

Annual **REPORT**

2012

GENERATION NEXT FASHIONS LIMITED





| VISION  | MISSION  | GOAL   | STRATEGIC OBJECTIVES  |
|---|--|--|---|
| <p>“Satisfying Buyers Needs” is our vision and to be a top leading and sustainable eco friendly Textile fabric to Apparel manufacturer in Bangladesh.</p> | <p>Our mission for maximization of quality products production and services strictly on ethical and moral standards at minimum costs to the society ensuring optimum benefits to the consumers, the shareholders and other stakeholders.</p> | <p>Enhance profitability through customer’s satisfaction.</p> <p>Maximize the value of being our customers, shareholders and employee.</p> <p>Optimize contribution to the society.</p> <p>Eco-friendly manufacturing environment.</p> | <p>Enhance productivity to extent our products market demands;</p> <p>Committed and ensure sound supply chain;</p> <p>Maintain the strict compliance of best governance norms to ensure long sustainability of the company;</p> |



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## NOTICE OF 9<sup>TH</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 9<sup>th</sup> Annual General Meeting (AGM) of the Shareholders of Generation Next Fashions Limited will be held on Monday, April 22, 2013 at 10:30 A.M. at the Factory premises at Dhonaid, Earpur, Savar, Dhaka to transact the following businesses:-

### AGENDA

**1. Report and Accounts:**

To receive, consider and adopt the Financial Statements of the Company for the year ended on December 31, 2012 together with the Reports of the Board of Directors and the Auditors thereon.

**2. Dividend:**

To declare the dividend for the financial year ended December 31, 2012 as recommended by the Board of Directors.

**3. Election of Directors:**

To elect/re-elect Directors as per terms of the relevant provision of the Articles of Association of the Company.

**4. Appointment of Auditors:**

To appoint the Auditors of the Company for the term until the next Annual General Meeting and to fix their remuneration.

**5. Miscellaneous:**

To transact any other related business with the permission of the Chair.

All Shareholders are requested to attend the meeting on the date, time and place mentioned above.

By order of the Board of Directors.



Company Secretary.

Dated: Dhaka.  
March 27, 2013

### NOTES

- a) The Board of Directors has recommended Stock Dividend @ 20% for the year ended December 31, 2012 subject to approval in the 9<sup>th</sup> Annual General Meeting (AGM).
- b) The Record Date was on March 06, 2013 (Wednesday). The shareholders whose names appeared in the Share Register of Members of the Company or in the Depository Register (CDBL) on the Record Date are eligible to attend the meeting and qualify for Stock dividend.
- c) A member eligible to attend and vote at the Annual General Meeting (AGM) may appoint a proxy to attend and vote on his/her behalf. The Proxy Form must be affixed with revenue stamp of Tk. 10/- and must be submitted to the Registered Office of the Company not less than 48 hours before the time fixed for the Annual General Meeting.
- d) Annual Report, Attendance Slip and Proxy Form along with the notice are being sent to all Members by Courier Service/Post. The Members may also collect the "Proxy Form" from the Share Department of the Company.
- e) Admission into the Venue of the AGM will be allowed on production of the attendance slip attached with the Annual Report. Shareholders are requested to register their names in the counter at the entrance of the Venue from 7.30 A.M. to 10.00 A.M.

**NB: No gift and no food shall be given for attending the 09th Annual General Meeting of the Company as per rules.**

## **GNFL : AT A GLANCE**

**Generation Next Fashions Ltd (GNFL) was incorporated in Bangladesh under the Companies Act 1994 on August 19, 2004 with an authorized capital of BDT 500.0 million and paid up capital of BDT 47.2 million to carry out business of spinning, weaving and manufacturing of various types of ready-made garments of international standard and design. At present, the paid up capital of the company is BDT 1,405.98 million and the authorized capital is BDT 2,000.00 million.**

**GNFL is a 100% export oriented Textile and Apparel Company and started its commercial operation in July 30, 2006. The Company manufactures composite knit fabrics and various types of ready-made garments.**



### Our Products

T- Polo Shirt, T- Shirt, Men Polo Shirt Short Sleeve, Ladies Polo Shirt, Short Sleeve, Basic T- Shirt and Printed T- Shirt, Women's or Girls Trouser, Ladies Pant, Ladies Jacket, Men's 2PK Woven Short Trial, Basic T- Shirt , Static T- Shirt, Ladies Night Wear Set, Military Jogger, Women Flannel Trouser, Basic Drive + Fusion Tee, Ladies Tank Top etc.

### World Market

North America & Europe.

### Major Production Departments & Service

Knitting, Dyeing, Finishing and Garments. Production activities virtually round the clock in three shifts.

### Power, Gas & Water

**Power :** As well as with the Palli Bidyut Samiti connection GNFL owns 1.3 MW Gas generator and a 700 KW diesel generator to ensure constant power supply.

**Water :** Deep Tube well installed for necessary water supply.

**Gas :** Titas Gas Transmission & Distribution Company Ltd is the source of gas supply.

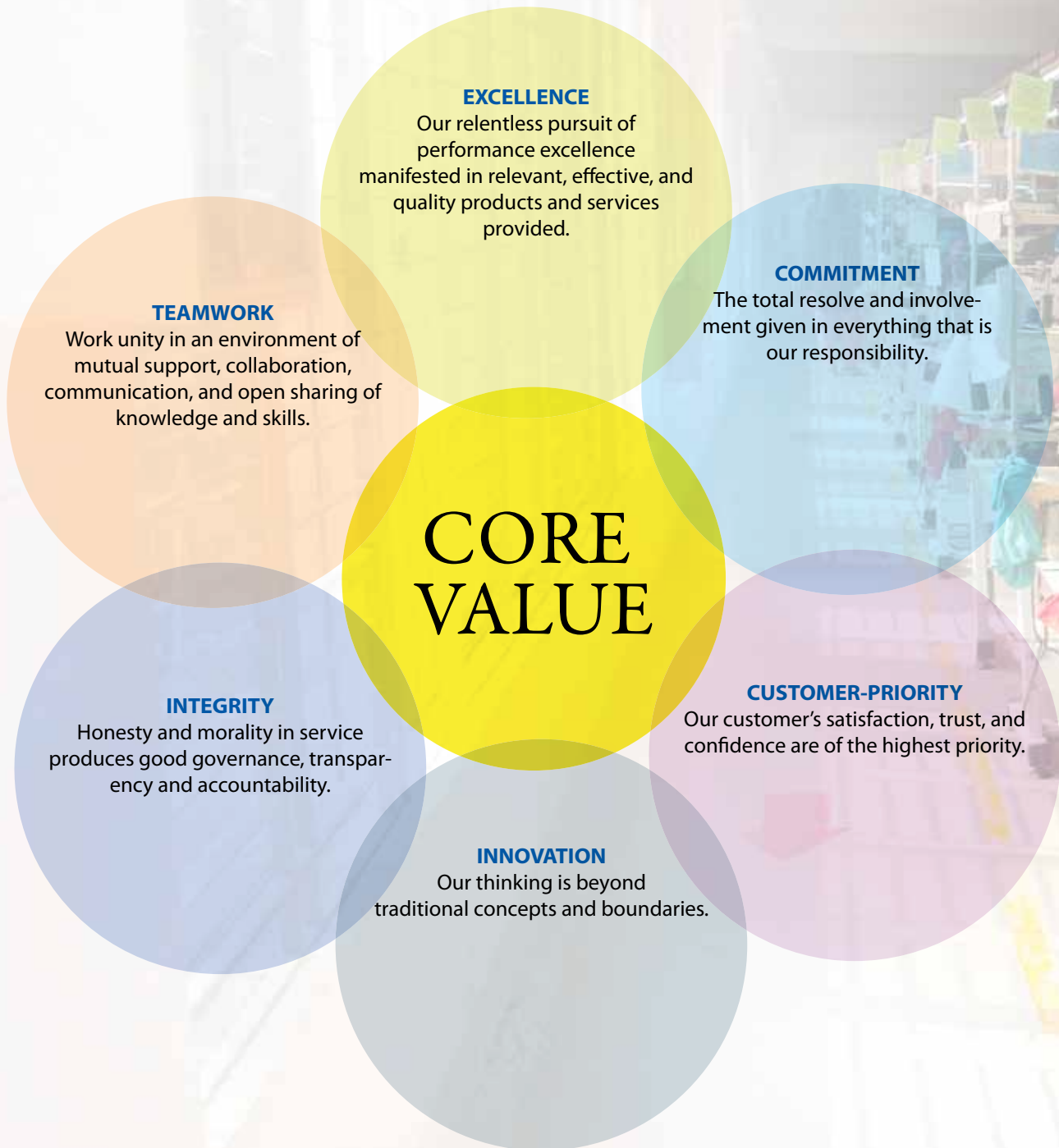
## PRODUCTION

| PARTICULARS | CAPACITY         | ACTUAL PRODUCTION DURING 2012 | CAPACITY UTILIZATION |
|-------------|------------------|-------------------------------|----------------------|
| Garments *  | 13,10,000 Dozens | 9,42,870 Dozens               | 71.97%               |
| Fabrics     | 5,000 MT         | 3,500 MT                      | 70.00%               |
| Dyeing      | 5,000 MT         | 3,500 MT                      | 70.00%               |

**Reason: Actual Production as per market demand.**

**\*Based on present product mix.**

## CORE VALUE







## CORPORATE INFORMATION

|                      |   |
|----------------------|---|
| Chairman             | : Mr. Tauhidul Islam Chaudhury  |
| Managing Director    | : Mr. Javed Oppenhaffen   |
| Directors            | : Mr. Tauhidul Islam Chaudhury<br>Mr. Mohd. Akhter<br>Mr. Javed Oppenhaffen<br>Mr. Rajiv Sethi<br>Mr. Mark Niranjana Chowdhury<br>(Nominated by New England Equity Ltd) |
| Independent Director | : Mr. Ratan Sengupta  |
| Company Secretary    | : Mr. Shamsur Rahman Khan   |

### REGISTERED NAME OF THE COMPANY

Generation Next Fashions Limited

### LEGAL FORM

Public Limited Company, listed with Dhaka Stock Exchange and Chittagong Stock Exchange, having incorporated in Bangladesh under Companies Act, 1994.

### SHARE & CORPORATE OFFICE

Building# 348, Road# 05, DOHS Baridhara  
Dhaka- 1206, Bangladesh,  
Tel: 880-2-8412625, 8411623, 8419210  
Fax: 880-2-8416491  
web:www.gnf-bd.com

### OPERATIONAL OFFICE & FACTORY

Dhonaid, Earpur, Savar, Dhaka.  
COMPANY'S REGISTRATION NUMBER:  
C-53966, August 19, 2004

### LISTING RECOGNITION

Company No: 17454, Trade Code: GENNEXT

### AUDITORS

ATA Khan & Co.  
Chartered Accountant  
67 Motijheel C/A, Dhaka 1000

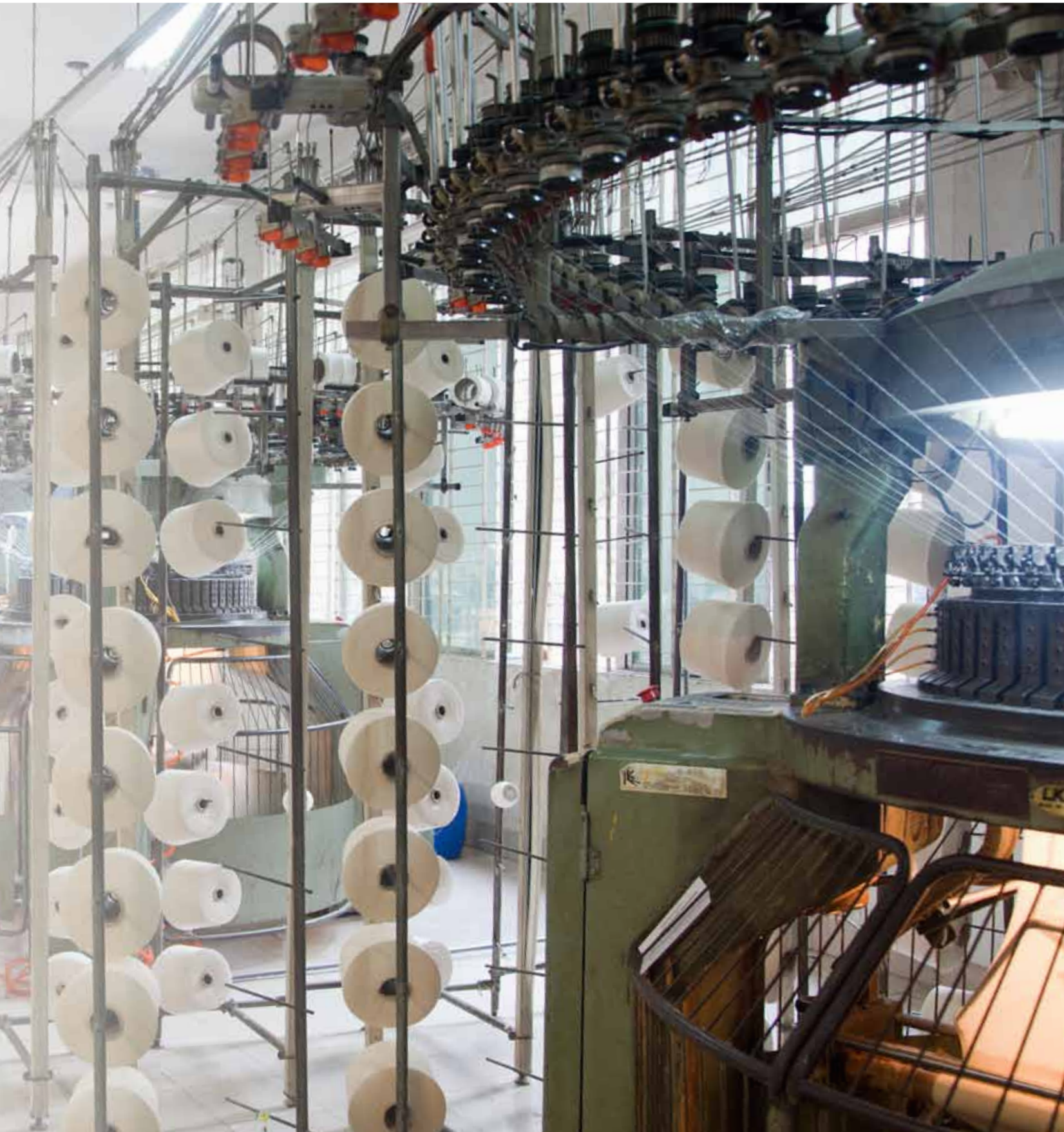
### LEGAL ADVISOR

M. Sakawat Hossain  
Barrister at Law  
Advocate, Supreme Court of Bangladesh.

### BANKERS

Southeast Bank Limited.  
National Bank Limited.  
IFIC Bank Limited.  
Prime Bank Limited.  
Exim Bank Limited.







## DIRECTORS' PROFILE



**From left to right :** Mr. Mark Niranjana Chowdhury, Mr. Mohd. Akhter, Mr. Tauhidul Islam Chaudhury, Mr. Javed Oppenhaffen and Mr. Rajiv Sethi

#### **Tauhidul Islam Chaudhury, Chairman**

Mr. Chaudhury has 28 years of extensive entrepreneurial and business development experience in successfully steering export oriented Textiles and Clothing manufacturing Industrial and marketing Ventures and Projects in Bangladesh and in the USA. He successfully pioneered one of the first Bangladeshi Garment Import Houses in New York in since 90s and marketed clothing from Bangladesh and Kenya to US retailers and wholesalers. He has over 20 years of leadership experience in RMG buying and marketing business in Bangladesh exporting the widest variety of woven and knitted RMG to the US and European markets. He also has about 20 years of professional knowledge in human resource management, social and ethical standards for global RMG sector.

Mr. Chaudhury has Professional Membership with Bangladesh Garment Manufacture's Association (BGMEA), Bangladesh Knitwear Exporter's Association (BKMEA), Bangladesh Textiles Mills Associations (BTMA) and Dhaka Chamber of Commerce and Industry (DCCI).

#### **Rajiv Sethi, Director**

Mr. Sethi is an Indian national resident in Bangladesh. He has been associated with the Garment Textile sector since 1989. He has a vast experience in the field of sales, merchandising, manufacturing, sourcing of both woven and knit RMG products for exporting to United and European markets for retailers from various countries as Kenya, Jordan, Pakistan, India, UAE, Bangladesh and China, etc. After his graduation from Delhi University, Mr. Sethi has Diploma in Fashion Designing from IIFT New Delhi.

#### **Mohd. Akhter, Director**

Mr. Akhter is a well-known industrialist in Bangladesh. He has an experienced background in the textile industry for over 30 years. His experience includes the management of textile enterprises such as GMG Industrial Corporation Ltd, Palash Industrial Enterprise Ltd. and Rahim Textile. He is also very active in the real estate and trading sectors in Bangladesh.

#### **Javed Opgenhaffen, Managing Director & Director**

Mr. Javed Opgenhaffen graduated in management from Queen Mary, University of London and in Employment relations from London School of Economics and Political Science. He joined Generation Next Fashions Limited in 2008 as Chief Executive Officer. Later on he was appointed as the Managing Director of the company. He is also a director of A.J. Corporation Limited. Prior to joining GNFL, Mr. Opgenhaffen worked as a Management Trainee at Deutsche Bank GMBH, London. He has dual citizenship in Bangladesh and Belgium.

#### **Mark Niranjana Chowdhury, Director (Nominated by New England Equity Limited.)**

Mr. Mark Niranjana Chowdhury is a service holder in Generation Next Fashions Limited. He has an experience in the Banking sector for over 14 years. He has worked with Muslim Commercial Bank Limited, Dhaka Branch (a Pakistan based bank) and then he has served with Bank Asia Limited about 10 years and during the last 4 years he was a Bank Manager. Presently he is working with GNFL as a General Manager (Finance & Accounts).

#### **Ratan Sengupta, Independent Director**

Mr. Ratan Sengupta is a dynamic asset of the company. He has played a vital role in streamlining the audit and procurement operations of the Company.





## FIVE YEARS' SIGNIFICANT RATIOS

| NAME OF RATIOS | 2012 | 2011 | 2010 | 2009 | 2008 |
|----------------|------|------|------|------|------|
|----------------|------|------|------|------|------|

### LIQUIDITY RATIOS

|                   |      |      |      |      |      |
|-------------------|------|------|------|------|------|
| Current Ratio     | 1.06 | 1.06 | 1.12 | 1.29 | 1.54 |
| Quick Ratio       | 0.61 | 0.52 | 0.67 | 0.66 | 0.78 |
| Debt Equity Ratio | 0.56 | 0.66 | 1.56 | 2.05 | 1.87 |

### OPERATING RATIOS

|                                    |      |      |      |      |      |
|------------------------------------|------|------|------|------|------|
| Accounts Receivable Turnover Ratio | 110  | 104  | 104  | 98   | 130  |
| Inventory Turnover Ratio           | 2.10 | 2.45 | 3.17 | 3.18 | 2,84 |
| Asset Turnover Ratio               | 0.42 | 0.42 | 0.49 | 0.49 | 0.34 |

### PROFITABILITY RATIOS

|                               |      |      |      |       |       |
|-------------------------------|------|------|------|-------|-------|
| Gross Profit Margin Ratio     | 0.33 | 0.22 | 0.21 | 0.20  | 0.26  |
| Operating Profit Margin Ratio | 0.28 | 0.15 | 0.13 | 0.13  | 0.18  |
| Net Profit Margin Ratio       | 0.17 | 0.13 | 0.07 | 0.07  | 0.08  |
| Return on Assets Ratio        | 0.07 | 0.05 | 0.04 | 0.03  | 0.03  |
| Return on Equity Ratio        | 0.11 | 0.09 | 0.09 | 0.08  | 0.08  |
| Earnings Per Share            | 2.01 | 2.09 | 2.68 | 14.72 | 10.82 |
| Earning Per Share – Diluted   | 2.01 | 1.30 | 0.66 | 0.49  | 0.36  |





## FINANCIAL HIGHLIGHTS

Value in Crore Taka

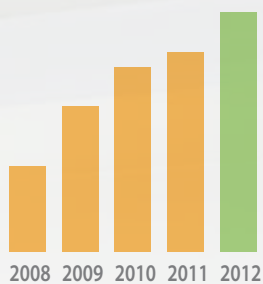
| PARTICULARS                  | 2012   | 2011   | 2010   | 2009   | 2008   |
|------------------------------|--------|--------|--------|--------|--------|
| Turnover                     | 167.41 | 139.36 | 128.95 | 101.45 | 60.11  |
| Gross Profit                 | 55.15  | 31.11  | 26.85  | 20.71  | 15.77  |
| Operating Profit             | 46.71  | 21.60  | 16.97  | 12.75  | 10.79  |
| Net Profit/(Loss)            | 28.21  | 18.24  | 9.38   | 6.95   | 5.11   |
| Earnings Per Share (in Taka) | 2.01   | 2.09   | 2.68   | 14.72  | 10.82  |
| Net Non-Current Assets       | 269.77 | 226.72 | 171.80 | 148.48 | 131.36 |







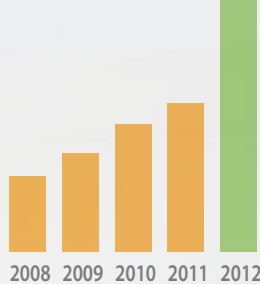
Turnover



2008 2009 2010 2011 2012



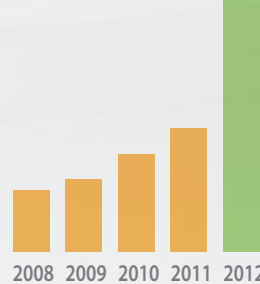
Gross Profit



2008 2009 2010 2011 2012



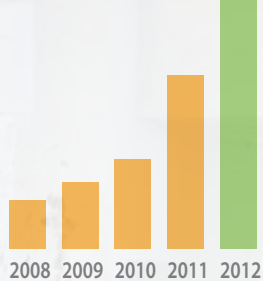
Operating Profit



2008 2009 2010 2011 2012



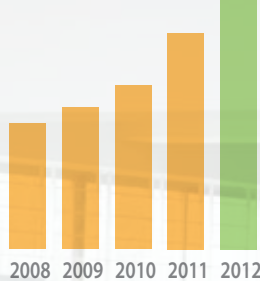
Net Profit/(Loss)



2008 2009 2010 2011 2012



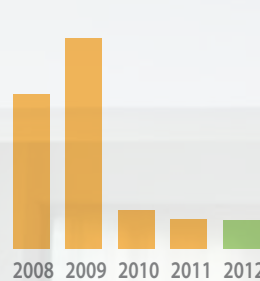
Net Non-Current Assets



2008 2009 2010 2011 2012



Earnings Per Share (in Taka)



2008 2009 2010 2011 2012





## MANAGING DIRECTOR'S MESSAGE

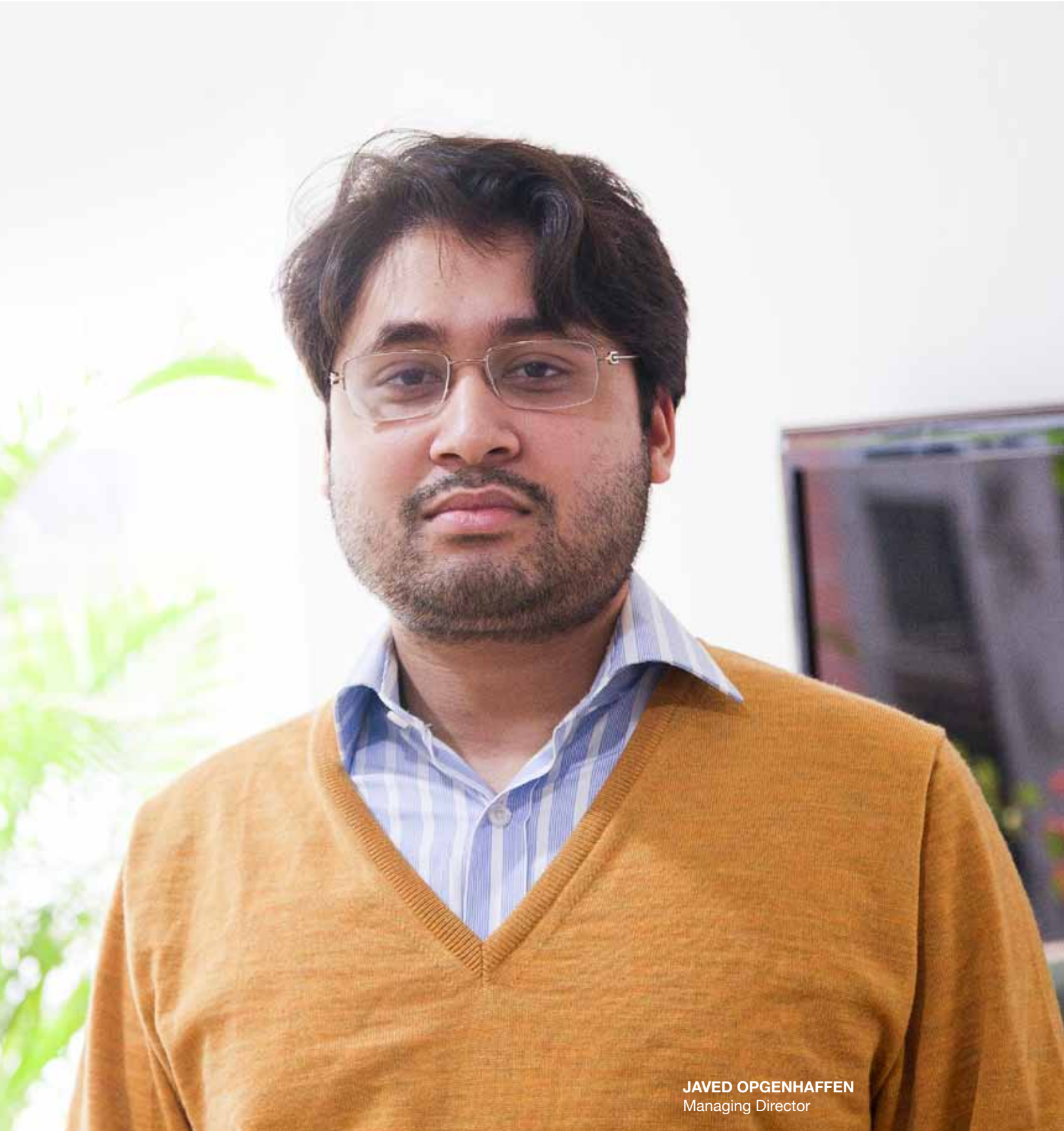
*Dear Shareholders*

It is a great pleasure to welcome you on behalf of the Board of Directors to the 9th Annual General Meeting of the Shareholders of your company. The Annual Report containing Audited Accounts and Directors' and Auditors Reports thereon for the year ended 31st December 2012 has already been dispatched to you for your perusal. I am also pleased to report that your company has earned a net profit of Tk. 28.21 crore during the financial year under review against Tk.18.24 crore for the year 2011. 2012 was a pivotal year in the company as we have recorded the highest profits since inception. We have completed our listing of IPO on November 21, 2012 and trading of our shares commenced in DSE and CSE on December 5, 2012. We believe that our listing will be important to enhance our corporate governance and give us considerable exposure to money markets and capital market in future.

Looking ahead, we are striving to produce more value added products in the years ahead to enhance our retention and maximize profitability. Our management also believes that the global economic recession, especially in the Euro zone, will have little impact on the garment and textile industry in Bangladesh as we are witnessing huge demand being shifted from China to Bangladesh due to rising costs in the Far East. With that being said, the garment sector in Bangladesh is perhaps the most competitive in the world and hence we are trying our level best to enhance operating efficiency. In the next year we will be looking at ways we can reduce our debt as the company has incurred approximately Tk..21.42 crore (15.39 crore in 2011) in financial expenses in 2012. This comprises a significant portion of the company's turnover and the reduction of overall debt would enhance our bottom line significantly. We thank you for your continued support and hope for further growth in coming days. I would also like to take this opportunity to express my thanks to the Securities and Exchange Commission, Dhaka Stock Exchange, and Chittagong Stock Exchange for their cooperation and support.



Javed Opgenhaffen  
Managing Director



**JAVED OGENHAFFEN**  
Managing Director



## **DIRECTORS' REPORT**

*Dear Shareholders*

On behalf of the Board of Directors of Generation Next Fashions Limited, I have the pleasure to welcome you all to the 9th Annual General Meeting of the company. We are pleased to submit before you the operational activities and Audited Financial Statements for the year ended December 31, 2012 as approved by the Board of Directors.





**TAUHIDUL ISLAM CHAUDHURY**  
Chairman

### Background

The textile sector is at the forefront of the Bangladesh industrial arena. More than 80% of the nation's export is derived from this sector. Generation Next Fashions, as vertically integrated fabric and apparel company, is looking to tap into the rising demand and manufacture products in a more efficient manner. We are now looking to enhance value addition to retain maximum profits and our marketing strategy is looking for better customers in the days ahead. We have all the latest technologies and machinery to manufacture for the top retailers in the world.

### Business Activities and Contribution to National Economy

The company has earned Tk. 1.674 billion in foreign exchange in the year 2012 as against Tk. 1.394 billion in 2011. This is significant as we are a 100% export oriented firm and revenues are generated in foreign currency. We also purchase our raw materials in US dollars. The fact that we generated revenues through exports earnings is a testament to the company's contribution to the national economy.

### Financial Results

The company's financial results for the year ended December 31, 2012 with recommendation of appropriations are as follows:

|  |                  |
|--|------------------|
| <b>Net Profit for the year 2012 :</b>          | Tk. 282,130,815  |
| <b>Profit Brought Forward :</b>                | Tk. 344,903,991  |
| <b>Prior Year Adjustments for Income Tax :</b> | Tk. (105,203)    |
| <b>Bonus Share Issued for the year 2011 :</b>  | Tk.(234,330,000) |
| <b>Profit Available for Appropriation :</b>    | Tk. 392,599,603  |
| <b>Appropriations:</b>                         |                  |
| <b>Proposed Stock Dividend:</b>                | Tk. 281,196,000  |
| <b>Transferred to Retained Earnings:</b>       | Tk. 111,403,603  |

### Dividend

The Board of Directors of the company has recommended stock dividend of 20% for the year ended December 31, 2012.

### Board of Directors

Mr. Tauhidul Islam Chaudhury  
 Mr. Javed Opgenhaffen  
 Mr. Mohd. Akhter  
 Mr. Mark Niranjana Chowdhury (nominee of New England Equity Ltd.)  
 Mr. Rajiv Sethi  
 Mr. Ratan Sengupta

### Board of Directors' Meeting and Attendance

The Board of Directors had 12 meetings during the year ended December 31, 2012. Name of the Directors and number of meetings attended are given below:

|   |    |
|---|----|
| Mr. Tauhidul Islam Chaudhury              | 10 |
| Mr. Javed Opgenhaffen                     | 12 |
| Mr. Rajiv Sethi                           | 11 |
| Mr. Mohd Akhter                           | 08 |
| Mr. Mark Niranjana Chowdhury              | 07 |
| (Nominated by New England Equity Limited) |    |
| Mr. Shaheen Akhter Chaudhury              | 02 |
| Wahid Salam                               | 01 |

Whenever Directors could not attend the meetings, they were granted leave of absence.

### Statement of Directors on Financial Reports

The Financial Statements prepared by the management of Generation Next Fashions Limited fairly present its state of affairs, the result of its operations, cash flows and changes in its equity.

Proper books of account of Generation Next Fashions Limited have been maintained.

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

International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.

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

There are no significant doubts upon the issuer company's ability to continue as a going concern.

### Directors' Election and Re-Appointment

Mr. Javed Opgenhaffen and Mr. Mohd. Akhter retired by rotation at this AGM and being eligible offered themselves for re-election under Article 128 of the company's Articles of Association.

### Auditors

The present auditors, Ata Khan & Co., will retire at this Annual General Meeting and being eligible, offered themselves for re-election for the year to December 31, 2013.

### Business Expansion

The company plans to use its already expanded capacity to enhance turnover and profitability during the years 2013 and 2014.

### Insurance Coverage

The company has comprehensive insurance covering all risks including fire, business interruption, natural disaster, third party liability, etc.

### Human Resources

The company employed a total of 2829 people as of December 31, 2012. Currently, the management believes that it can reduce manpower and enhance exports in future and is taking necessary steps in this regard.

### Acknowledgement

The Board of Directors would like to thank all the shareholders for their continued support over the past year. I would also like to express gratitude to the Securities and Exchange Commission, Dhaka Stock Exchange, and Chittagong Stock Exchange for their support in listing our company. We would also like to thank our bankers, customers, and suppliers for providing the necessary support to enhance our growth and profitability. Lastly, I would like to say that the Board, with the support of the shareholders, would continue to strive to improve the company's operation and profitability in the upcoming year.

With Best Wishes



Tauhidul Islam Chaudhury  
Chairman



## SHAREHOLDING PATTERN

Pattern of Shareholding as at 31 December 2012

| Sl. No. | SHAREHOLDER'S GROUP                                     | NO. OF SHARE HELD |
|---------|---|-------------------|
| i)      | Share held by Parent/Subsidiary/Associated Company etc. | Nil               |
| ii)     | Shares held by Directors:                               |                   |
|         | Mr. Tauhidul Islam Chaudhury, Chairman                  | 7,217,459         |
|         | Mr. Javed Opgenhaffen, Managing Director                | 11,172,109        |
|         | Mr. Mohd. Akhter  | 14,174,748        |
|         | Mr. Rajiv Sethi, Director                               | 2,811,960         |
| iii)    | Executives  | NIL               |
| iv)     | Shareholders who are holding 10% or more voting right:  |                   |
|         | Mr. Mohd. Akhter, Director                              | 14,174,748        |
|         | New England Equity Ltd.                                 | 15,600,000        |
|         | BEXIMCO Holdings Ltd.                                   | 15,600,000        |





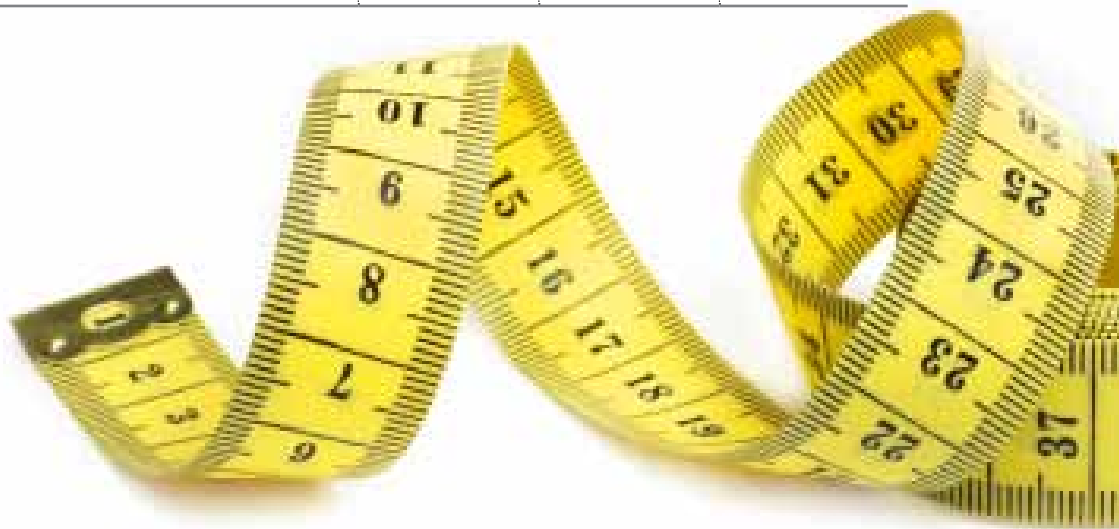


## STATUS OF COMPLIANCE

Status of Compliance with the Conditions imposed by the securities and Exchange Commission (pursuant to the notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012) issued under Section 2CC of the Securities Exchange Ordinance, 1969 are set out below:

| Condition No. | Title   | Compliance Status |              | Remarks |
|---------------|---|-------------------|--------------|---------|
|               |   | Complied          | Not Complied |         |
| 1.1           | Board's Size  | √                 |              |         |
| 1.2(I)        | Independent Director  | √                 |              |         |
| 1.2(II)       | Independent Director(s)- Appointment  | √                 |              |         |
| 1.3           | Chairman of the Board & Chief Executive Officer   | √                 |              |         |
| 1.4           | The Directors Report to the Shareholders:   | √                 |              |         |
| 1.4(a)        | Report of Fairness of state of affairs, the result of operations, cash flows and changes in equity.   | √                 |              |         |
| 1.4(b)        | Maintenance of Proper Books of Accounts   | √                 |              |         |
| 1.4(c)        | Consistency in application of appropriate accounting policies in preparation of Financial Statements. | √                 |              |         |
| 1.4(d)        | IASs as applicable in Bangladesh, followed in FS preparation and any departure adequately disclosed   | √                 |              |         |
| 1.4(e)        | Soundness of internal Control system and effectively implemented and monitored.                       | √                 |              |         |
| 1.4(f)        | No significant doubts upon its ability to continue as going concern                                   | √                 |              |         |
| 1.4(g)        | Significant Deviations from last year in Operating Results  | √                 |              |         |
| 1.4(h)        | Key Operating and Financial data in last three preceding years  | √                 |              |         |
| 1.4(i)        | If the Company not Declared Dividend  |                   |              | N/A     |
| 1.4(j)        | Number of Board Meeting held during the year and attendance by each director                          | √                 |              |         |
| 1.4(k)        | Pattern of Shareholding   | √                 |              |         |
| 2.1           | Appointment of:   |                   |              |         |
|               | a) Chief Financial Officer(CFO)   | √                 |              |         |
|               | b) Head of Internal Audit   | √                 |              |         |
|               | c) Company Secretary  | √                 |              |         |
| 2.2           | Requirement to attend Board Meeting:  |                   |              |         |
|               | a) Chief Financial Officer(CFO)   | √                 |              |         |
|               | b) Company Secretary  | √                 |              |         |
| 3.00          | Audit Committee:  | √                 |              |         |
| 3.1(i)        | Composition of audit Committee  | √                 |              |         |
| 3.1(ii)       | Appointment of Audit Committee members & inclusion of Independent Directors                           | √                 |              |         |
| 3.1(iii)      | Fill the casual vacancy in audit department   | √                 |              |         |
| 3.2           | Chairman of the Audit Committee:  | √                 |              |         |

| Condition No. | Title   | Compliance Status |              | Remarks |
|---------------|---|-------------------|--------------|---------|
|               |   | Complied          | Not Complied |         |
| 3.2(i)        | Selection of Chairman   | √                 |              |         |
| 3.2(ii)       | Qualification of the Chairman   | √                 |              |         |
| 3.3           | Reporting of the Audit Committee:   | √                 |              |         |
| 3.3.1(i)      | Reporting its activities to the Board of Directors  | √                 |              |         |
| 3.3.1(ii)     | Report to the Board by the Audit Committee on-  |                   |              |         |
| 3.3.1(ii)(a)  | Conflicts of interest   | √                 |              |         |
| 3.3.1(ii)(b)  | Suspected or presumed fraud or irregularity or material defect in the internal control System | √                 |              |         |
| 3.3.1(ii)(c)  | Suspected Infringements of Laws including securities related Laws, rules and regulations.     | √                 |              |         |
| 3.3.1(ii)(d)  | Any other matter  | √                 |              |         |
| 3.3.2         | Reporting to the Authorities  |                   |              | N/A     |
| 3.4           | Reporting to the Shareholders and General Investors   | √                 |              |         |
| 4             | External/ Statutory Auditors:   | √                 |              |         |
| 4.00(i)       | Appraisal of Valuation Services or fairness opinions  | √                 |              |         |
| 4.00(ii)      | Financial Information System design and implementation  | √                 |              |         |
| 4.00(iii)     | Book Keeping of Other Service related to Financial Statement                                  | √                 |              |         |
| 4.00(iv)      | Broker-dealer Service   | √                 |              |         |
| 4.00(v)       | Actuarial Service   | √                 |              |         |
| 4.00(vi)      | Internal Audit Services   | √                 |              |         |
| 4.00(vii)     | Any Other Services that Audit Committee determines.   | √                 |              |         |





## CORPORATE GOVERNANCE

The Corporate Governance refers to the processes, structures and information used for directing and overseeing the management of the company. Corporate governance framework establishes the mechanisms for achieving accountability between the Board, senior management and shareholders, while protecting the interests of relevant stakeholders. It also sets out the structure through which the division of power in the organization is determined.

It provides the company to utilize its resources at optimum level. It also provides the Board to do their responsibility with integrity, reliability and transparency which give accountability to the stakeholders.

### BOARD COMMITTEES

To maintain good and sound governance within the organization, the Board of Directors formed some special purpose committee, namely

- **Audit Committee, includes**
  1. Mr. Ratan Sengupta, Chairman
  2. Mr. Mohd. Akhter, Member
  3. Mr. Javed Opgenhaffen, Member Secretary
- **Purchase & Procurement Committee, includes**
  1. Mr. Mohd. Akhter, Chairman
  2. Mr. Mark Niranjana Chowdhury, Member
  3. Mr. Rajiv Sethi, Member Secretary
- **Operation & Maintenance Committee, includes**
  1. Mr. Javed Opgenhaffen, Chairman
  2. Mr. Rajiv Sethi, Member
  3. Mr. Mark Niranjana Chowdhury, Member Secretary

The main goal to form these committees is to assess how to minimize the risk in various sector of operation and how to maximize the performance and how to achieve the ultimate objective of the company. To govern the objectives, governance framework is based on the following principles:

- That the Board size is appropriate and the members of the board are aware about their responsibilities and duties;
- That the internal control system is sound to avoid error and omission of information and risk management is effective to minimize risk in different level of operation;
- That all material information is timely flow to the board and other committees to ensure efficiency of decision making;
- That all material information concerning to the capital market will flow to the shareholder as well as to the stakeholders to determine their investment decision;
- That all transactions are transparent and accountable;
- That all regulatory and statutory rules and regulations are complied with.

### BOARD ORGANIZATION & STRUCTURE

#### a) Role of the Board and its composition

The Directors of the Board are appointed by the shareholders at Annual General Meeting consist of 06 Directors including an Independent Director, who are appointed by the Board. They are responsible for guiding the company to accomplish its ultimate goal set by the shareholders. Roles of the Board are-

- To ensure proper guidance to the company to achieve its goal;
- To ensure maintaining good governance throughout the company;
- To monitor the effectiveness of Internal Control System and risk management;

- To ensure the optimum utilization of company's resources to achieve maximum profit and also concentrate on minimize cost;
- To make sure transparency, accountability and timely flow of accounting information;
- To protect the interest of shareholders and stakeholders as well as the employees of the company;
- To comply with all regulatory and statutory rules & regulations.

#### b) Board Meeting

In pursuant with the Articles of Association of the company, the Board meets at least four times in a year and at least once in a quarter when duly called for in writing by a Board member. Dates for Board Meeting in the ensuring year are decided in advance and notice of each Board Meeting is served in writing well in advance.

#### MANAGEMENT TEAM

The management team is the executive committee of the company who managing the company. The team is lead by the Managing Director of the company and other members are directors of executive committee and key managers throughout the organization. Management team endeavors to achieve the goal of the company set by the Board of Directors.

GNFL believes in integrity, reliability and transparency to the nation by following good, effective and sound corporate governance within the organization. The company also believes, corporate governance can play roles a bridge among the management, the shareholders and the statutory bodies.





## FINANCIALS



## AUDITORS' REPORT

OF GENERATION NEXT FASHIONS LIMITED

**We** have audited the accompanying Statement of Financial Position of GENERATION NEXT FASHIONS LIMITED as of December 31, 2012 and the related Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity together with related notes for the period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### Scope

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, the financial statements prepared in accordance with Bangladesh Accounting Standards (BASs), give a true and fair view of the state of the Company's affairs as of December 31, 2012 and of the results of its operations and its cash flow for the period then ended and comply with the applicable sections of the Companies Act, 1994, the Securities & Exchange Rules, 1987 and other applicable laws and regulations.

### We also report that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof,
- b) In our opinion, proper books of account as required by the law have been kept by the company so far as it appeared from our examination of those books and (where applicable) proper return adequate for the purpose of our audit.
- c) The Company's Statement of Financial Position and Statement of Comprehensive Income dealt with by the report are in agreement with the books of accounts, read in conjunction with the annexed notes and related schedules attached thereto.
- d) The expenditure incurred was for the Company's business.

Place: Dhaka  
Dated : February 24, 2013



**ATA KHAN & CO.**  
Chartered Accountants.

**GENERATION NEXT FASHIONS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**

As at December 31, 2012

| Particulars  | Notes | Amount in Taka       |                      |
|--|-------|----------------------|----------------------|
|  |       | 31.12.2012           | 31.12.2011           |
| <b>A. NON-CURRENT ASSETS</b>                           |       | <b>2,697,669,438</b> | <b>2,267,152,562</b> |
| Property, Plant & Equipment                            | 15    | 1,746,304,786        | 1,432,890,110        |
| Capital Works-in-Progress                              | 16    | 951,364,652          | 579,537,452          |
| Investments  | 17    | -                    | 254,725,000          |
| <b>B. CURRENT ASSETS</b>                               |       | <b>1,293,849,778</b> | <b>1,014,789,671</b> |
| Inventories  | 18    | 554,719,980          | 520,641,340          |
| Accounts Receivable                                    | 19    | 504,355,503          | 398,571,089          |
| Advances, Deposits and Pre-Payments                    | 20    | 191,550,025          | 81,423,358           |
| Cash & Cash Equivalents                                | 21    | 43,224,270           | 14,153,884           |
| <b>C. CURRENT LIABILITIES &amp; PROVISIONS</b>         |       | <b>1,215,099,553</b> | <b>953,478,661</b>   |
| Accounts & Other Payables                              | 22    | 18,843,850           | 21,843,850           |
| Accrued Expenses                                       | 23    | 120,360,599          | 77,786,796           |
| Bank Overdraft   | 24    | 46,438,284           | 31,207,424           |
| Short Term Bank Credits                                | 25    | 866,864,309          | 566,176,664          |
| Deferred L/C Liabilities                               | 26    | 70,068,920           | 137,891,927          |
| Share Money Refundable                                 | 27    | 32,523,591           | -                    |
| Current Maturity of Long Term Loans                    | 28    | 60,000,000           | 118,572,000          |
| <b>D. NET CURRENT ASSETS (B-C)</b>                     |       | <b>78,750,225</b>    | <b>61,311,010</b>    |
| <b>E. NET ASSETS (A+D)</b>                             |       | <b>2,776,419,663</b> | <b>2,328,463,572</b> |
| <b>F. SHAREHOLDERS' EQUITY</b>                         |       | <b>2,555,469,491</b> | <b>1,973,443,879</b> |
| Share Capital  | 29    | 1,405,980,000        | 871,650,000          |
| Share Premium  |       | 250,000,000          | 250,000,000          |
| Revaluation Surplus                                    | 30    | 506,889,888          | 506,889,888          |
| Retained Earnings                                      | 31    | 392,599,603          | 344,903,991          |
| <b>G. LONG TERM LOAN</b>                               | 32    | <b>220,950,172</b>   | <b>355,019,693</b>   |
| <b>H. LIABILITIES &amp; SHAREHOLDERS' EQUITY (F+G)</b> |       | <b>2,776,419,663</b> | <b>2,328,463,572</b> |
| <b>Net Assets Value Per Share (NAVPS)</b>              |       | <b>18.18</b>         | <b>14.04</b>         |

The annexed notes form an integral part of these financial statements.

  
**Managing Director**

  
**Director**

  
**Company Secretary**

Signed in terms of our separate report of even date annexed.

Dated, Dhaka; February 24, 2013

  
**ATA KHAN & CO.**  
Chartered Accountants



## STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2012

| Particulars   | Notes     | Amount in Taka       |                      |
|---|-----------|----------------------|----------------------|
|   |           | 31.12.2012           | 31.12.2011           |
| <b>Sales Revenue</b>                                    | <b>33</b> | <b>1,674,087,945</b> | <b>1,393,627,887</b> |
| <b>Sub-Contract Revenue</b>                             |           | <b>5,454,225</b>     | <b>59,268,000</b>    |
| <b>Total Revenue</b>                                    |           | <b>1,679,542,170</b> | <b>1,452,895,887</b> |
| Less: Cost of Goods Sold                                | 34        | 1,128,014,588        | 1,082,489,912        |
| <b>Gross Profit</b>                                     |           | <b>551,527,582</b>   | <b>370,405,975</b>   |
| Less: Administrative & Selling Expenses                 | 35        | 84,380,206           | 95,186,547           |
| <b>Operating Profit</b>                                 |           | <b>467,147,376</b>   | <b>275,219,428</b>   |
| Add: Other Income                                       | 36        | 72,294,857           | 97,274,529           |
|   |           | <b>539,442,233</b>   | <b>372,493,957</b>   |
| Less: Financial Expenses                                | 37        | 214,177,648          | 153,988,754          |
| <b>Net Profit Before Tax and WPFs</b>                   |           | <b>325,264,585</b>   | <b>218,505,203</b>   |
| Less: Workers' Participation/Welfare Funds              |           | 15,488,790           | -                    |
| <b>Net Profit Before Tax</b>                            |           | <b>309,775,795</b>   | <b>218,505,203</b>   |
| Less: Provision for Income Tax                          | 38        | 27,644,980           | 36,093,138           |
| <b>Net Profit After Tax</b>                             |           | <b>282,130,815</b>   | <b>182,412,065</b>   |
| <b>Earning Per Share (EPS) (Weighted Average)</b>       | 39        | <b>2.42</b>          | <b>1.56</b>          |
| <b>Fully Diluted EPS</b>                                | 40        | <b>2.01</b>          | <b>1.30</b>          |
| <b>EPS From Recurring Income (Weighted Average)</b>     | 41        | <b>1.97</b>          | <b>1.26</b>          |
| <b>EPS From Recurring Income (Fully Diluted)</b>        | 42        | <b>1.63</b>          | <b>1.05</b>          |
| <b>EPS From Non-Recurring Income (Weighted Average)</b> | 43        | <b>0.45</b>          | <b>0.30</b>          |
| <b>EPS From Non-Recurring Income (Fully Diluted)</b>    | 44        | <b>0.38</b>          | <b>0.25</b>          |

The annexed notes form an integral part of these financial statements.



Managing Director



Director



Company Secretary

Signed in terms of our separate report of even date annexed.

Dated, Dhaka; February 24, 2013



**ATA KHAN & CO.**  
Chartered Accountants

**GENERATION NEXT FASHIONS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
For the year ended December 31, 2012

(Amount in Taka)

| Particulars                           | Share Capital        | Share Premium      | Retained Earnings  | Revaluation Surplus | Total                |
|---------------------------------------|----------------------|--------------------|--------------------|---------------------|----------------------|
| <b>For 2011</b>                       |                      |                    |                    |                     |                      |
| Balance at January 01, 2011           | 350,000,000          | -                  | 162,491,926        | 506,889,888         | 1,019,381,814        |
| Net Profit for the year               | -                    | -                  | 182,412,065        | -                   | 182,412,065          |
| Issue of Share                        | 521,650,000          | -                  | -                  | -                   | 521,650,000          |
| Share Premium                         | -                    | 250,000,000        | -                  | -                   | 250,000,000          |
| Balance at December 31, 2011          | <b>871,650,000</b>   | <b>250,000,000</b> | <b>344,903,991</b> | <b>506,889,888</b>  | <b>1,973,443,879</b> |
| <b>For 2012</b>                       |                      |                    |                    |                     |                      |
| Balance at January 01, 2012           | 871,650,000          | 250,000,000        | 344,903,991        | 506,889,888         | 1,973,443,879        |
| Prior Year Adjustments for Income Tax | -                    | -                  | (105,203)          | -                   | (105,203)            |
| Net Profit for the year               | -                    | -                  | 282,130,815        | -                   | 282,130,815          |
| Issue of Bonus Shares                 | 234,330,000          | -                  | (234,330,000)      | -                   | -                    |
| Issue of Shares                       | 300,000,000          | -                  | -                  | -                   | 300,000,000          |
| Balance at December 31, 2012          | <b>1,405,980,000</b> | <b>250,000,000</b> | <b>392,599,603</b> | <b>506,889,888</b>  | <b>2,555,469,491</b> |

The annexed notes form an integral part of these financial statements.

  
**Managing Director**

  
**Director**

  
**Company Secretary**

Signed in terms of our separate report of even date annexed.

Dated, Dhaka; February 24, 2013

  
**ATA KHAN & CO.**  
Chartered Accountants

**GENERATION NEXT FASHIONS LIMITED**  
**STATEMENT OF CASH FLOW**

For the year ended December 31, 2012

| Particulars  | Amount in Taka       |                      |
|--|----------------------|----------------------|
|  | 31.12.2012           | 31.12.2011           |
| <b>A. CASH FLOWS FROM OPERATING ACTIVITIES:</b>                          | <b>52,878,878</b>    | <b>87,398,904</b>    |
| Cash Received from Customers   | 1,646,052,614        | 1,518,741,099        |
| Cash Paid for Materials, Expenses and Services                           | (1,593,173,736)      | (1,431,342,195)      |
| <b>B. CASH FLOWS FROM INVESTING ACTIVITIES:</b>                          | <b>(479,609,067)</b> | <b>(593,167,163)</b> |
| Acquisition of Fixed Assets  | (362,506,867)        | (186,861,750)        |
| Expenditures for Capital Work-in-Progress                                | (371,827,200)        | (151,580,413)        |
| Investments disposed/(made)  | 254,725,000          | (254,725,000)        |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES:</b>                          | <b>455,800,575</b>   | <b>442,938,688</b>   |
| Bank Overdraft Received  | 15,230,860           | 294,414              |
| Issue of Shares at par / a Premium                                       | 300,000,000          | 771,650,000          |
| Short Term Bank Credit Received  | 300,687,645          | 137,776,723          |
| Long Term Loan (Repaid)  | (192,641,521)        | (253,832,449)        |
| Share Money Deposit (Adjusted)/Received                                  | 32,523,591           | (212,950,000)        |
| <b>D. Net Increase/(Decrease) in cash &amp; cash equivalents (A+B+C)</b> | <b>29,070,386</b>    | <b>(62,829,571)</b>  |
| <b>E. Cash &amp; Cash equivalents at the beginning of the period</b>     | <b>14,153,884</b>    | <b>76,983,455</b>    |
| <b>F. Cash &amp; Cash equivalents at the end of the period (D+E)</b>     | <b>43,224,270</b>    | <b>14,153,884</b>    |
| <b>Operating Cash Flow Per Share</b>                                     | <b>0.38</b>          | <b>0.62</b>          |



Managing Director



Director



Company Secretary

Signed in terms of our separate report of even date annexed.

Dated, Dhaka; February 24, 2013



**ATA KHAN & CO.**  
Chartered Accountants



## ACCOUNTING POLICIES AND EXPLANATORY NOTES

For the year ended December 31, 2012

**1. Corporate Business**

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Generation Next Fashions Limited was incorporated in Bangladesh under the Companies Act, 1994 vide Certificate of Incorporation No-C-53966(661)/2004 dated August 19, 2004, to carry out business of spinning, weaving, manufacturing of textile, various types of ready-made garments of international standard and design. The Company was converted from private company to public company on September 19, 2010.

**2. Corporate Financial Statements and Reporting**

---

This comprises Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow, notes and explanatory materials covering accounting policies.

This is prepared under the historical cost convention and in accordance with the requirements of the Companies Act, 1994 and the International Accounting Standards (IASs)/ International Financial Reporting Standards (IFRSs) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) as well as those standards, disclosures recommended by IASs / IFRSs and as applicable to this Company.

The Board of Directors are responsible for preparing and presenting the financial statements including adequate disclosures, who approved and authorized for issue of this financial statements.

The preparation of the financial statements in conformity with the International Accounting Standards (IASs) requires Board of Directors to make estimates and assumptions that affect the reported amounts of revenues and expenses, assets and liabilities at the date of the reporting period. Due to the inherent uncertainty involved in making estimates, actual result reported could differ from those estimates.

**3. Fundamental Accounting Concepts/ Assumption**

---

The financial statements have been prepared based on Going concern, Consistency and Accrual concepts and such other convention as required by IAS-1 for fair presentation of financial statements.

**4. Going Concern**

---

The Company has adequate resources to continue its operation for the foreseeable future. For this reason, the directors continue to adopt going concern basis in preparing the accounts. The current credit facilities and resources of the Company provides sufficient fund to meet the present requirements of its existing business.

**5. Corporate Accounting Standards Practiced**

---

The following IAS is applicable to the financial statements for the year under review:

|        |  |
|--------|--|
| IAS 1  | Presentation of Financial Statements                     |
| IAS 2  | Inventories  |
| IAS 7  | Cash Flow Statement                                      |
| IAS 10 | Events after the Balance Sheet Date                      |
| IAS 12 | Income Taxes   |
| IAS 16 | Property, Plant And Equipment                            |
| IAS 18 | Revenue  |
| IAS 19 | Employee Benefits  |
| IAS 23 | Borrowing Costs  |
| IAS 24 | Related Party Disclosures                                |
| IAS 33 | Earnings Per Share                                       |
| IAS 34 | Interim Financial Reporting                              |
| IAS 36 | Impairment of Assets                                     |
| IAS 37 | Provisions, Contingent Liabilities and Contingent Assets |

**6. Reporting Period**

---

The period of the financial statements covers from 1st January 2012 to 31st December 2012.

**7. Provisions**

---

In accordance with the guidelines as prescribed by IAS-37: Provisions, Contingent Liabilities and Contingent Assets, provisions are recognized in the following situations:

- when the company has an obligation ( legal or constructive) as a result of past events;
- when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- reliable estimates can be made of the amount of the obligation.

## ACCOUNTING POLICIES AND EXPLANATORY NOTES

For the year ended December 31, 2012

**8. Segmental Reporting**

No segmental reporting is applicable for the company as required by BAS 14: Segment Reporting as the Company operates in a single industry segment and within a single geographical segment.

**9. Events after the Reporting Period.**

In compliance with the requirements of BAS 10: Events After the Reporting Period that provide additional information about the Company's position at the Statement of Financial Position date are reflected in the financial statements and events after the reporting period date that are not adjusting events are disclosed in the notes when material.

**10. Net profit Before Tax**

Net profit before tax for the year were not materially affected by:

- (a) Transactions of a nature not usually undertaken by the company;
- (b) Circumstances of an exceptional or non-recurring nature;
- (c) Changes of credits relating to prior years; and
- (d) Changes in accounting policies.

**11. Functional and Presentational (Reporting) Currency**

The financial statements are prepared and presented in Bangladesh Currency (Taka), which is the company's functional currency. All financial information presented have been rounded off to the nearest Taka except where indicated otherwise.

Figures in brackets indicate deductions.

**12. Comparative Information and Rearrangement Thereof**

In accordance with the provisions of BAS-34: Interim Financial Reporting, Comparative information has been disclosed for all numerical information in the financial statements and also the narrative and descriptive information where it is relevant for understanding of the current period's financial statements.

Comparative figures have been re-arranged wherever considered necessary to ensure better comparability with the current period without causing any impact on the profit and value of assets and liabilities as reported in the financial statements.

**13. Historical Cost Profit and Losses**

There was no revaluation of Fixed Assets during the year under review. However, S.F. Ahmed & Co, Chartered Accountants revalued the fixed assets of the Company as of 31 December 2008 following "depreciated current cost method", resulting in a revaluation surplus at Tk 506,889,888. This required additional depreciation on revaluation surplus amounting to Tk 10,322,154 (2011: 10,725,526 chargeable to revenue).

**14. Principal Accounting Policies**

The specific accounting policies selected and applied by the company's directors for significant transactions and events that have material effect within the framework of IAS-1 "Presentation of Financial Statements", in preparation and presentation of financial statements have been consistently applied throughout the year and were also consistent with those used in earlier years.

For a proper understanding of the financial statements, these accounting policies are set out below in one place as prescribed by the IAS-1 "Presentation of Financial Statements". The recommendations of IAS-1 relating the format of financial statements were also taken into full consideration for fair presentation.

**14.1 Recognition of Tangible Fixed Assets**

These are capitalized at cost of acquisition or valuation and subsequently stated at cost less accumulated depreciation. The cost of acquisition comprises of purchase price, including import duties and non-refundable taxes and any directly attributable cost of bringing the assets to its working condition for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the use of the fixed assets, the expenditure is capitalized as an additional cost of the assets.

There is no intangible asset and the fixed assets do not include any assets held under lease,

On retirement or otherwise disposal of fixed assets, the cost and accumulated depreciation are eliminated and any gain or loss on such disposal is reflected in the income statement which is determined with reference to the net book value of assets and the net sales proceeds.

The Company has adopted "Revaluation Model" for re-statement of fixed assets at a frequency of every 5 years.

## ACCOUNTING POLICIES AND EXPLANATORY NOTES

For the year ended December 31, 2012

**14.2 Depreciation of Tangible Fixed Assets**

No depreciation is charged on Land & Land development. Depreciation on all other fixed assets is computed using the reducing balance method so as to write off the assets over their expected useful life.

Half year's depreciation has been charged on additions in respect of date when the related assets are put into use and no depreciation is charged on retirement, irrespective of date of retirement.

After considering the useful life of assets as per IAS-16, the annual depreciation rates have been applied as under which are considered reasonable by the management.

| Category of Assets | Rate of Depreciation |
|--------------------|----------------------|
| Building           | 2%                   |
| Plant & Machinery  | 5%                   |
| Vehicles           | 10%                  |
| Other Assets       | 10%                  |

**14.3 Impairment of assets**

All fixed assets have been reviewed and it was confirmed that no such fixed assets have been impaired during the year and for this reason, no provision has been made for impairment of assets.

**14.4 Revenue Recognition**

Revenue are recognised when goods are delivered from the factory godown and delivery challans are issued as per IAS-18.

**14.5 Accrued Expenses and Other Payables**

Liabilities are recognized for the goods and services received, whether paid or not for those goods and services. Payables are not interest bearing and are stated at their nominal value.

**14.6 Inventories**

Inventories comprises of raw materials, Work-in-Process, Finished goods and Materials in Transit. Raw materials and nd Materials in Transit have been valued at cost. Work-in-Process have been valued at prime cost basis as required by IAS-2 with proportionate addition of Factory Overheads. Finished goods have been valued at the lower of cost and net realizable value basis. Cost is determined by weighted average method.

**14.7 Cash and Cash Equivalents**

Cash in hand and cash at banks have been considered as Cash and Cash Equivalents for the preparation of these financial statements, which were held and available for use by company without any restriction and there was insignificant risk of changes in value of the same.

**14.8 Cash Flow Statement**

Cash Flow Statement is prepared principally in accordance with IAS-7 "Cash Flow Statement" and the cash flows from the operating activities have been presented under direct method.

**14.9 Borrowing Costs**

Financial Expenses (Borrowing Costs) incurred during the year was recognized as revenue expenses in accordance with IAS-23 "Borrowing Cost".

**14.10 Earnings Per Share**

This has been calculated in compliance with the requirements of BAS 33: Earnings Per Share by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year.

**Basic Earnings**

This represents earnings for the period attributable to ordinary shareholders. As there was no preference dividend, minority interest or extra ordinary items, the net profit after tax for the year has been considered as fully attributable to the ordinary shareholders.

**Weighted Average Number of Ordinary Shares Outstanding during the period.**

The basis of computation of number of shares is in line with the provisions of IAS-33 : Earnings Per Share. Therefore, the total number of shares outstanding at the end of the year multiplied by a time weighting factor which is the number of days the specific shares were outstanding as a proportion of total number of days in the period.



## ACCOUNTING POLICIES AND EXPLANATORY NOTES

For the year ended December 31, 2012

**15. Property, Plant & Equipment: Tk.1,746,304,786**

| Particulars             | Cost                   |                                       |                        | Rate of Dep.(%) | Depreciation           |                         |                        | Written down value as on 31.12.2012 | Revaluation Surplus | Depreciation on Revaluation |                         |                        | Written down Value as on 31.12.2012 |
|-------------------------|------------------------|---------------------------------------|------------------------|-----------------|------------------------|-------------------------|------------------------|-------------------------------------|---------------------|-----------------------------|-------------------------|------------------------|-------------------------------------|
|                         | Balance as on 01.01.12 | Addition or valuation during the year | Balance as on 31.12.12 |                 | Balance as on 01.01.12 | Charged during the year | Balance as on 01.01.12 |                                     |                     | Balance as on 01.01.12      | Charged during the year | Balance as on 31.12.12 |                                     |
| Land & Land Development | 86,245,266             | -                                     | 86,245,266             | -               | -                      | -                       | -                      | 86,245,266                          | 136,740,234         | -                           | -                       | -                      | 222,985,500                         |
| Building                | 358,273,583            | 351,546,852                           | 709,820,435            | 2%              | 15,264,590             | 10,375,648              | 25,640,238             | 684,180,197                         | 230,639,221         | 13,563,431                  | 4,341,516               | 17,904,947             | 896,914,471                         |
| Plant & Machinery       | 621,251,435            | 2,671,600                             | 623,923,035            | 5%              | 119,100,839            | 25,174,320              | 144,275,159            | 479,647,876                         | 139,510,433         | 19,897,676                  | 5,980,638               | 25,878,314             | 593,279,996                         |
| Vehicles                | 19,620,415             | -                                     | 19,620,415             | 10%             | 5,993,576              | 1,362,684               | 7,356,260              | 12,264,155                          | -                   | -                           | -                       | -                      | 12,264,154                          |
| Other Assets            | 21,702,634             | 8,288,415                             | 29,991,049             | 10%             | 7,273,000              | 1,857,384               | 9,130,384              | 20,860,665                          | -                   | -                           | -                       | -                      | 20,860,665                          |
| Total                   | 1,107,093,333          | 362,506,867                           | 1,469,600,200          | -               | 147,632,005            | 38,770,036              | 186,402,041            | 1,283,198,159                       | 506,889,888         | 33,461,107                  | 10,322,154              | 43,783,260             | 1,746,304,786                       |
| Total as on 31.12.2011  | 920,231,583            | 186,861,750                           | 1,107,093,333          | -               | 114,386,420            | 33,245,585              | 147,632,005            | 959,461,328                         | 506,889,888         | 22,735,580                  | 10,725,526              | 33,461,107             | 1,432,890,110                       |

**Particulars****Amount in Taka**

|  | 31.12.2012        | 31.12.2011        |
|--|-------------------|-------------------|
| Depreciation charge during the year          | 38,770,036        | 33,245,585        |
| Depreciation charge on Revaluation of Assets | 10,322,154        | 10,725,526        |
| <b>Total</b>                                 | <b>49,092,190</b> | <b>43,971,111</b> |

**Head of Accounts**

|                         |                   |                   |
|-------------------------|-------------------|-------------------|
| Factory Overhead        | 46,637,581        | 41,772,556        |
| Administrative Expenses | 2,454,609         | 2,198,556         |
|                         | <b>49,092,190</b> | <b>43,971,112</b> |

## ACCOUNTING POLICIES AND EXPLANATORY NOTES

For the year ended December 31, 2012

**16 Capital Works-in-Progress**

Amount in Taka

|                                 | 31.12.2012         | 31.12.2011         |
|---------------------------------|--------------------|--------------------|
| Buildings                       | 918,925,737        | 548,194,243        |
| Security Building               | 643,916            | 643,916            |
| Engineered Steel Building       | 2,527,497          | 2,527,497          |
| Drain Line                      | 632,545            | 632,545            |
| Gas Line and other Installation | 13,565,207         | 13,017,301         |
| Electrical Installation         | 13,525,912         | 12,978,112         |
| Water Tanks                     | 628,119            | 628,119            |
| Deep Tubewell                   | 915,719            | 915,719            |
| <b>Total</b>                    | <b>951,364,652</b> | <b>579,537,452</b> |

**17 Investment**

|                         |   |                    |
|-------------------------|---|--------------------|
| A.J Corporation Limited | - | 254,725,000        |
|                         | - | <b>254,725,000</b> |

**18 Inventories**

|   |                    |                    |
|---|--------------------|--------------------|
| Raw Materials (Note-18.01)                            | 209,261,748        | 189,261,748        |
| Work-in-Process (316,758 Kgs; 2011: 410,114 Kgs)      | 155,962,500        | 141,962,500        |
| Finished Goods (100,570 Dozens; 2011: 174,050 Dozens) | 181,032,222        | 162,845,300        |
| Materials in Transit                                  | 8,463,510          | 26,571,792         |
| <b>Total</b>  | <b>554,719,980</b> | <b>520,641,340</b> |
| <b>18.1 Raw Materials</b>                             |                    |                    |
| Yarn (458,080 Kgs; 2011: 582,360 Kgs)                 | 146,585,320        | 131,031,156        |
| Chemicals (252,837 Kgs; 2011: 261,697 Kgs)            | 17,698,625         | 15,701,862         |
| Accessories   | 44,977,803         | 42,528,730         |
|   | <b>209,261,748</b> | <b>189,261,748</b> |

**19 Accounts Receivables**

|   |                    |                    |
|---|--------------------|--------------------|
| PQS   | 32,290,051         | -                  |
| ASDA Stores Limited   | 29,890,936         | 38,597,563         |
| TESCO Stores Limited  | 60,799,883         | 32,386,148         |
| Carrefour Import SAS  | -                  | 20,254,670         |
| TU Clothing   | 25,214,542         | 6,798,535          |
| Miles Fashions GMBH   | 76,338,281         | 48,086,594         |
| Primark Stores Limited  | 144,407,662        | 126,901,160        |
| Gymboree Manufacturing Inc  | -                  | 43,357,467         |
| Impetus Vandillen Asiatex GMBH  | 41,859,927         | 16,172,850         |
| Other Receivables (Note: 19.01)   | 78,953,621         | 38,079,413         |
| Cash Subsidy from the Government.   | 14,600,600         | 27,936,689         |
| <b>Total</b>  | <b>504,355,503</b> | <b>398,571,089</b> |
| These are unsecured, considered good. No amount is due from any directors or related parties. |                    |                    |
| Dues upto 6 months  | 386,808,098        | 314,644,139        |
| Dues above 6 months   | 117,547,405        | 83,926,950         |
| <b>Total</b>  | <b>504,355,503</b> | <b>398,571,089</b> |

## ACCOUNTING POLICIES AND EXPLANATORY NOTES

For the year ended December 31, 2012

| 19.01 Other Receivables          | Amount in Taka    |                   |
|----------------------------------|-------------------|-------------------|
|                                  | 31.12.2012        | 31.12.2011        |
| KHQ                              | 7,290,949         | -                 |
| Pelican Limited                  | 9,385,876         | -                 |
| Basspro                          | 4,256,321         | 1,906,166         |
| Alok Industries Limited          | 4,286,300         | 8,903,317         |
| Hanebrands Europe GMBH           | 4,569,852         | 1,467,562         |
| Elegant Team Development Limited | 6,481,130         | 4,261,680         |
| GEBR. Huber GMBH                 | 6,501,236         | 9,385,782         |
| Poeticgem Limited                | 8,568,455         | 9,435,106         |
| Fashions FX Limited              | 3,036,269         | 2,719,800         |
| Visage                           | 7,934,534         | -                 |
| Alpine                           | 8,971,620         | -                 |
| KGB                              | 7,671,079         | -                 |
| <b>Total</b>                     | <b>78,953,621</b> | <b>38,079,413</b> |

## 20 Advances, Deposit and Prepayments

|                       |                    |                   |
|-----------------------|--------------------|-------------------|
| Advances (Note: 20.1) | 190,924,321        | 80,797,654        |
| Deposits              | 625,704            | 625,704           |
| <b>Total</b>          | <b>191,550,025</b> | <b>81,423,358</b> |

These are unsecured, considered good. No amount is due from any directors or related parties.

|  |                    |                   |
|--|--------------------|-------------------|
| <b>20.1 Advances</b>                               |                    |                   |
| Advance against Salary                             | 1,750,000          | 1,950,000         |
| Advance Income Tax                                 | 31,346,351         | 16,805,156        |
| Advance against Purchase / Expenses Note: 20.01(a) | 19,578,625         | 15,496,440        |
| Advance against House Rent                         | 680,000            | 680,000           |
| Advance against IPO                                | 26,556,943         | -                 |
| Advance for Construction & Others Note: 20.01(b)   | 111,012,402        | 45,866,058        |
| <b>Total</b>                                       | <b>190,924,321</b> | <b>80,797,654</b> |
| Dues upto 6 months                                 | 142,319,268        | 50,045,613        |
| Dues above 6 months                                | 48,605,053         | 30,752,041        |
| <b>Total</b>                                       | <b>190,924,321</b> | <b>80,797,654</b> |

## 20.01(a) Advance against Purchase/Expenses

|                           |                   |                   |
|---------------------------|-------------------|-------------------|
| Mr. Mosaraf (Procurement) | 5,585,650         | 4,944,420         |
| Nokta Accessories         | 1,680,000         | 1,150,000         |
| Mehedi Hasan Enterprise   | 2,869,100         | 2,721,100         |
| Mr. Munir (Procurement)   | 2,693,520         | 2,556,520         |
| Dhaka Traders             | 1,952,000         | 960,400           |
| Mr. Noman (C & F)         | 3,111,835         | 2,564,000         |
| Dayamoy Enterprise        | 1,686,520         | 600,000           |
|                           | <b>19,578,625</b> | <b>15,496,440</b> |

## 20.01(b) Advance for Construction &amp; Others

|                           |                    |                   |
|---------------------------|--------------------|-------------------|
| Brothers Builders         | 7,896,520          | 5,845,250         |
| Hasib Thai                | 9,646,300          | 4,642,300         |
| Taslima Enterprise        | 5,546,000          | 5,546,000         |
| Biplop Enterprise         | 3,564,360          | 3,564,360         |
| Royal Marble              | 9,228,600          | 3,228,600         |
| Millenium Enterprise      | 5,564,200          | 2,564,200         |
| Faruk Eng. Works          | 9,556,821          | 2,463,100         |
| Mehedi Hasan Enterprise   | 6,326,500          | 1,836,500         |
| M/S. Happy Enterprise     | 8,568,950          | 2,654,748         |
| Maliha Enterprise         | 9,538,300          | -                 |
| Hott Media                | 10,000,000         | 10,000,000        |
| Maa Electronics           | 3,758,621          | -                 |
| M/S. Saleem Sanitary Ent. | 9,198,562          | -                 |
| M/S. Mohana Enterprise    | 12,618,668         | 3,521,000         |
|                           | <b>111,012,402</b> | <b>45,866,058</b> |



## ACCOUNTING POLICIES AND EXPLANATORY NOTES

For the year ended December 31, 2012

|    |   |                           | Amount in Taka     |                   |
|----|---|---------------------------|--------------------|-------------------|
| 21 | Cash & Cash Equivalents   |                           | 31.12.2012         | 31.12.2011        |
|    | Cash in Hand (Note-21.1)  |                           | 3,804,490          | 3,168,739         |
|    | Cash at Banks (Note-21.2)   |                           | 39,419,780         | 10,985,145        |
|    | <b>Total</b>  |                           | <b>43,224,270</b>  | <b>14,153,884</b> |
|    | <b>21.1 Cash in Hand</b>  |                           |                    |                   |
|    | Balance in Central Cash   |                           | 2,169,250          | 1,965,030         |
|    | Balance in Factory Cash   |                           | 1,635,240          | 1,203,709         |
|    | <b>Total</b>  |                           | <b>3,804,490</b>   | <b>3,168,739</b>  |
|    | <b>21.2 Cash at Banks</b>   |                           |                    |                   |
|    | <b>Bank Name</b>  | <b>A/c Number</b>         | <b>Branch Name</b> |                   |
|    | EXIM Bank Ltd   | 711100009514/711100038467 | Gulshan Br.        | 83,813            |
|    | EXIM Bank Ltd   | 0211100004728/4288        | Ahsulia Br.        | 4,881             |
|    | National Bank Ltd   | 00036000534               | Gulshan Br.        | 24,067            |
|    | Prime Bank Ltd  | 11831020024366            | Gulshan Br.        | 13,524            |
|    | Southeast Bank Ltd  | 101110011987              | Gulshan Br.        | 261,464           |
|    | Southeast Bank Ltd  | 1015600000040             | Gulshan Br.        | 66,265            |
|    | Southeast Bank Ltd  | 1015500000256             | Gulshan Br.        | 3,755,846         |
|    | Southeast Bank Ltd  | 1015200000041             | Gulshan Br.        | 1,643,202         |
|    | Southeast Bank Ltd  | 1013100001554             | Gulshan Br.        | 409,294           |
|    | Standard Bank Ltd   | 933010404                 | Gulshan Br.        | 2,375             |
|    | IFIC Bank Ltd.  | 1002390905001             | Gulshan Br.        | 2,468             |
|    | Jamuna Bank Ltd   | 00060210017279            | Dilkusha Br.       | 4,782             |
|    | BRAC Bank Ltd   | 1501201918541001          | Gulshan Br.        | 13,641,235        |
|    | BRAC Bank Ltd   | 1501201918541002          | Gulshan Br.        | 18,179,603        |
|    | BRAC Bank Ltd   | 1501201918541003          | Gulshan Br.        | 320,664           |
|    | BRAC Bank Ltd   | 1501201918541004          | Gulshan Br.        | 382,089           |
|    | BRAC Bank Ltd   | 1501201918541005          | Gulshan Br.        | 614,208           |
|    | Janata Bank Ltd   | 1020903                   | Corporate Br.      | 10,000            |
|    | <b>Total</b>  |                           | <b>39,419,780</b>  | <b>10,985,145</b> |
|    | The above balances are reconciled with Bank Statements and ledger balances. |                           |                    |                   |
| 22 | Accounts & Other Payables   |                           |                    |                   |
|    | Shimanta Paribahan  |                           | 1,232,111          | 1,432,111         |
|    | KM Servicing  |                           | 756,020            | 1,000,000         |
|    | Trade Media   |                           | 468,205            | 585,538           |
|    | Nahian Enterprise   |                           | 224,600            | 328,000           |
|    | Salaries and Wages Payable  |                           | 14,685,260         | 15,124,560        |
|    | Other Payables  |                           | 1,477,654          | 3,373,641         |
|    | <b>Total</b>  |                           | <b>18,843,850</b>  | <b>21,843,850</b> |
|    | These are unsecured, payable within one year.                               |                           |                    |                   |
| 23 | Accrued Expenses  |                           |                    |                   |
|    | Audit fee   |                           | 500,000            | 500,000           |
|    | Gas Bill  |                           | 3,366,387          | 4,031,557         |
|    | Workers' Participantion/Welfare Funds                                       |                           | 15,488,790         | -                 |
|    | Provision for tax (Note: 23.01)   |                           | 101,005,422        | 73,255,239        |
|    | <b>Total</b>  |                           | <b>120,360,599</b> | <b>77,786,796</b> |
|    | These are unsecured, falling due within one year.                           |                           |                    |                   |

## ACCOUNTING POLICIES AND EXPLANATORY NOTES

For the year ended December 31, 2012

**23.01 Provision for tax**

| <u>Accounting Year</u> | <u>Assessment Year</u> | <u>Amount</u>      | <u>Status</u>        |
|------------------------|------------------------|--------------------|----------------------|
| 2012                   | 2013-2014              | 27,644,980         | Return not yet due   |
| 2011                   | 2012-2013              | 36,093,137         | Return filed         |
| 2010                   | 2011-2012              | 19,269,787         | Return filed         |
| 2009                   | 2010-2011              | 8,582,033          | Assessment Completed |
| 2008                   | 2009-2010              | 4,605,931          | Assessment Completed |
| 2007                   | 2008-2009              | 4,605,623          | Assessment Completed |
| 2006                   | 2007-2008              | 203,931            | Assessment Completed |
| <b>Total</b>           |                        | <b>101,005,422</b> |                      |

**24 Bank Overdraft**

| <b>Bank Name</b>                         | <b>Br Name</b> |                   |                   |
|--|----------------|-------------------|-------------------|
| Southeast Bank Ltd. CC A/c 0173300000167 | Gulshan Br.    | 46,438,284        | 31,207,424        |
| <b>Total</b>                             |                | <b>46,438,284</b> | <b>31,207,424</b> |

Fully secured by 1 (one) undated cheque to cover the entire the limit along with a letter of authority to insert date on the cheque and personal guarantee of the Directors of the Company.

**25 Short Term Bank Credits :**

|                             | <b>Amount in Taka</b> |                    |
|-----------------------------|-----------------------|--------------------|
|                             | <b>31.12.2012</b>     | <b>31.12.2011</b>  |
| <u>Southeast Bank Ltd.:</u> |                       |                    |
| Time Loan                   | 519,676,150           | 205,865,128        |
| Packing Credit              | 60,319,186            | 60,801,071         |
| Bill Purchase               | 123,064,400           | 89,388,746         |
| Other Loans                 | 163,804,573           | 210,121,719        |
| <b>Total</b>                | <b>866,864,309</b>    | <b>566,176,664</b> |

These are secured, falling due within one year. The security and other term are specified as follows:

Time Loans are fully secured by first charge on the fixed assets of the Company.

Packing Credit, Bill Purchase and other Loans are against Lien on Master/Export L/C.

**26 Deferred L/C Liabilities**

|                                     |                   |                    |
|-------------------------------------|-------------------|--------------------|
| NRG Knit Composite Mills Ltd        | 1,660,623         | 15,294,000         |
| Pakiza Cotton Mills Ltd             | 11,063,850        | 29,511,000         |
| Esha Trading                        | 3,641,128         | -                  |
| Al-Haj Karim Textiles Ltd.          | -                 | 35,167,000         |
| Gulshan Spinning Mills Limited      | 5,381,168         | -                  |
| Tamijuddin Textiles Mills Ltd.      | 5,998,300         | 12,957,000         |
| Israaq Rotor Spinning Mills Limited | 4,014,720         | -                  |
| Square Yarn Ltd.                    | -                 | 4,035,000          |
| Syed Spinning Mills Limited         | -                 | 25,188,000         |
| YKK BD Pte Limited                  | 2,888,804         | -                  |
| Jamuna Spinning Mills Limited       | 12,114,270        | -                  |
| Shameem Spinning Mills Limited      | 15,926,040        | -                  |
| Other Deferred L/C Liabilities      | 7,380,017         | 15,739,927         |
| <b>Total</b>                        | <b>70,068,920</b> | <b>137,891,927</b> |

These are unsecured except by letters of credit, falling due within one year.

## ACCOUNTING POLICIES AND EXPLANATORY NOTES

For the year ended December 31, 2012

**27 Share Money Refundable**

These have been deposited against public issue of capital approved by SEC vide SEC letter no.SEC/CI/IPO-138/2010-1488 dated August 08, 2012.

| Bank Name     | A/C No.          | Branch      |                   |          |
|---------------|------------------|-------------|-------------------|----------|
| BRAC Bank Ltd | 1501201918541001 | Gulshan Br. | 13,641,235        | -        |
| BRAC Bank Ltd | 1501201918541002 | Gulshan Br. | 18,179,603        | -        |
| BRAC Bank Ltd | 1501201918541003 | Gulshan Br. | 320,664           | -        |
| BRAC Bank Ltd | 1501201918541004 | Gulshan Br. | 382,089           | -        |
|               |                  |             | <b>32,523,591</b> | <b>-</b> |

**28 Long Term Bank Loans (Current Portion)**

Current portion of Long Term Bank Loans Tk.60,000,000 (2011; Tk.118,572,000) has been shown under the head Current Liabilities which is payable within December-2013.

**29 Share Capital**

Amount in Taka

|   | 31.12.2012           | 31.12.2011           |
|---|----------------------|----------------------|
| <b>29.1 Authorised Capital</b>                                  |                      |                      |
| 200,000,000 Ordinary shares of Tk.10/- each                     | <b>2,000,000,000</b> | <b>2,000,000,000</b> |
| <b>29.2 Issued, Subscribed, Called-up &amp; Paid-up Capital</b> |                      |                      |
| 111,885,000 Ordinary Shares of Tk. 10/- each issued for cash    | 1,118,850,000        | 818,850,000          |
| 28,713,000 Bonus Shares of Tk.10/- each                         | 287,130,000          | 52,800,000           |
|   | <b>1,405,980,000</b> | <b>871,650,000</b>   |

The Shareholding position of the Company are as under :

| Name of Shareholders             | No. of Shares | Percentages (%) | Amount (Tk.) |
|----------------------------------|---------------|-----------------|--------------|
| Mr. Tauhidul Islam Chaudhury     | 7,217,459     | 5.13            | 72,174,590   |
| Shaheen Akhter Chaudhury         | 130,164       | 0.09            | 1,301,640    |
| Mr. Wahid Salam                  | 2,049,600     | 1.46            | 20,496,000   |
| Mr. Rajiv Sethi                  | 2,811,960     | 2.00            | 28,119,600   |
| Mr. Javed Opgenhaffen            | 11,172,109    | 7.95            | 111,721,090  |
| Mehmood Equities Ltd.            | 2,820,000     | 2.01            | 28,200,000   |
| Assign Holding Ltd.              | 180,000       | 0.13            | 1,800,000    |
| Mrs. Mehtab Hussain khan         | 120,000       | 0.09            | 1,200,000    |
| Mrs. Irin Pervin                 | 120,000       | 0.09            | 1,200,000    |
| Mr. Syed Golam Wadud             | 150,000       | 0.11            | 1,500,000    |
| Mrs. Tanipa Wadud                | 30,000        | 0.02            | 300,000      |
| Mr. Waheedur Gorky Rahman        | 120,000       | 0.09            | 1,200,000    |
| Meghna Life Insurance Co. Ltd.   | 60,000        | 0.04            | 600,000      |
| Karnaphuli Insurance Co. Ltd.    | 60,000        | 0.04            | 600,000      |
| Mr. Md. Akhter                   | 14,174,748    | 10.08           | 141,747,480  |
| Mrs Farzana Ahmed                | 60,000        | 0.04            | 600,000      |
| Olympic Industries Limited       | 120,000       | 0.09            | 1,200,000    |
| Captain M. Moazzam Hossain       | 1,380,000     | 0.98            | 13,800,000   |
| Mr. Yousuf Ismail                | 1,440,000     | 1.02            | 14,400,000   |
| Mr. Matiur Rahman                | 1,680,000     | 1.19            | 16,800,000   |
| Mr. Tariq Ismail                 | 120,000       | 0.09            | 1,200,000    |
| BRAC Bank Limited                | 1,200,000     | 0.85            | 12,000,000   |
| Mr. Syed Tawqir Hussain          | 132,000       | 0.09            | 1,320,000    |
| Cosmopolitan Traders (Pvt.) Ltd. | 840,000       | 0.60            | 8,400,000    |



## ACCOUNTING POLICIES AND EXPLANATORY NOTES

For the year ended December 31, 2012

| Name of Shareholders                  | No. of Shares      | Percentages (%) | Amount (Tk.)         |
|---------------------------------------|--------------------|-----------------|----------------------|
| Mr. Saifur Rahman                     | 120,000            | 0.09            | 1,200,000            |
| Transcom Limited Staff Provident Fund | 240,000            | 0.17            | 2,400,000            |
| Marina Tea Company Limited            | 120,000            | 0.09            | 1,200,000            |
| Monipur Tea Company Limited           | 120,000            | 0.09            | 1,200,000            |
| Mr. Maiz Majibur Rahman               | 240,000            | 0.17            | 2,400,000            |
| Mr. Rajeeb Bhattacharjee              | 120,000            | 0.09            | 1,200,000            |
| BRAC EPL Stock Brokerage Ltd.         | 1,200,000          | 0.85            | 12,000,000           |
| Mrs. Laffa Yousuf                     | 300,000            | 0.21            | 3,000,000            |
| Beximco Holdings Limited              | 15,600,000         | 11.10           | 156,000,000          |
| New England Equity Ltd.               | 15,600,000         | 11.10           | 156,000,000          |
| Mr. Major Md. Rabiul Alam             | 120,000            | 0.09            | 1,200,000            |
| Mr. Richard D. Rozario                | 568,656            | 0.40            | 5,686,560            |
| Mr. Md. Wahid Miah                    | 1,231,344          | 0.88            | 12,313,440           |
| Mrs. Bilkis Fatima Jesmin             | 480,000            | 0.34            | 4,800,000            |
| Mr. R.Y Shamsar                       | 600,000            | 0.43            | 6,000,000            |
| Mr. Abdur Rahman                      | 600,000            | 0.43            | 6,000,000            |
| PLFS Investment Limited               | 120,000            | 0.09            | 1,200,000            |
| PLFSIL I-A/C                          | 2,424,000          | 1.72            | 24,240,000           |
| Mrs. Poly Rani Shaha                  | 360,000            | 0.26            | 3,600,000            |
| Mr. Omar Mohammad Bhai                | 90,000             | 0.06            | 900,000              |
| Mr. Raja Mohammad Bhai                | 120,000            | 0.09            | 1,200,000            |
| Mrs. Sakina Miraly                    | 240,000            | 0.17            | 2,400,000            |
| Mrs. Nurjehan Hudda                   | 1,140,000          | 0.81            | 11,400,000           |
| Mr. Mohammad Bhai                     | 360,000            | 0.26            | 3,600,000            |
| Mr. Pankaj Roy                        | 120,000            | 0.09            | 1,200,000            |
| Mr. Tanveer Ali                       | 132,000            | 0.09            | 1,320,000            |
| Mr. Abdus Sattar                      | 960,000            | 0.68            | 9,600,000            |
| Mr. Ahad Mohammad Bhai                | 510,000            | 0.36            | 5,100,000            |
| Mr. Md. Alauddin                      | 60,000             | 0.04            | 600,000              |
| Mr. Ganesh Chandra Pramanik           | 60,000             | 0.04            | 600,000              |
| IFIC Securities Limited               | 2,400,000          | 1.71            | 24,000,000           |
| Mr. Md. Khabir Uddin                  | 600,000            | 0.43            | 6,000,000            |
| Mrs. Shamim Ara Begum                 | 120,000            | 0.09            | 1,200,000            |
| Mr. M.A Hayee                         | 103,200            | 0.07            | 1,032,000            |
| Mr. Mahabub Hasan                     | 16,800             | 0.01            | 168,000              |
| Mrs. Farzana Moazzam                  | 120,000            | 0.09            | 1,200,000            |
| Dr. Monowar Hossain                   | 240,000            | 0.17            | 2,400,000            |
| Mr. Ehsan-E-Moazzam                   | 240,000            | 0.17            | 2,400,000            |
| Mr. Khursid Alam Mamun                | 60,000             | 0.04            | 600,000              |
| Equity Growth Limited                 | 3,357,600          | 2.39            | 33,576,000           |
| Absolute Return Limited               | 1,494,000          | 1.06            | 14,940,000           |
| Mr. S. Golam Moala                    | 1,470,000          | 1.05            | 14,700,000           |
| Agrovita Limited                      | 1,200,000          | 0.85            | 12,000,000           |
| Mrs Anjuman Ara Siddiqui              | 720,000            | 0.51            | 7,200,000            |
| Mr. Mohammad Ahsan                    | 312,360            | 0.22            | 3,123,600            |
| Others                                | 36,000,000         | 25.60           | 360,000,000          |
| <b>Total</b>                          | <b>140,598,000</b> | <b>100.00</b>   | <b>1,405,980,000</b> |

## ACCOUNTING POLICIES AND EXPLANATORY NOTES

For the year ended December 31, 2012

**30 Revaluation Surplus**

Amount in Taka

|                         | 31.12.2012         | 31.12.2011         |
|-------------------------|--------------------|--------------------|
| Land & Land Development | 136,740,234        | 136,740,234        |
| Building                | 230,639,221        | 230,639,221        |
| Plant & Machinery       | 139,510,433        | 139,510,433        |
| <b>Total</b>            | <b>506,889,888</b> | <b>506,889,888</b> |

S.F. Ahmed & Co, Chartered Accountants revalued the fixed assets of the Company as of 31 December 2008, following “depreciated current cost method”, resulting in a revaluation surplus at Tk.506,889,888.

**31 Retained Earnings**

|   |                    |                    |
|---|--------------------|--------------------|
| Opening Balance                             | 344,903,991        | 162,491,926        |
| Less: Prior Year Adjustments for Income Tax | (105,203)          | -                  |
| Add: Current Year Profit                    | 282,130,815        | 182,412,065        |
|   | <b>626,929,603</b> | <b>344,903,991</b> |
| Less: Bonus Share Issue                     | 234,330,000        | -                  |
| <b>Closing Balance</b>                      | <b>392,599,603</b> | <b>344,903,991</b> |

**32 Long Term Loans**

| Particulars  | Bank Name      |                    |                    |
|--------------|----------------|--------------------|--------------------|
| Term Loan    | Southeast Bank | 218,899,572        | 351,217,093        |
| Car Loan     | UCBL           | 267,600            | 771,600            |
| Car Loan     | Prime Bank     | 1,093,000          | 1,717,000          |
| Car Loan     | BRAC Bank      | 690,000            | 1,314,000          |
| <b>Total</b> |                | <b>220,950,172</b> | <b>355,019,693</b> |

Fully secured by first charge on the fixed assets of the Company.

**Nature of Security of Loans :**

|                                |  |
|--------------------------------|--|
| Bank Overdraft                 | Fully secured by 1 (one) undated cheque to cover the entire the limit along with a letter of authority to insert date on the cheque and personal guarantee of the Directors of the Company.. |
| Long Term Loan                 | Fully secured by first charge on the fixed assets of the Company.  |
| Packing Credit & Bill Purchase | Lien on Master/Export L/C  |
| Time Loan                      | Fully secured by first charge on the fixed assets of the Company.  |

**Interest on Bank Loan :**

Bank interest on the above loan has been charged in the Income Statement as Financial Expenses.

|  |   |
|--|---|
| Bank Overdraft                             | 16.00% p.a. with Quarterly rests subject to revision from time to time.   |
| Long Term Loan                             | 15.50% p.a. with Quarterly rests subject to revision from time to time.   |
| Time Loan , Packing Credit & Bill Purchase | Time Loan : 17.00% p.a. with Quarterly rests subject to revision from time to time. Packing Credit : 7.00% p.a. with Quarterly rests subject to revision from time to time. Bill Purchase :17.00% p.a. with Quarterly rests subject to revision from time to time |

**33 Sales Revenue**

Export Sales Revenue is recognised for 861,156 Dozens at USD 20,667,752.41 @ Tk.81.00 equivalent to Tk.1,674,087,945 (2011: 1,489,518 Dozens at USD 18,581,705.16 @ Tk.75.00 equivalent to Tk.1,393,627,887) when delivery challan is issued.

## ACCOUNTING POLICIES AND EXPLANATORY NOTES

For the year ended December 31, 2012

## 34

## Cost of Goods Sold

|   |  | Amount in Taka       |                      |
|---|--|----------------------|----------------------|
|   |  | 31.12.2012           | 31.12.2011           |
| Opening Stock of Raw Materials                      |  | 189,261,748          | 123,210,750          |
| Add: Purchases (Note : 34.01)                       |  | 940,900,528          | 979,719,165          |
| Less: Closing Stock of Raw Materials (Note : 18.01) |  | 209,261,748          | 189,261,748          |
| <b>Material Consumed</b>                            |  | <b>920,900,528</b>   | <b>913,668,167</b>   |
| Add: Direct Labour                                  |  | 150,358,298          | 140,492,500          |
| <b>Prime Cost</b>                                   |  | <b>1,071,258,826</b> | <b>1,054,160,667</b> |
| Add: Factory Overhead (Note : 34.02)                |  | 88,942,684           | 94,313,198           |
| <b>Cost of Manufacturing</b>                        |  | <b>1,160,201,510</b> | <b>1,148,473,865</b> |
| Add: Opening Work-In-Process (Note: 18.00)          |  | 141,962,500          | 138,943,798          |
| Less: Closing Work-In-Process (Note: 18.00)         |  | 155,962,500          | 141,962,500          |
| <b>Cost of Goods Manufactured</b>                   |  | <b>1,146,201,510</b> | <b>1,145,455,163</b> |
| Add: Opening Stock of Finished Goods (Note: 18.00)  |  | 162,845,300          | 99,880,049           |
| Less: Closing Stock of Finished Goods (Note: 18.00) |  | 181,032,222          | 162,845,300          |
| <b>Cost of Goods Sold</b>                           |  | <b>1,128,014,588</b> | <b>1,082,489,912</b> |
| <b>34.01 Purchases of Raw Materials</b>             |  |                      |                      |
| Yarn (1,943,647 Kgs; 2011: 2,715,782 Kgs)           |  | 621,966,894          | 611,050,910          |
| Chemicals (1,069,650 Kgs; 2011: 1,893,590 Kgs)      |  | 74,875,560           | 113,615,620          |
| Accessories   |  | 244,058,074          | 255,052,635          |
| <b>Total</b>  |  | <b>940,900,528</b>   | <b>979,719,165</b>   |
| <b>34.02 Factory Overhead</b>                       |  |                      |                      |
| Rent  |  | 240,000              | 240,000              |
| Security Service                                    |  | 3,449,665            | 3,605,152            |
| Depreciation  |  | 46,637,581           | 41,772,556           |
| Utility Charges                                     |  | 21,748,532           | 26,935,547           |
| Transport   |  | 4,036,162            | 9,045,523            |
| Repair and Maintenance                              |  | 1,491,184            | 2,765,843            |
| Fuel & Lubricant                                    |  | 4,245,376            | 3,791,632            |
| Carriage Inward                                     |  | 771,289              | 940,530              |
| Overtime and Similar Allowance                      |  | 1,512,427            | 1,212,792            |
| Labour Bill   |  | 342,023              | 175,210              |
| Other Expenses                                      |  | 4,468,445            | 3,828,413            |
| <b>Total</b>  |  | <b>88,942,684</b>    | <b>94,313,198</b>    |



## ACCOUNTING POLICIES AND EXPLANATORY NOTES

For the year ended December 31, 2012

**35 Administrative & Selling Expenses**

Amount in Taka

|                                  | 31.12.2012        | 31.12.2011        |
|----------------------------------|-------------------|-------------------|
| Staff Salaries                   | 45,282,328        | 43,256,842        |
| Directors' Remuneration          | 6,000,000         | 6,000,000         |
| Bonus                            | 2,691,260         | 2,343,079         |
| Air Freight Charge               | 771,438           | 940,864           |
| Buying House Expenses            | 411,302           | 7,434,268         |
| Utility Charge                   | 508,464           | 778,726           |
| Entertainment                    | 158,250           | 142,000           |
| C & F Charges                    | 3,628,506         | 5,298,702         |
| Courier & Postage                | 400,547           | 666,537           |
| Telephone and Other              | 612,530           | 732,464           |
| Office Rent                      | 1,320,000         | 1,320,000         |
| Service Charges                  | 180,860           | 200,030           |
| Car Rent and Other Expenses      | 2,090,000         | 3,258,592         |
| Depreciation                     | 2,454,609         | 2,198,556         |
| Insurance Premium                | 3,437,888         | 1,200,600         |
| Audit Fee                        | 500,000           | 1,000,000         |
| Professional and Consultancy fee | 285,000           | 1,100,000         |
| Traveling & Conveyance           | 865,245           | 1,734,049         |
| Stationery                       | 681,456           | 457,754           |
| Fuel & Lubricant                 | 1,209,195         | 1,519,129         |
| Carriage Outward                 | 1,196,557         | 3,025,652         |
| Advertisement                    | 430,000           | 320,400           |
| License & Renewals               | 412,760           | 241,250           |
| Commercial Expenses              | 1,658,430         | 1,544,463         |
| Business Development Expenses    | 1,448,000         | 1,789,856         |
| Legal Fees                       | 15,300            | 555,489           |
| Inspection Charge                | -                 | 92,121            |
| Exchange Loss/Gain               | 4,053,791         | 3,925,254         |
| Donation                         | -                 | 26,000            |
| Other Expenses                   | 1,676,490         | 2,083,871         |
|                                  | <b>84,380,206</b> | <b>95,186,547</b> |

**36 Other Income**

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| Income from Cash Incentive          | 18,414,596        | 25,630,900        |
| Other Revenues                      | 1,485,914         | 36,511,600        |
| Interest on Investment and Deposits | 52,394,347        | 35,132,029        |
| <b>Total</b>                        | <b>72,294,857</b> | <b>97,274,529</b> |

**37 Financial Expenses**

|                            |                    |                    |
|----------------------------|--------------------|--------------------|
| Bank Charges               | 18,913,797         | 27,575,858         |
| Interest on Time Loan      | 80,043,391         | 35,386,164         |
| Interest on Packing Credit | 5,784,540          | 7,714,564          |
| Interest on Term Loan      | 75,673,399         | 65,769,672         |
| Interest on Bill Purchase  | 4,834,922          | 2,001,485          |
| Interest on Forced Loan    | 28,927,599         | 15,541,011         |
| <b>Total</b>               | <b>214,177,648</b> | <b>153,988,754</b> |

**38 Provision for Income Tax**

| Particulars                         | Amount      | Rate   | Tax Amount        |
|-------------------------------------|-------------|--------|-------------------|
| Export from Jan 01 to Jun 30, 2012  | 851,847,070 | 0.60%  | 5,111,082         |
| Export from July 01 to Dec 31, 2012 | 822,240,875 | 0.80%  | 6,577,927         |
| Sub-Contract Revenue                | 5,454,225   | 4%     | 218,169           |
| Income from Cash Incentive          | 18,414,596  | 5%     | 920,730           |
| Other Revenues                      | 1,485,914   | 27.50% | 408,626           |
| Interest on Investment and Deposits | 52,394,347  | 27.50% | 14,408,445        |
|                                     |             |        | <b>27,644,980</b> |

## ACCOUNTING POLICIES AND EXPLANATORY NOTES

For the year ended December 31, 2012

|                         |   | 31.12.2012 | 30.12.2011 |
|-------------------------|---|------------|------------|
| <b>39</b>               | <b>Earnings Per Share (Weighted Average)</b>            |            |            |
| Earning Per Share (EPS) | Basic Earning   |            |            |
|                         | No. of Shares   |            |            |
|                         | 282,130,815   |            |            |
|                         | 116,844,575 ***   |            |            |
|                         | =   | 2.42       | =1.56      |
| <b>40</b>               | <b>Fully Diluted EPS</b>                                |            |            |
| Earning Per Share (EPS) | Basic Earning   |            |            |
|                         | No. of Shares   |            |            |
|                         | 282,130,815   |            |            |
|                         | 140,598,000   |            |            |
|                         | =   | 2.01       | =1.30      |
| <b>41</b>               | <b>EPS From Recurring Income (Weighted Average)</b>     |            |            |
| Earning Per Share (EPS) | Earning from recurring income                           |            |            |
|                         | No. of Shares   |            |            |
|                         | 229,736,468   |            |            |
|                         | 116,844,575   |            |            |
|                         | =   | 1.97       | =1.26      |
| <b>42</b>               | <b>EPS From Recurring Income (Fully Diluted)</b>        |            |            |
| Earning Per Share (EPS) | Earning from recurring income                           |            |            |
|                         | No. of Shares   |            |            |
|                         | 229,736,468   |            |            |
|                         | 140,598,000   |            |            |
|                         | =   | 1.63       | =1.05      |
| <b>43</b>               | <b>EPS From Non-Recurring Income (Weighted Average)</b> |            |            |
| Earning Per Share (EPS) | Earning from non-recurring income                       |            |            |
|                         | No. of Shares   |            |            |
|                         | 52,394,347  |            |            |
|                         | 116,844,575   |            |            |
|                         | =   | 0.45       | =0.30      |

**GENERATION NEXT FASHIONS LIMITED**  
**ACCOUNTING POLICIES AND EXPLANATORY NOTES**  
For the year ended December 31, 2012

**44 EPS From Non-Recurring Income (Fully Diluted)**

| Earning Per Share (EPS) | Earning from non-recurring income |            |
|-------------------------|-----------------------------------|------------|
|                         | No. of Shares                     |            |
|                         | 52,394,347                        |            |
|                         | 140,598,000                       |            |
|                         | =                                 | 0.38 =0.25 |

\*\*\*Calculation of weighted average number of shares

| Particulars                            | Allot. Shares      | Days | Days | Shares             |
|--|--------------------|------|------|--------------------|
| Opening Jan. 01, 2012 to Dec 31, 2012  | 110,598,000        | 365  | 365  | 110,598,000        |
| Allotment Oct 17, 2012 to Dec 31, 2012 | 30,000,000         | 76   | 365  | 6,246,575          |
| <b>Total</b>                           | <b>140,598,000</b> |      |      | <b>116,844,575</b> |

**45 Capital Expenditure Commitment**

There was no capital expenditure contracted but not incurred or provided for as on 31.12.2012

There was no material Capital expenditure authorised by the Board but not contracted for as on 31.12.2012

**46 Contingent Liabilities**

There was no sum for which the Company is contingently liable as on 31.12.2012

**47 Claims not Acknowledged**

There was no claim against the Company not acknowledged as debt as on 31.12.2012

**48 Credit Facilities Available**

Credit facilities available were to the Company from banks as on 31.12.2011 and Trade Credit available in the ordinary course of business. No other credit facilities were available to the Company as on 31.12.2012

**49 Commission, Brokerage or Discount Against Sales**

No other commission, brokerage or discount was incurred or paid by the Company against sales during the period.

**50 Events after the Reporting Period.**

There was no events after reporting period of such importance for which accounting or disclosure is required to be adjusted

**51 Employees**

Number of employees whose salary was below Tk. 4,000 is 1245 as on 31.12.2012

Number of employees whose salary was above Tk. 4,000 is 1584 as on 31.12.2012

**52 Related Parties Transactions**

During the year, the Company carried out a number of transactions with related party as investment which were later on adjusted. The name of the related party, nature of these transactions and their total value have been set out in accordance with the provisions of BAS 24: Related Party Disclosure, are as below:

| Name of the party         | Relationship        | Nature of Transaction | Transaction Value |
|---------------------------|---------------------|-----------------------|-------------------|
| A. J. Corporation Limited | Common Directorship | Investment            | 254,725,000       |



# ACCOUNTING POLICIES AND EXPLANATORY NOTES

For the year ended December 31, 2012

## 53 Capacity Utilisation

| Particulars | Capacity  | Actual Production |
|-------------|-----------|-------------------|
| Garments *  | 1,310,000 | 9,42,870 Dozens   |
| Fabrics     | 5,000 MT  | 3500 MT           |
| Dyeing      | 5000 MT   | 3500 MT           |

Reason: Actual production as per market demand

\* Based on present product mix



Managing Director



Director



Company Secretary



# GENERATION NEXT FASHIONS LIMITED

Building#348, Road#5, DOHS Baridhara, Dhaka- 1206

## PROXY FORM

I/We ..... of ..... Generation Next Fashions Limited hereby appoint Mr./MS ..... of ..... as my proxy to attend and vote for me on my behalf at the 9<sup>th</sup> Annual General Meeting of the company to be held on Monday, the 22 day of April 2013 at the Factory premises at Dhonaid, Earpur, Savar, Dhaka at 10.30 A.M. and at any adjournment thereof.

As witness my hand this ..... day of ..... 2013 signed by the said in presence of .....

.....  
(Signature of the Proxy)  
Date .....

Revenue  
Stamp  
Tk. 20.00

.....  
(Signature of witness)

.....  
Signature of the Shareholder(s)  
Register BO ID.....  
Dated .....

NOTE : A member entitled to attend and vote at the Annual General Meeting may appoint at Proxy to attend and vote in his/her stead. The Proxy Form, duly stamped, must be deposited at the Registered Office/Corporate Office of the company not later than 48 hours before the time appointed for the meeting.

Signature verified

.....  
Authorized Signatory

# GENERATION NEXT FASHIONS LIMITED

Building#348, Road#5, DOHS Baridhara, Dhaka- 1206

## SHAREHOLDERS' ATTENDANCE SLIP

I/We hereby record my attendance at the 9<sup>th</sup> Annual General Meeting being held on Monday, the 22 day of April 2013 at the Factory premises at Dhonaid, Earpur, Savar, Dhaka at 10.30 A.M.

Name of Member/Proxy .....

Register BO ID ..... holding of ..... ordinary Shares of Generation Next Fashions Limited.

.....  
Signature of Shareholder(s)

- N. B.
1. Please note that AGM can only be attended by the honorable shareholder or properly constituted proxy. Therefore, any friend or children accompanying with honorable shareholder or proxy cannot be allowed into the meeting.
  2. Please present this slip at the reception desk.



**SHARE & CORPORATE OFFICE**

Building# 348, Road# 05, DOHS Baridhara  
Dhaka- 1206, Bangladesh  
Tel : 880-2-8412625, 8411623, 8419210  
Fax : 880-2-8416491  
web : [www.gnf-bd.com](http://www.gnf-bd.com)

**OPERATIONAL OFFICE & FACTORY**

Dhonaid, Earpur, Savar, Dhaka