

directors' report to the shareholders

Dear Shareholders,

Dear Shareholders,

The Board of Directors is please to present before you the Directors' Report and the Auditors' Report alongwith the audited financial statements of the Company for the year ended June 30, 2018.

PRINCIPAL ACTIVITIES

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

In the Assembling Unit of the Company, 394 units of Hino Diesel Bus Chassis (Model: AK1JMKA) were produced and 29 units CBU Hino Luxurious Airconditioned Buses (Model: RN8J) were sold. These have contributed an amount of Tk. 237 crore to the Company's turn-over.

In the Bus Body Fabrication Unit of the Company, the Unit has fabricated 180 units of Hino air-conditioned and non-air-conditioned bus body. This Unit has contributed an amount of Tk. 28 crore to the sales of the Company.

The Motorcycle Unit has assembled 7015 units of motorcycles and contributed an amount of Tk. 71 crore to the Company's sales.

Consolidated Financial Result and Appropriation of Profit:

(The financial results for the year ended June 30, 2018 is given hereunder comparing with the results of the previous year ended on June 30, 2017)

	amount in taka	
	2018	2017
Retained Earnings Brought Forward	2,720,243,834	2,416,847,684
Add: Net Profit for the year after tax	249,296,756	396,639,231
Recommended for appropriations:		
<u>2018</u>	<u>2017</u>	
Cash Dividend @ 12 % 16%(Without Sponsors)	(114,878,906)	(93,243,081)
In appropriated profit carried forward	2,854,661,684	2,720,243,834

Aftab Automobiles Limited (AAL)

The operating results of AAL for the year ended June 30, 2018 is given hereunder compared to results of the previous year ended on June 30, 2017

Particulars	2018	2017
Turnover	3,359,756,688	3,703,934,655
Gross Profit	668,259,731	793,756,137
Net Profit for the year after tax	256,456,025	394,492,235
Earnings Per Share (EPS)	2.68	4.12
Net Assets Value Per Share (NAVPS)	60.89	59.26
Net Operating Cash Flow Per Share (NOCFPS)	(0.63)	(3.72)

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

The Performance of Navana Batteries Limited for the year ended June 30, 2018 is given hereunder comparing with results of the previous year ended on June 30, 2017.

Particulars	2018	2017
Turnover	1,453,951,709	1,067,274,041
Gross Profit	276,601,512	271,233,334
Net Profit After Tax	32,231,423	78,202,537
Earning Per Share (EPS)	1.75	4.26
Net Assets Value Per Share (NAVPS)	41.22	39.47

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Mission & Vision

The mission of the Board of Directors is engaged in market change feasibility study on different types of vehicles and Battery products in Bangladesh so as to boost up sales and increase our market share 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, 2018	June 30, 2017
Revenues (Turnover)	4,813,708	4,771,209
Cost of goods sold	3,868,847	3,706,219
Gross profit	944,861	1,064,989
Net profit for the year after Tax	256,474	394,535

Margin Analysis

Gross profit margin and Net profit margin compare.

	<u>2018</u>	<u>2017</u>
Gross Profit	19.63%	22.32%
Net Profit	5.33%	8.27%

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 36.

Variance within the Financial Year

There was no 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. 1,71,000/- deducting tax at source.

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 certification about the fairness of the financial statements which is shown on page 22 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 year's Operating Result

There are no significant deviations from last year in the operating results of the Company.

Investment in the associated company

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 2017 stood at Tk.4.07 and Tk.53.59 per share respectively.

Next Year Plan

The Assembling Unit of the Company have planned to assemble 400 units of Diesel Hino Bus Chassis in the next financial year. The Bus Body Building Unit have planned to fabricate around 150 units of Hino Bus Body during the next financial year. The Company have planned to market around 50 units of RN8J Hino Air-Conditioned luxurious Bus in the next financial year. The Motorcycle unit have planned to assemble 12,000 units of various type of Mahindra Brand motorcycles as per trend of present market demand.

Dividend

The Board of Directors of your Company has recommended cash dividend @ 12% to the shareholders of the Company for the year ended June 30, 2018.

The 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 20, 2018 will be entitled to the dividend (subject to approval in the Annual General Meeting of the Company scheduled to be held on 09 December 2018).

Board Meetings Attendance :

In accordance with directives of the regulatory authorities, the Board supervise and review the activities of the Company and make businesses decisions, etc. During the year the Board of Directors met eight(8) times.

Board meeting attendance during the year 2018

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

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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(CEO), 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.	<u>Executives</u>	nil
iv.	<u>Shareholders holding ten percent (10%) or more voting interest in the Company:</u>	
	Mr. Shafiul Islam	1,86,26,415

Recommendations for Re-election

In terms of Article 125 and 126 of the Articles of Association of the Company, Mr. Shafiul Islam and Mrs. Khaleda Islam, Directors retire by rotation from the Board in the 38th 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.

Disclosure of information of the directors who are willing to be re-elected:

Mr. Shafiul Islam

A Bachelor of Science, Mr. Shafiul Islam joined the Islam Group, a reputed business conglomerate in Bangladesh in 1968 and started his career with automobile business as well as in the construction, real estate business. In the early years, he gained valuable experience by being involved in the management of the Group's diverse business operations. He played a major role in establishing "Navana" as the Toyota brand car trading company in Bangladesh, and finally set up Aftab Automobiles Ltd. He was also responsible for the construction company named Bengal Development Corporation (BDC) where he was directly responsible for the construction work of BDC in the Middle East and from 1981, he was also taking care of Eastern Housing Limited, then the largest real estate development company in Bangladesh. In 1996, the then Chairman of Islam Group, he separated from Islam Group with Navana Limited and Aftab Automobiles Ltd. and formed Navana Group. He has a very good relationship with all business key persons of the country.

Mr. Shafiul Islam is the Chairman of Navana Group, consisting of companies involved amongst others in vehicles assembling, bus body fabrication, trading; real estate; construction; CNG conversion and CNG stations; electronics; petroleum and renewable energy

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Names of companies in which Mr. Shafiul Islam also holds the directorship:

Navana Limited, Navana CNG Limited, Navana Real Estate Limited, Navana Construction Ltd., Navana Foods Ltd., Navana Building Products Ltd., Navana Interlinks Ltd., Navana Electronics Ltd., Navana Batteries Ltd., Navana Furniture Ltd., Navana Engineering Ltd., Navana Welding Electrode Limited, Navana Plastic Products Ltd., Navana Power Generation Ltd., Navana Toyota Service Center Ltd., Essential Industries Ltd., Eastern Printing Press Ltd., Orion Complex Ltd., Kenhill Paper Mills Ltd., Navana Computers & Tech Ltd., Navana Services Ltd., Road Linkers Ltd., Navana Taxi Cab Co. Ltd., Navana Power Co. Ltd., Navana Denims Ltd., Navana Knitting Ltd., Navana Feed Mills Ltd., Navana Software Ltd., Navana Plantation Ltd., Navana Exports Ltd., Navana Logistics Ltd., Navana Renewable Energy Ltd., Navana Lingerie Ltd., Navana Fabrics Ltd., Navana Gas Co. Ltd., Navana Paints Ltd., Navana Equities Ltd., Navana Electrical & Energy Saving Products Ltd., Navana Properties Ltd., and Navana LPG Limited.

Membership in committees of the Board of other Companies – None.

Mrs. Khaleda Islam

Mrs. Khaleda Islam is the wife of Mr. Shafiul Islam, Chairman of the Navana Group.

She has experienced in business for more than 37 years. She traveled many countries of the world.

At present, Mrs. Khaleda Islam is a Director of Navana Group, involved, amongst others, in vehicles assembling, bus body fabrication, trading; real estate; construction; CNG conversion and CNG stations; electronics; petroleum and renewable energy.

Names of companies in which Mrs. Khaleda Islam also holds the directorship:

Navana Limited, Navana Real Estate Limited, Navana Construction Ltd., Navana Foods Ltd., Navana Electronics Ltd., Navana Batteries Ltd., Navana Toyota Service Center Ltd., Navana Engineering Ltd., Navana Welding Electrode Limited, Navana Furniture Ltd., Navana Interlinks Ltd., Essential Industries Ltd., Eastern Printing Press Ltd., Orion Complex Ltd., Kenhill Paper Mills Ltd., Biponon Ltd., Navana Computers & Tech Ltd., Navana Services Ltd., Road Linkers Ltd., Navana Taxi Cab Co. Ltd., Navana Plastic Products Ltd., Navana Power Generation Ltd., Navana Power Co. Ltd., Navana Denims Ltd., Navana Knitting Ltd., Navana Feed Mills Ltd., Navana Software Ltd., Navana Plantation Ltd., Navana Exports Ltd., Navana Logistics Ltd., Navana Renewable Energy Ltd., Navana Lingerie Ltd., Navana Fabrics Ltd., Navana Gas Co. Ltd., Navana Paints Ltd., Navana Building Products Ltd., Navana Equities Ltd., Navana Electrical and Energy Saving Products Ltd., Navana Properties Ltd., and Navana LPG Limited.

Membership in committees of the Board of other Companies – None.

Appointment of Auditors

The existing auditors of the Company Malek Siddiqui Wali, Chartered Accountants has completed their audit for three consecutive years. As per Listing Regulation No. 15(2)&15(3) of Dhaka Stock Exchange (Listing) Regulations, 2015, no auditors be eligible for performing the auditing of the financial statements of the issuer of listed securities for a consecutive period of three years. In this connection, three audit firms e.g., Ata Khan & Co., Chartered Accountants, Ashraf Uddin & Co., Chartered Accountants and Rahman Mostafa Alam & Co., Chartered Accountants has expressed their willingness to conduct audit for the year ending on June 30, 2019.

The Board has recommended to appoint Rahman Mostafa Alam & Co., Chartered Accountants to audit the financial statements of Aftab Automobiles Limited for the year ending on June 30, 2019 and fix their remuneration at Tk. 3,00,000/- only, subject to approval by the shareholders of the Company in the ensuing Annual General Meeting scheduled to be held on December 09, 2018.

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Highlights of Financial and Key Operating Data

The summarized key operating financial data of five years.

The Key Operating and Financial Data (Consolidated):

Amount in '000 Taka

Particulars	2018	2017	2016	2015	2014
Authorized capital	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Paid-up capital	957,324	957,324	957,324	957,324	957,324
Face Value Per Share	Tk.10/-	Tk.10/-	Tk.10/-	Tk.10/-	Tk.10/-
Shareholders equity	5,829,520	5,673,466	5,367,358	5,198,109	5,039,089
Fixed asset	2,012,035	1,742,323	1,265,524	1,033,688	785,500
Turnover (Net)	4,813,708	4,771,209	3,051,578	3,459,065	2,709,873
Gross profit	944,861	1,064,989	763,416	840,812	705,854
Net profit after tax	256,474	394,535	267,707	291,928	268,297
Total comprehensive income for the period/year	249,297	396,736	276,763	311,101	268,297
Other Information					
Operating cash flow per share	(4.24)	1.32	10.44	-8.29	-9.99
Book value per share	60.89	59.26	56.07	54.3	52.64
Earning per share	2.68	4.12	2.89	3.05	4.01
Cash dividend	12%	16%	15%	16%	17%
Number of shareholders	22,682	25,898	34,403	39,159	48,055

Conclusion

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

On behalf of the Board of Directors

Sd/-

(Saiful Islam)

Managing Director