

directors' report to the shareholders

Dear Shareholders,

It's my pleasure on behalf of the Board of Directors to present hereunder the Directors' Report and the Auditors' Report together with the audited financial statements of the Company for the year ended June 30, 2017.

REVIEW OF BUSINESS

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year is summarized hereunder :

The Assembling Unit of the Plant has produced a total of 704 units of vehicles consisting of 702 units Hino Diesel Bus Chassis (Model: AK1JMKA) and 2 units Hino Luxury Bus Chassis (Model: RM2KSKA). This Unit has contributed Tk. 296.30 crore to the Company's revenue against sale proceeds of 609 units of Bus Chassis.

The operating activities of the Bus Body Fabrication Unit has fabricated 192 units of Hino air-conditioned and non air-conditioned bus body. This Unit has added Tk. 26.03 crore to the turnover of the Company.

The Motorcycle Unit has assembled 5742 units of motorcycles and contributed an amount of Tk. 47.27 crore to the Company's sales.

Consolidated Financial Result and Appropriation of Profit:

(The financial results for the year ended June 30, 2017 is given hereunder comparing with the results of the previous period of 10 months ended on June 30, 2016)

	amount in taka	
	2017 (12 Months)	2016 (10 Months)
Retained Earnings Brought Forward	2,416,847,684	2,247,588,021
Add: Net Profit for the year/period after tax	396,639,231	275,873,125
Recommended for appropriations:		
<u>2017</u> <u>2016</u>		
Cash Dividend provision @ 16% 15%	109,638,918	106,623,462
Un appropriated profit carried forward	2,703,891,997	2,416,837,684

Aftab Automobiles Limited (AAL)

The operating results of AAL for the year ended June 30, 2017 is given hereunder compared to results of the previous period of 10 months ended on June 30, 2016

Particulars	2017 (12 Months)	2016 (10 Months)
Turnover	3,703,934,655	2,372,686,547
Gross Profit	793,756,137	574,015,610
Net Profit for the year/period after tax	394,492,235	276,684,123
Earnings Per Share (EPS)	3.30	2.31
Net Assets Value Per Share (NAVPS)	59.27	56.08

The performance of the subsidiary company – Navana Batteries Limited (NBL)

The operating activities of the subsidiary company Navana Batteries Limited for the year ended June 30, 2017 is given hereunder comparing with results of the previous period of 10 months ended on June 30, 2016.

Particulars	2017 (12 Months)	2016 (10 Months)
Turnover	1,067,274,041	678,891,057
Gross Profit	271,233,334	189,400,891
Net Profit for the year/period after tax	78,202,537	55,306,769
Earnings Per Share (EPS)	4.26	3.01
Net Assets Value Per Share (NAVPS)	39.47	35.21

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Mission & Vision

The mission of the Board of Directors is engaged in market feasibility study on different types of vehicles and Battery products in Bangladesh so as to boost up sales and increase our market share thus increasing and protecting the investment of shareholders.

Risks and concerns

The profitability of the Company may be affected in future due to increase of essential ingredients like electricity, labor cost etc. and other factors.

A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin (Consolidated).

amount in '000" taka

Particulars	June 30, 2017 (12 Months)	June 30, 2016 (10 Months)
Revenues (Turnover)	4,771,209	3,051,578
Cost of goods sold	3,706,219	2,288,161
Gross profit	1,064,989	763,416
Net profit for the year/period	394,535	276,382

Margin Analysis

Gross profit margin and Net profit margin compare.

	<u>2017</u>	<u>2016</u>
Gross Profit	22.32%	25.02%
Net Profit	8.27%	9.07%

Extra-Ordinary Events

No events of extra ordinary gain or loss which would require adjustment or disclosure in the financial statements occurred during the reporting period.

Related Party Transaction

As per agreement with Toyota Tsusho Corporation, Japan, the assembled vehicles of Aftab Automobiles Limited are distributable through Navana Limited (distributor of Toyota & Hino vehicles). No other transaction has been made with any other related party. Disclosed on notes 32.

Variance within the Financial Year

There was no event of significant variance between quarterly financial performances during the year under review.

Board meeting attendance fee for Directors

The Directors of the Company including Independent Directors are receiving Taka 5000/- (Five thousand) only as board meeting attendance fee. During the year the Company paid Tk. 1,80,000/- deducting source taxes.

Fairness of Financial Statements

The financial statements fairly present the Company's state of affairs, the results of its operations, cash flow and changes in equity. In compliance with the requirement of the Bangladesh Securities and Exchange Commission (BSEC) notification dated August 7, 2012 Managing Director and Chief Financial Officer have given the declaration about the fairness of the financial statements which is shown on page 23 of the report.

Books of Accounts

Proper books of accounts of the Company were maintained.

Accounting Policies

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

Application of BAS and BFRS

Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) have been followed in preparation of the financial statements and any deviation there-from has been adequately disclosed.

Internal Control

The systems of internal controls were sound and were implemented and monitored effectively.

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Going Concern

There are no significant doubts about the Company's ability to continue as a going concern. The Board of Directors has reviewed the Company's business plan and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the financial statements are prepared on the going concern basis.

Significant Variance over the Last period/year's Operating Result

There is no significant deviations from last period(10 months)/year in the operating results of the Company.

Investment in the associated company's

(a) Navana CNG Limited

Aftab Automobiles Limited is holding =1,05,404= shares of Navana CNG Limited at present. The acquisition cost of the said shares was Tk.4.37 per share. However, the market price of the shares of Navana CNG Limited is Tk. 72.30 as on 30 June 2017.

(b) Navana Real Estate Limited

Aftab Automobiles Limited is holding =60,00,000= shares of Tk.10/- each of Navana Real Estate Limited at present. The acquisition cost of the said shares was Tk.3.33 per share. As Navana Real Estate Limited is not listed, its market price cannot be determined. However, Navana Real Estate Limited's Earning per share (EPS) and Net asset value (NAV) as on 30 June 2016 stood at Tk. 1.60 and Tk. 49.52 per share respectively.

Next Year Plan

The Assembling Unit of the Company have plan to assemble around 700 units of Diesel Hino Bus Chassis in the next financial year.

The Bus Body Building Unit have plan to fabricate around 200 units of Hino Bus Body during the next financial year.

The Company have plan to market around 60 units of RN8J Hino Bus in the next financial year.

Dividend

The Board of Directors of your Company has recommended cash dividend @ 16% for the general shareholders (excluding sponsor/ director) for the year ended on June 30, 2017. The sponsor shareholders surrendered their portion of dividend for utilizing the fund for better growth of the Company.

The general shareholders whose names will appear in the share register of the Company and/or Depository Register of CDBL as on Record Date i.e., November 09, 2017 will be entitled to the dividend (subject to approval in the Annual General Meeting of the Company scheduled to be held on 11 December 2017).

Board Meetings Attendance :

In accordance with directives of the regulatory authorities, the Board supervise, study and review the activities of the Company and make businesses decisions, etc. During the year the Board of Directors met nine(9) times.

Board meeting attendance during the year June 30, 2017

<u>Name of Directors</u>	<u>No. of Board Meeting attended</u>
Mr. Shafiul Islam	9
Mrs. Khaleda Islam	4
Mr. Saiful Islam	8
Mr. Sajedul Islam	5
Ms. Farhana Islam	4
Mr. M. Obaidur Rahman (Independent Director)	6
Mr. Ekramul Haq (Independent Director)	4

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i) Pattern of Shareholding:

Namewise details	No. of Shares held
i. <u>Parent/Subsidiary/Associated Companies and other related parties</u>	
Navana CNG Limited	75,084
Navana Real Estate Limited	20
Navana Engineering Limited	44,750
ii. <u>Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouse and minor children:</u>	
Mr. Shafiul Islam-Chairman	1,86,26,415
Mr. Saiful Islam- Managing Director	19,88,215
Mrs. Khaleda Islam-Director	26,03,467
Mr. Sajedul Islam- Director	19,88,078
Ms. Farhana Islam- Director	19,88,078
Mr. M. Obaidur Rahman - Independent Director	nil
Mr. Ekramul Haq- Independent Director	nil
<u>Chief Financial Officer, Company Secretary and Head of Internal Audit and their spouse and minor children:</u>	nil
iii. Executives	nil
iv. <u>Shareholders holding ten percent (10%) or more voting interest in the Company:</u>	
Mr. Shafiul Islam	1,86,26,415
ICB	10,990,183

Recommendations for Re-election

In terms of Article 125 and 126 of the Articles of Association of the Company, Mr. Sajedul Islam and Ms. Farhana Islam, Directors retire by rotation from the Board in the 37th Annual General Meeting. Being eligible under Article 127 of the Articles of Association of the Company, the retiring Directors have offered themselves for re-election.

Appointment of Auditors

The existing auditors of the Company Malek Siddiqui Wali Chartered Accountants, has completed their audit for the year ended on June 30, 2017. Being eligible they have expressed their willingness to be re-appointed as statutory auditors of the Company for the year ending on June 30, 2018.

Conclusion

The Company wishes to express its sincere appreciation to all employees of Aftab Automobiles Limited for their contribution and at the same time, thank all the stakeholders for their continued support and confidence.

On behalf of the Board of Directors

Sd/-
(Saiful Islam)
Managing Director