting/financial experience	√		
3.1 (iv)	Vacancy in Audit Committee making the number lower than 3 to be filled up immediately and within 1 month	√		
3.1 (v)	The CS to act as the secretary of the Audit Committee	√		
3.1 (vi)	No quorum in Audit Committee meeting without one ID	√		
<b>3.2</b>	<b>Chairman of the Audit Committee</b>			
3.2 (i)	Chairman to be an ID, selected by the BOD	√		
3.2 (ii)	Chairman of audit committee to remain present in AGM	√		
<b>3.3</b>	<b>Role of Audit Committee</b>			
3.3 (i)	Oversee the financial reporting process	√		
3.3 (ii)	Monitor choice of accounting policies and principles	√		
3.3 (iii)	Monitor Internal Control Risk management process	√		

Condition No.	Title	Compliance Status ("√" in appropriate column)		Remarks (If any)
		Complied	Not Complied	
3.3 (iv)	Oversee hiring and performance of external auditors	√		
3.3 (v)	Review the annual financial statements	√		
3.3 (vi)	Review the quarterly and half yearly financial statements	√		
3.3 (vii)	Review the adequacy of internal audit function	√		
3.3 (viii)	Review statement of significant related party transactions	√		
3.3 (ix)	Review Letters issued by statutory auditors	√		
3.3 (x)	Review disclosures/statements/declarations about uses of funds raised through IPO/RPO/Rights Issue	-	-	N/A
<b>3.4</b>	<b>Reporting of the Audit Committee</b>			
<b>3.4.1</b>	<b>Reporting to the Board of Directors</b>			
3.4.1 (i)	Reporting on the activities of Audit Committee	√		
3.4.1 (ii) (a)	Reporting on conflicts of interests	--	--	N/A
3.4.1 (ii) (b)	Reporting on suspected/presumed fraud or irregularity or material defect in the internal control system	--	--	N/A
3.4.1 (ii) (c)	Reporting on suspected infringement of laws	--	--	N/A
3.4.1 (ii) (d)	Reporting on any other matter to disclose immediately	--	--	N/A
3.4.2	Reporting to BSEC	--	--	N/A
3.5	Reporting to the Shareholders and General Investors	√		
<b>4</b>	<b>EXTERNAL / STATUTORY AUDITORS</b>			
4.00 (i)	Non-engagement in appraisal/valuation/fairness opinions	√		
4.00 (ii)	Non-engagement in designing & implementation of FIS	√		
4.00 (iii)	Non-engagement in Book Keeping or accounting	√		
4.00 (iv)	Non-engagement in Broker-Dealer services	√		
4.00 (v)	Non-engagement in Actuarial services	√		
4.00 (vi)	Non-engagement in Internal Audit services	√		
4.00 (vii)	Non-engagement in services determined by Audit Com.	√		
4.00 (viii)	Possessing no share by any partner or employee of the external audit firm during the tenure of assignment	√		
4.00 (ix)	Non-engagement in Audit/Certification Services on Compliance of Corporate Governance as required under clause (i) of condition No. 7	√		
<b>5</b>	<b>SUBSIDIARY COMPANY</b>			
5 (i)	Composition of BOD to be similar to holding company	--	--	N/A
5 (ii)	One ID to be in both holding and subsidiary company	--	--	N/A
5 (iii)	Minutes of Board meetings of subsidiary company to be placed at following Board meeting of holding company	--	--	N/A
5 (iv)	Minutes of respective Board meeting of holding company to state that affairs of subsidiary company be reviewed	--	--	N/A
5 (v)	Audit Committee of holding company to review financial statements / investments of subsidiary company	--	--	N/A
<b>6</b>	<b>DUTIES OF CEO AND CFO:</b>			
6 (i) (a)	To certify that they've reviewed FSs which contain no untrue or misleading statement or omit no material fact	√		
6 (i) (b)	To certify that the statements present a true and fair view of affairs and are in compliance with accounting standards and applicable laws	√		
6 (ii)	To certify that no transaction is fraudulent, illegal or violation of company's code of conduct	√		
<b>7</b>	<b>REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE:</b>			
7 (i)	Obtaining certificate regarding compliance and sending it to shareholders along with the Annual Report	√		
7 (ii)	To state, in accordance with annexure, in directors' report whether the conditions has been complied with	√		



# Report on the Activities of the Audit Committee

for the period of 18 months from 1 January 2015 to 30th June 2016

*Dear Shareholders,*

I am pleased to present the Report of the Audit Committee for the year 2014.

The Audit Committee Report presented under condition No.3.5 of the Bangladesh Securities and Exchange Commission(BSEC) Corporate Governance Guidelines provides an insight on the functions of the Audit Committee during 2014.

I am pleased to present the Report of the Audit Committee for the period of 18 months from 1 January 2015 to 30 June 2016.

The Audit Committee Report presented under condition No.3.5 of the Bangladesh Securities and Exchange Commission(BSEC) Corporate Governance Guidelines provides an insight on the functions of the Audit Committee during the aforesaid period.

## Composition:

As mentioned in the Compliance Statement, the Board has formed an Audit Committee in terms of the conditions of BSEC Guidelines which is appended with the Compliance Report and also enclosed with the Directors' Report. The Committee is comprised of Mr. Masud Ekramullah Khan, Mr. Iqbal Ahmed and Mr. O. K. Chowdhury, FCA, of whom Mr. Masud Ekramullah Khan is an Independent Director and also the Chairman of the Committee. Mr. Mohammad Asad Ullah, FCS, Company Secretary, performs as Secretary to the Audit Committee. The Audit Committee is appointed by the main Board and all the Members are Non-Executive Directors.

As required, all Members of the Audit Committee are 'financially literate' and are able to analysis and interpret financial statements to effectively discharge their duties and responsibilities as Members of the Audit Committee.

## The Role of Audit Committee:

The role of the Audit Committee is to monitor the integrity of the financial statements of the Company and review and, when appropriate, make recommendations to the main Board on business risk, internal controls and compliance. The committee satisfies itself, by means of suitable steps and appropriate information, that proper and satisfactory internal control system are in place to identify and contain business risk and that the Company's business is conducted in a proper and economically sound manner. The Audit Committee assists the Board of Directors to ensure that the financial statements reflect a true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business. The Audit Committee is responsible to the Board of Directors. The duties of the Audit Committee are clearly set forth in writing.

The role of the Audit Committee includes the following:

- Oversee the financial reporting process.
- Monitor choice of accounting policies and principles.
- Monitor Internal Control and Risk Management process.

- Oversee hiring and performance of external Auditors.
- Review along with the management, the annual financial statements before submission to the Board for approval.
- Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval.
- Review the adequacy of internal audit function.
- Review statement of significant related party transactions submitted by the management.
- Review Management Letters/Letter of Internal Control weakness issued by statutory auditors.
- To review whether all the applicable Rules, Regulations, Guidelines, Notifications, Directives, etc. framed/issued by the regulatory authorities have been complied with.
- Other matters as per Terms Of Reference (TOR) of the Audit Committee and also as directed by the Board, from time to time.

## Authority:

In terms of Corporate Governance Guidelines, the Audit Committee is authorized by the Board to review any activity within the business as per its Terms Of Reference(TOR). It is authorized to seek any information it requires from, and requires the attendance at any of its meeting of any Director or Member of Management, and all employees are expected to co-operate with any request made by the Committee.

The Committee is also authorized to have information and advice from the Company Legal Advisor, Tax Consultant and Statutory Auditor if required. The TOR of the Audit Committee may be amended from time to time as required for the business in line with BSEC Notifications subject to approval by the Board of the Company.

## Reporting of the Audit Committee:

Reporting to the Board of Directors: The Audit Committee reports on its activities to the Board of Directors. The Audit Committee immediately reports to the Board of Directors on the following findings, if any:

- Report on conflicts of interests;
- Suspected or presumed fraud or irregularity or material defect in the internal control system;
- Suspected infringement of laws, including securities related laws, rules and regulations;
- Any other matter that it deems necessary.

In compliance with condition No.6 of the Corporate Governance Guidelines of BSEC Notification dated August 7, 2012, the Chief Executive Officer(CEO) and Chief Financial Officer (CFO) have certified before the Board that they have thoroughly reviewed the Financial Statements of the Company for the period of 18 months from 1 January 2015 to 30 June 2016, and state that:

- These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws, and
- To the best of their knowledge and belief, the Company has not entered into any transaction during the year which are fraudulent, illegal or in violation of the Company's codes of conduct.

This certificate has been reviewed by the Audit Committee before submitting to the Board.

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) of the BSEC's Corporate Governance Notification mentioned above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the Annual Report of the Company.

#### Main Activities and recommendations of the Audit Committee during 18 months ended on 30th June 2016:

In terms of reference, the Committee in its meeting held on April 17, 2016 reviewed the Annual Financial Statements for the year 2015. During the meeting the Chief Financial Officer presented the draft annual accounts along with the independent auditors report to the Committee and briefed the committee regarding the financial performance of the Company. The Committee after reviewed decided to forward the audited accounts to the Board for their approval.

However, as you are aware, as per provisions of Finance Act 2015, other than Bank, Insurance and Non-Banking Financial Institutions are required to maintain July-June as their financial year. Pursuant to this, Bangladesh Securities and Exchange Commission (BSEC) subsequently issued guidelines for Companies for first time adoption of the change in the Financial Year. To comply with the BSEC Guidelines, the Company is required to prepare and publish audited accounts covering 18 months period i.e. January 1, 2015 to June 30, 2016. Accordingly the accounts for the period January-June 2016 were subsequently audited and combined 18 months audited accounts along with the report of the Auditors were prepared and submitted to the audit Committee for review.

The Audit Committee in its meeting held on September 28, 2016 reviewed the Financial Statements and the report of the Auditor for the 18 months period ending on June 30, 2016. The Audit Committee also had detailed discussion with the members of the accounts and finance department on various aspects of the financial statements and accounts. The Committee in detail looked into the compliance of the disclosure requirements set by the BSEC for the special reporting covering longer than usual accounting period. The Committee also reviewed the financial reporting process, discussed the adequacy of the internal control processes in place to prevent errors and fraudulent activities and thoroughly scrutinized the related party transactions carried out during the year. The committee was fully satisfied that the related party transactions were made on an arm length basis as part of normal course of business and the transactions have been adequately disclosed in the financial statements. The Independent Auditors' report also did not contain any material audit observation that warranted the Boards' attention. The Committee being satisfied, authorized for onward submission of the Audited Financial Statements to the Board for approval.

The Audit Committee met four times during the year 2015. All the Members were present in all meetings of the Committee.

The Committee held its first meeting of 2015 on April 21, to review the Audited Financial Statements of the Company for the year ended December 31, 2014. Detail discussions on the financial statements were held with the representatives of the Management of the Company. No material audit observation that warrants for Board's attention was noted. The Committee, therefore, recommended for onward submission of the Audited Financial Statements to the Board for its approval.

The second meeting of the Committee was held on May 11, 2015 prior to release of the un-audited First Quarter Financial Statements of the Company for the quarter ended on March 31, 2015. The Committee reviewed the financial progress during the first quarter and examined in detail and recommended the same for approval by the Board to release to the Shareholders of the Company.

The third meeting of 2015 was held on July 13, 2015 to review the un-audited half-yearly financial Statements of the Company. The Committee being satisfied recommended for issue of the financial statements for the half-year ended on June 30, 2015.

The fourth meeting of the Committee was held on October 19, 2015 to release of the un-audited third quarter financial statements of the Company for the quarter ended September 30, 2015. The detailed review of the financial statements was made by the Committee and recommended to the Board for approval of the financial statements for release to the Shareholders of the Company.

The Chief Executive Officers of concerned Divisions, Chief Financial Officer, Internal Auditors of the Company and representatives of the External Auditors had attended all the meetings upon invitation by the Audit Committee. From time to time, other senior Members of Management have also been invited by the Audit Committee to attend in the above Audit Committee meetings. The Audit Committee met with the External Auditors and separately, with the internal Auditors on an annual basis.

The Audit Committee also reviewed, approved and monitored the procedures and task of the internal audit, financial report preparation and the external audit reports. The Committee found adequate arrangement to present a true and fair view of the activities and the financial status of the Company and did not find any material deviation, discrepancies or any adverse findings/observation in the areas of reporting.

#### External Auditors:

The Audit Committee conducted a formal evaluation of the effectiveness of the external audit process. The Committee has considered the tenure, quality and fees of the auditors, considered and made recommendations to the Board on the appointment and remuneration of external Auditors, M/s. M. J. Abedin & Company, Chartered Accountants for the year 2016-17, subject to the approval of shareholders in the 19th AGM of the Company, who had carried out the audit of the Company for the period of 18 months from 1 January 2015 to 30 June 2016.



**(Masud Ekramullah Khan)**

Chairman

Audit Committee

28 September, 2016

## **S. Abdur Rashid FCS**

BCom (Hons), MBS (Finance & Banking), MBA (Finance), PGDHRM, LLB, AIPM

**Chartered Secretary in Practice**

Private Practice Certificate No.: 003

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**(Chartered Secretaries)**

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### **Certificate on Compliance of Corporate Governance Guidelines**

[ Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 ]

We have reviewed the Compliance of Conditions of the Corporate Governance Guidelines by **Shinepukur Ceramics Limited** ("the Company") for the period of 18 months ended 30 June 2016. Such compliance is the responsibility of the Company as stipulated in the above mentioned notification issued by Bangladesh Securities and Exchange Commission (BSEC).

We have conducted our review in a manner that has provided us a reasonable basis for evaluating the compliances and expressing our opinion thereon. This review has been limited to the measures adopted by the Company in ensuring such compliances and this has not been for expression of opinion on the financial statements or future viability of the Company.

According to the information and explanations provided to us by the Company, We hereby certify that all the conditions of the Corporate Governance Guidelines have been complied with by the Company.



**S. Abdur Rashid FCS**



Dhaka, 24 October 2016



# *Financials*



## INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SHINEPUKUR CERAMICS LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of Shinepukur Ceramics Limited, which comprise the Statement of Financial Position as at 30 June 2016, the Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flows for the period from 01 January 2015 to 30 June 2016 (18 months) then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### 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 about whether 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedure that are appropriate in the circumstance, 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 give a true and fair view of the financial position of the company as at 30 June 2016 and of its financial performance and its cash flows for the period of 18 months then ended in accordance with Bangladesh Financial Reporting Standards (BFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

### Other Matter

Financial Statements of the company for the year ended 31 December 2015 and period ended 30 June 2016 have separately been audited by us. As per Finance Act 2015 the company is required to follow accounting year as July to June, therefore, separately audited financial statements have been compiled as per directives of Bangladesh Securities and Exchange Commission.

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1994 and the Securities and Exchange Rules 1987, we report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of these books ;
- (c) the Statement of Financial Position (Balance Sheet) and The Statement of Profit or Loss and Other Comprehensive Income (Profit and Loss Account) dealt with by the report are in agreement with the books of account ; and
- (d) the expenditure incurred was for the purposes of the company's business.

Dated, Dhaka  
06 October 2016

  
**M. J. ABEDIN & CO**  
Chartered Accountants

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

		AMOUNT IN TAKA		
	NOTES	30 June-16	31-Dec-15	31-Dec-14
ASSETS				
Non-Current Assets		5,595,370,184	5,712,745,542	5,644,821,352
Property, Plant and Equipment - Carrying Value	4.00	4,058,551,315	4,183,283,265	4,204,123,208
Investment in Shares	5.00	51,951,251	62,793,316	78,982,952
Capital Work in Progress	6.00	1,484,867,618	1,466,668,961	1,361,715,192
Current Assets		889,046,924	971,049,785	1,044,626,037
Inventories	7.00	612,324,290	643,476,833	671,351,499
Accounts & Other Receivables	8.00	94,950,062	100,330,772	157,873,140
Advances, Deposits & Prepayments	9.00	165,477,349	211,237,197	193,770,311
Cash and Cash Equivalents	10.00	16,295,223	16,004,983	21,631,087
Total Assets		6,484,417,108	6,683,795,327	6,689,447,389
EQUITY AND LIABILITIES				
Shareholders' Equity		4,128,855,541	4,254,431,082	4,264,594,984
Issued Share Capital	11.00	1,469,660,550	1,469,660,550	1,469,660,550
Revaluation Surplus on Property, Plant and Equipment	12.00	2,966,690,015	2,966,690,015	2,966,690,015
Fair Value Loss on Investment in Shares		(113,019,353)	(102,177,288)	(85,987,652)
Retained Earnings		(194,475,671)	(79,742,195)	(85,767,929)
Non-Current Liabilities		776,314,094	925,453,103	627,017,777
Long Term Loan - Net-off Current Maturity(Secured)	13.00	575,611,864	665,559,225	376,275,965
Gratuity Payable	14.00	101,599,302	101,240,828	92,417,698
Deferred Tax Liability	15.00	99,102,928	158,653,050	158,324,114
Current Liabilities		1,579,247,473	1,503,911,142	1,797,834,628
Short Term Loans from Banks (Secured)	16.00	761,126,588	803,957,492	1,065,658,448
Long Term Loan-Current Maturity (Secured)	17.00	134,258,138	130,350,223	183,014,482
Creditors, Accruals and Other Payables	18.00	683,862,747	569,603,427	549,161,698
Total Equity and Liabilities		6,484,417,108	6,683,795,327	6,689,447,389

The accompanying notes form an integral part of these financial statements.

Approved and authorized for issue by the board of directors on 06 October 2016 and signed for and on behalf of the Board :



**A S F Rahman**  
Chairman



**Salman F Rahman**  
Vice Chairman



**Md. Luthfor Rahman**  
Chief Financial Officer

As per our separate report of even date annexed.

Dated, Dhaka  
06 October 2016

  
**M. J. ABEDIN & CO**  
Chartered Accountants



## STATEMENT OF PROFIT OR LOSS &amp; OTHER COMPREHENSIVE INCOME

FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

	NOTES	AMOUNT IN TAKA			
		01.01.2015- 30.06.2016	01.01.2016- 30.06.2016	01.01.2015- 31.12.2015	01.01.2014- 31.12.2014
		18 Months	6 Months	12 Months	12 Months
<b>Revenue</b>	19.00	2,053,499,930	641,628,225	1,411,871,705	1,677,657,674
Cost of Goods Sold	20.00	(1,600,154,418)	(527,673,093)	(1,072,481,325)	(1,253,443,603)
<b>Gross Profit</b>		<b>453,345,512</b>	<b>113,955,132</b>	<b>339,390,380</b>	<b>424,214,071</b>
<b>Other Income</b>	21.00	<b>27,058,094</b>	<b>12,858,801</b>	<b>14,199,293</b>	<b>22,626,755</b>
<b>Operating Expenses</b>		<b>(173,233,947)</b>	<b>(65,257,052)</b>	<b>(107,976,895)</b>	<b>(165,076,380)</b>
Administrative Expenses	22.00	(91,958,650)	(39,663,199)	(52,295,451)	(73,013,118)
Selling & Distribution Expenses	23.00	(81,275,297)	(25,593,853)	(55,681,444)	(92,063,262)
<b>Profit from Operations</b>		<b>307,169,659</b>	<b>61,556,881</b>	<b>245,612,778</b>	<b>281,764,446</b>
Finance Cost	24.00	(367,017,513)	(140,243,070)	(226,774,443)	(258,876,706)
<b>Profit/(Loss) before contribution to WPPF</b>		<b>(59,847,854)</b>	<b>(78,686,189)</b>	<b>18,838,335</b>	<b>22,887,740</b>
Contribution to Workers' Profit Participation		(897,064)	-	(897,064)	(1,089,892)
<b>Net Profit/(Loss) Before Tax</b>		<b>(60,744,918)</b>	<b>(78,686,189)</b>	<b>17,941,271</b>	<b>21,797,848</b>
Income Tax Income/(Expense)	25.00	28,183,993	40,099,530	(11,915,537)	(24,134,076)
<b>Net Profit/(Loss) After Tax for the period</b>		<b>(32,560,925)</b>	<b>(38,586,659)</b>	<b>6,025,734</b>	<b>(2,336,228)</b>
<b>Other Comprehensive Income:</b>					
Fair Value (Loss)/Gain on Investment in Shares	5.00	(27,031,701)	(10,842,065)	(16,189,636)	17,761,266
<b>Total Comprehensive (Loss) /Income for the period</b>		<b>(59,592,626)</b>	<b>(49,428,724)</b>	<b>(10,163,902)</b>	<b>15,425,038</b>
<b>Earning Per Share</b>	26.00	<b>(0.22)</b>	<b>(0.26)</b>	<b>0.04</b>	<b>(0.02)</b>

The accompanying notes form an integral part of these financial statements.

Approved and authorized for issue by the board of directors on 06 October 2016 and signed for and on behalf of the Board:


A S F Rahman  
Chairman

Salman F Rahman  
Vice Chairman

Md. Luthfor Rahman  
Chief Financial Officer

As per our separate report of even date annexed.


M. J. ABEDIN & CO  
Chartered AccountantsDated, Dhaka  
06 October 2016

## STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

Amount in Taka

Particulars	Share Capital	Revaluation Surplus on PPE	Fair Value Loss on Investment in Shares	Retained Earnings	Total Equity
Balance as on 31 December 2013	1,469,660,550	2,966,690,015	(103,748,918)	(83,431,701)	4,249,169,946
Net Loss after tax for the year	-	-	-	(2,336,228)	(2,336,228)
Fair Value Gain on Investment in Shares	-	-	17,761,266	-	17,761,266
Total Balance as on 31 December 2014	1,469,660,550	2,966,690,015	(85,987,652)	(85,767,929)	4,264,594,984
Number of Shares					146,966,055
Net Assets Value (NAV) Per Share					29.02
<b>Balance as on 31 December 2014</b>	<b>1,469,660,550</b>	<b>2,966,690,015</b>	<b>(85,987,652)</b>	<b>(85,767,929)</b>	<b>4,264,594,984</b>
Net Profit after tax for the year	-	-	-	6,025,734	6,025,734
Fair Value Loss on Investment in Shares (Note - 5)	-	-	(16,189,636)	-	(16,189,636)
Total Balance as on 31 December 2015	1,469,660,550	2,966,690,015	(102,177,288)	(79,742,195)	4,254,431,082
Number of Shares					146,966,055
Net Assets Value (NAV) Per Share					28.95
<b>Balance as on 31 December 2015</b>	<b>1,469,660,550</b>	<b>2,966,690,015</b>	<b>(102,177,288)</b>	<b>(79,742,195)</b>	<b>4,254,431,082</b>
Prior Year Adjustment of Depreciation	-	-	-	(76,146,817)	(76,146,817)
Net Loss after tax for the period ended 30 June 2016	-	-	-	(38,586,659)	(38,586,659)
Fair Value Loss on Investment in Shares (Note - 5)	-	-	(10,842,065)	-	(10,842,065)
<b>Total Balance as on 30 June 2016</b>	<b>1,469,660,550</b>	<b>2,966,690,015</b>	<b>(113,019,353)</b>	<b>(194,475,671)</b>	<b>4,128,855,541</b>
Number of Shares					146,966,055
<b>Net Assets Value (NAV) Per Share</b>					<b>28.09</b>

The accompanying notes form an integral part of these financial statements.

Approved and authorized for issue by the board of directors on 06 October 2016 and signed for and on behalf of the Board:


A S F Rahman  
Chairman

Salman F Rahman  
Vice Chairman

Md. Luthfor Rahman  
Chief Financial Officer

As per our separate report of even date annexed.


M. J. ABEDIN & CO  
Chartered AccountantsDated, Dhaka  
06 October 2016

## STATEMENT OF CASH FLOWS

FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

	AMOUNT IN TAKA			
	01.01.2015- 30.06.2016	01.01.2016- 30.06.2016	01.01.2015- 31.12.2015	01.01.2014- 31.12.2014
	18 Months	6 Months	12 Months	12 Months
<b>Cash Flows From Operating Activities:</b>				
Collections from turnover and other income	2,143,294,618	659,867,736	1,483,426,882	2,217,078,717
Payments for costs, expenses & others	(1,446,828,107)	(365,153,492)	(1,081,674,615)	(1,070,864,322)
Interest Paid	(356,352,732)	(137,288,710)	(219,064,022)	(248,048,152)
Income-Tax paid and /or deducted at sources	(51,245,019)	(6,968,665)	(44,276,354)	(25,685,587)
<b>Net cash generated from operating activities</b>	<b>288,868,760</b>	<b>150,456,869</b>	<b>138,411,891</b>	<b>872,480,656</b>
<b>Cash Flows From Investing Activities:</b>				
Property, Plant and Equipment acquired	(14,561,017)	(2,769,622)	(11,791,395)	(10,615,917)
Disposal of Vehicles	690,000	-	690,000	3,096,207
Capital Work in Progress	(123,152,426)	(18,198,657)	(104,953,769)	(568,872,637)
<b>Net cash used in investing activities</b>	<b>(137,023,443)</b>	<b>(20,968,279)</b>	<b>(116,055,164)</b>	<b>(576,392,347)</b>
<b>Cash Flows From Financing Activities:</b>				
Decrease in Loan	(153,952,305)	(128,870,350)	(25,081,955)	(285,183,099)
Gratuity Payment	(3,228,875)	(328,000)	(2,900,875)	(3,762,460)
<b>Net cash used in financing activities</b>	<b>(157,181,180)</b>	<b>(129,198,350)</b>	<b>(27,982,830)</b>	<b>(288,945,559)</b>
<b>(Decrease) /Increase in Cash and Cash Equivalents</b>	<b>(5,335,863)</b>	<b>290,240</b>	<b>(5,626,103)</b>	<b>7,142,750</b>
Cash and Cash Equivalents at the beginning of the year	21,631,087	16,004,983	21,631,087	14,488,336
<b>Cash and Cash Equivalents at the end of the period</b>	<b>16,295,223</b>	<b>16,295,223</b>	<b>16,004,983</b>	<b>21,631,087</b>
<b>Net Operating Cash Flows Per Share</b>	<b>1.96</b>	<b>1.02</b>	<b>0.94</b>	<b>5.94</b>

The accompanying notes form an integral part of these financial statements.

Approved and authorized for issue by the board of directors on 06 October 2016 and signed for and on behalf of the Board:



**A S F Rahman**  
Chairman



**Salman F Rahman**  
Vice Chairman



**Md. Luthfor Rahman**  
Chief Financial Officer

As per our separate report of even date annexed.

Dated, Dhaka  
06 October 2016



**M. J. ABEDIN & CO**  
Chartered Accountants



## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

**1. The background and activities of the Company****1.1 Status of the Company**

Shinepukur Ceramics Limited (SCL/the company) was incorporated in Bangladesh on 26 January 1997 under the Companies Act, 1994 as a Private Limited Company and launched its manufacturing operation in 1999. The Company was converted into a Public Limited Company on 7 May 2008. The Shares of the Company have been listed in the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) on 18 November 2008 under the DSE and CSE Direct Listing Regulations 2006.

The registered office of the company is located at House No.17, Road No.2, Dhanmondi R/A, Dhaka. The industrial units are located at Sarabo of Gazipur.

**1.2 Principal Activities**

The company operates in a single industry segment. It is engaged in manufacturing and marketing of high quality Porcelain and high value added Bone China Tableware, which it sells in the local as well as international markets.

**2. Bases of Financial Statements – Preparation and Presentation****2.1 Measurement Bases**

The financial statements have been prepared on the Historical Cost basis, except lands, buildings and plant & machinery re-stated at current cost and investment in shares of listed companies are carried at fair value based on the period end quoted price of Dhaka Stock Exchange Limited

**2.2 Reporting Framework and Compliance thereof**

The financial statements have been prepared in compliance with the requirements of the Companies Act 1994, the Securities and Exchange Rules 1987, the Listing Regulations of Dhaka and Chittagong Stock Exchanges and other relevant local laws and regulations as applicable and in accordance with the applicable Bangladesh Financial Reporting Standards (BFRSs) including Bangladesh Accounting Standards (BASs) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) based on International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs).

**2.3 Presentation of Financial Statements**

The presentation of these financial statements is in accordance with the guidelines provided by BAS 1: Presentation of Financial Statements.

The Financial Statements Comprises:

- (a) a statement of financial position as at 30 June 2016;
- (b) a statement of profit or loss and other comprehensive income for the period from 01 January 2015 to 30 June 2016 (18 months);
- (c) a statement of changes in equity for the period from 01 January 2015 to 30 June 2016 (18 months);
- (d) a statement of cash flows for the period from 01 January 2015 to 30 June 2016 (18 months); and
- (e) notes, comprising a summary of significant accounting policies and other explanatory information.

**2.4 Authorization for Issue**

The financial statements have been authorized for issue by the Board of Directors on 06 October 2016.

**2.5 Functional and Presentation Currency**

The financial statements are prepared and presented in Bangladesh Currency (Taka), which is the company's functional currency. All financial information presented has been rounded off to the nearest Taka except where indicated otherwise.

## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

**2.6 Reporting Period and Comparative Information**

The financial Statements have been prepared for 18(Eighteen) months (from 1st January 2015 to 30th June 2016) as per a directive of Bangladesh Securities & Exchange Commission (BSEC) to facilitate the adoption of reporting period of July to June in place of existing reporting period of calendar year (January to December) in compliance to the requirement of the National Board Of Revenue (NBR) to follow uniform financial year.

Therefore, the financial statements for the period of 18 months (01.01.2015 to 30.06.2016) are not entirely comparable with the comparative of 12 months (01.01.2014 to 31.12.2014).

Figures for the year 2014 have been re-arranged wherever considered necessary to ensure better comparability with the current period.

**2.7 Use of Estimates and Judgments**

The preparation of financial statements in conformity with BFRSs / BASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and disclosure requirements for contingent assets and liabilities during the period and at the date of the financial statements.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. BAS 8: Accounting Policies, Changes in Accounting Estimates and Errors prescribes that the effects of the revision of accounting estimates has to be recognized in the period in which the estimates are revised.

In particular, significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include depreciation, inventory valuation, accrued expenses and other payables.

**3. Significant Accounting Policies****3.1 Revenue Recognition**

In compliance with the requirements of BAS 18: Revenue, revenue from receipts from customers against sales is recognized when products are dispatched to customers, that is, when the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Receipts from customers comprise sales price against export sales and domestic sales.

Export sales are considered as revenue at FOB value. Usually export sales are transacted in FOB basis. Where export sales are carried out other than at FOB price, additional costs are added to FOB price, accordingly those added costs (Ocean Freight, Commission Payable, Cost of Insurance etc.) if any, are net off to arrive at FOB value of the said export sales in order to be uniformed in revenue recognition.

**3.2.0 Property, Plant and Equipment****3.2.1 Recognition and Measurement**

Property, plant and equipment (including assets acquired under finance lease) are capitalized at cost of acquisition and subsequently stated at cost revalued amount less accumulated depreciation in compliance with the requirements of BAS 16: Property, Plant and Equipment. The Cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes.

**3.2.2 Pre-Operating Expenses and Borrowing Costs**

In respect of major projects involving construction, related pre-operational expenses form part of the value of assets capitalized. Expenses capitalized also include applicable borrowing cost considering the requirement of BAS 23: Borrowing Costs.

## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

**3.2.3 Subsequent Expenditure**

The company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the item can be measured reliably. Expenditure incurred after the assets have been put into operation, such as repairs and maintenances is normally charged off as revenue expenditure in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the use of the fixed assets, the expenditure is capitalized as an additional cost of the assets. All other costs are recognized to the statement of profit or loss and other comprehensive income as expenses if incurred. All up-gradation/enhancement are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

**3.2.4 Software**

Software is generally charged off as revenue expenditure. Purchase of software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

**3.2.5 Disposal of Fixed Assets**

On disposal of fixed assets, the cost and accumulated depreciation are eliminated and gain or loss on such disposal is reflected in the statement of profit or loss and other comprehensive income, which is determined with reference to the net book value of the assets and net sales proceeds.

**3.2.6 Depreciation on Fixed Assets**

Depreciation is provided on all fixed assets except Land & Land Development at the following rates on reducing balance basis over the periods appropriate to the estimated useful lives of the different types of assets:

Building and Other Construction	0.5% to 5%
Plant and Machinery	1.5% to 7.5%
Furniture & Fixture	20%
Transport & Vehicle	20%
Office Equipment	20%

**3.3 Leased Assets**

In compliance with the BAS: 17 Leases, costs of assets acquired under finance lease along with obligation there against have accounted for as assets and liabilities respectively of the company, and the interest element has been charged as expenses.

**3.4 Financial Instruments**

Non-derivative financial instruments comprise investment in shares, accounts and other receivables, cash and cash equivalents, borrowings and other payables.

**3.4.1 Financial Assets****(a) Investment in Shares**

Investment in Shares of listed companies are carried in the statement of financial position at fair value based on DSE quoted price at the period end and the gain / loss thereon were accounted for through other comprehensive income considering it as "Available – for - Sale" financial assets.

**(b) Accounts Receivable**

Accounts receivable are created at original invoice amount less any provisions for doubtful debts. Provisions are made where there is evidence of a risk of non-payment, taking into account ageing, provision experience and general economic conditions. When an accounts receivable is determined to be uncollectible it is written off, firstly against any provision available and then to the statement of profit or loss and other comprehensive income. Subsequent recoveries of amounts previously provided for are credited to the statement of profit or loss and other comprehensive income.



## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

## (c) Advances and Deposits

Advances are initially measured at cost. After initial recognition, advances are carried at cost less deductions, adjustments or charges to other account heads.

Deposits are measured at payment value.

## (d) Cash and Cash Equivalents

Cash and Cash equivalents are carried in the statement of financial position at cost and include cash in hand and with banks on current and deposit accounts, which are held and available for use by the company without any restriction. There is insignificant risk of change in value of the same.

**3.4.2 Financial Liability**

Financial liabilities are recognized initially on the transaction date at which the company becomes a party to the contractual provisions of the liability. The company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial liabilities include payable for expenses, liability for capital expenditure and other current liabilities.

**3.5 Impairment****(a) Financial Assets**

Accounts receivable and other receivables are assessed at each reporting date to determine whether there is any objective evidence of impairment. Financial assets are impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, etc.

**(b) Non-Financial Assets**

An asset is impaired when its carrying amount exceeds its recoverable amount. The company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Carrying amount of the asset is reduced to its recoverable amount by recognizing an impairment loss if, and only if, the recoverable amount of the asset is less than its carrying amount. Impairment loss is recognized immediately in profit or loss, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset shall be treated as a revaluation decrease.

**3.6 Inventories**

Inventories are carried at the lower of cost and net realizable value as prescribed by BAS 2: Inventories. Cost is determined on weighted average cost basis. The cost of inventories comprises of expenditure incurred in the normal course of business in bringing the inventories to their present location and condition. Net realizable value is based on estimated selling price less any further costs expected to be incurred to make the sale.

**3.7 Provisions**

A provision is recognized in the statement of financial position when the company has legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provision is ordinarily measured at the best estimate of the expenditure required to settle the present obligation at the date of statement of financial position. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditure expected to be required to settle the obligation.

## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

**3.8 Income Tax Expenses****Current Tax – 30 June 2016**

Applicable Income Tax Rate is 25% on taxable income. However, Tax deducted at source (TDS) as per Section 53BBBB under Income Tax Ordinance, 1984 is minimum tax u/s 82(C).

**Deferred Tax**

Deferred tax is recognised in compliance with BAS 12: Income Taxes, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences based on the laws that have been enacted or substantively enacted by the date of statement of financial position. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate income taxes levied by the same tax authority on the same taxable entity.

**3.9 Interest Income**

Interest Income is recognized on accrual basis.

**3.10 Borrowing Costs**

This has been dealt with the requirements of BAS 23: Borrowing Costs.

Borrowing costs relating to projects in commercial operation are recognized as expenses in the period in which they are incurred. In respect of projects that have not yet commenced commercial production, borrowing costs are debited to capital work in progress.

**3.11 Employee Benefits**

The company maintains both contribution plan and defined benefit plan for its eligible permanent employees. The company's employee benefits include the following:

**(a) Defined Contribution Plan (Provident Fund)**

The company contributes to a registered provident fund scheme (defined contribution plan) for employees of the company eligible to be members of the fund in accordance with the rules of the provident fund constituted under an irrecoverable trust. All permanent employees contribute 10% of their basic salary to the provident fund and the company also makes equal contribution.

The company recognizes contribution to defined contribution plan as an expense when an employee has rendered services in exchange for such contribution. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

**(b) Defined Benefits Plan (Gratuity)**

Employees are entitled to gratuity benefit after completion of minimum five years of services in the company. The gratuity is calculated on the latest applicable basic pay and is payable at the rate of one month basic pay for every completed year of service.

**(c) Short-term Employee Benefits**

Short-term employee benefits include salary, bonuses, leave encashment etc. Obligations for such benefits are measured on an undiscounted basis and are expensed as the related service is provided.

**(d) Contribution to Workers' Participation/Welfare Funds**

This represents 5% of net profit before tax contributed by the Company as per provisions of Bangladesh Labor Act 2013 (amendment) and is payable to workers as defined in the said law.

**(e) Group Insurance Scheme**

Employees of the company are covered under group life insurance scheme.

## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

**3.12 Proposed Dividend**

No dividend was proposed for the period ended 30 June 2016.

**3.13 Earnings per Share**

This has been calculated in compliance with the requirements of BAS 33: Earnings Per Share by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the period.

**Basic Earnings (Numerator)**

This represents earnings for the period attributable to ordinary shareholders. As there was no preference dividend, minority interest or extra ordinary items, the net profit after tax for the period has been considered as fully attributable to the ordinary shareholders.

Weighted Average Number of Ordinary Shares Outstanding during the period (Denominator)

**Current Period**

The total number of shares has been considered as the Weighted Average number of Shares outstanding during the period.

**Earlier Year (2014)**

The total number of shares has been considered as the Weighted Average Number of Shares outstanding during the year 2014.

The basis of computation of number of shares as stated above is in line with the provisions of BAS 33: "Earnings Per Share".

**Diluted Earnings per Share**

No diluted EPS is required to be calculated for the period, as there was no scope for dilution during the period under review.

**3.14 Foreign Currency Transactions**

The Financial records of the company are maintained and the financial statements are stated in Bangladesh Taka. Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction date.

The monetary assets and liabilities, if any, denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchanges ruling at that date. Exchange differences are charged off as revenue expenditure in compliance with the provisions of BAS 21: The Effects of Changes in Foreign Exchange Rates. However, as a requirement of the companies Act 1994, exchange loss relating to foreign currency loan has been capitalized to relevant fixed assets being procured under the said obligation.

**3.15 Segmental Reporting**

No segmental reporting is applicable for the company as required by BAS 14: Segmental Reporting, as the company operates in a single industry segment and within a single geographical segment.

**3.16 Statement of Cash Flows**

The Statement of Cash Flows has been prepared in accordance with the requirements of BAS 7: Statement of Cash Flows. The cash generated from operating activities has been reported using the Direct Method as prescribed by the Securities and Exchange Rules, 1987 and as encouraged by BAS 7 whereby major classes of gross cash receipts and gross cash payments from operating activities are disclosed.

**3.17 Events after the Reporting Period**

In compliance with the requirements of BAS 10: Events after the Reporting Period, post balance sheet events that provide additional information about the company's position at the balance sheet date are reflected in the financial statements and events after the balance sheet date that are not adjusting events are disclosed in the notes when material.



## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

**4.00 Property, Plant and Equipment : Tk. 4,058,551,315**

Amount in Tk.

	Land & Land Development	Building & Other Construction	Plant & Machinery	Office Equipment	Furniture & Fixture	Transport & Vehicle	Total
<b>Cost or Valuation:</b>							
At 31 December 2014	1,697,029,503	1,380,680,269	2,782,348,987	56,045,266	28,340,072	22,799,479	5,967,243,576
Addition during the year	-	2,183,057	7,276,038	1,085,432	1,246,868	-	11,791,395
Disposal during the year	-	-	-	-	-	(1,090,000)	(1,090,000)
At 31 December 2015	1,697,029,503	1,382,863,326	2,789,625,025	57,130,698	29,586,940	21,709,479	5,977,944,971
Addition during the period	-	-	2,738,405	31,217	-	-	2,769,622
Disposal during the period	-	-	-	-	-	-	-
At 30 June 2016	1,697,029,503	1,382,863,326	2,792,363,430	57,161,915	29,586,940	21,709,479	5,980,714,593
<b>Depreciation:</b>							
At 31 December 2014	-	300,768,931	1,371,572,961	48,968,142	24,056,274	17,754,059	1,763,120,367
Depreciation for the year	-	6,016,335	22,803,859	1,702,904	1,076,704	528,020	32,127,822
Disposal during the year	-	-	-	-	-	(586,484)	(586,484)
At 31 December 2015	-	306,785,266	1,394,376,820	50,671,046	25,132,978	17,695,595	1,794,661,705
Prior year Depreciation	-	22,241,812	53,565,608	(70,393)	29,429	380,361	76,146,817
Depreciation for the period	-	13,753,709	36,139,116	656,126	442,453	363,352	51,354,756
Disposal during the period	-	-	-	-	-	-	-
At 30 June 2016	-	342,780,787	1,484,081,544	51,256,779	25,604,859	18,439,308	1,922,163,278
Carrying Amount as at 30 June 2016	1,697,029,503	1,040,082,539	1,308,281,885	5,905,136	3,982,081	3,270,171	4,058,551,315
Carrying Amount as at 31 December 2015	1,697,029,503	1,076,078,060	1,395,248,204	6,459,652	4,453,963	4,013,884	4,183,283,265
Carrying Amount as at 31 December 2014	1,697,029,503	1,079,911,338	1,410,776,025	7,077,124	4,283,799	5,045,420	4,204,123,208

**Disclosure on Revaluation:****(a) The break-up of total revaluation surplus as included in the carrying amount is stated below:**

	Land & Land Development	Building & other Construction	Plant & Machinery	Total Taka
Surplus on Revaluation in 2004	192,466,272	-	-	192,466,272
Surplus on Revaluation in 2008	376,892,108	351,072,849	433,853,724	1,161,818,681
Surplus on Revaluation in 2011	953,362,500	547,975,861	111,066,701	1,612,405,062
Total Surplus on Revaluation	1,522,720,880	899,048,710	544,920,425	2,966,690,015

- (b) M/S G.K.Adjusters Ltd.(Insurance Surveyors, Loss Adjusters, Controllers, Consultants and Valuers) of Chand Mansion (5th floor) , 66, Dilkusha Commercial Area, was involved to carry out the revaluation of 2004.
- (c) SF Ahmed & Co, Chartered Accountants, House 25, Road 13A, Block - D, Banani, Dhaka - 1213 and valuers have revalued the lands, buildings and plant & machinery of the Company as of 31 December 2008, following "current cost method". Such revaluation resulted in a revaluation surplus aggregating Tk. 1,161,818,681."
- (d) Ata Khan & Co, Chartered Accountants, 67 Motijheel Commercial Area, Dhaka - 1000 and valuers have revalued the lands, buildings and plant & machinery of the Company as of 31 December 2011, following "current cost method". Such revaluation resulted in a revaluation surplus aggregating Tk. 1,612,405,062.

## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

	AMOUNT IN TAKA		
	as at		
	30 June-16	31-Dec-15	31-Dec-14

**5.00 Investment in Shares : Tk. 51,951,251**

The basis of valuation is stated in Note 3.4.1 (a).

This consists of Investment in Shares of listed Companies as follows :

(a) In 65,716 (2014: 65,716) Shares of Beximco Synthetics Ltd.(Face value Tk. 10.00)	414,011	519,156	821,450
(b) In 2,147,385 (2014: 1,867,292) Shares of Bangladesh Export Import Co. Ltd. (Face value Tk. 10.00 )	51,537,240	62,274,159	78,161,502
	<b>51,951,251</b>	<b>62,793,316</b>	<b>78,982,952</b>

This is arrived at as follows:

	30.06.2016			31-Dec-15		
	Beximco Synthetics Ltd.	Beximco Ltd.	Total	Beximco Synthetics Ltd.	Beximco Ltd.	Total
At Cost Opening	519,156	62,274,159	62,793,316	821,450	78,161,502	78,982,952
Adjustment for Sales during the period	-	-	-	-	-	-
	519,156	62,274,159	62,793,316	821,450	78,161,502	78,982,952
Less: Quoted Price on period end	414,011	51,537,240	51,951,251	519,156	62,274,159	62,793,316
<b>Fair Value Loss on Investment in Shares</b>	<b>(105,146)</b>	<b>(10,736,919)</b>	<b>(10,842,065)</b>	<b>(302,294)</b>	<b>(15,887,343)</b>	<b>(16,189,636)</b>

**6.00 Capital Work in Progress : Tk. 1,484,867,618**

This represents as follows:

Opening Balance	1,466,668,961	1,361,715,192	817,919,156
Add: Addition during the period	18,198,657	104,953,769	568,872,637
	1,484,867,618	1,466,668,961	1,386,791,793
Less: Transferred to PPE during the period	-	-	(25,076,601)
<b>Closing Balance</b>	<b>1,484,867,618</b>	<b>1,466,668,961</b>	<b>1,361,715,192</b>

**7.00 Inventories : Tk. 612,324,290**

This represents as follows:

Raw Material & Chemical	165,512,833	183,413,938	176,635,130
Finished Goods	233,750,502	216,201,210	237,113,748
Work-In- Process	164,203,130	197,001,903	198,733,539
Stores & Spares	1,808,860	3,235,138	10,608,537
Packing Material	47,048,965	43,624,644	48,260,545
	<b>612,324,290</b>	<b>643,476,833</b>	<b>671,351,499</b>

**8.00 Accounts & Other Receivables : Tk. 94,950,062**

This is considered good and is falling due within the period.

No amount was due by the directors ( including Managing Director ), managing agent, managers and other officers of the company and any of them severally or jointly with any other person.

No amount was due by any associated undertaking.

**9.00 Advances, Deposits & Prepayments : Tk. 165,477,349**

This is considered good and consists of as follows:

Advances ( Note - 9.01)	140,065,433	172,031,818	136,410,730
Deposits (Note - 9.02)	25,411,916	39,205,379	57,359,581
	<b>165,477,349</b>	<b>211,237,197</b>	<b>193,770,311</b>

## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

	AMOUNT IN TAKA		
	as at		
	30 June-16	31-Dec-15	31-Dec-14
<b>9.01 Advances : Tk. 140,065,433</b>			
This represents as follows:			
Suppliers	54,140,788	35,005,608	35,812,868
L/C-Margin & Others	27,873,732	45,738,517	35,162,612
Advance Income Tax (Note - 9.01.01)	15,939,833	51,330,050	30,553,696
Employees (other than officers)	18,706,878	19,885,725	20,652,956
Marketing Expenses	9,934,661	10,580,799	9,565,101
Trade Fair	13,109,321	9,108,899	4,353,717
Advance Travel	360,220	382,220	309,780
	<b>140,065,433</b>	<b>172,031,818</b>	<b>136,410,730</b>

No amount was due by the Directors (including Managing Director), Managing Agent, Managers and other Officers of the Company and any of them severally or jointly with any other person.

No amount was due by any associated undertaking.

Advances to employees (other than officers) are realisable from monthly salary in installments.

**9.01.01 Advance Income Tax : Tk. 15,939,833**

This has been arrived at :

Opening Balance	51,330,050	30,553,696	37,805,998
Add : Paid / Deducted during the period under review	6,968,665	20,776,354	13,185,587
	<b>58,298,715</b>	<b>51,330,050</b>	<b>50,991,585</b>
Less : Adjustment made during the period under review	(42,358,882)	-	(20,437,889)
Closing Balance	<b>15,939,833</b>	<b>51,330,050</b>	<b>30,553,696</b>

**9.02 Deposits : Tk. 25,411,916**

This represents as follows:

VAT Deposit	7,547,803	21,341,266	39,495,468
Security Deposit	11,388,261	11,388,261	11,388,261
Lease Deposit	3,700,134	3,700,134	3,700,134
Bank Guarantee Margin	2,755,718	2,755,718	2,755,718
Earnest Money Deposit	20,000	20,000	20,000
	<b>25,411,916</b>	<b>39,205,379</b>	<b>57,359,581</b>

**10.00 Cash and Cash Equivalents : Tk. 16,295,223**

This consists of :

(a) In Hand	<b>142,897</b>	<b>43,939</b>	<b>1,190,336</b>
(b) At Banks in :	<b>16,152,326</b>	<b>15,961,044</b>	<b>20,440,751</b>
(i) Current Account	10,480,768	10,277,290	16,566,699
(ii) STD Account 4,456,687	4,468,883	2,938,898	
(iii) FDR Account	1,214,871	1,214,871	935,154
	<b>16,295,223</b>	<b>16,004,983</b>	<b>21,631,087</b>



## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

	AMOUNT IN TAKA		
	as at		
	30 June-16	31-Dec-15	31-Dec-14

**11.00 Issued Share Capital : Tk. 1,469,660,550**

This represents :

**(a) Authorised :**

500,000,000 Ordinary Shares of Tk.10/-each	5,000,000,000	5,000,000,000	5,000,000,000
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**(b) Issued, subscribed and paid -up:**

66,060,000 Ordinary Shares of Tk.10/-each fully paid-up in cash	660,600,000	660,600,000	660,600,000
61,736,571 Ordinary Shares of Tk.10/-each fully paid-up bonus shares	617,365,700	617,365,700	617,365,700
19,169,485 Ordinary Shares of Tk.10/-each fully paid-up bonus shares	191,694,850	191,694,850	191,694,850
<b>Total 146,966,055 shares of Tk. 10/- each fully paid-up</b>	<b>1,469,660,550</b>	<b>1,469,660,550</b>	<b>1,469,660,550</b>

**(c) Statement of Share Position:**

Name of the Shareholders	30-June-16		31-Dec-15		31-Dec-14	
	No. Of Shares	Holding %	No. Of Shares	Holding %	No. Of Shares	Holding %
Bangladesh Export Import Co.Ltd.	73,483,009	50.00%	73,483,009	50.00%	73,483,009	50.00%
Sponsors & Directors	4	0.00%	4	0.00%	4	0.00%
Institutions	25,237,684	17.17%	24,619,091	16.75%	21,824,142	14.85%
General Public	48,245,358	32.83%	48,863,951	33.25%	51,658,900	35.15%
	146,966,055	100%	146,966,055	100.00%	146,966,055	100.00%

**(d) Distribution Schedule:**

Share holdings	30 - JUN - 16		
	No. of Shareholders	No. of Shares	Holding %
Less than 500 shares	13,522	1,733,925	1.18
500 to 5,000 shares	7,820	12,790,090	8.70
5001 to 10,000 shares	875	6,356,426	4.33
10,001 to 20,000 shares	480	6,912,332	4.70
20,001 to 30,000 shares	137	3,385,486	2.30
30,001 to 40,000 shares	73	2,501,568	1.70
40,001 to 50,000 shares	39	1,747,480	1.19
50,001 to 100,000 shares	78	5,433,848	3.70
100,001 to 1,000,000 shares	55	16,589,240	11.29
Over 1,000,000 shares	6	89,515,660	60.91
	<b>23,085</b>	<b>146,966,055</b>	<b>100.00</b>

**12.00 Revaluation Surplus on Property, Plant and Equipment : Tk. 2,966,690,015**

This is as per last accounts. Details are stated in Note -4.

**13.00 Long Term Loan - Net-Off Current Maturity (Secured) : Tk. 575,611,864**

This represents loans from :

Bank Asia Ltd. - Term Loan	283,617,019	306,794,710	309,512,312
Southeast Bank Ltd. - Term Loan	37,343,934	14,232,755	66,763,653
Phonix Finance & Investment	254,650,911	344,531,760	-
	<b>575,611,864</b>	<b>665,559,225</b>	<b>376,275,965</b>

## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

**Nature of Security :**

- (i) Equitable mortgage over the immovable property.
- (ii) Hypothecation by way of a floating charge on all other movable assets both present and future.
- (iii) First Charge over all the finished stock, Work-In-Process and current assets excluding book debts.

**Terms of Repayment :****Bank Asia Ltd. - Term Loan :**

In 20 (Twenty) equal Quarterly installments commencing from 31 January 2017 as per revised sanction.

**Southeast Bank Ltd. - Term Loan :**

In 21 (Twenty one) equal monthly installments commencing from 30 September 2016 as per revised sanction.

**Phoenix Finance & Investment**

In 96 (Ninety six) equal monthly installments commencing from 25 July 2015 as per revised sanction.

**Rate of interest :****Bank Asia Ltd. - Term Loan :**

12% p.a. or the lending rate applicable from time to time based on Bank rate / policy.

**Southeast Bank Ltd. - Term Loan :**

12 % p.a. or the lending rate applicable from time to time based on Bank rate / policy.

**Phoenix Finance & Investment**

19.50 % p.a. or the lending rate applicable from time to time based on Bank rate / policy.

	AMOUNT IN TAKA		
	as at		
	30 June-16	31-Dec-15	31-Dec-14
<b>14.00 Gratuity Payable : Tk. 101,599,302</b>			
This is arrived at as follows:			
Opening Balance	101,240,828	92,417,698	74,840,687
Add: Addition during the period	686,474	11,724,005	21,339,471
	101,927,302	104,141,703	96,180,158
Less: Payment during the period	(328,000)	(2,900,875)	(3,762,460)
<b>Closing Balance</b>	<b>101,599,302</b>	<b>101,240,828</b>	<b>92,417,698</b>
<b>15.00 Deferred Tax Liability : Tk. 99,102,928</b>			
Deferred Tax Liability is arrived at as follows:			
Opening Deferred Tax Liabilities	158,653,050	158,324,114	170,286,327
Deferred Tax Expense /(Income): (Note-25)	(59,550,122)	328,936	(11,962,213)
<b>Closing Deferred Tax Liabilities</b>	<b>99,102,928</b>	<b>158,653,050</b>	<b>158,324,114</b>
<b>16.00 Short Term Loans From Banks (Secured) : Tk. 761,126,588</b>			
This is secured and consists of as follows:			
Sonali Bank Ltd. - CC (H)	574,623,467	570,426,317	569,701,310
Sonali Bank Ltd. - LTR	74,382,775	116,086,516	137,974,109
Southeast Bank Ltd. - LTR	72,562,456	68,358,578	66,335,972
Phoenix Finance & Investment Ltd.	-	-	291,647,057
Sonali Bank Ltd. -EDF	39,557,890	49,086,081	-
	<b>761,126,588</b>	<b>803,957,492</b>	<b>1,065,658,448</b>

## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

	AMOUNT IN TAKA		
	as at		
	30 June-16	31-Dec-15	31-Dec-14

**17.00 Long Term Loan - Current Maturity (Secured) : Tk. 134,258,138**

This consists of as follows:

Sonali Bank Ltd. - Project Loan	20,236,264	53,689,459	93,129,957
Bank Asia Ltd. (Term Loan)	34,999,722	-	-
Southeast Bank Ltd. - Term Loan	29,141,304	76,660,764	71,700,000
Phoenix Finance & Investment Ltd.	49,880,848	-	-
Sonali Bank Ltd. - PAD Blocked	-	-	18,184,525
	<b>134,258,138</b>	<b>130,350,223</b>	<b>183,014,482</b>

**Terms of Repayment :****Sonali Bank Ltd. - Project Loan :**

In 41 (Forty-one) equal quarterly installments commencing from 31 March 2005.

**Sonali Bank Ltd. - PAD Blocked Loan :**

In 64 (Sixty-four) equal monthly installments commencing from 31 March 2010, as per revised sanction.

Rate of interest :

**Sonali Bank Ltd. - Project Loan :**

13% p.a. or the lending rate applicable from time to time based on Bank rate / policy.

**Sonali Bank Ltd. - PAD Block Loan :**

16% p.a. or the lending rate applicable from time to time based on Bank rate / policy.

**18.00 Creditors, Accruals and Other Payables : Tk. 683,862,747**

This consists of as follows:

Gas & Electricity	132,087,539	135,250,978	151,430,913
Creditors for Goods	153,418,680	201,015,798	140,723,838
Other Payables	182,736,978	54,043,113	115,983,606
Income Tax Payable (Note - 18.01)	52,660,246	75,568,536	87,481,935
Salaries & Wages	34,343,924	18,364,301	26,058,899
Employees' Provident Fund	42,687,375	42,592,914	16,007,864
Interest due	79,189,272	35,728,615	3,942,336
Security Deposit	3,990,000	3,390,000	3,315,000
Tax Deducted at source (Employee Tax)	427,324	1,271,492	2,374,106
Group Insurance Payable	984,359	1,385,630	850,201
Audit Fee (Including VAT @15%)	1,035,000	690,000	690,000
Provision for Legal Fees	302,050	302,050	303,000
	<b>683,862,747</b>	<b>569,603,427</b>	<b>549,161,698</b>

**18.01 Income Tax Payable : Tk. 52,660,246**

This is arrived at as follows :

Opening Balance	75,568,536	87,481,935	84,323,535
Add: Tax provided for the period (Note - 25)	19,450,592	11,586,601	36,096,289
	<b>95,019,128</b>	<b>99,068,536</b>	<b>120,419,824</b>
Less: Adjustments for earlier years' tax	(42,358,882)	-	(20,437,889)
Less: Tax paid	-	(23,500,000)	(12,500,000)
<b>Closing Balance</b>	<b>52,660,246</b>	<b>75,568,536</b>	<b>87,481,935</b>



## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

Status of Tax Assessment &amp; Provisions made there against and effective tax rate of 6 years are as follows:

Accounting Year	Net Profit/(Loss) Before Tax	Total Tax Provision	Tax Liability as per Assessment	Short/(Excess) Provision	Effective Income Tax Rate	Remarks
2011	214,965,537	58,442,423	49,893,855	(8,548,568)	23.21%	Final Assessed
2012	175,133,762	58,667,708	52,680,188	(5,987,520)	30.08%	Final Assessed
2013	(29,072,368)	8,522,836	18,207,058	9,684,222	∞ (Infinity)	Final Assessed
2014	21,797,848	5,100,853	29,392,280	24,291,427	134.84%	Final Assessed
2015	17,941,271	11,586,601	-	-	64.58%	On Provision
2016	(78,686,189)	3,849,768	-	-	∞ (Infinity)	On Provision

	AMOUNT IN TAKA			
	01.01.2015-30.06.2016	01.01.2016-30.06.2016	01.01.2015-31.12.2015	01.01.2014-31.12.2014
	18 Months	6 Months	12 Months	12 Months

**19.00 Revenue : Tk. 2,053,499,930**

This is made up as follows :

<b>A. Local Sales</b>	712,839,735	258,469,656	454,370,079	442,049,371
<b>B. Export Sales</b>	1,340,660,195	383,158,569	957,501,626	1,235,608,303
	<b>2,053,499,930</b>	<b>641,628,225</b>	<b>1,411,871,705</b>	<b>1,677,657,674</b>

**20.00 Cost of Goods Sold : Tk. 1,600,154,418**

This is arrived at as follows:

Opening WIP	198,733,539	197,001,903	198,733,539	184,461,835
Raw Material Issued ( Note- 20.01 )	633,893,629	192,238,214	441,655,415	551,007,502
<b>Material available for consumption</b>	<b>832,627,168</b>	<b>389,240,117</b>	<b>640,388,954</b>	<b>735,469,337</b>
Closing WIP	(164,203,130)	(164,203,130)	(197,001,903)	(198,733,539)
<b>Consumption</b>	<b>668,424,038</b>	<b>225,036,987</b>	<b>443,387,051</b>	<b>536,735,798</b>
Manufacturing overhead ( Note- 20.02 )	928,367,134	320,185,398	608,181,736	709,214,583
<b>Cost of production</b>	<b>1,596,791,172</b>	<b>545,222,385</b>	<b>1,051,568,787</b>	<b>1,245,950,381</b>
Opening Finished Goods	237,113,748	216,201,210	237,113,748	247,144,124
<b>Cost of Goods Available for Sale</b>	<b>1,833,904,920</b>	<b>761,423,595</b>	<b>1,288,682,535</b>	<b>1,493,094,505</b>
Closing Finished Goods	(233,750,502)	(233,750,502)	(216,201,210)	(237,113,748)
Cost of Free Distribution of Sample	-	-	-	(2,537,154)
<b>Cost of Goods Sold</b>	<b>1,600,154,418</b>	<b>527,673,093</b>	<b>1,072,481,325</b>	<b>1,253,443,603</b>

**20.01 Raw Material Issued : Tk. 633,893,629**

This is arrived at as follows:

Opening Stock of Raw Material	176,635,130	183,413,938	176,635,130	359,070,527
Purchased of Raw Material	622,771,332	174,337,109	448,434,223	368,572,105
	<b>799,406,462</b>	<b>357,751,047</b>	<b>625,069,353</b>	<b>727,642,632</b>
Closing Stock of Raw Material	(165,512,833)	(165,512,833)	(183,413,938)	(176,635,130)
<b>Raw Material Issued</b>	<b>633,893,629</b>	<b>192,238,214</b>	<b>441,655,415</b>	<b>551,007,502</b>

## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

	AMOUNT IN TAKA			
	01.01.2015- 30.06.2016	01.01.2016- 30.06.2016	01.01.2015- 31.12.2015	01.01.2014- 31.12.2014
	18 Months	6 Months	12 Months	12 Months

**20.02 Manufacturing Overhead :Tk. 928,367,134**

This consists of as follows :

Depreciation	73,842,690	46,241,730	27,600,960	103,603,436
Salaries ,Wages,etc	441,553,876	132,712,176	308,841,700	261,263,040
Gratuity	9,986,602	552,399	9,434,203	17,763,096
Power & Fuel	130,198,479	54,673,391	75,525,088	116,162,827
Packing Materials	111,503,098	33,462,155	78,040,943	89,808,900
Consumable Store & Spares	60,199,510	19,445,585	40,753,925	48,063,776
Transport Expenses	50,282,280	17,432,218	32,850,062	30,817,626
Office Expenses	9,319,066	3,076,282	6,242,784	7,007,405
Welfare Expenses	20,030,334	6,773,593	13,256,741	17,852,244
Insurance Expenses	4,256,027	1,819,663	2,436,364	3,731,059
Communication Expenses	994,974	398,374	596,600	807,246
Occupancy Expenses	622,191	303,350	318,841	57,350
Travelling & Conveyance	2,706,384	504,828	2,201,556	1,442,004
Training & Conference	20,000	-	20,000	-
Handling & Carrying Expenses	215,274	92,173	123,101	105,845
Repairs & Maintenances	12,586,357	2,697,481	9,888,876	9,397,944
Lease Rental	49,993	-	49,993	1,328,990
General Expenses	-	-	-	1,795
	<b>928,367,134</b>	<b>320,185,398</b>	<b>608,181,736</b>	<b>709,214,583</b>

**21.00 Other Income: Tk. 27,058,094**

This consists of as follows :

Duty Drawback	18,872,656	5,376,056	13,496,600	21,923,527
Misc. Insurance Claims	1,436,496	1,436,496	-	319,927
Profit on Sale of Fixed Assets	186,484	-	186,484	-
Misc. Income	5,852,943	5,852,943	-	-
Interest Receipts	709,515	193,306	516,209	383,301
	<b>27,058,094</b>	<b>12,858,801</b>	<b>14,199,293</b>	<b>22,626,755</b>

## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

	AMOUNT IN TAKA			
	01.01.2015- 30.06.2016	01.01.2016- 30.06.2016	01.01.2015- 31.12.2015	01.01.2014- 31.12.2014
	18 Months	6 Months	12 Months	12 Months

**22.00 Administrative Expenses : Tk. 91,958,650**

This consists of as follows :

Depreciation	9,639,888	5,113,026	4,526,862	9,917,415
Salaries & Allowances	27,799,526	11,611,064	16,188,462	24,169,471
Gratuity	1,287,455	71,215	1,216,240	1,966,028
Welfare Expenses	10,648,362	3,082,112	7,566,250	9,352,554
Office Expenses	21,935,947	11,871,022	10,064,925	10,791,006
Transport Expenses	8,910,088	2,998,994	5,911,094	5,925,242
Legal Fees, Prof. & Others Fees	1,204,127	273,525	930,602	329,400
AGM Expenses	1,044,527	43,825	1,000,702	1,206,246
Communication Expenses	686,273	254,383	431,890	900,476
Occupancy Expenses	2,652,824	1,046,984	1,605,840	1,419,983
Travelling & Conveyance Expenses	4,077,424	2,571,379	1,506,045	5,688,101
Utilities Expenses	905,664	365,675	539,989	541,786
Repairs & Maintenances	87,380	1,880	85,500	17,460
Audit Fee (Including VAT @15%)	1,035,000	345,000	690,000	690,000
General Expenses	42,515	12,565	29,950	86,650
Handling & Carrying Expenses	1,650	550	1,100	11,300
	<b>91,958,650</b>	<b>39,663,199</b>	<b>52,295,451</b>	<b>73,013,118</b>

**23.00 Selling & Distribution Expenses : Tk. 81,275,297**

This consists of as follows :

Promotional Expenses	18,521,333	5,505,861	13,015,472	47,916,768
Salaries & Allowances	29,943,235	9,839,948	20,103,287	20,692,369
Gratuity	1,136,422	62,860	1,073,562	1,610,347
Advertising & Publicity	338,880	135,240	203,640	627,724
Occupancy Expenses	10,766,985	3,436,477	7,330,508	5,032,352
Office Expenses	6,752,524	2,165,412	4,587,112	4,761,613
Transport Expenses	2,935,394	875,816	2,059,578	3,518,339
Travelling & Conveyance Expenses	1,777,976	676,004	1,101,972	2,111,261
Welfare Expenses	3,837,434	1,098,503	2,738,931	2,648,927
Communication Expenses	1,239,001	481,434	757,567	889,552
Utilities Expenses	1,027,150	365,683	661,467	534,481
Show Room Expenses	852,408	256,644	595,764	637,564
Training Local	8,000	-	8,000	-
Handling & Carrying Expenses	939,101	292,585	646,516	144,290
Repairs & Maintenances	-	-	-	17,000
Legal & Professional Fees	511,045	302,636	208,409	94,153
Product Research	186,684	98,750	87,934	171,318
General Expenses	1,795	-	1,795	-
Lease Rental	499,930	-	499,930	655,204
	<b>81,275,297</b>	<b>25,593,853</b>	<b>55,681,444</b>	<b>92,063,262</b>



## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

	AMOUNT IN TAKA			
	01.01.2015- 30.06.2016	01.01.2016- 30.06.2016	01.01.2015- 31.12.2015	01.01.2014- 31.12.2014
	18 Months	6 Months	12 Months	12 Months
<b>24.00 Finance Cost : Tk. 367,017,513</b>				
This consists of as follows :				
Interest on Loan from Banks & Others	356,352,732	137,288,710	219,064,022	248,048,152
Bank Commission & Charges	10,664,781	2,954,360	7,710,421	10,828,554
	<b>367,017,513</b>	<b>140,243,070</b>	<b>226,774,443</b>	<b>258,876,706</b>
<b>25.00 Income Tax Expenses : Tk. -28,183,993</b>				
This represents:				
<b>(a) Current Tax</b>				
Tax for the period under review	15,436,369	3,849,768	11,586,601	5,100,853
Short Provision for earlier years	15,600,824	15,600,824	-	30,995,436
<b>Current Tax</b>	<b>31,037,193</b>	<b>19,450,592</b>	<b>11,586,601</b>	<b>36,096,289</b>
<b>(b) Deferred Tax (Income) / Expenses</b>	(59,221,186)	(59,550,122)	328,936	(11,962,213)
	<b>(28,183,993)</b>	<b>(40,099,530)</b>	<b>11,915,537</b>	<b>24,134,076</b>
<b>26.00 Earning Per Share (EPS):</b>				
<b>(a) Earning Attributable to the Ordinary Shareholders (Net Loss After Tax)</b>	<b>(32,560,925)</b>	<b>(38,586,659)</b>	<b>6,025,734</b>	<b>(2,336,228)</b>
<b>(b) Weighted Average Number of Ordinary Shares outstanding during the period (Note 3.13)</b>	<b>146,966,055</b>	<b>146,966,055</b>	<b>146,966,055</b>	<b>146,966,055</b>
<b>(c) EPS (a/b)</b>	<b>(0.22)</b>	<b>(0.26)</b>	<b>0.04</b>	<b>(0.02)</b>
The calculation of the basic earnings per share is made in accordance with BAS 33 (Earning Per Share), dividing the Profit / (Loss) for the period by weighted average number of the shares outstanding during the period.				
<b>27.00 Payments / Perquisites to Directors and Officers</b>				
<b>(a) Directors</b>				
During the period no amount of money was expended by the company for compensating any member of the board for special services rendered. (2014 - Nil)				
During the period no board meeting attendance fee was paid to the directors of the company except the Independent Director of Tk. 140,000. (2014 - Tk. 140,000)				
<b>(b) No remuneration was paid to CEO during the period. (2014 - Nil)</b>				
<b>(c) Officers</b>				
Managerial Remuneration	77,741,051	23,016,749	54,724,302	56,169,732
Bonus	11,196,623	3,636,125	7,560,498	7,819,375
<b>Perquisites</b>				
Housing	24,582,247	8,357,300	16,224,947	19,773,934
Transport	5,653,555	1,792,635	3,860,920	3,682,995
	<b>119,173,476</b>	<b>36,802,809</b>	<b>82,370,667</b>	<b>87,446,036</b>

## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

**28.00 Production Capacity and Actual Production**

	30.06.2016				31.12.2015			
	Production Capacity (in Pieces)	Actual Production (in Pieces)	Shortfall (in Pieces)	Capacity Utilization	Production Capacity (in Pieces)	Actual Production (in Pieces)	Shortfall (in Pieces)	Capacity Utilization
Porcelain	7,200,000	5,117,814	(2,082,186)	71.08%	15,000,000	10,815,595	(4,184,405)	72.10%
Bone China	1,620,000	1,356,893	(263,107)	83.76%	3,000,000	2,770,578	(229,422)	92.35%

Reason for Shortfall : Production as per market demand.

**29.00 Capital Expenditure Commitment**

There was capital expenditure contracted but not incurred or provided for as on 30 June 2016.

There was no material capital expenditure authorised by the board but not contracted for as on 30 June 2016.

**30.00 Contingent Liabilities**

There was no sums for which the company is contingently liable as on 30 June 2016 (2014 - Nil), except the facts as stated in Note - 3.8 .

**31.00 Claims not Acknowledged**

There was no claim against the company not acknowledged as debt as on 30 June 2016. (2014 - Nil)

**32.00 Credit Facilities not Availed**

There was no credit facilities available to the company but not availed of as on 30 June 2016 under any contract, other than trade credit available in the ordinary course of business.

**33.00 Related Party Disclosure**

Name of Related Party	Nature of Transactions	Value of Transactions During the period	Balance at the period end 30 June 2016
Bangladesh Export Import Co. Ltd.	Investment in Shares	-	51,537,240
Beximco Synthetics Ltd.	Investment in Shares	-	414,011

**34.00 Financial Risk Management**

The company management has overall responsibility for the establishment and oversight of the company's risk management framework. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company has exposure to the following risks from its use of financial instruments.

Credit risk

Liquidity risk

Market risk

**Credit risk**

Credit risk is the risk of a financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's receivables. Management has a credit policy in place

## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

and exposure to credit risk is monitored on an ongoing basis. Risk exposures from other financial assets, i.e. Cash at bank and other external receivables are nominal.

**Liquidity risk**

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity (cash and cash equivalents) is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. Typically, the company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, prepared based on time line of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date.

In extreme stressed conditions, the company may get support from the related company in the form of short term financing.

**Market Risk**

Market risk is the risk that any change in market prices such as foreign exchange rates and interest will affect the company's income or the value of its holdings financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

**(a) Currency Risk**

The company is exposed to currency risk on certain revenues and purchases such as revenue from foreign customers and import of raw material, machineries and equipment. Majority of the company's foreign currency transactions are denominated in USD and EURO and relate to procurement of raw materials, machineries and equipment from abroad.

**Exposure to Currency Risk**

Foreign Currency Denominated Assets	30-Jun-16		31-Dec-15		31-Dec-14	
Trade Debtors- Foreign	Foreign Currency	Equivalent Local Currency (Tk.)	Foreign Currency	Equivalent Local Currency (Tk.)	Foreign Currency	Equivalent Local Currency (Tk.)
US\$	276,309	21,552,113	894,206	69,837,521	1,190,107	92,173,808
EURO	39,385	3,426,495	13,683	1,161,583	10,322	966,002
GBP	-	-	2,284	263,673	13,065	1,566,981
Total Equivalent US\$	320,239	24,978,608	912,455	71,262,777	1,222,812	94,706,791

**(b) Interest Rate Risk**

Interest rate risk is the risk that arises due to changes in interest rates on borrowing. There is no foreign currency loan which is subject to floating rates of interest. Local loans are, however, not significantly affected by fluctuations in interest rates. The company has not entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.



## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD OF 18 MONTHS ENDED 30 JUNE 2016

**Payments Made in Foreign Currency**

	2016		2015	
	Amount in Foreign Currency	Equivalent in Tk.	Amount in Foreign Currency	Equivalent in Tk.
Import of Machinery, Equipments & Spares:	-	-	US\$ 40,000	3,160,000
	-	-	Euro 469,006	42,210,000
Import of Raw & Packing Material :	US\$ 1,856,142	142,922,934	US\$ 3,185,395	251,646,205
	Euro 175,230	15,245,010	Euro 412,394	37,115,460
	JP¥ 17,895,803	9,842,692	JP¥ 62,340,697	42,391,674
	GBP 100,673	10,937,115	GBP 174,097	20,021,115

No other expenses including royalty, technical expert and professional advisory fee, interest, etc. was incurred or paid in foreign currencies except as stated above.

**35.00 Foreign Exchange Earned / Received against Collection from Export Sales**

	2016		2015	
	Amount in Foreign Currency	Equivalent in Tk.	Amount in Foreign Currency	Equivalent in Tk.
	US\$ 5,482,026	427,418,230	US\$ 11,623,880	900,515,926
	Euro 13,683	1,161,583	Euro 201,912	17,140,289
	GBP 2,284	263,673	GBP 27,706	3,198,791

**36.00 Particulars of Disposal of Property, Plant and Equipment**

The following assets were disposed off during the period of 18 months ended 30 June 2016

Particulars of Assets	Cost	Accumulated Depreciation	Written Down Value	Sales Price	Profit	Mode of Disposal	Name of Parties
Transport & Vehicle	1,090,000	586,484	503,516	690,000	186,484	Negotiation	Various Individuals

**37.00 Events After The Reporting Period**

No circumstance have arisen since this statement of financial position date which would require adjustment to, or disclosure in, the financial statements or notes thereto.



**A S F Rahman**  
Chairman



**Salman F Rahman**  
Vice Chairman



**Md. Luthfor Rahman**  
Chief Financial Officer

Dated, Dhaka  
06 October 2016

# Shinepukur Ceramics

Signature Showroom at The Westin Dhaka & YELLOW Dhanmondi



## Shinepukur *Signature* Showroom



**THE WESTIN**  
DHAKA

**YELLOW**  
Dhanmondi

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**YELLOW Dhanmondi:** 17 Dhanmondi R/A, Road # 02, Dhaka-1205, Bangladesh  
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#### **SHINEPUKUR SIGNATURE SHOWROOM**

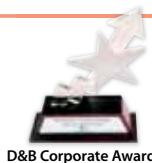
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