

Directors' report to the shareholders

Dear Shareholders,

Assalamu Alaikum,

We have the pleasure to welcome you on behalf of the Board of Directors of Aftab Automobiles Limited at the 41st Annual General Meeting of the Company and present before you to receive, consider and adopt the Audited Financial Statements of the Company for the year ended on 30 June 2021 together with the Auditors' Report and Directors' Report thereon, for your valuable guidance, opinion and consideration.

You are aware that during the year business in transport sector in our Country was hindered and badly effected due to Covid-19 pandemic prevailing in the country and worldwide.

PRINCIPAL ACTIVITIES

It may be mentioned that due to global impact in business for COVID-19 pandemic, the business of the company was not as assumed in the last year. We have summarized herewith Industry outlook and segment wise activities of the company during the year under review:

Vehicle Assembling Unit

In the Vehicle Assembling Unit of the company a total of 71 chassis of Hino Diesel Bus were sold. The Unit has contributed an amount of Tk. 34.67 crore to the Company's turn-over.

Bus Body Fabrication Unit

Bus Body Fabrication unit sold total of 92 units Hino non-air-conditioned bus body. An amount of Tk. 13.78 crore has been contributed to the sales of the Company.

Motorcycle Unit

This Unit has assembled 2084 units of motorcycles and added an amount of Tk. 26.34 crore to the Company's sales.

Navana Batteries Limited

Various types of batteries produced during the year; an amount of Tk. 50.61 crore added as sales of the company.

Industry Outlook and Possible Future Development

Over the years, Bangladesh achieved considerable economic growth and rise in foreign investments. As a result, the purchasing power of individuals has risen along with the demand for automobiles. To cover the market demand activities of Aftab Automobiles Limited and Navana Batteries Limited (a subsidiary of Aftab Automobiles Limited) are narrated hereunder:

Bus

The demand for Buses is growing rapidly in the country as well as increased economic activities in the last decade. Bus Operators are controlled mainly by large fleet owners throughout the country and demand is dominated by non-air-conditioned buses. However, there is a growing demand for luxury air-conditioned buses owing to the air pollution, environmental change and change of customers' choice.

Batteries

Navana Batteries Limited a subsidiary of Aftab Automobiles Limited has produced various types of Batteries as per market demand.

Risk and Concern

Due to global effect of Covid-19 pandemic our business also affected by risk and uncertainties. However, we think uncertainties may be overcome in next year.

Related party transactions

During the year the Company carried out several transactions with related parties in the normal course of business. The name of related parties, nature of transactions and total transaction value have been set out following the provisions of 'BAS 24: Related Party Disclosure' disclosed in the note 35 of the notes to the financial statements.

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

Amount in taka		
Particulars	30 June 2021	30 June 2020
Revenues (Turnover)	1,254,020,565	1,947,024,768
Cost of goods sold	947,011,382	1,431,542,977
Gross profit	307,009,183	515,481,791
Net profit for the year after tax	(185,517,205)	8,409,449

Margin Analysis

Gross profit margin and Net profit margin compared with the previous year as hereunder:

Particulars	30 June 2021	30 June 2020
Gross Profit	24.48%	26.47%
Net Profit	(14.79)%	0.43%

Extra-Ordinary Events

No events of extra ordinary gain or loss reported in the financial statements which would require to adjust and/or disclose during the reporting period.

The Variance between the Quarterly and Annual Financial Statements

Variance in financial performance from quarter to quarter has been considered usual based on the variation of economic activities.

Fairness of Financial Statements

The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act 1994 and other related laws fairly present the Company's state of affairs, the results of its operations, cash flow, and changes in equity. Managing Director and Chief Financial Officer have given the declaration about the fairness of the financial statements for the year ended 30 June 2021 which is shown on page 15 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 the preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment.

Application of IAS and IFRS

International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) have been followed in the preparation of the financial statements and any deviation therefrom has been adequately disclosed.

Internal Control

The systems of internal controls were sound in design and has been effectively implemented and monitored. The Company has an internal Audit Department to ensure effective internal control mechanism. The Audit Committee always gives their suggestion and recommendation as and when required.

Minority Shareholders' Interest Protection

Rights and interests of the minority shareholders have been duly protected by means of transparent operations and proper disclosure of material information of the Company.

Going Concern

There are no 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 a going concern basis.

Significant Variance deviations from the Last year's Operating Result

Significant decrease in profit compared to the previous year due to a decrease in sales revenue. Reasons for dropping the sales are due to Covid-19 pandemic prevailing in the country and worldwide.

Five Years key Operating and Financial Data

The Key operating and financial data for the last five years have been disclosed at page no. 15

Declaration by the Managing Director and the CFO

Declaration by the Managing Director and CFO has been given on Annexure- A (Page 19)

Consolidated Financial Result and Appropriation of Profit:

The consolidated financial results for the year ended 30 June 2021 is given hereunder comparing with the previous year ended on 30 June 2020.

			Amount in taka	
Particulars			30 June 2021	30 June 2020
Retained Earnings Brought Forward			2,846,109,920	2,906,222,668
Add: Net Profit for the year after tax			(185,514,274)	8,411,576
Recommended for appropriations:				
	<u>2021</u>	<u>2020</u>		
Cash Dividend @	5%	10%	(33,505,875)	(68,524,324)
Stock Dividend @	5%	--	(47,866,211)	--
Un appropriated profit carried forward			2,579,223,560	2,846,109,920

Aftab Automobiles Limited (AAL)

The operating results of AAL for the year ended 30 June 2021 is given hereunder compared to the previous year ended on 30 June 2020.

Amount in taka

Particulars	30 June 2021	30 June 2020
Turnover	747,914,378	1,411,377,402
Gross Profit	162,495,222	375,158,709
Net Profit for the year after tax	(185,514,274)	8,411,575
Earnings Per Share (EPS)	(1.94)	0.09
Net Assets Value Per Share (NAVPS)	57.89	60.20
Net Operating Cash Flow Per Share (NOCFPS)	6.31	(6.56)

Navana Batteries Limited (NBL), subsidiary of Aftab Automobiles Limited

Navana Batteries Limited is a fully owned subsidiary company of Aftab Automobiles Limited. The operating results of NBL for the year ended 30 June 2021 comparing with previous year ended on 30 June 2020 are given below:

Amount in taka

Particulars	30 June 2021	30 June 2020
Turnover	506,106,187	535,647,366
Gross Profit	144,513,961	140,323,081
Net Profit After Tax	(5,387,042)	(3,907,971)
Earnings Per Share (EPS)	(0.29)	(0.21)
Net Assets Value Per Share (NAVPS)	40.92	41.21

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. 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 2020 stood at Tk. 2.54 and Tk. 65.32 per share respectively.

Board of Directors Meetings

Total 18 (eighteen) meetings held by the Board of Directors during the year 30 June 2021.

Name of Directors	Position	Board Meeting attended
Mr. Shafiul Islam	Chairman	12
Mrs. Khaleda Islam	Director	12
Mr. Saiful Islam	Managing Director	12
Mr. Sajedul Islam	Director	18
Ms. Farhana Islam	Director	10
Mr. Syed Masud Hasan	Independent Director	2
Mr. Md. Kausar Alam FCMA	Independent Director	-
Dr. Melita Mehjabeen	Independent Director	-

- a) Mr. Syed Masud Hasan, Independent Director has resigned on 03.01.2021
- b) Mr. Md. Kausar Alam FCMA and Dr. Melita Mehjabeen appointed as Independent Director on 04.01.2021. But they did not attend in the Board Meeting during the above period.

Independent Directors

Mr. Md. Kausar Alam FCMA appointed as Independent Director of Aftab Automobiles Limited vide Board resolution dated 04-01-2021 for three years up to 03-01-2024 subject to approval by the shareholders in the ensuing Annual General Meeting.

Mr. Md. Kausar Alam, M.Com. (AIS, DU), MBA (IBA), FCS, FCCA (UK), ACA (England & Wales), FCMA, is the Chief Financial Officer and Company Secretary of Seven Circle Cement (Bangladesh) Limited. He is a Fellow member of The Institute of Cost and Management Accountant of Bangladesh, an Associate member of the Institute of Chartered Accountants in England and Wales, a Fellow member of the Institute of Chartered Secretaries of Bangladesh and a Fellow member of the Association of Chartered Certified Accountant of United Kingdom. He has done his Masters in Accounting from the University of Dhaka and MBA from the Institute of Business Administration, University of Dhaka. He has about 25 years professional experience in global multinational, British American Tobacco and large business group, Rahimafrooz Bangladesh in top level finance positions as Head of Manufacturing Finance and Group CFO respectively. He holds vast knowledge in managing Finance and Accounts functions of large manufacturing, trading, retail and distribution businesses. He is a General Body Member of FBCCI for the year 2019-21 as a representative from IPAB. He is a member of Standard Setters Working group (SSWG), Financial Reporting Council (FRC) of Bangladesh. He is also one of the founding members of Intellectual Property Association of Bangladesh (IPAB) and current Executive Board Member and Treasurer of IPAB. He is an honorary Finance and Governance advisor of a reputed Non-Profit Organization, ARK Foundation, working in economic research and social development sectors of Bangladesh. Further, He is a life member of Bangladesh AOTS-HIDA and Bangladesh Japan Training Institute (BJTI). He is a part time faculty member in ICSB, ICMAB and in government and private Universities and contributors in professional Journals.

Dr. Melita Mehjabeen appointed as Independent Director of Aftab Automobiles Limited vide Board resolution dated 04-01-2021 for three years up to 03-01-2024 subject to approval by the shareholders in the ensuing Annual General Meeting.

Dr. Melita Mehjabeen, is an Associate Professor of the Institute of Business Administration (IBA), University of Dhaka. She was the Manager of Global Transaction Services, Citibank, N.A. She has done her MBA from the Institute of Business Administration (IBA), University of Dhaka and PhD from The University of Manchester, UK. She bears 11+ years of experience as an academia in teaching, research work and consultancy coupled with five years' experience in the corporate sector.

Mr. Syed Masud Hasan, Independent Director has resigned on 03-01-2021 from the Board.

Remuneration paid to Directors and Independent Directors

An amount of Tk. 3,20,000/- paid to Directors and TK. 10,000/- paid to Independent Directors for attending at Board of Directors meeting held during the financial year ended on 30 June 2021.

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 41st 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. Sajedul Islam

Mr. Sajedul Islam he joined Navana Group in 1998. He is very active in the management and operation of the Navana Group flagship Company, Navana Limited and other Companies.

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

Navana Limited., Navana Real Estate Limited, Navana Construction Ltd., Navana CNG Limited, Navana Engineering Limited, Navana Welding Electrode Limited, Navana LPG Limited, Navana Foods Ltd., Navana Building Products Ltd., Navana Electronics Ltd., Navana Furniture Ltd., Navana Interlinks Ltd., Navana Logistics Limited.

Membership in committees of the Board -Audit Committee and NRC.

Ms. Farhana Islam

Ms. Farhana Islam a BBA is a young enthusiastic entrepreneur of the country, joined the Navana Group in 2007. In the early years, she gained valuable experience by being involved in the management of the Group's diversified business operations. She took various business-related professional courses at home and abroad. She traveled to many countries in the world.

Names of companies in which Ms. Farhana Islam also holds the directorship:

Navana Limited, Navana Batteries Ltd., Navana Real Estate Limited, Navana Construction Ltd., Navana Foods Ltd., Navana Electronics Ltd., Navana Engineering Limited, Navana Welding Electrode Limited, Navana LPG Limited, Navana Furniture Ltd., Navana Interlinks Ltd., Navana Logistics Ltd., Navana Renewable Energy Ltd., Navana Building Products Limited.

Membership in committees of the Board- None.

Corporate Governance Compliance

The Company complies with the requirements of Corporate Governance Code.

- a. Compliance Certificate on Corporate Governance Code in page no. 20(Annexure-B)
- b. Corporate Governance Compliance Report in page no. 21 (Annexure-C)
- c. Pattern of shareholding in page no. 14

Next Year Plan

Aftab Automobiles Limited did not achieve its target as expected due to covid -19 pandemic. However, the management of the Company has taken plan to grow its business significantly.

Dividend

The Board of Directors of Aftab Automobiles Limited in its meeting held on 26 October 2021 has recommended dividend as follows:

- a. 5% Cash Dividend for the general shareholders only excluding Sponsors and Directors. The Sponsors and Directors are holding 2,87,20,673 shares out of total 9,57,32,422 shares of Aftab Automobiles Limited. Total Dividend amount payable to the general shareholders only is Tk. 3,35,05,874.50 for 6,70,11,749 shares; and
- b. 5% Stock Dividend for the shareholders including Sponsors and Directors.

The general shareholders whose names appeared in the share register of the Company and/or Depository Register of CDBL as on Record Date i.e., 17 November 2021 will be entitled to have the cash and stock dividend, subject to approval in the ensuing Annual General Meeting of the Company scheduled to be held on 30 December 2021.

Appointment of External Auditors

Existing External Auditors A. Haque & Co., Chartered Accountants (Panel Auditors of BSEC) have completed their work as Auditors for the year ended 30 June 2021. Being eligible they have shown their interest to continue as External Auditors of the Company for the year 30 June 2022, which is to be placed for approval in the ensuing Annual General Meeting scheduled to be held on 30 December 2021.

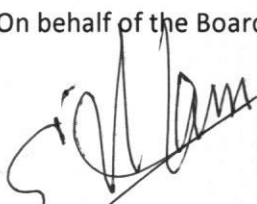
Appointment of Corporate Governance Compliance Auditors

Existing Compliance Auditors Ahmed Zaker & Co., Chartered Accountants have completed their work as Compliance Auditors for year ended 30 June 2021. They have shown their interest to continue as Corporate Governance Compliance Auditor for the year 30 June 2022, which is to be placed for approval in the ensuing Annual General Meeting scheduled to be held on 30 December 2021.

Acknowledgement

On behalf of the Company, we wish to express sincere appreciation to all employees of Aftab Automobiles Limited and its subsidiary for their contribution and at the same time thanks to all the stakeholders and other concern for their continuous support and confidence even in this situation of COVID-19 pandemic.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read 'Shafiul Islam', written over a horizontal line.

(Shafiul Islam)
Chairman