

## BOARD OF DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,  
Assalamu Alaikum,

It is our immense pleasure to welcome you in the 10th Annual General Meeting of the Company. We also feel proud to present the operating result, Directors' report together with the Annual Financial Statements of the company for the year ended 30 June, 2013 to you.

### Industry outlook and possible future developments in the industry:

The sector is in its introduction stage and growing tremendously for the following reasons:

- Building construction for both industrial and commercial purpose has been increasing tremendously all over the country.
- Industrialists are more eagerness to build pre-fabricated steel building rather than RCC Building.
- The added advantages of Steel Building like reduced construction period, moveable & redesigned capability, lower possibility of loss in earthquake, environment friendly construction systems, re-sale value etc.

The plant of BBSL is considered as one of the most modern and automated plant in the country.

### Operational Review :

Our growth is significant comparing with last year in respect of Sales & Production. Our sales amount was Tk. 1,205.95 million which was 4% higher than the last year. We have utilized 59.55% of our production capacity and hopefully it will be increased considerably. BBSL is always in the process of development and modernization of its products and factory. In the year under review it has successfully introduced latest product outlook which is the result of the state of art technology in the PEB Sector.

Particulars	2012-2013 Taka	2011-2012 Taka
Turnover	1,205,948,132	1,154,305,498
Cost of Goods Sold	(941,443,934)	(926,957,689)
<b>Gross Profit/(Loss)</b>	<b>264,504,198</b>	<b>227,347,809</b>
Operating Expenses	(59,906,817)	(51,970,333)
Administrative Expenses	(43,191,214)	(37,633,994)
Marketing & Selling Overhead	(16,715,603)	(14,336,339)
<b>Operating Income</b>	<b>204,597,381</b>	<b>175,377,476</b>
<b>Other Income</b>	<b>4,202,667</b>	<b>1,710,501</b>
Financial Expenses	(66,185,255)	(67,616,001)
<b>Net Profit/(Loss) before WPPF</b>	<b>142,614,793</b>	<b>109,471,976</b>
Contribution to WPPF	6,791,181	5,212,951
<b>Net Profit/(Loss) before Tax</b>	<b>135,823,612</b>	<b>104,259,025</b>
Income Tax Expenses	(59,306,863)	(39,097,134)
Current Tax	(50,933,854)	(13,467,336)
Deferred Tax	(8,373,009)	(25,629,798)
<b>Net Profit/(Loss) after Tax</b>	<b>76,516,749</b>	<b>65,161,891</b>

### Cost of Goods Sold :

The year's cost of goods sold was Tk. 941.44 million (78.04% of sales) as compared to last year's cost of goods sold of Tk. 926.96 million (80.30% of sales). This is due to use of modern machineries of expansion unit, utilization of maximum capacity, imported raw materials and good management policies for reducing the overall manufacturing overhead cost. Moreover, the production and/or capacity utilization has been increased significantly over the periods, which is the main cause for keeping the fixed manufacturing cost at the minimum level.

### Gross Profit:

Gross profit of the Company during the year was Tk. 264.50 million as against last year's gross profit of Tk. 227.38 million. Gross profit increased due to increase of sales volume and decrease the overall cost of goods sold compared to last year.

### Net Profit/(Loss):

The Company earned net profit during the year amounting to Tk. 76.52 million as compared to last year's net profit of Tk. 65.16 million.

### Risk & Concerns:

Pre-Engineered Steel Building (PEB) faces many of the challenges like lack of power, labor unrest, political unrest resulting hartal causing disruption of production, higher interest rate, inflation & scarcity of Bank finance etc. Moreover, risks and concern of the industry solely depends on the upcoming government policy as well.

### Extra Ordinary Gain or Loss:

During the year, no extra-ordinary gain has been received.

### Related Party Transaction:

The Company has no related party transactions as per BAS-24 except executive compensation received by Directors which is stated in the note no. 34 of the financial statements.

### IPO of Company's Share:

After acquiring the assets and upon increasing the paid-up capital by that extent the Board of Directors of the Company decided to go for Initial Public Offering (IPO) of its shares in the capital market. The Bangladesh Securities and Exchange Commission (BSEC) had given permission on 23 June, 2013 for IPO of shares of the Company to the extent of Tk. 14.00 crore for repayment its debts to enhance profitability and meet the IPO expenses of the Company.

### Utilization of Proceeds from IPO:

The Company received Tk. 14.00 crore proceeds from IPO and adjusted Tk. 12.80 crore against repayment of bank debts and remaining Tk. 1.20 crore for IPO expenses.

### Significant Variance between Quarterly and Annual Financial Statements

No significant variations have occurred between quarterly and final financial results of the Company during the year under report.

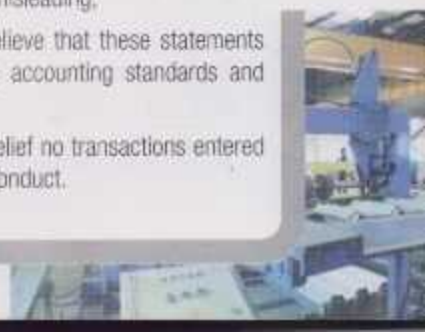
### Contribution to National exchequer:

During the year the Company has contributed Tk. 133.47 million to the National Exchequer as Customs Duty, Income Tax and Value Added Tax.

### Director's Declaration as to Financial Statements

As part of preparation and presentation of financial statements the directors also report that:

- The financial statements prepared by the management of the Company present a true and fair view of Company state of affairs, result of its operation, cash flows and changes in equity;
- Proper books of accounts as required by law have been maintained;
- Appropriate accounting policies have been followed in formulating the financial statements and accounting estimates are reasonable and prudent;
- The financial statements were prepared in accordance with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs);
- The CEO and CFO have certified to the Board that they have reviewed the financial statements and believe that these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- The CEO and CFO have certified to the Board that they have reviewed the financial statements and believe that 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;
- 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 is fraudulent, illegal or in violation of the Company's codes of conduct.





### Directors' Election & Managing Director Re-appointment:

As per the Articles of Association of the Company Engr. Mohammed Badrul Hassan and Engr. Mohammad Ruhul Majid shall retire in the 10th Annual General Meeting by rotation and being eligible, offer themselves for re-election. Disclosure of information of the Directors who seek re-appointment in the ensuing AGM is disclosed with the Annual Report.

The tenure of the office of Engr. Abu Noman Howlader as Managing Director of the company expired on 17-07-2013 and the Board approved reappointment for the next five years. The proposal of reappointment is placed this AGM for approval.

### Other Regulatory Disclosures:

- \* The Company is aware of its various risks and concerns, mainly from the policy and regulatory fronts and is prepared to meet those by systematic control;
- \* No transactions with related parties have been made during the year except executive compensation received by the Directors;
- \* The Company got permission for IPO during the year;
- \* From inception, the financial results of the Company have continued to grow as reflected in the yearly financial statements of the Company;
- \* No "extraordinary gain" has been received during the year;
- \* No significant variations have occurred between quarterly and final financial results of the Company during the year 2012-2013;
- \* During the year the Company has paid no amount as Board meeting attendance fees.
- \* All significant deviations from the previous year in operating results of the Company have been highlighted and reasons thereof have been explained;
- \* The key operating and financial data for the last five years have been disclosed;
- \* The Company has declared dividend for the year 2012-2013;
- \* During the year ended 30 June, 2013 total of 5 (five) Board meetings were held which met the regulatory requirements in this respect. The attendance records of the directors are shown in this report;
- \* Shareholding patterns of the Company as on 30 June, 2013 are shown in the Directors' report as annexure-iii;
- \* The director's profiles have been included in the Annual report as per BSEC guidelines.

### Internal Control:

The system of internal control is sound in design and has been effectively implemented and monitored.

### Going Concern:

While approving the financial statements the Directors have made appropriate enquires and analyzed significant operating and indicative financials which enabled them to understand the ability of the Company to continue its operations for a foreseeable future. The Directors are convinced and have a reasonable expectation that the Company has adequate resources and legal instruments to continue its operations without interruptions. Therefore, the Company adopted the going concern basis in preparing these financial statements.

### Board Size, Meetings and Attendance:

There are Seven Directors of the Board up to the year end 2012-2013. In the year 2012-2013 a total 5 Board Meetings were held. The number of meetings held and the attendance of the Directors is as follows:

Name of Directors	Position	Meetings held	Attendance
Engr. Hasan Morshed Chowdhury	Chairperson	5	5
Engr. Abu Noman Howlader	Managing Director	5	5
Mr. Md. Ashraf Ali Khan	Director	5	5
Engr. Mohammed Badrul Hassan	Director	5	5
Engr. Mohammad Ruhul Majid	Director	5	5
Mr. A.S.M Ali Kabir	Independent Director	1	1
Mr. Md. Anwar Hossain, FCMA	Independent Director	1	1

### Chairperson & CEO

The role of Chairperson and CEO (Managing Director) have been separated and two separate persons have been performing their functions, as per the guideline of BSEC.

### Financial Results and Appropriations:

The Directors are pleased to present the financial results for the year 2012-2013 and recommend the following appropriations: During the year 2012-2013, net profit of the company was amounting to Tk. 76.52 million as compared to Tk. 65.16 million in the year 2011-2012. However, the company needs availability of adequate funds for its expansion unit and as well as for future growth. Keeping these in view the directors would like to report the company financial results for the year that ended on 30 June, 2013 with the recommendations for appropriation as follows:

Particulars	Amount in Million Taka
Net Profit for the year ended 30 June, 2012	153.34
Profit brought forward	76.52
Profit available for appropriation	229.86
<b>Appropriations:</b>	
Proposed Stock Divided	96.00
Transferred to Retained Earning	133.86

### Employee Benefits

Apart from the salaries and wages paid to the employees, the company offers other benefits as well. This includes Bonus, Provident Fund, Transport Facilities and WPPF etc.

### Appointment of Auditors:

As per requirements of law the current statutory auditors of Bangladesh Building Systems Ltd., Kazi Zahir Khan & Co., Chartered Accountants, will retire at the 10th Annual General Meeting. They have declined in writing to act as external auditor of the Company for the year 2013-2014. Based on suggestions of the Audit Committee, the Board recommended M/s. Haque Shahalam Mansur & Co., Chartered Accountants, 27 Bijoynagar, Shaj Bhaban, 6th Floor, Dhaka-1000 for appointment as auditors of the Company for the year 2013-2014 with Tk. 75,000 of their remuneration.

### Independent Director:

As per notification no. SEC/CMRRCD/2006/158/134/Admin/44 dated 07 August, 2012 the board of directors has appointed Mr. A.S.M Ali Kabir and Mr. Md. Anwar Hossain, FCMA as independent directors for the company on 30 June, 2013 for a period of three years, subject to the approval and confirmation of the shareholders at this Annual General Meeting of the company. The short bio-data as per BSEC guideline is enclosed with the Annual Report.

### Audit Committee:

The audit committee as a sub-committee of board has been constituted on 30 June, 2013 with the independent director as chairman and two other directors. The Company secretary acts as secretary to the committee. Role of the audit committee as per provision of the SEC regulation have been duly adopted by the Board. The report of the audit committee was included in the annual report for 2012-2013. The audit committee has met one time this year and the committee members' attendance record is disclosed below:

Name	Status	Attended
Mr. Md. Anwar Hossain FCMA	Chairman	01
Engr. Mohammed Badrul Hassan	Member	01
Mr. Md. Ashraf Ali Khan	Member	01



The Company's Chief Financial Officer was invited to audit committee meeting at the discretion of the Committee.

### **Dividend**

The company follows a prudent dividend policy. It considers a fair return to the shareholders while ensuring that the profits retained are invested in the business for expansion, growth and higher profitability. Due to the good performance of the company in the year 2012-2013, the management feels that a fair return should be given to the shareholders from the retained earnings. Therefore a Stock Dividend of 15 % i.e. 75 Shares for 500 shares held is being recommended.

### **Reporting and Compliance of Corporate Governance:**

- i. The company has also complied with the requirements of Corporate Governance Guidelines as required by the Bangladesh Securities and Exchange Commission. Compliance is shown in Annexure I.
- ii. The company obtained a certificate from Haque Shahalam Mansur & Co., Chartered Accountants regarding compliance of conditions of corporate governance Guidelines of the Commission, which is enclosed in the Annual report as Annexure IV.

### **Conclusion:**

We have achieved a significant growth by the grace of Almighty Allah and the support from our employees and stakeholders as well. The Board also recognizes the contributions received from banks & financial institution, insurance companies, National Board of Revenue (NBR), Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange Ltd. (DSE), Chittagong Stock Exchange Ltd. (CSE), Central Depository Bangladesh Limited (CDBL), various Government authorities, suppliers, vendors, customers, end users and lastly the individuals and agencies who have helped us accomplished what we are today. With the support of every one of you and other stakeholders, we expect even better results in the days coming ahead InShaaAllah!

Thank you all and with best regard for and on behalf of the Board.

Sd/-

**Engr. Abu Noman Howlader**  
Managing Director

