



## Report of the Directors to the Shareowners



In 2014 ACI Formulations Ltd. (ACI FL) had an outstanding achievement with commendable growth of 24% over previous year. The weather condition was favourable for crops and there was less infestation. Some of the reasons for good performance were aggressive marketing strategy, tight credit control, fine-tuned inventory management and targeted promotional activities.

In Crop Care business we have achieved 34% growth over last year. Under Herbicide category, we have done well and Fungicide also achieved excellent growth. Insecticide market was stagnant, yet we achieved growth better than the market. We have registered some additional products which will improve our product range and yield results in 2015.

Most remarkable achievement in 2014 was tripling the sales of Flora, a plant growth regulator, which has demonstrated remarkable increase in production of various crops, fruits and vegetables.

Bio-pesticide is gradually getting accepted by the farmers. Organic vegetables are in demand and

fetched a premium price. We have accessed a range of Bio-pesticide developed by a world renowned company based in the UK. We are paying special attention in promoting Bio-pesticides by having a dedicated team of experts and we hope to be the market leader in this category.

We are gradually and systematically modernizing our portfolio of pest control products with more cost effective and eco friendly solutions.

In Public Health sector, our principals have developed products for control of Vector-borne diseases like Kala-Azar, Malaria and Dengue, by different methods and applications, with the support of World Health Organization. We will try to market these products. We are taking the assistance of reputed Universities and Research Organizations in Bangladesh for field trials of these products.

Our factory production units did well. We have paid attention to improvement of yield optimization of energy consumption, reduction of machine breakdown and increased production efficiency.





Materials procurement was on time and there was no shortage of products. We have invested in new machinery and expanded our range of products and varieties to meet market needs. We have acquired controlling shares in a company which has Neem soap as one its products. We are re-launching Neem soap with the ambition to capture a sizable market share. We have joined hands with the world-renowned company AkzoNobel which is the world's number one paints company as a distributor and toll manufacturer.

Our Effluent Treatment Plant (ETP) is fully compliant with the environmental regulations and we process all waste materials, both solid and liquid to remove or breakdown the toxic chemicals and recycle them wherever possible. Our residual disposals meet world class standard.

People are our biggest asset. We help our employees to get the necessary training to maximize their potential. We have a well-resourced training department engaged in assisting employees to reach their professional goals. We empower our employees through delegation

of authority and evaluate them under a scientific system called Balanced Score Card. We acknowledge the contribution of our employees who achieved the commendable results in a field of intense competition, through their hard work and dedication.

ACI FL is focused on creating value for its customers by providing high quality products and by adhering to the concept of sustainable development. We take our social responsibility seriously and therefore occupational health, safety and environmental protection are always on top of our priority list. We aspire to achieve even better results. We are shaping our business strategies accordingly.





## Financial Results

In 2014, total revenue of the Company was Taka 2,908 million, an increase of Taka 568 million from 2013, resulting into 24.26% higher revenue over last year. The cost of sales has increased by 23.56% due mainly to higher sales volume over last year. In addition to that changes in product mix (i.e. sale of high margin product compare to 2013) and favorable material price over last year led a positive impact in Gross profit which increased by 26.35% compared to 2013. The operating cost has increased by 20.69% due to normal pay rise, inflationary adjustment and increased sales volume; on the other side financing cost has reduced by 14.79% over last year because of efficient working capital management coupled with enjoying lower borrowing cost during the year under review. In 2014, the profit before tax and profit after tax of the Company were Taka 259.66 million and Taka 187.62 million respectively. The earnings per share was Taka 4.17 in 2014 which is 45.30% higher than last year.

### Appropriation of Profit

Considering the financial results of the Company during the year and free reserve carried over, the Directors recommended appropriation of net profit as follows:

	2014 Taka	2013 Taka
Un-appropriated profit from previous year	475,011,664	458,281,132
Add: Net profit after tax for the year	187,615,832	129,230,532
Total available for appropriation	<u>662,627,496</u>	<u>587,511,664</u>
Appropriation proposed:		
Proposed dividend:		
Cash dividend	135,000,000	112,500,000
Balance carried forward	<u>527,627,496</u>	<u>475,011,664</u>

With the balance carried forward in this year and with ploughing back of the profit, Directors are confident that Company will be able to maintain prudent dividend policy in years to come.

### Dividend

The Board of Directors is pleased to recommend cash dividend @30% per share of Taka 10 i.e. Taka 3.0 per share for the year 2014 to those shareowners whose names will be appeared in the Share Register of Members of the Company or in the Depository list of CDBL on the Record Date which is Wednesday, 13th May 2015.

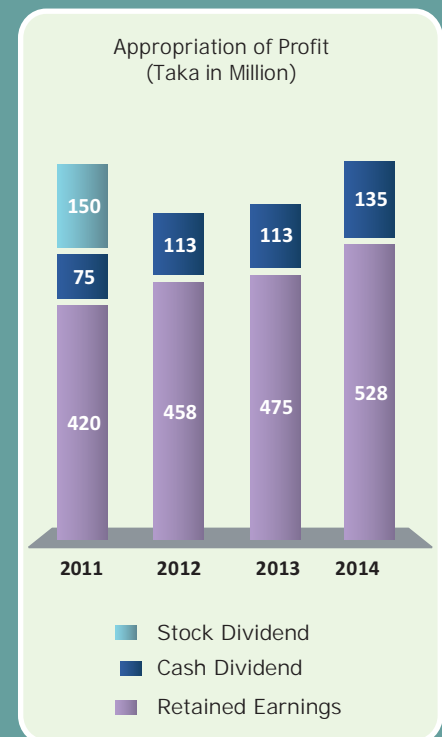
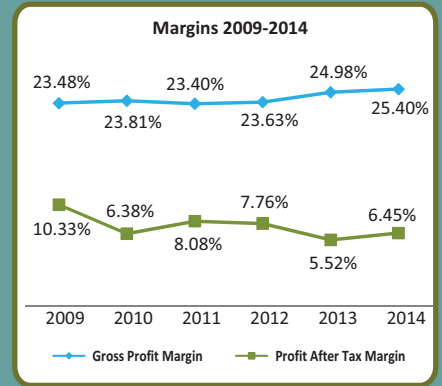
### Contribution to the National Exchequer

During 2014, the Company contributed Tk. 246.47 million to the National Exchequer in the form of corporate tax, custom duty, VAT etc. This is equivalent to 8.46% of our gross sales revenue for the year 2014.

### Cost of Goods Sold and Profit Margins

In 2014, the key factors in COGS were the stable exchange rate and positive material price variance over last year. This has led to a positive impact on COGS resulting into an increase of overall gross profit margin to 25.40% in 2014 from 24.98% in 2013.

In 2014 and 2013 the operating profit margin were 11.24% and 10.44% respectively. This has increased due mainly to higher revenue and changes in product mix compare to last year. The operating cost has increased by 20.69% due to normal pay rise, inflationary adjustment and increased selling expenses; on the other side financing cost has reduced by 14.79% over last year because of efficient working capital management coupled with enjoying lower borrowing cost during the year under review. In 2014, the profit before tax and profit after tax of the Company were Taka 259.66 million and Taka 187.62 million respectively.



## Directors Declaration as to Statutory Information

In connection with preparation and presentation of the financial statements, the Directors also report that:

- Segment-wise performance has been shown in Note- 5 (ii) of the Financial Statements.
- The Company is aware of the different risks associated with doing business and is prepared to counter those risks through systematic approach. Financial risks management has been disclosed in the Note- 26 of the Financial Statements.
- No extra ordinary gain or loss exists during the year as recommended by the BAS.
- All transactions with related parties are made on a commercial basis and the basis was the principle of "Arms Length Transaction". Details of related party transaction are disclosed in the Note- 29 of the Financial Statements.
- There was no IPO or Right issue during the year.
- No significant variance occurs between Quarterly Financial Performance and Annual Financial Statements.
- During the year, Company has paid a total of Taka 8,250 as Board meeting attendance fees. The remuneration of Directors has been mentioned in Note- 22 & Note- 29(b) (ii) of the Financial Statements.
- The Financial Statements prepared by the management of the Company present a true and fair view of Company's state of affairs, result of its operation, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently followed in formulating the Financial Statements and Accounting estimates are reasonable and accurate.
- Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs) have been followed in preparation of the Financial Statements.
- All significant variations in operating results from the previous year have been highlighted and reasons thereof have been explained.
- The key financial and operating data for last six years are disclosed.
- The Company has recommended dividend for the year 2014.
- During 2014 a total of 4 Board meetings were held and attendance of each director are shown in Annexure-I, which conform the regulatory requirements.
- Shareholding pattern of the Company as on 31 December 2014 are shown in Annexure-II.
- The profiles of Directors who have sought for appointment/re-appointment are shown in Annexure-V.
- The CEO and CFO has certified to the Board that they have reviewed the Financial Statements and believe that these statements do not contain any material untrue statements or omit any material fact or certain statements that might be misleading.
- The CEO and CFO further confirm that Financial Statements together present a true and fair view of the Company's affairs and are in compliance with applicable laws.
- The CEO and CFO have further certified to the Board that there are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violation of the Company's code of conduct.



## Composition of the Board

The Board consists of 7 members drawn from amongst the major shareowners and business professionals. Mr. M Anis Ud Dowla is the Chairman of the Board, Ms. Shusmita Anis is the Managing Director. Mr. Juned Ahmed Choudhury and Mr. Kamran T. Rahman are the Independent Directors.

## Role of the Board

The Board is the highest level of authority of the Company to oversee its operation through appropriate delegation, reporting and control.

## Responsibility of the Board

The Directors hold the ultimate responsibility of conducting the activities of the Company in accordance with the law and in the interest of its shareowners and other stakeholders, keeping in view the long-term interest of the Company.

## Functioning of the Board

The Board is required under the law to meet at least once in three months. The number of Board Meetings held in 2014 was Four. The Directors are kept informed of the results and the major activities through distribution of monthly statements and quarterly reporting by the Managing Director. The Board agenda includes financial results, consideration of major investments, new business initiatives, borrowings, liquidity etc. in addition to statutory approvals.

## Management through People

The Board has approved the organogram of the Company. The Board is kept informed of the goals and targets of the Company and takes account of the financial performance on a quarterly basis.



## Empowerment of People

The Board has given clear guidelines to the Managing Director to ensure that there is clear statement of accountability and appropriate delegation of authority of the management staff all the way down to the Supervisory level and that performance of the individual is judged on the basis of clearly set measurable goals and through objective assessment of their achievement.

## Reporting and Communication

The Managing Director keeps herself informed of the performance of various units through the reports, returns and statements she receives every month. At the end of every quarter the entire sales, marketing and factory operations are analyzed and new action plans are prepared to achieve the targets and fulfill the objectives. Annually the performance of each individual is reviewed on the basis of their achievement of Key Performance Indicators (KPI).

## Communication with Shareowners

The company holds the Annual General Meeting (AGM) regularly in time. The Directors attending the AGM note the views and suggestions of the shareowners and institutional stakeholders offered at the AGM and consider them with utmost seriousness. The Managing Director is to bring to the notice of the Board any written communication received by her from the shareowners.

## Election of Director

By operation of Article 47 of the Company's Articles of Association Mr. M. Anis Ud Dowla and Dr. F H Ansarey retire by rotation and being eligible, offer themselves for re-election.



## Audit Committee

Following the BSEC Guidelines, the Board has constituted an Audit Committee for the Company which is mentioned at the Compliance Report enclosed herewith. The Committee comprises of Mr. Juned Ahmed Choudhury, Mrs Najma Dowla, Dr. F H Ansarey. Mr. Juned Ahmed Choudhury is an Independent Director and also the Chairman of the Committee.

The Audit Committee met four times during the year 2014. The Company Secretary functioned as Secretary of the Committee. The main performances of the Audit Committee during the year were as follows:

1. Review and appraisal of the performance of internal control system.
2. Review of the risks associated with the Company's operation including mitigation and awareness plan.
3. Overseeing hiring and performance of external auditors.
4. Ensuring Company's financial reporting process.
5. Review of the operation as required under the BSEC Guidelines

## Going Concern

The Board, through appropriate enquiries and analyses, ensures that the resources are adequate to support the operation and that sufficient business opportunities exist to qualify the organization as a going concern and the Directors analyze the financial statements to ensure that. Accordingly, Financial Statements have been prepared on a going concern basis.

## The System of Internal Control

The Board of Directors assures that Company has an effective risk management process to confirm that system of internal control is working and all known and impending risks are identified and appropriate process and policies are in place to counter those risks. The internal control system assures in achieving business objectives, provide independent consulting service by instituting a systematic and disciplined approach to risk management.





## Corporate Social Responsibility (CSR)

CSR is a central function of ACI Group and the projects and programs under CSR are selected on basis of their relevance to the business of the Group. A separate brochure on all the projects under CSR of the ACI Group will be published and our shareowners will receive a copy accordingly. We are conscious of our responsibility to manage a sustainable business organization which require a strong team to manage CSR.

## Corporate Governance Compliance Statement

ACI Formulations' Board of Directors is committed to meeting the highest standard of corporate governance and disclosure. The Directors are conscious of their responsibilities in supervision and direction of the affairs of the Company in conformity with the practices of sound corporate governance. In fulfillment of those responsibilities the directors have set for themselves the principles that will be followed in their own involvement in the oversight function and in setting up clear guidelines for the executive management.

We have the pleasure to confirm herewith that the Company has meanwhile complied with all the necessary guidelines under BSEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012. The compliance report along with the necessary remarks/disclosure is appended in Annexure - IV of the Directors' Report for the year 2014 in continuation pages of the compliance certificate given by AI-Muqtadir Associates, Chartered Secretaries.

## Auditors

Our Auditor Messrs Rahman Rahman Huq, Chartered Accountants has sought re-appointment for the year 2015 and the Directors recommend their re-appointment.

On behalf of the Board

Shusmita Anis  
Managing Director

Juned Ahmed Choudhury  
Independent Director