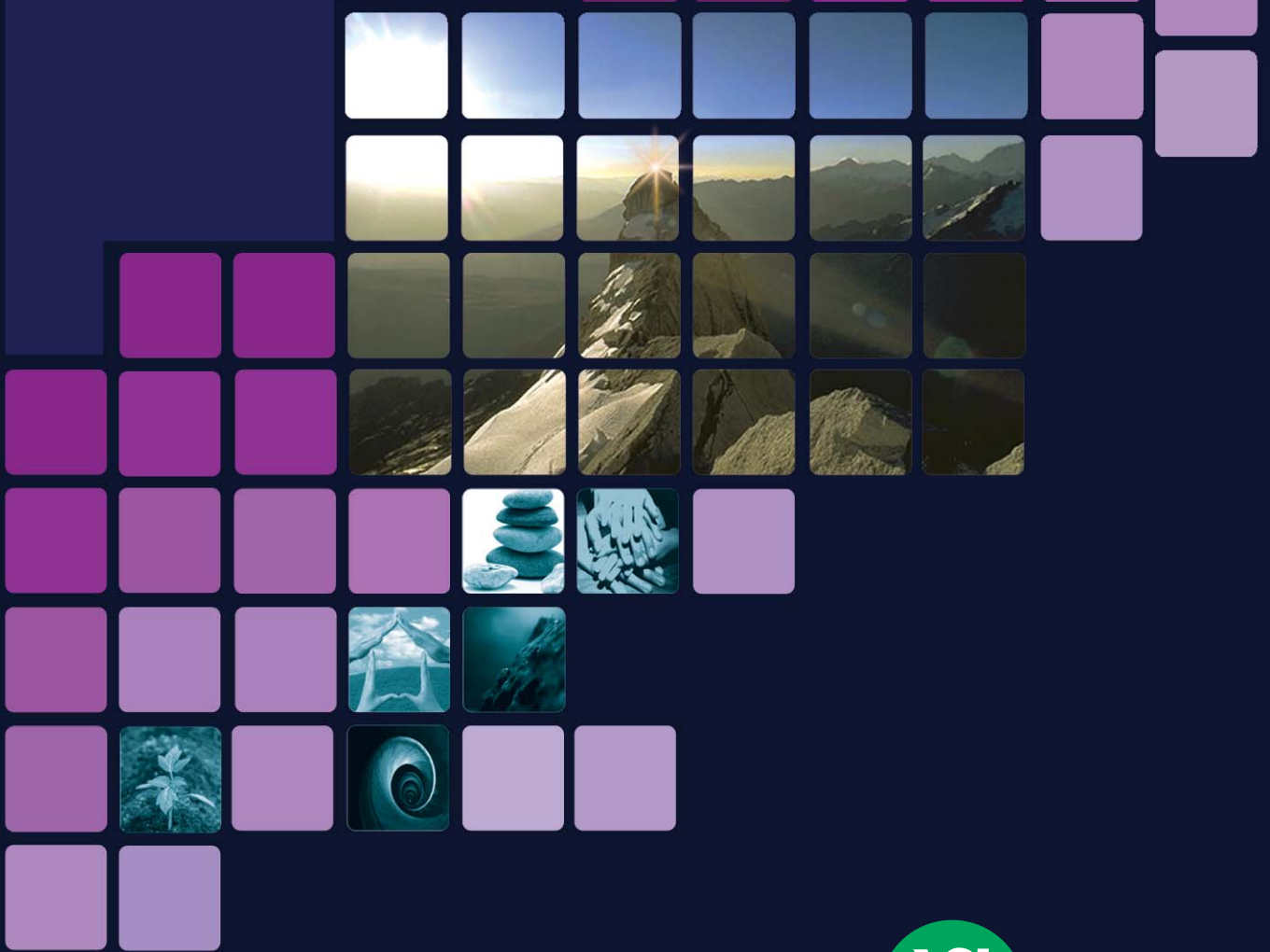
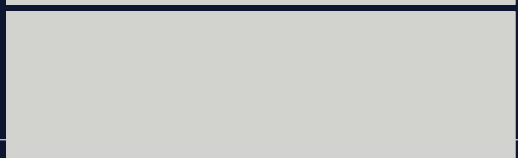


Committed to Excellence



Annual Report 2007





Our Mission

ACI's Mission is to enrich the quality of life through responsible application of knowledge, skills and technology. ACI is committed to the pursuit of excellence through world-class products, innovative processes and empowered employees, to provide the highest level of satisfaction to our customers.

Our Vision

To realise the Mission ACI will :

- Endeavor to attain a position of leadership in each category of its business.
- Provide products and services of high and consistent quality, ensuring value for money to its customers.
- Promote an environment for learning and personal growth.
- Attain a high level of productivity in all its operations through effective utilisation of time and adoption of appropriate technology.
- Develop its employees by encouraging empowerment and rewarding innovation.
- Ensure superior return on investment through judicious use of resources and efficient operations, utilizing our core competencies.
- Encourage and assist qualitative improvement of the services of its distributors and suppliers.

Our Values

- Quality
- Customer Focus
- Fairness
- Transparency
- Continuous Improvement
- Innovation



WORLD
ECONOMIC
FORUM

COMMITTED TO
IMPROVING THE STATE
OF THE WORLD

On the occasion of the Inaugural Annual Meeting of the New Champions,
we are pleased to welcome

Advanced Chemical Industries Limited
Bangladesh

as a Founding Member of the Community of Global Growth Companies

Klaus Schwab
Founder and Executive Chairman
8 September 2007



ACI has been accepted as a Founding Member of the Community of Global Growth Companies by the World Economic Forum which is the most prestigious business networking organisation, this membership is a matter of pride for us.





ACI Limited



Global Compact

The United Nation Global Compact is a voluntary international initiatives that brings companies around the globe with UN agencies, labour and civil societies to support universal environment and social principles outlined by the ten (10) principles of global compact which ACI endorsed in 2003. The Ten Principles are in the areas of:

1. Human Rights
2. Labour
3. Environment
4. Anti-Corruption

ACI and United Nation Global Compact: Partnering in Progress

Ever since we have endorsed the United Nation Global Compact (UNGC), we have always tried to expand our horizon by embedding its ten principles within our system. We are also exploring for new dimensions which will not only strengthen our roots in the GC community but will also take us more close to the people of Bangladesh.

Our commitments towards UNGC was easily reflected when in 2006 we where recognized as "Notable Communication on Progress". To further pertain to the believes in the philosophy of the UNGC we took many initiatives, among which we have mentioned just few to reach out to our stakeholders to show our respect towards the great cause. Some of these initiatives are:

Developing and awareness building of comprehensive treatment in the oncology sector of Bangladesh through training, developing resource center for knowledge development and improving quality of care.

Abolition of Child Labour within our sphere of influence to protect the right of a child to have access to education, food and proper livelihood.

New initiatives are also been taken to ensure work place safety at all levels throughout the company.

As in the past, ACI has always given top priority to "Quality". This is also demonstrated in our new businesses which we have initiated recently by setting up the manufacturing plant with the state-of-the-art technology and producing best quality products in its category.

Rehabilitation Program for Cyclone Sidr affected victim for restoring the live of all those we could reach by providing medical facility and through rehabilitation program.

For further information on the Compact, please visit www.unglobalcompact.org



About Cover: Pictorial contents of Annual Report 2007 symbolise a take off to a sharp path of growth. It reflects quality, customer focus and employee empowerment, at the sometime hope and aspiration of our people.

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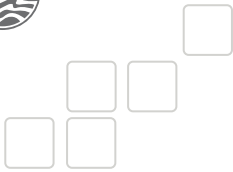
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Quality Policy/Environmental Policy/
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Corporate Management

Board of Directors



Mr. M Anis Ud Dowla
Chairman



Mr. Syed Manzur Elahi
Director



Mr. Md. Ziaul Haque Khondker
Director



Mrs. Najma Dowla
Director



Dr. Arif Dowla
Managing Director



Mr. Waliur Rahman Bhuiyan, OBE
Director



Ms. Shusmita Anis Salam
Director



Mr. Waliur Rahman
Director



Mr. Wajed Salam
Director



Ms. Sheema Abed Rahman
Director

Executive Management

Mr. M Mohibuz Zaman
Chief Operating Officer, Pharmaceuticals

Dr. F H Ansarey
Executive Director, Agribusinesses

Mr. Syed Alamgir
Executive Director, Consumer Brands

Mr. Muallem A. Choudhury
Executive Director, Finance & Planning
and Chief Financial Officer

Mr. Asif Iqbal
Chief Operating Officer,
Corporate Communication

Ms. Sheema Abed Rahman
Director, Corporate Affairs

Mr. Towfiqur Rahman
Director, Business Development

Mr. Priyatosh Datta
Director, Quality Assurance

Mr. Abdus Sadeque
Director, Marketing & Sales

Mr. Pradip Kar Chowdhury
Financial Controller

Mr. Imam Ahmed Istiak
General Manager, Operations

Company Secretary

Ms. Sheema Abed Rahman

Auditors

Rahman Rahman Huq
Chartered Accountants

Financial Consultant

Mr. M. Sekander Ali

Principal Bankers

Standard Chartered Bank
The Hongkong and Shanghai
Banking Corporation Limited
Commercial Bank of Ceylon Limited
Citibank N. A.

Legal Advisor

Barrister Rafique-ul Huq
Huq and Company

Notice of the 35th Annual General Meeting



Notice is hereby given that the 35th Annual General Meeting of Advanced Chemical Industries Limited will be held on Monday, 23 June 2008 at 10:00 a.m. at Darbar Hall, Bangladesh Rifles, Pilkhana, Dhaka to transact the following business:

AGENDA

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31 December 2007 together with Reports of the Auditors and the Directors.
2. To declare dividend for the year ended 31 December 2007.
3. To elect Directors of the Company.
4. To appoint Auditors for the year 2008 and to fix their remuneration.
5. To transact any other business, which may be transacted at an Annual General Meeting with the permission of the Chair.

By order of the Board



Sheema Abed Rahman
Company Secretary

Dhaka
30 April 2008

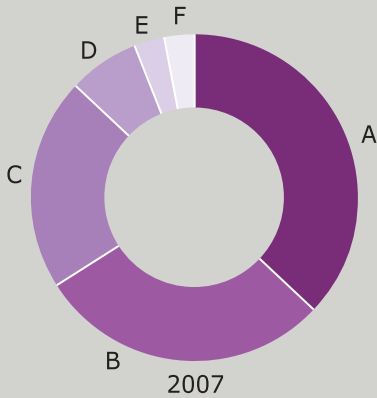
Notes

- a. The Record Date in lieu of Book Closure shall be on Thursday, 22 May 2008.
- b. The Shareowners' names appearing in the Register of Members of the Company or in the Depository on the Record Date will be eligible to receive the dividend.
- c. The Directors have recommended cash dividend @ 85% i.e. Tk. 8.50 per share of Tk. 10 each.
- d. A member entitled to attend and vote at the General Meeting may appoint a proxy to attend and vote on his/her behalf. The Proxy Form, duly completed, must be deposited at the Registered Office of the Company at ACI Centre, 245 Tejgaon Industrial Area, Dhaka 1208 not later than 48 hours before the time fixed for the Meeting.
- e. Members are requested to notify the changes of address, if any, well in time. For BO A/C holders, the same to be rectified through their respective Depository Participants.
- f. Admittance to the Meeting venue will be on production of the Attendance Slip that will be sent with the Notice.

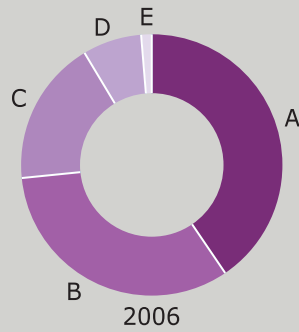


Year 2007 - at a Glance

Sales Contribution by Business Unit 2007 vs 2006

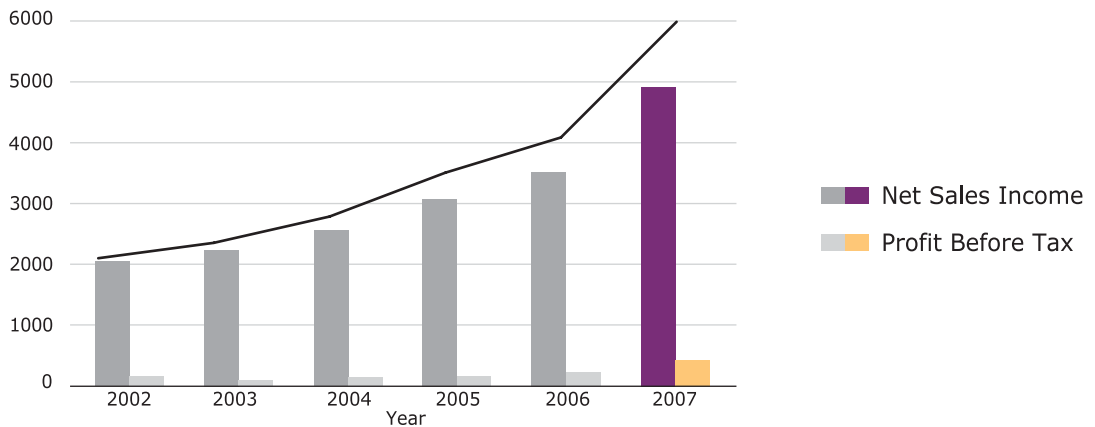


| Business Unit | Percentage |
|-----------------------------|------------|
| A Pharmaceuticals | 36.3% |
| B Consumer Brands | 29.2% |
| C Crop Care & Public Health | 20.7% |
| D Animal Health | 7.4% |
| E Fertilizer | 3.5% |
| F Seeds | 2.9% |

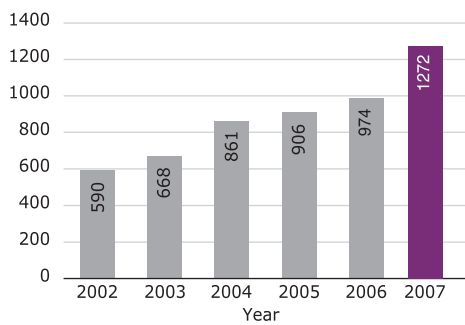


| Business Unit | Percentage |
|-----------------------------|------------|
| A Pharmaceuticals | 40.5% |
| B Consumer Brands | 32.9% |
| C Crop Care & Public Health | 18.0% |
| D Animal Health | 7.3% |
| E Others | 1.3% |

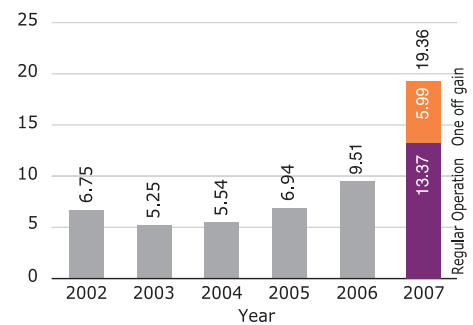
Net Sales Income & Profit Before Tax (Taka in Million)



Shareowners' Equity (Taka in Million)



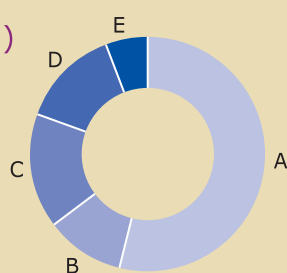
Earnings Per Share (Taka)



Six Years' Comparative Statistics, from 2002-2007

| Particulars | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------|-------|-------|-------|-------|-------|-------|
| Taka in million | | | | | | |
| Authorized Capital | 500 | 500 | 500 | 500 | 500 | 500 |
| Issued & Paid Capital | 162 | 162 | 162 | 162 | 162 | 162 |
| Current Assets | 1,099 | 1,396 | 1,342 | 1,537 | 1,755 | 3,121 |
| Tangible Fixed Assets (Gross) | 468 | 668 | 1,006 | 1,087 | 1,131 | 1,541 |
| Shareowners' Equity | 590 | 668 | 861 | 906 | 974 | 1,272 |
| Turnover (Net) | 2,053 | 2,240 | 2,558 | 3,089 | 3,516 | 4,917 |
| Gross Profit | 631 | 639 | 740 | 957 | 1,176 | 1,667 |
| Profit Before Tax | 164 | 93 | 141 | 169 | 233 | 432 |
| Profit After Tax | 109 | 85 | 90 | 112 | 154 | 313 |
| Dividend | 61 | 65 | 69 | 73 | 97 | 137 |
| Current Ratio (Times) | 1.2 | 1.2 | 1.2 | 1.0 | 1.0 | 1.0 |
| Quick Ratio (Times) | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 |
| Return on Equity (%) | 18.5 | 12.7 | 10.4 | 12.4 | 15.8 | 24.6 |
| Inventory Turnover (Times) | 2.7 | 2.3 | 2.4 | 3.0 | 3.3 | 3.6 |
| Debtors Turnover (Times) | 23 | 16 | 12 | 11 | 10 | 8 |
| Fixed Assets Turnover (Times) | 8.8 | 7.3 | 3.8 | 4.2 | 5.1 | 5.7 |
| Net Asset Per Share (Taka) | 36.5 | 41.3 | 53.3 | 56.0 | 60.2 | 78.7 |
| Market Price Per Share (Taka) | 54.2 | 66.7 | 94.4 | 69.6 | 70.2 | 181.7 |
| Earnings Per Share (Taka) | 6.75 | 5.25 | 5.54 | 6.94 | 9.51 | 19.36 |
| Dividend Per Share (Taka) | 3.75 | 4.00 | 4.25 | 4.50 | 6.00 | 8.50 |
| Dividend Rate (%) | 37.5 | 40.0 | 42.5 | 45.0 | 60.0 | 85.0 |
| Dividend Payout Ratio (%) | 55.6 | 76.2 | 76.7 | 64.8 | 63.1 | 43.9 |
| Price Earnings Ratio (times) | 8.0 | 12.7 | 17.0 | 10.0 | 7.4 | 9.4 |
| Dividend Yield (%) | 6.9 | 6.0 | 4.5 | 6.5 | 8.5 | 4.7 |
| Number of Employees | 1,662 | 1,883 | 1,931 | 2,000 | 2,476 | 3,050 |

Analysis of Turnover (%)



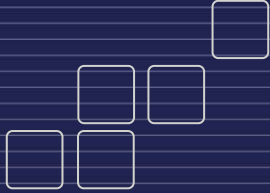
| | | |
|---|--|--------|
| A | Cost of Materials | 53.88% |
| B | Salaries, Wages & Benefits paid to employees | 10.84% |
| C | Expenses | 15.80% |
| D | Duties & Taxes paid to Government Exchequer | 13.68% |
| E | Profit | 5.80% |

Comparison of Turnover & Costs over last year

| | 2007 | % | 2006 | % |
|--|-----------------|---------------|-----------------|---------------|
| Turnover (Gross) | 5,397.49 | 100 | 3,898.43 | 100 |
| Cost of Materials | 2,908.32 | 53.88 | 2,077.14 | 53.28 |
| Salaries, Wages & Benefits paid to employees | 584.85 | 10.84 | 442.78 | 11.36 |
| Expenses | 852.75 | 15.80 | 675.67 | 17.33 |
| Duties & Taxes paid to Government Exchequer | 738.53 | 13.68 | 549.02 | 14.08 |
| Profit | 313.04 | 5.80 | 153.82 | 3.95 |
| Total | 5,397.49 | 100.00 | 3,898.43 | 100.00 |



Message from the Chairman



| M Anis Ud Dowla |
| Chairman |



*Dear Shareowners, Friends
and Well-wishers of AEG,*

Assalamualaikum,

We manage the Company with full consciousness of our responsibility to all our stakeholders. We are seriously working towards the mission of improving the quality of life of the people of Bangladesh.

It is with great pleasure that I welcome you to this 35th Annual General Meeting of your Company. This meeting is of great importance to us because it gives us an opportunity to review the performance of the Company together. Today we seek your guidance and advice and a feed back on the Company from your perspective. Through this exchange of views we develop a closer understanding of the direction in which we wish to steer the Company.

I begin by remembering the memory of our beloved Director Mr. Rafiqul Islam Khan who was a valuable member of our Board. His untimely and sudden demise has saddened all of us. His valuable contribution in the deliberation of the Board will be missed. May Allah grant him eternal peace. In respectful remembrance of the

In today's world much emphasis is given to the "triple bottom line" approach by a business enterprise. It is not just Profit that we work for. The other two P's are the Planet and the People.

pleasant and wonderful person that he was we shall stand in silence for a minute.

In today's world much emphasis is given to the "triple bottom line" approach by a business enterprise. It is not just Profit that we work for. The other two P's are the Planet and the People.

Your management is very conscious of the impact our operations have on the environment. We take great pains and incur considerable cost to ensure that we conserve resources and do not allow our operations to disturb the ecological balance of our environment. Our ISO 14001 certification ensures that we remain vigilant and strive for continuous improvement in maintaining a balance between our operational needs and ecological balance.

The third bottom line is People. This includes our employees, our distributors, our suppliers and our customers. We train our people in new skills and encourage them to gain more knowledge and create a career that suits him/her best. Training and counseling are two important functions of our Human Resource department. We bring together our distributors in different regions and assist them in gaining more knowledge on our products and their applications.

We encourage our suppliers to adopt more efficient management of logistics and put greater emphasis on quality. This is beneficial for both the parties.

We manage the Company with full consciousness of our responsibility to all our stakeholders. We are seriously working towards the mission of improving the quality of life of the people of Bangladesh. Our direction of diversification will indicate that we want to provide complete solution to all the problem the farmers face and help them in improvement of their land productivity through supply of proper inputs and giving them technical advice and assistance.

We are also expanding into the food sector with products of world-class quality at a very competitive price.

Our pharma business is adding to their range a large number of new formulations to enable the doctors to provide the latest medication to their patients.

The year 2007 was stressful and disruptive to business. Frequent hartals and blockades made it difficult to distribute products. The security and safety of our staff particularly those working in the field, became uncertain. On behalf of all of you I express my gratitude to all staff and workers at all levels for their courage, loyalty, dedication and ingenuity which made possible the accomplishments we had in the year.

Dear Shareowners, your management, under the leadership of your Managing Director Dr. Arif Dowla and competent members of his executive team are untiringly exploring opportunities for growth of the Company and service to the consumers, the manifestation of which you can see in the development of new businesses and in the growth record.

I want to assure you that your ownership in the equity of the Company is not only safe but also going to bring you handsome returns.

I am pleased to inform you that ACI has been accepted as a Founding Member of the Community of Global Growth Companies by the World Economic Forum which is the most prestigious business networking organisation and this membership is a matter of pride for us.

Finally, I thank you for your support and cooperation and look forward to a bright future together.

Yours Sincerely,



M Anis Ud Dowla
Chairman



Corporate Governance

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

Composition of the Board

The Board presently consists of 10 members drawn from amongst the major shareowners, business professionals and bankers. Mr. M Anis Ud Dowla currently occupies the position of the Chairman of the Board and Dr. Arif Dowla as its Managing Director.

Role of the Board

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

Responsibility of the Board

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

Functioning of the Board

The Board is required under the law to meet at least once in three months. The number of Board Meetings held in 2007 was seven. The Directors are kept informed of the results and the major activities through distribution of monthly statements and quarterly reporting by the Managing Director. The Board agenda includes financial results, consideration of major investments, new business initiatives, borrowings, liquidity, etc. in addition to statutory approvals.

Audit Committee

The Board has set up a 3-member Audit Committee with Mr. Syed Manzur Elahi as its Chairman. The Committee met twice during the year and reported its findings and submitted its recommendation for consideration of the Board. Frequency of this meeting will be increased from 2008.

Management through People

The Board has approved the organogram of the Company, ensuring clear lines of reporting for each Strategic Business Unit. The Board is kept informed of the goals and targets of the Business Units and takes account of the financial performance on a quarterly basis.

Management Committee

The Board has delegated adequate operational and financial authority to the Managing Director to manage the operations of the Company. The Managing Director conducts the affairs of the Company through further delegation down the line and in consultation with a Management Committee. Senior managers of the Company with responsibilities for the business, operations and functional services are members of the Management Committee which meets once a month to discuss the business results, to review the prevailing business conditions and discuss policy matters. Consensus building as a management style is encouraged in the deliberations of the Management Committee meetings. The Managing Director is responsible for implementing the Board's decision and he uses the Management Committee as a consultative body to advise and assist him on issues under consideration. The Management Committee also advises the Managing Director on new products, major items of capital expenditure and overall supervision of the affairs of the Company.

Empowerment of People

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

Internal Control

The Managing Director has to satisfy the Board that adequate internal checks and controls are in place

through appropriate MIS and employment of Internal Audit team to check and validate the expenses and the systems in operation. To further strengthen the controls, the Company has introduced ISO 9001 Quality Management System under which all activities are carried out on basis of Standard Operating Procedures. This standard has been updated to its 2000 version. The Company also has introduced ISO 14001 Environmental Management System, the first Company in Bangladesh to do so and as a result has undertaken a task of continuing improvement through annual goals. In addition the Company has adopted the principals of Global Compact, an initiative taken by the Secretary General of the United Nations and adopted world-wide by big and progressive companies.

Reporting and Communication

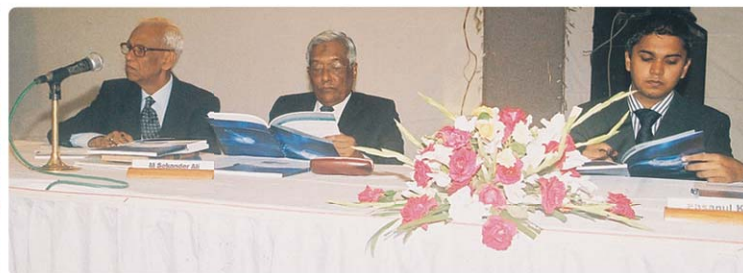
The Managing Director reviews and approves the strategic plans of each Business Unit every quarter. He also reviews monthly report and commentary on the sales and financial performance of the business from the heads of businesses and the activities of the functional and service heads. An elaborate MIS system is in place.

Communication with Shareowners

The Company holds the Annual General Meeting regularly in time. The Directors attending the Annual General Meeting take careful notes of the views and suggestions of the shareowners and institutional stakeholders offered at the AGM and consider them with utmost seriousness. The Managing Director also brings to the notice of the Board any written communication received by him from the shareowners.

Going Concern

The Board, through appropriate enquiries and analyses, ensures that the resources are adequate to support the operation and that sufficient business opportunities exist to qualify the organisation as a going concern and the Directors analyse the financial statements to ensure that.





Report of the Directors to the Shareowners

We have managed to get intimately connected to the basic factors of the economy through healthcare, agribusinesses and consumer brands to the extent that our success is directly linked to our mission of improving the quality of life of the people.

Overview

2007 was a successful year for ACI. We were fortunate to have done well despite uncertainties and calamities that affected Bangladesh. The country has gone through changes in the business environment that developed a strong awareness and respect for the law. Legal compliance was enforced with vigor, and favored those who were already compliant. However, any such change requires adjustment in the business environment, which takes time to recuperate and remobilize. This temporarily hampered investment, production and supply chain along with other difficulties. There were many sources of uncertainty that slowed down the pace of business. These actions affected organizations in different ways. For ACI, with its rigid compliance of the law, business was as usual.

Climate was a major adversity. Bangladesh encountered two floods and a cyclone, making the year challenging for the people, especially in certain areas. We carried out our own relief effort where seven boats equipped with medical support along with a veterinary unit provided emergency care to 30,000 people and their livestock. We built over two hundred homes in seven SIDR affected villages. We deeply appreciate the effort of the several hundred ACI employees who passionately volunteered their personal time and energy to make this happen.

Even through these challenges, the Bangladesh economy continues to surprise us with a real GDP growth of 6.5% in 2007. Foreign remittances and exports were substantial and foreign reserves exceeded US \$5 Billion. Inflation was high at 7.2% and added to the hardship of the poor. However, mobile communication and media have penetrated deeper into Bangladesh, reducing information asymmetry and introducing uniformity. This has contributed to increasing awareness and improving the efficiency of the people. An increasing middle class, though small is emerging despite the adversities. This potential has been recognized by investment analysts like Goldman Sachs and Merrill Lynch. However, we are yet to see the kind of development we believe Bangladesh can experience.

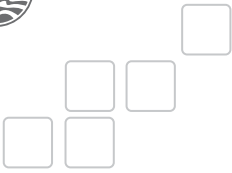
We adhered to our values, maintaining an uncompromising and scientific approach to quality, and relentlessly striving for fairness and transparency in all our dealings. We focused on aligning our competencies with the requirement of the customer, adapting to cocreate value with our channel partners and consumers. We have managed to get intimately connected to the basic factors of the economy through healthcare, agribusinesses and consumer brands to the extent that our success is directly linked to our mission of improving the quality of life of the people.



Strategic Business Units and Subsidiaries

ACI remains committed to providing customers with a broad range of quality products from its business operations.





Health Care Division



We developed a knowledgeable and disciplined field force and combined it with a well orchestrated promotional strategy. These actions combined with many new product offerings led to this success.

This business had a successful year and registered a growth of 33%. The market growth was 16% as reported in IMS. Consequently, we had an increase in market share, which was observable uniformly across most therapeutic classes, especially in antibiotics, anti-ulcerants, vitamin and mineral supplements, cardiovascular and respiratory products. We developed a knowledgeable and disciplined field force and combined it with a well orchestrated promotional

production in 2008 with advanced solutions for asthma and respiratory diseases. We have enhanced our production capacity in both solid and injectable areas with modern high speed machines to match the market demand.

NDDS (Novel Drug Delivery System) produced high quality pellets. These are bulk products that are consumed in our finished formulations and also supplied to other pharmaceutical companies.



strategy. These actions combined with many new product offerings led to this success.

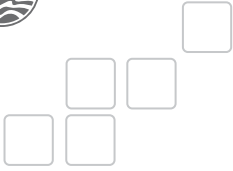
New product introduction is one of the driving forces of our growing business. In 2007 we launched 76 new products in the market that added significant business volume to the portfolio. Some of these new products like Iminem, Oxicom, Coxia, Aciphin 2gm, Heptaseas have already attained a sizable market share.

We introduced new technologies to enrich the availability of quality healthcare products. This is an important success factor of our business. Metered Dose Inhaler (MDI) project will go on

Successful manufacturing of sophisticated formulations like Omeprazole pellets makes ACI NDDS as one of the most reliable suppliers in the industry. Many other formulations sustained release NDDS pellets are ready to be marketed.

Our export business has started operation as a separate department to explore new opportunities in the global market. Apart from the existing markets, we are at the verge of exporting several products in many countries of Asia, Africa and Latin America after completion of required regulatory approvals. We have invested in our human capital, through training and teamwork into this business to create and capture the opportunities of tomorrow.





Consumer Brands Division



This division has strengthened their marketing and sales teams to cater to their new projects as well as to expand into related opportunities and natural product line extensions.



The growth of Consumer Brands business both in respect of turnover and profit continued to improve significantly in the year 2007. All the major brands grew substantially.

Mosquito coil business grew by 64% over last year. The first ever black mosquito coil "Black Fighter" launched in the later part of the year has further enriched the product portfolio. ACI Mosquito Coil attained a record exit market share of 29%.

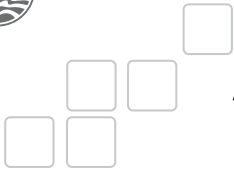
ACI Aerosol Insect Spray maintained its 14% growth over previous year and maintained its leadership with 79% market share. Sales of Savlon products grew 16% significantly over 2006. Savlon Liquid Antiseptic attained a market share of 70% while Antiseptic Cream enjoys 75% of market share. Angelic Air Freshener and Vanish Toilet Cleaner showed considerable growth of 26% and 73% respectively, becoming two promising brands for the future.



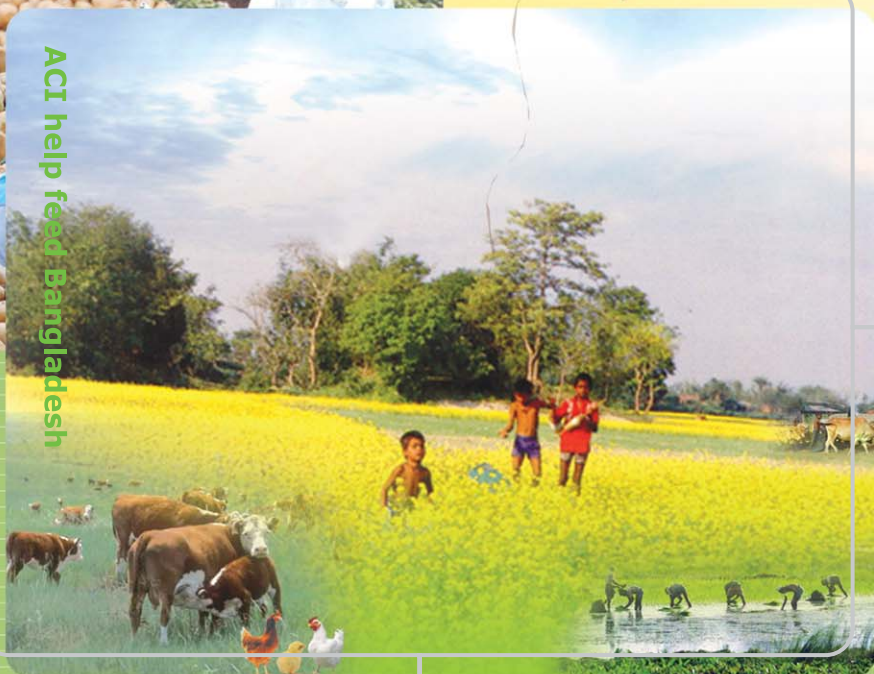
ACI Salt business grew significantly during 2007 occupying clear leadership position in package salt category with country-wide market share of 20% and with urban market of 30%. ACI Salt has facilitated our entry into the basic needs of the kitchen with millions of satisfied customers.

This division has strengthened their marketing and sales teams to cater to their new projects as well as to expand into related opportunities and natural product line extensions. The projects of ACI Pure Flour Limited and ACI Food Limited have been launched in January 2008. This will strengthen ACI's position in the market place to further delight the consumers.





Agribusinesses Division



ACI is significantly contributing to national food security through its Agribusinesses division, which is the leading agricultural integrator of the country. Seed selection, applying fertilizer and crop protection chemicals, cultivation, harvesting operation, cattle rearing, poultry and aquaculture are key activities of our farmers. ACI Agribusinesses is providing complete solution to the farmers need. This division has five separate SBUs. They are Seeds, Fertilizer, Motors, Crop Care & Public Health, and Animal Health. Farmers have developed confidence in our products for quality and economics. Farmers have also come to expect proper knowledge based service from our field force.

Animal Health

This business has grown by 43% over last year. We have introduced 8 products for aquaculture, 10 for cattle, 12 for poultry, 5 for biologics. Although the animal health industry was passing through different calamities including avian influenza we were able to achieve this growth by our promotional concept "customer focus through partnership". In alignment with this concept we have arranged a number of discussion and training programs for the customers, consultants and traders. New molecules, technology, and effective promotional campaigns are critical to this growth.

Since there is a short supply of protein in

Bangladesh, we expect substantial growth of the animal health industry in the near future. To prepare for this growth, investment has been made for machines to enhance capacity. We plan to launch the entire range of products for aquaculture, consisting of water sanitation, pond preparation, nutritional and medicinal products. To expand the existing business we will introduce hatchery vaccination to make the poultry farming safer and more profitable. For higher quality promotion and deeper market penetration, we have categorized the poultry and cattle products into medicinal, nutritional, feed additives and biologics. In this way we believe this division can help alleviate the protein deficiency problem.



Crop Care & Public Health

ACI Crop Care and Public Health has grown 55% over last year whereas the industry growth was 28%. External factors were unfavorable because of acute short supply of fertilizer, prolonged drought, flood and SIDR. Many farm product based retail outlet operations had been disrupted due to enforcement of regulations and uncertainty of the business environment. We managed the uncertain situation by helping retailers and distributors organize themselves and through extensive business promotion campaigns. Crop price was favorable for the farmers which ensured them to invest more and take intensive care of the crops.

We have a complete range of cost effective products which can provide appropriate solutions for the farmers through insecticides, herbicides, and fungicides. We plan to increase our portfolio

through the introduction of biotech products.

We provide extensive training to our field and marketing staff to improve their productivity and enrich their technical knowledge. Training on new crop management techniques and new product attributes are critical to provide solutions to farmers. In addition, we focus on communication skills to disseminate the knowledge and skills to retailers, distributors and farmers.

We are screening numerous varieties of crops and identifying the appropriate crop protection chemicals to ensure that we can provide greater variety and adaptability to the farmers. We feel that farmers will be able to improve their agricultural output significantly in the next few years and this business is aligned to support this important cause.



Motors

Mechanized cultivation is a basic requirement of Bangladesh. Farmers use tractors for land preparation and for transport of agricultural outputs to the market place. Farmers were not adequately supported to fulfill this need, and their hardship was accentuated due to labor shortage. Furthermore, mechanization would increase productivity, lead to uniform quality of land preparation, and reduce the time between crops. To fulfill this need ACI Motors started its operation on November 2007, with a wide product range of agriculture machineries like tractors, power tillers and mini combine harvesters. We made a clear commitment to ensure supply of quality machineries and proper after sales service.

ACI Motors has been appointed as the national distributors of ITL, India for marketing of "Sonalika" tractor, the fastest growing brand in India. This tractor is especially designed for the

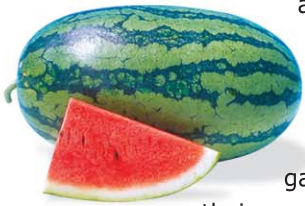
small land sizes and narrow roads of Bangladesh. From cultivating one's own land and providing rental service a farmer can get return on investment within 18 months from a tractor. ACI also provided flexible credit facilities for farmers and developed several sales and service centers to ensure proper after sales service, repairs and spare parts.

'Bull Power' power tiller and mini combine harvester, ACI's own brand has received tremendous response from the farmers. ACI Motor is planning to introduce light commercial vehicles like pickups and mini trucks to support farmers to carrying agricultural goods. Also, high quality diesel engines and pumps for irrigation purpose will be offered. This business shows considerable promise in contributing to the agricultural productivity of Bangladesh.



Seed

Seed industry is the most fundamental part of agriculture. The evolution of this industry towards high yielding variety and maintaining genetic diversity will play a critical role in ensuring sustainable increase in the agricultural output of Bangladesh. Keeping this challenge in mind, ACI started the seed business in 2006. Since that time, ACI has added the required resources in developing the business, which resulted in ACI attaining 11.5% market share in hybrid rice seeds. In water melon ACI is still the market leader enjoying 40% market share with Sugar Emperor. Our seeds have gained wide acceptance by farmers for their quality and yield. This has created a positive brand image and a foundation of trust on which we can expand the business.



Credibility among researchers, GO and NGOs, traders and farmers was established. Research on 67 hybrid rice varieties, 11 varieties of hybrid

maize, and another 59 varieties of eight different crops are being conducted. We have our own research and development stations in Rural Development Academy, Bogra, Bangabandhu Sheikh Mujibur Rahman Agricultural University (BSMRAU), Gazipur and Bangladesh Agricultural University, Mymensingh.

Our plan is to grow this business through proper communication of agricultural practices and ensure appropriate use of hybrid seeds. We are focusing on more research and development of biotech products to ensure superior quality and quantity of agricultural outputs in the country.



Fertilizer

Balanced fertilizer usage is the key to successful crop production and maintenance of soil health. Cropping intensity in our country is very high and consequently the soil fertility status is declining day by day. Fertilizers play the most important role in increasing crop yields. However, fertilizer marketing and distribution system is poorly organized. The problem is further accentuated because of the time sensitivity of fertilizer application. ACI Fertilizer has entered into this business with the intention to improve this sector through our strong farmer and distribution network and our ability to produce and market superior quality chemicals.

We have launched micronutrient fertilizers like Zinc Sulphate, Magnesium Sulphate, Ammonium Sulphate, Boron, Sulphur 90% and Sulphate of Potash. They were imported from China, U.S.A,

Canada, Taiwan, Argentina, and Turkey. We launched our products under the umbrella brand "Bumper" through integrated market communication.

Micronutrient fertilizers industry is still at its early stages. With increase in yield and cultivation of hybrid crops, replenishment of nutrients will drive this business. ACI Fertilizer will be prepared to facilitate this growth, with a view to enrich our portfolio with more basic fertilizers in the near future.





Subsidiaries and Associated Companies

Separate reports on each of the subsidiaries, ACI Salt and ACI Formulations along with their accounts are provided later in this report.

ACI Godrej Agrovet has been able to reach the full capacity of their feedmill. We are also able to produce feed at the lowest price due to efficiencies built into the purchase and operations. This business has grown considerably over last year.

Our joint venture company with Dabur International Ltd., Dubai, Asian Consumer Care (ACC) had increased their marketing activity through television commercials. They have also developed their own specialized sales team. They are yet to fully realize the result of their efforts.

Tetley ACI has struggled throughout the year against several strong competitors. The business is working toward stronger marketing efforts. They have also developed their own sales team for hot tea shops in urban towns.





Financial Results

In 2007, turnover increased to Tk. 4,917 million from Tk. 3,516 million of 2006, an increase of Tk. 1,401 million, resulting into 40 percent growth over last year. The cost of sales to turnover has rather decreased slightly by 0.5 percent compared to last year. Higher turnover coupled with lower cost of sales contributed to the increase of gross profit by 41.7 percent over last year. Profit after tax has also increased to Tk. 313 million from Tk. 154 million of 2006 which is higher by 103.5 percent mainly due to increased gross margin and gain from disposal of shares of ACI Trading Limited. Earnings per share also increased by 103.6 percent from Tk. 9.51 to Tk. 19.36 per share. Disregarding one off gain of Tk. 96.84 million (net of tax) from divesting ACI Trading shares, PAT comes to Tk. 216.20 million thereby showing 41 percent increase from last year with EPS of Tk. 13.37 (2006 Tk. 9.51).

Appropriation of Profit

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

| | |
|---|------------------------|
| Un-appropriated profit from previous year | Tk. 247,522,827 |
| Add Net profit after tax for the year | Tk. 313,035,231 |
| Add Realization of revaluation reserve | Tk. 3,242,472 |
| Total available for appropriation | Tk. 563,800,530 |
| Appropriation proposed: | |
| Proposed dividend | Tk. 137,445,000 |
| Balance carried forward | Tk. 426,355,530 |

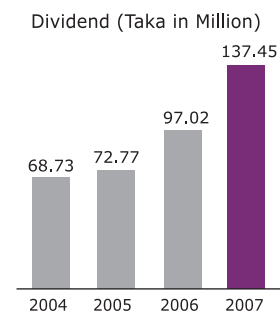
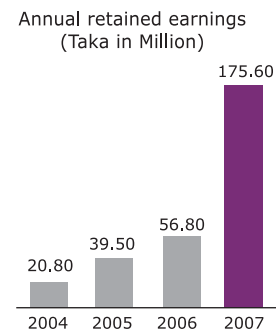
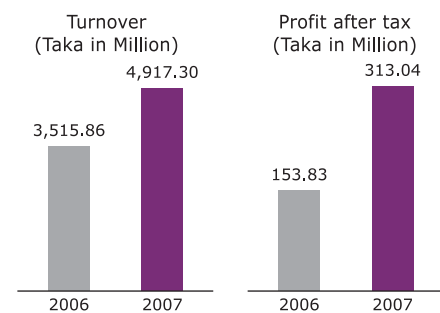
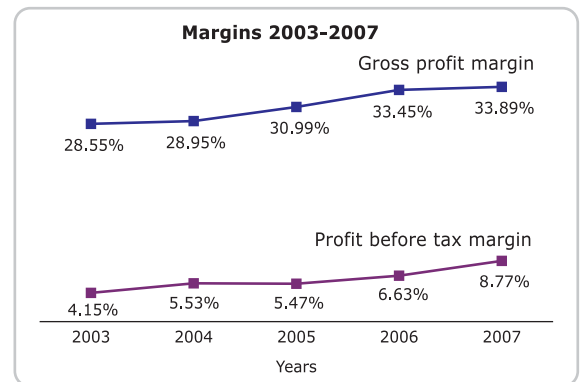
With the balance carried forward in this year and with future ploughing back of part of the profit, Directors are confident that company will be able to maintain consistent dividend policy in years to come.

Dividend

The Board of Directors is pleased to recommend declaration of dividend at the rate of Tk. 8.50 per share for the year 2007 to those shareowners whose names will appear at the Record Date for the 35th AGM.

Contribution to the National Exchequer

During 2007 the company contributed Tk 738.5 million to the National Exchequer in the form of corporate tax, custom duty, development surcharge, VAT, etc. This is equivalent to 15.02 percent of our net sales revenue for the year.





A. Statutory Information

In compliance with the SEC guidelines' condition no.- 1.4 the Directors confirm that:

- (a) The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- (b) Proper books of account of the Company have been maintained.
- (c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgement.
- (d) International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- (e) The system of internal control is sound in design and has been effectively implemented and monitored.

- (f) There are no significant doubts upon the Company's ability to continue as a going concern.
- (g) Significant deviations from last year in operating results of the Company have been highlighted in the Report and reasons thereof have been explained.
- (h) Key operating and financial data of preceding six years has been provided.
- (i) The company is declaring the dividend regularly.
- (j) The number of Board meetings held during the year and attendance by each Director is given in annexure-I.
- (k) The pattern of share holding is given in annexure-II.

B. Status of Compliance

The status of the compliance as per SEC guidelines' condition no.-5.0 is given in annexure-III.





People of ACI

Value communication has been an integral part of managing the company growth and diversification. We have tried to establish guidelines for observing values in action and ways in which this translates to day-to-day activities of employees at different levels.

Passion, integrity and talent are attributes we look for in our members to create the best work environment. Creativity and innovation are fostered to pave the path of growth. We envisage a corporate culture where learning and personal growth go hand in hand with the success of the company.

As a learning organization, training is the backbone of the company. Numerous training programs have been conducted on a variety of topics, ranging from focused, skill based programs to highly interactive leadership development sessions. Our service departments work closely with the business to produce customized solutions to challenges. Factories undergo stringent health, safety and environmental audits. Our factories have measurably improved in productivity and capacity to meet the increasing demand of our products.

We are pleased to be part of the Founding Member of the Global Growth Companies as accredited by the World Economic Forum. ACI has played its part in fulfilling its Corporate Social Responsibility by engaging in several sustainable social activities. As part of UN Global Compact we

have found opportunities where we synergize our business activities with social benefits. We are trying to ensure ACI's alignment with the "triple bottom line" concept of measuring success through our contribution to the people, planet, and financial strength of organization.

Finally and most importantly, I thank the employees of ACI in factories, depots, offices and other places throughout the country, for their untiring efforts against adversities, to put together a successful year. They worked hard to manage growth, diversity and complexity, which has challenged them from time to time. They faced the climatic adversities with courage and confidence, which allowed them to contribute more to the company and the nation.

Election of Director

By operation of Article 120 of the Company's Articles of Association Mr. Md. Ziaul Haque Khondker, Mrs. Najma Dowla and Ms. Shusmita Anis Salam retire by rotation and being eligible, offer themselves for re-election. Mr. Waliur Rahman Bhuiyan, OBE also retires under Article 108 of the Company's Articles of Association and being eligible offers himself for re-election.

Auditors

Our Auditor Messrs Rahman Rahman Huq, Chartered Accountants has sought re-appointment for the year 2008 and the Directors recommend their re-appointment.

On behalf of the Board

Dr. Arif Dowla
Managing Director

Md. Ziaul Haque Khondker
Director

**Annexure- I****Attendance of Board meetings**

During the year seven Board meetings were held and the attendance by each Director was as follow:

| Name | No. of Meeting Attended |
|--|--------------------------------|
| Mr. M Anis Ud Dowla | 5 |
| Mrs. Najma Dowla | 5 |
| Mr. Syed Manzur Elahi | 4 |
| Mr. Md. Ziaul Haque Khondker | 7 |
| Mr. Rafiqul Islam Khan (deceased - 30.09.2007) | 5 |
| Dr. Arif Dowla | 6 |
| Ms. Shusmita Anis Salam | 3 |
| Mr. Waliur Rahman | 2 |
| Mr. Wajed Salam | 2 |
| Mr. Waliur Rahman Bhuiyan, OBE | 2 |
| Ms. Sheema Abed Rahman | 7 |

Annexure- II**Pattern of Shareholding**

As per SEC guideline condition no-1.4(k), the pattern of share holding status as on 31 December 2007 is given below:

1.4 (K) (i) Held by Parent/ Subsidiary/ Associates and other related parties: n/a

1.4. (K) (ii) Held by Directors, Chief Executive Officer, Company Secretary, and Chief Financial Officer etc.:

| Name | Position | No of shares |
|--|--------------------------------|---------------------|
| Mr. M Anis Ud Dowla | Chairman | 4,042,462 |
| Mrs. Najma Dowla | Director | 45,220 |
| Mr. Syed Manzur Elahi | Director | 5,850 |
| Mr. Md. Ziaul Haque Khondker - representing ICB | Director | - |
| Mr. Rafiqul Islam Khan (deceased -30.09.2007) | Director | 3,000 |
| Dr. Arif Dowla | Managing Director | 185,153 |
| Ms. Shusmita Anis Salam | Director | 1,124 |
| Mr. Waliur Rahman- representing ACI Foundation | Director | - |
| Mr. Wajed Salam - representing ACI Foundation | Director | - |
| Mr. Waliur Rahman Bhuiyan, OBE - representing ACI Foundation since 4.11.2007 | Director | - |
| Ms. Sheema Abed Rahman | Company Secretary and Director | 8,250 |

1.4 (K) (iii) Held by Executive - No shares held by such executive

1.4 (K) (iv) Held by Shareowners holding ten percent or more voting right:

| Name | Position | No of shares |
|--------------------------------------|------------------------|---------------------|
| Mr. M Anis Ud Dowla | Chairman | 4,042,462 |
| Investment Corporation of Bangladesh | Institutional Investor | 2,044,070 |

Annexure- III**Status of Compliance**

Status of compliance with the condition imposed by the Commission's Notification No. SEC/CMRRCD/2006-158/Admin/ dated 20th February, 2006 issued under section 2CC of the Securities and Exchange Ordinance, 1969

| Condition No | Title | Compliance Status | | Explanation for non-compliance with the condition |
|---------------------|--|--|---------------------|--|
| | | (Put ✓ in the appropriate column) | | |
| | | Complied | Not Complied | |
| 1.1 | Number of the Board members of the company should not be less than 5 and more than 20. | ✓ | | |
| 1.2(i) | Number of Independent Directors should be at least 1/10 of the total number of Company's Board of Directors. | ✓ | | |
| 1.2(ii) | Independent Directors should be appointed by the elected directors. | ✓ | | |
| 1.3 | Chairman of the Board and Chief Executive Officer should preferably be filled by different individuals. | ✓ | | |
| 1.4(a) | Fair presentation of Financial Statements. | ✓ | | |
| 1.4(b) | Maintenance of Proper books of accounts. | ✓ | | |

Contd...

| | | | | |
|--------------|--|-----|--|--|
| 1.4(c) | Appropriate Accounting Policies applied consistently. | ✓ | | |
| 1.4(d) | International Accounting Standards, as applicable in Bangladesh have been followed in preparing the Financial Statements. | ✓ | | |
| 1.4(e) | Sound and Effective Internal Control System. | ✓ | | |
| 1.4(f) | Ability to continue as going concern. | ✓ | | |
| 1.4(g) | Significant deviations from last year in operating results. | ✓ | | |
| 1.4(h) | Summary of Key operating and financial data. | ✓ | | |
| 1.4(i) | If dividend has not been declared, the reasons thereof. | ✓ | | |
| 1.4(j) | Number of Board Meetings held during the year and attendance by each director. | ✓ | | |
| 1.4(k) | Pattern of share holding. | ✓ | | |
| 2.1 | Appointment of a CFO, a Head of Internal Audit and a Company secretary. | ✓ | | |
| 2.2 | Attend the Board meeting by CFO and Company Secretary. | ✓ | | |
| 3 | Constitution of Audit Committee. | ✓ | | |
| 3.1(i) | The Audit Committee should be composed of at least 3 members. | ✓ | | |
| 3.1(ii) | Members of Audit Committee should be appointed by the Board who are directors and one should be Independent Director. | ✓ | | |
| 3.1(iii) | Board of Directors should fill up the vacancy within one month of the vacancy in the Audit Committee. | ✓ | | |
| 3.2(i) | Board of Directors should select one member of the Audit Committee as Chairman of the Audit Committee. | ✓ | | |
| 3.2(ii) | Chairman of the Audit Committee should have a professional qualification or knowledge, understanding and experience in accounting or finance. | ✓ | | |
| 3.3.1(i) | Activities of the audit committee to the Board of Directors. | ✓ | | |
| 3.3.1(ii)(a) | Report on conflict of interest. | ✓ | | |
| 3.3.1(ii)(b) | Report on Fraud or irregularity or material defect in internal control system. | ✓ | | |
| 3.3.1(ii)(c) | Report on infringement of laws, including security related laws, rules and regulations. | ✓ | | |
| 3.3.1(ii)(d) | Report on any other matter which should be disclosed to the Board of Directors' immediately. | ✓ | | |
| 3.3.2 | Reporting to the Authorities: If the Audit Committee has reported to the Board of Directors about anything which has impact on the financial condition and results of operation and being ignored by the Board of Directors, the Audit Committee should report such findings to the Commission. | N/A | | |
| 3.4 | Reporting to the Shareholders: Report on activities carried by the Audit Committee including any report made to the Board of Directors under condition. 3.3.1 (ii) and the disclosure of which should be made in the annual report. | N/A | | |
| 4.00(i) | Appraisal or valuation services or fairness opinions. | ✓ | | |
| 4.00(ii) | Financial information system design and implementation. | ✓ | | |
| 4.00(iii) | Book-keeping or other services related to the accounting records or financial statements. | ✓ | | |
| 4.00(iv) | Broker-dealer services. | ✓ | | |
| 4.00(v) | Actuarial services. | ✓ | | |
| 4.00(vi) | Internal audit services. | | | |
| 4.00(vii) | Any other service that the Audit Committee determines. | ✓ | | |

On behalf of the Board


Dr. Arif Dowla
 Managing Director



Report and Audited Financial Statements for the year ended 31 December 2007





Auditors' Report to the Shareowners of Advanced Chemical Industries Limited

We have audited the accompanying balance sheet of Advanced Chemical Industries Limited as at 31 December 2007 and the related profit and loss account, statement of changes in equity and cash flow statement for the year then ended and all related consolidated financial statements. 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.

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). These standards require that we plan and perform the audit to obtain reasonable assurance 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.

In our opinion, based on our audit and on the report of other auditors, the financial statements prepared in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the state of affairs of the company and its subsidiaries as at 31 December 2007 and of the results of their operations and cash flows for the year then ended and comply with the Companies Act 1994, the Securities and 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 purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of these books;
- c) the balance sheets and profit and loss accounts dealt with by the report are in agreement with the books of accounts and returns; and
- d) the expenditure incurred was for the purposes of the company's business.

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

Dhaka, 30 April 2008



Advanced Chemical Industries Limited

Balance Sheet

as at 31 December 2007

| | Notes | 2007 Taka | 2006 Taka |
|--|-------|---------------|---------------|
| Assets | | | |
| Property, plant and equipment: | | | |
| At cost/revaluation | 4 | 1,327,151,308 | 1,094,190,103 |
| Accumulated depreciation | | (467,726,369) | (399,870,467) |
| | | 859,424,939 | 694,319,636 |
| Capital work-in-progress | | | |
| | 5 | 213,870,224 | 37,004,294 |
| | | 1,073,295,163 | 731,323,930 |
| Investments | | | |
| | 6 | 536,629,241 | 428,818,241 |
| | | 1,609,924,404 | 1,160,142,171 |
| Current assets: | | | |
| Inventory | 7 | 1,091,397,629 | 736,676,165 |
| Trade debtors | 8 | 898,891,044 | 410,135,374 |
| Other debtors | 9 | 136,565,703 | 65,818,549 |
| Advances, deposits and prepayments | 10 | 179,761,041 | 133,745,055 |
| Advance income tax | | 205,661,524 | 72,401,076 |
| Inter-company receivable | 11 | 551,416,377 | 293,218,617 |
| Cash and bank balances | 12 | 57,195,473 | 43,051,811 |
| | | 3,120,888,791 | 1,755,046,647 |
| | | 4,730,813,195 | 2,915,188,818 |
| Total assets | | | |
| Equity and liabilities | | | |
| Shareholders' equity: | | | |
| Share capital | 13 | 161,700,000 | 161,700,000 |
| Share premium | 14 | 250,022,474 | 250,022,474 |
| Capital reserve | 15 | 1,671,386 | 1,671,386 |
| Revaluation reserve | | 294,901,646 | 216,135,224 |
| Retained earnings | | 563,800,530 | 344,542,827 |
| | | 1,272,096,036 | 974,071,911 |
| Current liabilities: | | | |
| Bank overdraft | 16 | 271,195,982 | 126,757,321 |
| Short term bank loan | 17 | 1,142,396,717 | 698,498,975 |
| Long term bank loan - current portion | 18 | 62,504,602 | - |
| Trade creditors | | 132,277,207 | 79,630,620 |
| Other creditors | 19 | 478,332,706 | 306,087,482 |
| Inter-company liabilities | 20 | 758,658,669 | 362,544,680 |
| Obligation under finance lease - current portion | | 10,220,408 | 14,076,453 |
| Provision for taxation | 21 | 277,961,183 | 153,442,970 |
| | | 3,133,547,474 | 1,741,038,501 |
| | | 325,169,685 | 200,078,406 |
| | | 4,730,813,195 | 2,915,188,818 |
| Long term liabilities | | | |
| | 22 | | |
| Total equity and liabilities | | | |

The annexed notes 1 to 34 form an integral part of these financial statements.

Managing Director

Director

Company Secretary

As per our report of same date.

Auditors

Dhaka, 30 April 2008



Advanced Chemical Industries Limited

Consolidated Balance Sheet

as at 31 December 2007

| | Notes | 2007 Taka | 2006 Taka |
|--|--------|---------------|---------------|
| Assets | | | |
| Property, plant and equipment: | | | |
| At cost/revaluation | 4 (a) | 2,610,354,214 | 1,936,014,079 |
| Accumulated depreciation | | (660,423,664) | (542,619,801) |
| | | 1,949,930,550 | 1,393,394,278 |
| Capital work-in-progress | 5 (a) | 567,484,589 | 39,353,484 |
| | | 2,517,415,139 | 1,432,747,762 |
| Investments | | | |
| | 6 (a) | 62,045,192 | 38,069,558 |
| Goodwill | | | |
| | | 104,677,902 | 104,677,902 |
| Current assets: | | | |
| Inventory | 7 (a) | 1,583,048,365 | 1,239,158,326 |
| Trade debtors | 8 (a) | 907,118,206 | 442,973,398 |
| Other debtors | 9 (a) | 144,476,543 | 81,454,758 |
| Advances, deposits and prepayments | 10 (a) | 248,684,453 | 180,778,001 |
| Advance income tax | | 234,733,841 | 120,018,364 |
| Inter-company receivable | 11 (a) | 27,552,426 | 28,930,019 |
| Cash and bank balances | 12 (a) | 82,609,212 | 47,497,914 |
| | | 3,228,223,046 | 2,140,810,780 |
| | | 5,912,361,279 | 3,716,306,002 |
| Total assets | | | |
| Equity and liabilities | | | |
| Shareholders' equity: | | | |
| Share capital | | 161,700,000 | 161,700,000 |
| Share premium | | 250,022,474 | 250,022,474 |
| Capital reserve | | 1,671,386 | 1,788,902 |
| Special reserve | | - | 129,634 |
| Revaluation reserve | | 600,284,264 | 273,096,825 |
| Tax holiday reserve | | - | 34,470,939 |
| Retained earnings | | 693,105,337 | 411,902,336 |
| | | 1,706,783,461 | 1,133,111,110 |
| Minority interest | | 88,083,300 | 79,265,885 |
| | | 1,794,866,761 | 1,212,376,995 |
| Current liabilities: | | | |
| Bank overdraft | 16 (a) | 314,191,451 | 166,139,092 |
| Short term bank loan | 17 (a) | 1,915,031,415 | 1,178,656,452 |
| Long term bank loan - current portion | 18 (a) | 154,804,698 | 46,247,311 |
| Trade creditors | | 152,025,307 | 100,604,313 |
| Other creditors | 19 (a) | 607,422,628 | 404,771,676 |
| Inter-company liabilities | 20 (a) | - | 18,000 |
| Obligation under finance lease - current portion | | 10,220,408 | 14,825,758 |
| Provision for taxation | 21 (a) | 328,246,138 | 222,549,196 |
| | | 3,481,942,045 | 2,133,811,798 |
| Long term liabilities | | | |
| | 22 (a) | 635,552,473 | 370,117,209 |
| Total equity and liabilities | | | |
| | | 5,912,361,279 | 3,716,306,002 |

The annexed notes 1 to 34 form an integral part of these financial statements.

Managing Director

Director

Company Secretary

As per our report of same date.

Auditors

Dhaka, 30 April 2008

Advanced Chemical Industries Limited

Profit and Loss Account

for the year ended 31 December 2007

| | Notes | 2007 Taka | 2006 Taka |
|---|-------|-----------------|-----------------|
| Sales | 23 | 4,917,304,331 | 3,515,862,372 |
| Cost of sales | 24 | (3,250,711,677) | (2,339,975,616) |
| Gross profit | | 1,666,592,654 | 1,175,886,756 |
| Administrative, selling and distribution expenses | 25 | (1,235,098,936) | (884,474,379) |
| Operating profit | | 431,493,718 | 291,412,377 |
| Other income | 26 | 23,346,716 | 35,345,860 |
| Profit from sale of shares of ACI Trading Ltd. | | 118,818,000 | - |
| | | 573,658,434 | 326,758,237 |
| Financing cost | 27 | (119,087,159) | (81,555,964) |
| | | 454,571,275 | 245,202,273 |
| Provision for contribution to WPPF | | (22,728,564) | (12,260,114) |
| Profit before tax | | 431,842,711 | 232,942,159 |
| Income tax expenses: | | | |
| Current tax expense | | (124,518,213) | (97,598,579) |
| Deferred tax income | | 5,710,733 | 18,482,035 |
| | | (118,807,480) | (79,116,544) |
| Net profit after tax | | 313,035,231 | 153,825,615 |
| Earnings per share (EPS) | | 19.36 | 9.51 |

The annexed notes 1 to 34 form an integral part of these financial statements.



 Managing Director



 Director



 Company Secretary

As per our report of same date.



 Auditors

Dhaka, 30 April 2008



Advanced Chemical Industries Limited Consolidated Profit and Loss Account

for the year ended 31 December 2007

| | Notes | 2007 Taka | 2006 Taka |
|---|-------|----------------------|----------------------|
| Sales | 23(a) | 5,756,817,829 | 4,237,856,136 |
| Cost of sales | 24(a) | (3,749,131,735) | (2,770,641,893) |
| Gross profit | | 2,007,686,094 | 1,467,214,243 |
| Administrative, selling and distribution expenses | 25(a) | (1,392,203,373) | (1,014,602,710) |
| Operating profit | | 615,482,721 | 452,611,533 |
| Other income | 26(a) | 83,171,466 | 56,050,015 |
| | | 698,654,187 | 508,661,548 |
| Profit from disposal of subsidiary | | 86,181,149 | - |
| Profit/(loss) from associates and joint ventures | | (3,831,367) | (36,965,835) |
| | | 781,003,969 | 471,695,713 |
| Financing cost | 27(a) | (220,521,137) | (163,661,101) |
| | | 560,482,832 | 308,034,612 |
| Provision for contribution to WPPF | | (28,671,365) | (17,679,294) |
| Profit before tax | | 531,811,467 | 290,355,318 |
| Income tax expenses: | | | |
| Current tax expense | | (177,604,949) | (137,361,942) |
| Deferred tax income | | 8,380,237 | 14,883,726 |
| | | (169,224,712) | (122,478,216) |
| Net profit after tax | | 362,586,755 | 167,877,102 |
| Minority interest | | (22,324,315) | (2,291,243) |
| Profit after tax and minority interest | | 340,262,440 | 165,585,859 |
| Earnings per share (EPS) | | 21.04 | 10.24 |

The annexed notes 1 to 34 form an integral part of these financial statements.

Managing Director

Director

Company Secretary

As per our report of same date.

Auditors

Dhaka, 30 April 2008

Advanced Chemical Industries Limited

Statement of Changes in Equity

for the year ended 31 December 2007

| Particulars | Share capital | Share premium | Capital reserve | Special reserve | Revaluation reserve | Retained earnings | Total |
|--|---------------|---------------|-----------------|-----------------|---------------------|-------------------|---------------|
| | Taka | Taka | Taka | Taka | Taka | Taka | Taka |
| Balance as at 1 January 2006 | 161,700,000 | 250,022,474 | 1,671,386 | 1,111,822 | 229,578,470 | 261,851,117 | 905,935,269 |
| Adjustment for deferred tax on revalued of land | - | - | - | - | (13,079,755) | - | (13,079,755) |
| Net profit after tax | - | - | - | - | - | 153,825,615 | 153,825,615 |
| Special reserve transferred to retained earnings | - | - | - | (1,111,822) | - | 1,111,822 | - |
| Realization of revaluation reserve | - | - | - | - | (363,491) | 519,273 | 155,782 |
| Dividends | - | - | - | - | - | (72,765,000) | (72,765,000) |
| Balance as at 31 December 2006 | 161,700,000 | 250,022,474 | 1,671,386 | - | 216,135,224 | 344,542,827 | 974,071,911 |
| Net profit after tax | - | - | - | - | - | 313,035,231 | 313,035,231 |
| Revaluation surplus (net of deferred tax) | - | - | - | - | 81,036,152 | - | 81,036,152 |
| Realization of revaluation reserve | - | - | - | - | (2,269,730) | 3,242,472 | 972,742 |
| Dividends | - | - | - | - | - | (97,020,000) | (97,020,000) |
| Balance as at 31 December 2007 | 161,700,000 | 250,022,474 | 1,671,386 | - | 294,901,646 | 563,800,530 | 1,272,096,036 |



Advanced Chemical Industries Limited

Consolidated Statement of Changes in Equity

for the year ended 31 December 2007

| Particulars | Share capital | Share premium | Capital reserve | Special reserve | Revaluation reserve | Tax holiday reserve | Retained earnings | Minority interest | Total |
|---|---------------|---------------|-----------------|-----------------|---------------------|---------------------|-------------------|-------------------|---------------|
| | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka |
| Balance as at 1 January 2006 | 161,700,000 | 250,022,474 | 1,788,902 | 1,241,456 | 286,540,071 | 26,272,791 | 325,819,135 | 75,453,643 | 1,128,838,472 |
| Adjustment for deferred tax on revalued land | - | - | - | - | (13,079,755) | - | - | - | (13,079,755) |
| Adjustment for unrecognized loss of Associates | - | - | - | - | - | - | (170,605) | - | (170,605) |
| Net profit after tax | - | - | - | - | - | - | 165,585,859 | - | 165,585,859 |
| Transfer to tax holiday reserve | - | - | - | - | - | 8,198,148 | (8,198,148) | - | - |
| Transfer from special reserve | - | - | - | (1,111,822) | - | - | 1,111,822 | - | - |
| Dividends | - | - | - | - | - | - | (72,765,000) | (480,000) | (73,245,000) |
| Realization of revaluation surplus | - | - | - | - | (363,491) | - | 519,273 | - | 155,782 |
| Minority interest | - | - | - | - | - | - | - | 4,292,242 | 4,292,242 |
| Balance at 31 December 2006 | 161,700,000 | 250,022,474 | 1,788,902 | 129,634 | 273,096,825 | 34,470,939 | 411,902,336 | 79,265,885 | 1,212,376,995 |
| Net profit after tax | - | - | - | - | - | - | 340,262,440 | - | 340,262,440 |
| Transfer to tax holiday reserve | - | - | - | - | - | 982,003 | (982,003) | - | - |
| Transfer from tax holiday reserve no longer required | - | - | - | - | - | (35,452,942) | 35,452,942 | - | - |
| Dividends | - | - | - | - | - | - | (97,020,000) | (1,920,000) | (98,940,000) |
| Realization of revaluation surplus | - | - | - | - | (2,269,730) | - | 3,242,472 | - | 972,742 |
| Post acquisition reserve transferred to retained earnings | - | - | (117,516) | (129,634) | - | - | 247,150 | - | - |
| Revaluation reserve created during the year | - | - | - | - | 329,457,169 | - | - | - | 329,457,169 |
| Minority interest | - | - | - | - | - | - | - | 10,737,415 | 10,737,415 |
| Balance at 31 December 2007 | 161,700,000 | 250,022,474 | 1,671,386 | - | 600,284,264 | - | 693,105,337 | 88,083,300 | 1,794,866,761 |

Advanced Chemical Industries Limited

Cash Flow Statement

for the year ended 31 December 2007

| | 2007 Taka | 2006 Taka |
|---|-----------------|-----------------|
| A) Cash flows from operating activities | | |
| Cash receipts from customers | 4,908,736,690 | 3,806,112,232 |
| Cash receipts from other income | 21,223,737 | 35,289,395 |
| Receipts from/(payments to) other debtors | (69,587,526) | (24,445,421) |
| | 4,860,372,901 | 3,816,956,206 |
| Cash paid for: | | |
| Purchase of inventory | (3,460,939,880) | (2,367,519,806) |
| Operating expenses | (1,085,495,897) | (770,911,187) |
| Receipts from/(payments to) other creditors | 40,737,264 | (11,951,130) |
| Financing cost | (119,319,310) | (81,555,964) |
| Payments for advances, deposits and prepayments | (35,593,801) | 11,008,583 |
| Income tax | (133,260,448) | (59,835,560) |
| Value added tax (VAT) | (539,079,179) | (410,940,340) |
| Workers' profit participation fund | (10,793,892) | (2,207,532) |
| | (5,343,745,143) | (3,693,912,936) |
| <i>Net cash flow from/(used in) operating activities</i> | (483,372,242) | 123,043,270 |
| B) Cash flows from investing activities | | |
| Purchases of property, plant and equipment | (33,053,436) | (10,948,620) |
| Payments for capital work in progress | (266,499,330) | (32,175,356) |
| Investment in shares | (108,531,000) | (48,019,000) |
| Sale proceeds from property, plant and equipment | 2,595,400 | 1,511,241 |
| Sales of shares of subsidiary | 119,538,000 | - |
| <i>Net cash used in investing activities</i> | (285,950,366) | (89,631,735) |
| C) Cash flows from financing activities | | |
| Inter-company debts | 137,916,229 | 42,393,545 |
| Dividend paid | (95,201,895) | (71,172,362) |
| Payment for finance lease | (14,387,713) | (19,168,801) |
| Short term loan (paid)/received | 506,402,344 | 161,713,248 |
| Long term loan (paid)/received | 104,298,644 | (28,766,555) |
| <i>Net cash flows provided by financing activities</i> | 639,027,609 | 84,999,075 |
| D) Net cash inflows/(outflows) from total activities (A+B+C) | (130,294,999) | 118,410,610 |
| E) Opening balance | (83,705,510) | (202,116,120) |
| F) Closing balance (D+E) | (214,000,509) | (83,705,510) |
| Closing balance represents: | | |
| Cash in hand and at bank | 57,195,473 | 43,051,811 |
| Bank overdraft | (271,195,982) | (126,757,321) |
| | (214,000,509) | (83,705,510) |



Advanced Chemical Industries Limited

Consolidated Cash Flow Statement

for the year ended 31 December 2007

| | 2007 Taka | 2006 Taka |
|--|------------------------|------------------------|
| A Cash flows from operating activities | | |
| Cash receipts from customers | 5,720,898,542 | 4,475,228,183 |
| Cash receipts from other income | 38,198,506 | 57,059,881 |
| Receipts from/(payments to) other debtors | (69,587,526) | (25,856,727) |
| | <u>5,689,509,522</u> | <u>4,506,431,337</u> |
| Cash paid for: | | |
| Purchase of inventory | (3,902,876,736) | (2,837,287,508) |
| Operating expenses | (1,247,587,544) | (903,926,092) |
| Receipts from/(payments to) other creditors | 40,104,658 | (12,391,675) |
| Financing cost | (216,045,054) | (158,586,084) |
| Payments for advances, deposits and prepayments | (33,923,599) | (14,871,907) |
| Income tax | (191,344,829) | (59,835,560) |
| Value added tax (VAT) | (539,079,179) | (435,495,125) |
| Workers' profit participation fund | (10,793,892) | (7,626,712) |
| | <u>(6,101,546,175)</u> | <u>(4,430,020,663)</u> |
| <i>Net cash flow from/(used in) operating activities</i> | <u>(412,036,653)</u> | <u>76,410,674</u> |
| B Cash flows from investing activities | | |
| Purchases of property, plant and equipment | (173,030,461) | (38,164,709) |
| Payments for capital work in progress | (676,386,404) | (77,115,119) |
| Investment in shares | (37,200,000) | (10,000,000) |
| Sale proceeds from property, plant and equipment | 2,882,090 | 1,511,241 |
| Sales of shares of subsidiary | 121,992,778 | - |
| Proceeds from sale of investment in shares- Mutual Trust Bank | 52,763,741 | - |
| <i>Net cash used in investing activities</i> | <u>(708,978,256)</u> | <u>(123,768,587)</u> |
| C Cash flows from financing activities | | |
| Paid to minority interest | (1,920,000) | (480,000) |
| Inter-company debts | 15,994,477 | (13,766,700) |
| Dividend paid | (95,201,895) | (71,172,362) |
| Short term loan (paid)/received | 844,932,351 | 284,694,648 |
| Long term long (paid)/received | 248,618,953 | (27,299,509) |
| Issue of shares | 10,651,000 | 2,001,000 |
| Payment for finance lease | (15,001,038) | (19,404,533) |
| <i>Net cash flows from financing activities</i> | <u>1,008,073,848</u> | <u>154,572,544</u> |
| D Net cash inflows/(outflows) from total activities (A+B+C) | (112,941,061) | 107,214,631 |
| E Opening balance | (118,641,178) | (225,855,809) |
| F Closing balance (D+E) | <u>(231,582,239)</u> | <u>(118,641,178)</u> |
| Closing balance represents: | | |
| Cash in hand and at bank | 82,609,212 | 47,497,914 |
| Bank overdraft | (314,191,451) | (166,139,092) |
| | <u>(231,582,239)</u> | <u>(118,641,178)</u> |

Advanced Chemical Industries Limited

Notes to the Financial Statements

as at and for the year ended 31 December 2007

1. Reporting entity

Advanced Chemical Industries Limited is a public limited company which was incorporated on 24 January 1973 as ICI Bangladesh Manufacturers Ltd. The principal activities of the company are to manufacture pharmaceuticals, consumer brands, public health and animal health products and to market them along with agrochemicals, seeds and other consumer brand items.

The company is listed with Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited (CSE).

1.1 Description of subsidiaries

1.1.1 ACI Formulations Limited

The company was incorporated on 29 October 1995 as a private limited company. The principal activity of the company is manufacturing and marketing of a number of agrochemical and consumer products. Most of the sales are to Advanced Chemical Industries Limited (ACI Limited), which is responsible for marketing these products.

1.1.2 ACI Salt Limited

The company was incorporated on 13 June 2004 as a private limited company under the Companies Act 1994. The principal activity of the company is manufacturing and marketing of edible salt.

1.1.3 ACI Foods Limited

The company was incorporated on 14 September 2006 as a private limited company under the Companies Act 1994. The main objective of the company amongst other is to carry on the business of manufacturing and marketing of different types of spices and other food products including candy. However, there was no business operation during the period under review.

1.1.4 ACI Pure Flour Limited

The company was incorporated on 29 August 2006 as a private limited company under the Companies Act 1994. The main objective of the company is to carry on the business of processing, packaging and marketing of flour products both for local consumption and export market. However, there was no business operation during the period under review.

1.1.5 Apex Leather Craft Limited

The company was incorporated on 22 May 1990 as a private limited company under the Companies Act 1994. There was no other business activity of the company other than letting out its property to ACI Ltd.



1.1.6 Flyban Insecticides Limited

The company was incorporated on 5 October 1991 as a private limited company under the Companies Act 1994. The Company's main function is the manufacture and sale of mosquito coil. There was no business operation during the period under review.

1.1.7 ACI Agrochemicals Limited

The company was incorporated on 4 July 2006 as a private limited company under the Companies Act 1994. The main objective of the company is to carry on the business of manufacturing, formulating and packaging of pesticide, fertilizer, plant nutrient and animal food and nutrient products. The company is yet to start its operation.

1.1.8 ACI Motors Limited

The company was incorporated on 11 December 2007 as a private limited company under the Companies Act 1994. The main objective of the company is to carry on the business of buying, selling, importing and assembling of vehicles of both agricultural and non-agricultural use including supplying spare parts and providing service facilities for vehicles. However, there was no operation during the period under review.

1.1.9 Creative Communication Limited

The company was incorporated on 2 September 2007 as a private limited company under the Companies Act 1994. The principal activities of the company are managing media solutions and similar services for different clients including television commercials and other advertisement and promotion related activities. However, there was no operation during the period under review.

1.1.10 Premiaflex Plastics Limited

The company was incorporated on 11 June 2007 as a private limited company under the Companies Act 1994. The main objective of the company is to carry out the business of manufacturing and marketing of plastic products, flexible printing and other ancillary business associated with plastic and flexible printing. The company is expected to start its operation in 3rd Quarter of 2008.

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared on going concern basis under the historical cost convention, except for certain assets which are stated at revalued amount, in accordance with Bangladesh Accounting Standards (BAS)/Bangladesh Financial Reporting Standards (BFRS), Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

2.2 Date of authorization

The board of directors has authorized the financial statements on 30 April 2008 for public issue.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain assets which are stated at revalued amount.

2.4 Functional and presentational currency and level of precision

These financial statements are prepared in Bangladesh Taka (Taka/Tk), which is the company's functional currency. All financial information presented in Taka have been rounded to the nearest Taka.

2.5 Use of estimates and judgement

The preparation of financial statements in conformity with BASs/BFRSs require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 7 - inventory valuation
- Note 8 - bad debt provision
- Note 22 - measurement of liability for staff gratuity
- Note 19 - other creditors
- Note 21 - provision for taxation
- Note 22 - deferred tax liabilities
- Note 22.2 - lease classification
- Note 32.2 - contingent liability

2.6 Reporting period

The financial period of the companies other than the two associates namely Stochastic Logic Limited and Asian Consumer Care Limited covers one year from 1 January to 31 December and is followed consistently.

| | |
|-----------------------------|--------------------------|
| Stochastic Logic Limited | From 1 August to 31 July |
| Asian Consumer Care Limited | From 1 April to 31 March |

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Basis of consolidation

3.1.1 Subsidiaries

Subsidiaries are entities controlled by ACI Limited. Control exists when ACI Limited has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by ACI Limited.



3.1.2 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of ACI Limited's interest in the investee. Unrealized losses, if any, are eliminated in the same way as unrealized gains, but only to the extent there is no evidence of impairment.

3.2 Property, plant and equipment

3.2.1 Recognition and measurement

Items of property, plant and equipment are measured at cost or revaluation less accumulated depreciation less impairment loss, if any. Capital work in progress represents the cost incurred for acquisition and/or construction of items of property, plant and equipment that were not ready for use at the end of 2007 and these are stated at cost. The items of property, plant and equipment were revalued in the year 2004 and 2007 by a firm of professional valuers on the basis of open market value.

3.2.2 Depreciation

All items of property, plant and equipment have been depreciated on straight line basis. Depreciation on additions are charged at 50% of normal rates only in the year of acquisition and no depreciation is charged in the year of disposal. Depreciation is charged at the rates varying from 2.5% to 20% depending on the estimated useful lives of assets. No depreciation is charged for land and capital work in progress.

The revalued items of property, plant and equipment are depreciated by writing off their revalued amount at the date of revaluation over their remaining estimated useful lives.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|--|----------|
| Building | 40 years |
| Plant and machinery | 10 years |
| Furniture and fixture | 10 years |
| Electrical and other office appliances | 10 years |
| Office machinery | 10 years |
| Vehicles | 5 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date. No estimates in respect of items of property, plant and equipment were revised in 2007.

3.2.3 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the profit and loss account as incurred.

3.3 Goodwill

Goodwill arises on the acquisition of subsidiaries:

Goodwill represents the excess of the cost of the acquisition over the group's interest in the net value of the identifiable assets and liabilities of the acquiree on the date of acquisition.

Subsequent measurement:

Goodwill is measured at cost less accumulated impairment losses.

3.4 Trade and other receivables

Trade and other receivables are initially recognized at cost which is the fair value of the consideration given in return. After initial recognition these are carried at cost less impairment losses due to uncollectibility of any amount so recognized.

3.5 Advances, deposits and prepayments

Advances are initially measured at cost. After initial recognition advances are carried at cost less deductions, adjustments or charges to other account heads such as property, plant and equipment, inventory or expenses.

Deposits are measured at payment value.

Prepayments are initially measured at cost. After initial recognition prepayments are carried at cost less charges to profit and loss account.

3.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at banks which are held and available for use by the company without any restriction.

3.7 Provision

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.8 Contingencies

Contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

3.9 Income tax expenses

Income tax comprises of both current and deferred tax.

3.9.1 Current tax

The applicable tax rate for the company is 30%. Since the company qualifies as a "publicly traded company" hence is entitled to 10% rebate if dividend declared is more than 20% of paid up capital. Provision for taxation has been made on the basis of Finance Ordinance 2007.

3.9.2 Deferred tax

The company recognized deferred tax in accordance with the provision of BAS 12: Income Taxes. Deferred tax arises due to temporary difference deductible or taxable for the events or transaction recognized in the income statement. A temporary difference is the difference between the tax base of an asset or liability and its carrying amount/reported amount in the financial statement. Deferred tax asset or liability is the amount of income tax recoverable or payable in future period(s) recognized in the current period. The deferred tax asset/income or liability/expense does not create a legal liability/recoverability to and from the income tax authority. Deferred tax also arises due to revaluation of property, plant and equipment. The resulting impact of deferred tax assets/liabilities on revaluation reserve is included in statement of changes in equity.



3.10 Investment in shares

In the separate financial statements of the company, all investments are carried at costs.

In the Consolidated Financial Statements of Advanced Chemical Industries Limited and its subsidiaries, following valuation principles have been used:

Long term investments - Valued at cost or revalued amounts when there is a decline in value which is not temporary. This is consistent as per BAS 25: Accounting for Investment, applicable for periods upto those ending before 31 December 2007.

Associates and joint ventures - Associates are those entities in which the ACI Limited has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities ACI Limited has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the ACI Limited's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the ACI Limited, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. This is consistent with BAS 28: Investments in Associates and BAS 31: Interests in Joint Ventures.

3.11 Foreign currency transactions

Foreign currency transactions are converted at the rates ruling on the dates advices are received. Monetary assets and liabilities are reconverted at rates ruling at the balance sheet date. All exchange differences are charged/credited to profit and loss account by being absorbed in the respective head of income or expenditure.

3.12 Revenue recognition

3.12.1 Revenue arising from sale of goods

a) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

b) Cash on delivery sales

Revenue is recognised when delivery is made and cash is received by the seller.

3.12.2 Revenue arising from services

Revenue from services rendered is recognized in profit and loss account in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

3.12.3 Revenue arising from commission

When the company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised in the net amount of commission made by the company.

3.12.4 Dividend income

Dividend income is recognised when right to receive payment of such dividend is established.

3.13 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operation capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Stock in transit represents the cost incurred up to the date of the balance sheet for the items that were not received till to the date of balance sheet. Inventory losses and abnormal losses were recognized as expenses.

3.14 Finance income and expenses

Finance income comprises of interest income of fund invested. Interest income is recognized on accrual basis.

Finance expenses comprise interest expense on bank loan, finance lease and other borrowings. All borrowing cost are recognized in the profit and loss account using effective interest method.

3.15 Cash flow statement

Cash flow from operating activities have been presented under direct method.

3.16 Workers' profit participation fund

The company has created a fund for workers as workers' profit participation fund and 5% of profit before charging such expense has been transferred to this fund.

3.17 Employee benefits

The company operates an unfunded gratuity scheme, provision in respect of which is made annually covering all its permanent eligible employees. This scheme is qualified as a defined benefits scheme. There are two recognized provident funds for all employees of the company. These qualify as defined contribution scheme. The company also has a group insurance policy for all management staff. Actuarial valuation of gratuity scheme was last made in 2006 to assess the adequacy of the liabilities provided for the schemes as per BAS 19: Employee Benefits.

3.17.1 Defined contribution plan (provident fund)

Defined contribution plan is a post employment benefit plan under which the company provides benefits for one or more employees. The recognised Employees' Provident Fund is being considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10% of their basic salary to the provident fund and the company also makes equal contribution.

The company recognises contribution to defined contribution plan as an expense when an employee has rendered services in exchange for those contribution. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.



3.17.2 Defined benefit plan (gratuity)

Defined benefit plan is a retirement benefit plan under which amounts to be paid as retirement benefits are determined by reference to employees' earnings and/or year of services. The recognised Employees' Gratuity Fund is being considered as defined benefit plan as it meets the recognition criteria. The company's obligation is to provide the agreed benefits to current employees as per condition of the fund.

Present value of defined benefit obligation and the fair value of the plan assets were determined by professional actuary. Projected Unit Credit method is used to measure the present value of defined benefit obligations and related current and past service cost and mutually compatible actuarial assumptions about demographic and financial variables were used. The difference between fair value of the plan assets and present value of obligation is recognised as a liability or an asset in the balance sheet.

The rate used to discount post employment benefit obligations is determined by reference to the rate stated in actuarial report. The expected return on plan assets is based on market expectation and is one of the component of expenses recognised in the profit and loss account. Total expenses recognised in the profit and loss account comprise of current service cost, interest cost, expected return on plan assets.

3.17.3 Leave encashment

The company makes provision for annual leave encashment based on latest basic salary.

3.18 Leased assets

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3.19 Earning per share

The company and the Group (which is made up ACI Limited and its subsidiaries and associates) present basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company/Group by the weighted average number of ordinary shares outstanding during the period.

No diluted earnings per share is required to be calculated for the year as there was no scope for dilution during the year under review.

3.20 Segment reporting

A segment is a distinguishable component of ACI Limited and its subsidiaries that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. ACI Limited and its subsidiaries' primary format for segment is based on business segments. Segment information is presented only on the basis of the consolidated financial statements.

4. Property, plant and equipment

a) Own assets

i) Cost

| Particulars | Cost | | | | | | Depreciation | | | | | | Carrying amount as at 31 December 2007 |
|--|----------------------|---------------------------|-----------------------|--------------------------|----------------------------|------------------------|--------------|----------------------|-------------------------|--------------------------|----------------------------|------------------------|--|
| | As at 1 January 2007 | Additions during the year | Transferred from CWIP | Disposal during the year | Adjustment during the year | As at 31 December 2007 | Rate | As at 1 January 2007 | Charged during the year | Disposal during the year | Adjustment during the year | As at 31 December 2007 | |
| | Taka | Taka | Taka | Taka | Taka | Taka | | Taka | Taka | Taka | Taka | Taka | |
| Land | 46,318,282 | - | - | - | - | 46,318,282 | | - | - | - | - | - | 46,318,282 |
| Building | 133,829,992 | - | 9,235,840 | - | - | 143,065,832 | 2.5% | 18,073,683 | 3,461,198 | - | - | 21,534,881 | 121,530,951 |
| Plant and machinery | 357,955,773 | 1,064,994 | 76,080,379 | - | - | 435,101,146 | 10.0% | 184,768,238 | 29,036,647 | - | - | 213,804,885 | 221,296,261 |
| Furniture and fixture | 38,439,592 | 2,554,527 | 2,386,003 | - | - | 43,380,122 | 10.0% | 22,054,259 | 3,901,020 | - | - | 25,955,279 | 17,424,843 |
| Electrical and other office appliances | 44,948,846 | 1,152,850 | 1,931,178 | - | - | 48,032,874 | 10.0% | 26,942,707 | 3,591,040 | - | - | 30,533,747 | 17,499,127 |
| Office machinery | 34,749,698 | 6,593,144 | - | - | - | 41,342,842 | 10.0% | 19,793,071 | 3,602,832 | - | - | 23,395,903 | 17,946,939 |
| Vehicles | 73,704,425 | 21,687,921 | - | (5,552,591) | 14,284,610 | 104,124,365 | 20.0% | 63,851,902 | 6,441,034 | (5,541,778) | 12,357,140 | 77,108,298 | 27,016,067 |
| Total (i) | 729,946,608 | 33,053,436 | 89,633,400 | (5,552,591) | 14,284,610 | 861,365,463 | | 335,483,860 | 50,033,771 | (5,541,778) | 12,357,140 | 392,332,993 | 469,032,470 |

ii) Revaluation

| Particulars | Revaluation | | | | | | Depreciation | | | | | | Carrying amount as at 31 December 2007 |
|--|----------------------|---------------------------|-----------------------|--------------------------|----------------------------|------------------------|--------------|----------------------|-------------------------|--------------------------|----------------------------|------------------------|--|
| | As at 1 January 2007 | Additions during the year | Transferred from CWIP | Disposal during the year | Adjustment during the year | As at 31 December 2007 | Rate | As at 1 January 2007 | Charged during the year | Disposal during the year | Adjustment during the year | As at 31 December 2007 | |
| | Taka | Taka | Taka | Taka | Taka | Taka | | Taka | Taka | Taka | Taka | Taka | |
| Land | 168,547,862 | 115,500,000 | - | - | - | 284,047,862 | | - | - | - | - | - | 284,047,862 |
| Building | 39,473,129 | 291,432 | - | - | - | 39,764,561 | 2.5% | 7,819,808 | 986,828 | - | - | 8,806,636 | 30,957,925 |
| Plant and machinery | 70,435,559 | - | - | - | - | 70,435,559 | 10.0% | 17,609,159 | 7,043,556 | - | - | 24,652,715 | 45,782,844 |
| Furniture and fixture | (703,383) | - | - | - | - | (703,383) | 10.0% | (175,845) | (70,338) | - | - | (246,183) | (457,200) |
| Electrical and other office appliances | (1,572,866) | - | - | - | - | (1,572,866) | 10.0% | (393,218) | (157,287) | - | - | (550,505) | (1,022,361) |
| Office machinery | 1,350,619 | - | - | - | - | 1,350,619 | 10.0% | 337,653 | 135,061 | - | - | 472,714 | 877,905 |
| Vehicles | 28,957,436 | - | (3,242,472) | (3,242,472) | - | 25,714,964 | 20.0% | 14,478,714 | 5,142,996 | (1,621,236) | - | 18,000,474 | 7,714,490 |
| Total (ii) | 306,488,356 | 115,791,432 | - | (3,242,472) | - | 419,037,316 | | 39,676,271 | 13,080,816 | (1,621,236) | - | 51,135,851 | 367,901,465 |
| Total assets (i+ii) | 1,036,434,964 | 148,844,868 | 89,633,400 | (8,795,063) | 14,284,610 | 1,280,402,779 | | 375,160,131 | 63,114,587 | (7,163,014) | 12,357,140 | 443,468,844 | 836,933,935 |

Note: Assets under revaluation represent only the revaluation gain/(loss); i.e. these are stated at revalued amount less cost.

b) Leased assets

| | | | | | | | | | | | | | |
|------------------|---------------|-------------|------------|-------------|--------------|---------------|-------|-------------|------------|-------------|--------------|-------------|-------------|
| Vehicles | 57,755,139 | 3,278,000 | - | - | (14,284,610) | 46,748,529 | 20.0% | 24,735,836 | 11,878,829 | - | (12,357,140) | 24,257,525 | 22,491,004 |
| Total 2007 (a+b) | 1,094,190,103 | 152,122,868 | 89,633,400 | (8,795,063) | - | 1,327,151,308 | | 399,895,967 | 74,993,416 | (7,163,014) | - | 467,726,369 | 859,424,939 |
| Total 2006 | 1,073,394,360 | 15,379,613 | 8,461,913 | (3,045,783) | - | 1,094,190,103 | | 329,928,253 | 72,306,643 | (2,364,429) | - | 399,870,467 | 694,319,636 |

4(a) Consolidated property, plant and equipment

a) Own assets

i) Cost

| Particulars | Cost | | | | | Depreciation | | | | | Carrying amount as at 31 December 2007 | |
|--|----------------------|---------------------------|-----------------------|--------------------------|----------------------------|------------------------|-------|----------------------|-------------------------|--------------------------|--|----------------------------|
| | As at 1 January 2007 | Additions during the year | Transferred from CWIP | Disposal during the year | Adjustment during the year | As at 31 December 2007 | Rate | As at 1 January 2007 | Charged during the year | Disposal during the year | | Adjustment during the year |
| Land | Taka | Taka | Taka | Taka | Taka | Taka | | Taka | Taka | Taka | Taka | Taka |
| | 161,171,953 | 35,799,260 | 8,228,203 | (89,548) | - | 205,109,868 | | - | - | - | - | 205,109,868 |
| Building | 426,086,148 | 46,998,045 | 40,340,724 | (284,477) | - | 513,140,440 | 2.5% | 48,762,187 | 10,089,691 | (187,658) | - | 58,664,220 |
| Plant and machinery | 697,798,818 | 42,286,787 | 90,308,269 | - | - | 830,393,874 | 10.0% | 274,353,628 | 62,314,017 | - | - | 336,667,645 |
| Furniture and fixture | 50,386,917 | 2,975,333 | 2,582,326 | (1,647,328) | - | 54,297,248 | 10.0% | 25,659,511 | 5,399,610 | (1,089,178) | - | 29,969,943 |
| Electrical and other office appliances | 59,380,247 | 11,834,607 | 5,371,117 | (206,060) | - | 76,379,911 | 10.0% | 31,029,431 | 5,935,860 | (103,391) | - | 36,861,900 |
| Office machinery | 46,077,449 | 8,617,298 | 1,141,640 | (2,092,463) | - | 53,743,924 | 10.0% | 23,761,366 | 4,951,654 | (973,402) | - | 27,739,618 |
| Vehicles | 85,343,356 | 24,519,131 | 283,020 | (10,915,566) | 14,284,610 | 113,514,551 | 20.0% | 69,594,765 | 7,603,778 | (7,843,111) | 12,357,140 | 81,712,572 |
| Total (i) | 1,526,244,888 | 173,030,461 | 148,255,299 | (15,235,442) | 14,284,610 | 1,846,579,816 | | 473,160,888 | 96,294,610 | (10,196,740) | 12,357,140 | 571,615,898 |

ii) Revaluation

| Particulars | Revaluation | | | | | Depreciation | | | | | Carrying amount as at 31 December 2007 | |
|--|----------------------|---------------------------|-----------------------|--------------------------|----------------------------|------------------------|-------|----------------------|-------------------------|--------------------------|--|----------------------------|
| | As at 1 January 2007 | Additions during the year | Transferred from CWIP | Disposal during the year | Adjustment during the year | As at 31 December 2007 | Rate | As at 1 January 2007 | Charged during the year | Disposal during the year | | Adjustment during the year |
| Land | Taka | Taka | Taka | Taka | Taka | Taka | | Taka | Taka | Taka | Taka | Taka |
| | 188,738,635 | 335,885,854 | - | - | - | 524,624,489 | | - | - | - | - | 524,624,489 |
| Building | 29,133,832 | 27,503,634 | - | - | - | 56,637,466 | 2.5% | 6,166,860 | 1,235,710 | - | - | 7,402,570 |
| Plant and machinery | 102,436,037 | - | - | - | - | 102,436,037 | 10.0% | 25,528,839 | 10,200,120 | - | - | 35,728,959 |
| Furniture and fixture | (828,336) | 3,069,709 | - | - | - | 2,241,373 | 10.0% | 330,949 | (82,833) | - | - | 248,116 |
| Electrical and other office appliances | (1,232,747) | 2,292,694 | - | - | - | 1,059,947 | 10.0% | 387,462 | (123,275) | - | - | 264,187 |
| Office machinery | 1,350,619 | - | - | - | - | 1,350,619 | 10.0% | 417,821 | 178,545 | - | - | 596,366 |
| Vehicles | 30,141,785 | - | - | (3,242,472) | - | 26,899,313 | 20.0% | 14,952,455 | 5,379,861 | (1,621,236) | - | 18,711,080 |
| Total (ii) | 349,739,825 | 368,751,891 | - | (3,242,472) | - | 715,249,244 | | 47,784,386 | 16,788,128 | (1,621,236) | - | 62,951,278 |
| Total assets (i+ii) | 1,875,984,713 | 541,782,352 | 148,255,299 | (18,477,914) | 14,284,610 | 2,561,829,060 | | 520,945,274 | 113,082,738 | (11,817,976) | 12,357,140 | 634,567,176 |

Note: Assets under revaluation represent only the revaluation gain/(loss); i.e. these are stated at revalued amount less cost.

b) Leased assets

| | | | | | | | | | | | | |
|------------------|---------------|-------------|-------------|--------------|--------------|---------------|-------|-------------|-------------|--------------|--------------|-------------|
| Vehicles | 62,131,764 | 3,278,000 | - | (2,600,000) | (14,284,610) | 48,525,154 | 20.0% | 26,239,474 | 12,585,154 | (611,000) | (12,357,140) | 25,856,488 |
| Total 2007 (a+b) | 1,938,116,477 | 545,060,352 | 148,255,299 | (21,077,914) | - | 2,610,354,214 | | 547,184,748 | 125,667,892 | (12,428,976) | - | 660,423,664 |
| Total 2006 | 1,848,977,152 | 45,156,404 | 44,926,306 | (3,045,783) | - | 1,936,014,079 | | 425,101,331 | 119,882,899 | (2,364,429) | - | 542,619,801 |

5. Capital work-in-progress

| | Balance as at 1 Jan 2007 | Additions during the year | Transferred to fixed assets | Balance as at 31 Dec 2007 |
|--|-----------------------------|---------------------------------|-----------------------------------|------------------------------|
| | Taka | Taka | Taka | Taka |
| Building | 7,503,608 | 29,939,930 | 9,235,840 | 28,207,698 |
| Plant and machinery | 29,477,404 | 232,265,501 | 76,080,379 | 185,662,526 |
| Furniture and fixture | 23,282 | 2,362,721 | 2,386,003 | - |
| Electrical and other office appliances | - | 1,931,178 | 1,931,178 | - |
| | 37,004,294 | 266,499,330 | 89,633,400 | 213,870,224 |

5(a). Consolidated capital work-in-progress

| | Balance as at 1 Jan 2007 | Additions during the year | Transferred to fixed assets | Balance as at 31 Dec 2007 |
|--|-----------------------------|---------------------------------|-----------------------------------|------------------------------|
| | Taka | Taka | Taka | Taka |
| Land | - | 8,536,861 | 8,228,203 | 308,658 |
| Building | 8,214,858 | 110,136,508 | 40,340,724 | 78,010,642 |
| Plant and machinery | 31,115,344 | 545,294,938 | 90,308,269 | 486,102,013 |
| Furniture and fixtures | 23,282 | 2,580,926 | 2,582,326 | 21,882 |
| Pantoon and gangway | - | 2,648,109 | - | 2,648,109 |
| Electrical and other office appliances | - | 5,764,402 | 5,371,117 | 393,285 |
| Office machinery | - | 1,141,640 | 1,141,640 | - |
| Vehicles | - | 283,020 | 283,020 | - |
| | 39,353,484 | 676,386,404 | 148,255,299 | 567,484,589 |

6. Investment

| | 2007 | | | | | 2006 |
|---|------------------|----------------------------|----------------------------------|------------------|--------------------|--------------------|
| | No. of shares | Face value per share | Called and paid up capital | Share holding | Value | Value |
| | | Taka | Taka | % | Taka | Taka |
| Investment in subsidiaries: | | | | | | |
| Flyban Insecticides Limited | 25,500 | 100 | 100 | 51 | 2,550,000 | 2,550,000 |
| ACI Trading Limited | - | - | - | - | - | 720,000 |
| ACI Formulations Limited | 21,742,500 | 100 | 100 | 87 | 108,712,500 | 108,712,500 |
| ACI Salt Limited | 78,000 | 1,000 | 1,000 | 78 | 78,000,000 | 78,000,000 |
| ACI Foods Limited | 380,000 | 100 | 100 | 95 | 38,000,000 | 19,000 |
| ACI Pure Flour Limited | 380,000 | 100 | 100 | 95 | 38,000,000 | 38,000,000 |
| Apex Leather Craft Limited | 370,100 | 100 | 100 | 100 | 79,984,291 | 79,984,291 |
| ACI Agrochemicals Limited | 180 | 100 | 100 | 90 | 18,000 | 18,000 |
| Creative Communication Limited | 6,000 | 100 | 100 | 60 | 600,000 | - |
| ACI Motors Limited | 7,500 | 100 | 100 | 75 | 750,000 | - |
| Premiaflex Plastics Limited | 32,000 | 1,000 | 1,000 | 80 | 32,000,000 | - |
| | | | | | 378,614,791 | 308,003,791 |
| Investment in Associates and Joint Ventures: | | | | | | |
| Asian Consumer Care (Pvt.) Limited | 1,079,445 | 10 | 10 | 24 | 10,794,450 | 3,594,450 |
| ACI Godrej Agrovet (Pvt.) Limited | 800,000 | 100 | 100 | 50 | 80,000,000 | 50,000,000 |
| Computer Technology Limited | 200 | 100 | 100 | 40 | 20,000 | 20,000 |
| Stochastic Logic Limited | 2,000 | 100 | 100 | 20 | 200,000 | 200,000 |
| Tetley ACI (Bangladesh) Limited | 450,000 | 100 | 100 | 50 | 45,000,000 | 45,000,000 |
| | | | | | 136,014,450 | 98,814,450 |
| Investment in others: | | | | | | |
| Mutual Trust Bank Limited | 332,640 | 100 | 100 | 3.33 | 20,000,000 | 20,000,000 |
| Central Depository Bangladesh Limited | 2 | 1,000,000 | 1,000,000 | 0.58 | 2,000,000 | 2,000,000 |
| | | | | | 22,000,000 | 22,000,000 |
| Total investment in shares | | | | | 536,629,241 | 428,818,241 |



6(a). Consolidated Investment

| | 2007 | | | | | 2006 |
|---|---------------|----------------------|----------------------------|---------------|-------------------|-------------------|
| | No. of shares | Face value per share | Called and paid up capital | Share holding | Value | Value |
| | | Taka | Taka | % | Taka | Taka |
| Investment valued at cost: | | | | | | |
| Mutual Trust Bank Limited | 332,640 | 100 | 100 | 3.33 | 20,000,000 | 29,375,000 |
| Central Depository Bangladesh Limited | 2 | 1,000,000 | 1,000,000 | 0.58 | 2,000,000 | 2,000,000 |
| Computer Technology Limited | 200 | 100 | 100 | 40 | 20,000 | 20,000 |
| ACI Agrochemicals Limited | | | | | - | 18,000 |
| | | | | | <u>22,020,000</u> | <u>31,413,000</u> |
| Investment valued under equity method: | | | | | | |
| Tetley ACI (Bangladesh) Limited | 450,000 | 100 | 100 | 50 | (1,859,093) | 1,881,200 |
| Asian Consumer Care (Pvt.) Limited | 1,079,445 | 10 | 10 | 24 | 907,018 | (3,241,054) |
| ACI Godrej Agrovet (Pvt.) Ltd | 800,000 | 100 | 100 | 50 | 41,604,435 | 8,322,242 |
| Stochastic Logic Limited | 2,000 | 100 | 100 | 20 | (627,168) | (305,830) |
| | | | | | <u>40,025,192</u> | <u>6,656,558</u> |
| Total carrying amount of investment | | | | | <u>62,045,192</u> | <u>38,069,558</u> |

6.1 Name of auditors of the group companies

| <u>Name of the company</u> | <u>Auditors</u> |
|------------------------------------|---------------------------|
| Flyban Insecticides Limited | Shiraz Khan Bashak & Co. |
| ACI Formulations Limited | Rahman Rahman Huq |
| ACI Salt Limited | Hoda Vasi Chowdhury & Co. |
| ACI Foods Limited | M. J. Abedin & Co. |
| ACI Pure Flour Limited | M. J. Abedin & Co. |
| ACI Agrochemical Limited | Shiraz Khan Bashak & Co. |
| Creative Communication Limited | Ashraful Haque Nabi & Co. |
| ACI Motors Limited | Ashraful Haque Nabi & Co. |
| Premiaflex Plastics Limited | Ashraful Haque Nabi & Co. |
| Apex Leather Craft Limited | M. J. Abedin & Co. |
| Asian Consumer Care (Pvt.) Limited | Ahmed Mashuque & Co. |
| ACI Godrej Agrovet (Pvt.) Limited | Rahman Rahman Huq |
| Tetley ACI (Bangladesh) Limited | Rahman Rahman Huq |

7. Inventory

| | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> |
|---|----------------------------|----------------------------|
| Finished goods | 611,584,055 | 446,057,066 |
| Work-in-process | 35,434,261 | 35,998,759 |
| Raw materials | 312,808,509 | 171,761,860 |
| Packing materials | 74,034,071 | 81,098,173 |
| Stores and spares | 7,528,820 | 6,285,159 |
| Stock in transit | 108,529,354 | 34,276,234 |
| | <u>1,149,919,070</u> | <u>775,477,251</u> |
| Less: Provision for slow moving and damaged goods | 58,521,441 | 38,801,086 |
| | <u>1,091,397,629</u> | <u>736,676,165</u> |

In view of innumerable items of inventory and diversified quantities, it is not feasible to disclose quantities against each item of inventory.

7 (a) Consolidated inventory

| | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> |
|---|----------------------------|----------------------------|
| Finished goods | 644,727,561 | 539,313,374 |
| Work-in-process | 36,229,138 | 37,007,215 |
| Raw materials | 602,323,616 | 427,780,936 |
| Packing materials | 141,316,259 | 136,025,682 |
| Stores and spares | 13,998,250 | 6,285,159 |
| Stock in transit | 197,259,809 | 125,354,620 |
| Others | 5,715,173 | 6,192,426 |
| | <u>1,641,569,806</u> | <u>1,277,959,412</u> |
| Less: Provision for slow moving and damaged goods | 58,521,441 | 38,801,086 |
| | <u>1,583,048,365</u> | <u>1,239,158,326</u> |

8. Trade debtors

| | 2007 | | | 2006 |
|------------------------------------|-----------------------|------------------------|--------------------|--------------------|
| | Dues over 6 months | Dues below 6 months | Total | Total |
| | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> |
| Pharmaceuticals | 17,322,048 | 99,176,533 | 116,498,581 | 100,088,891 |
| Agro-business | 34,589,449 | 460,418,018 | 495,007,467 | 212,185,389 |
| Animal health | 3,285,457 | 58,282,124 | 61,567,581 | 29,567,677 |
| Consumer brands | 10,235,735 | 85,076,290 | 95,312,025 | 82,741,395 |
| Seeds | 35,400 | 59,577,340 | 59,612,740 | 35,400 |
| News paper | - | - | - | 14,158,635 |
| Fertilizer | - | 112,531,316 | 112,531,316 | - |
| | <u>65,468,089</u> | <u>875,061,621</u> | <u>940,529,710</u> | <u>438,777,387</u> |
| Less: Provision for doubtful debts | | | 41,638,666 | 28,642,013 |
| | | | <u>898,891,044</u> | <u>410,135,374</u> |



8 (a). Consolidated trade debtors

| | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> |
|------------------------------|----------------------------|----------------------------|
| Pharmaceuticals | 116,498,581 | 100,088,891 |
| Agro-business | 495,007,467 | 212,375,226 |
| Consumer brands | 95,312,025 | 82,741,395 |
| Animal health | 61,567,581 | 29,567,677 |
| News paper | - | 14,158,635 |
| Seeds | 59,612,740 | 35,400 |
| Fertilizer | 112,531,316 | - |
| ACI Salt Limited | - | 16,456,215 |
| Lissapol | - | 4,619,266 |
| Stahl | - | 3,628,699 |
| Onga pump | - | 127,110 |
| Chemicals | - | 5,456,477 |
| Others | 8,227,162 | 2,682,331 |
| | <u>948,756,872</u> | <u>471,937,322</u> |
| Provision for doubtful debts | 41,638,666 | 28,963,924 |
| | <u>907,118,206</u> | <u>442,973,398</u> |
| Debits due over six months | 23,829,423 | 9,126,697 |
| Debits due below six months | 883,288,783 | 433,846,701 |
| | <u>907,118,206</u> | <u>442,973,398</u> |

9. Other debtors

| | <u>2007</u> | | | <u>2006</u> |
|--|-------------------------------------|--------------------------------------|--------------------|-------------------|
| | <u>Dues over</u> <u>6 months</u> | <u>Dues below</u> <u>6 months</u> | <u>Total</u> | <u>Total</u> |
| | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> |
| Claim on insurance | - | - | - | 950,631 |
| Receivable from Novartis | - | 1,400,908 | 1,400,908 | 1,658,083 |
| Receivable from Oram Limited | 2,262,050 | - | 2,262,050 | 2,262,050 |
| Receivable from Eli Lilly | - | - | - | 12,365,469 |
| Searle Pakistan Limited | 1,478,769 | - | 1,478,769 | 2,558,659 |
| Health Care Pharmaceuticals Limited | - | 3,377,568 | 3,377,568 | 1,960,765 |
| Bank guarantee margin | 7,549,346 | 211,905 | 7,761,251 | 7,549,346 |
| Receivable from Labx Biotechnology (Pvt.) Limited | 2,638,856 | - | 2,638,856 | 4,403,745 |
| Receivable from Les Laboratories Servier | - | 70,903,945 | 70,903,945 | 24,480,902 |
| Management staff provident fund | - | - | - | 302,305 |
| Godrej Sara Lee advertisement and promotional fund | 2,314,285 | - | 2,314,285 | 2,314,285 |
| Winall Hi-tech Seed Company Limited | - | 31,779,800 | 31,779,800 | - |
| Other receivables | - | 12,648,271 | 12,648,271 | 5,012,309 |
| | <u>16,243,306</u> | <u>120,322,397</u> | <u>136,565,703</u> | <u>65,818,549</u> |

9(a). Consolidated other debtors

| | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> |
|------------------------------------|----------------------------|----------------------------|
| Due over Debts due over six months | 16,243,306 | 28,157,876 |
| Debits due below six months | 128,233,237 | 53,296,882 |
| | <u>144,476,543</u> | <u>81,454,758</u> |

10. Advances, deposits and prepayments

| | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> |
|-------------------------------------|----------------------------|----------------------------|
| Advances: | | |
| Loans and advances to staff | 56,210,410 | 50,245,892 |
| Advances to C & F agents and others | 46,171,864 | 27,994,213 |
| Advance for rent and others | 3,671,742 | 3,005,736 |
| VAT current account | 57,934,082 | 47,511,897 |
| | <u>163,988,098</u> | <u>128,757,738</u> |
| Deposits: | | |
| Deposits for utilities | 2,348,623 | 2,248,623 |
| Tender deposit | 13,260,055 | 2,733,977 |
| | <u>15,608,678</u> | <u>4,982,600</u> |
| Prepayments | 164,265 | 4,717 |
| | <u>179,761,041</u> | <u>133,745,055</u> |

10(a) Consolidated advances, deposits and prepayments

| | | |
|---------------------------------|--------------------|--------------------|
| Advances: | | |
| Loans and advances to staff | 56,210,410 | 50,245,892 |
| Advance to C&F agent and others | 102,971,416 | 61,405,319 |
| Advance for rent and others | 4,130,742 | 3,705,560 |
| VAT current account | 57,934,082 | 48,289,979 |
| | <u>221,246,650</u> | <u>163,646,750</u> |
| Deposits: | | |
| Deposits for utilities | 9,978,525 | 4,841,562 |
| Tender deposit | 17,073,525 | 9,351,640 |
| L/C margin | - | 2,933,332 |
| | <u>27,052,050</u> | <u>17,126,534</u> |
| Prepayments | 385,753 | 4,717 |
| | <u>248,684,453</u> | <u>180,778,001</u> |



11. Inter company receivables

| | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> |
|------------------------------------|----------------------------|----------------------------|
| Flyban Insecticides Limited | 971,125 | 956,385 |
| ACI Trading Limited | - | 27,584,364 |
| Apex Leather Craft Limited | 53,981,658 | 44,662,948 |
| Computer Technology Limited | 30,000 | 30,000 |
| Tetley ACI (Bangladesh) Limited | 182,268 | 529,422 |
| Asian Consumer Care (Pvt.) Limited | 17,292,310 | 22,584,762 |
| ACI Salt Limited | 296,541,803 | 173,552,717 |
| ACI Godrej Agrovet (Pvt.) Limited | 6,913,095 | 5,759,400 |
| ACI Foods Limited | 46,203,735 | 14,910,596 |
| ACI Pure Flour Limited | 126,138,290 | - |
| ACI Agrochemical Limited | 27,340 | 26,435 |
| Stochastic Logic Limited | 3,134,753 | 2,621,588 |
| | <u>551,416,377</u> | <u>293,218,617</u> |

11(a) Consolidated inter company receivables

| | | |
|------------------------------------|-------------------|-------------------|
| Tetley ACI (Bangladesh) Limited | 182,268 | 529,422 |
| Asian Consumer Care (Pvt.) Limited | 17,292,310 | 22,584,762 |
| Computer Technology Limited | 30,000 | 30,000 |
| ACI Godrej Agrovet (Pvt.) Limited | 6,913,095 | 5,759,400 |
| ACI Agrochemical Limited | - | 26,435 |
| Stochastic Logic Limited | 3,134,753 | - |
| | <u>27,552,426</u> | <u>28,930,019</u> |

12. Cash and bank balances

| | | |
|--------------------|-------------------|-------------------|
| Cash in hand | 8,982,229 | 7,216,743 |
| Collection in hand | 24,041,251 | 8,170,700 |
| Cash at bank | 24,171,993 | 27,664,368 |
| | <u>57,195,473</u> | <u>43,051,811</u> |

12(a) Consolidated cash and bank balances

| | | |
|--------------------|-------------------|-------------------|
| Cash in hand | 9,794,426 | 7,960,274 |
| Collection in hand | 24,041,251 | 8,168,398 |
| Cash at bank | 48,773,535 | 31,369,242 |
| | <u>82,609,212</u> | <u>47,497,914</u> |

13. Share capital

Authorised:

| | | | |
|-------------------|--------------------------------|--------------------|--------------------|
| <u>50,000,000</u> | Ordinary shares of Tk. 10 each | <u>500,000,000</u> | <u>500,000,000</u> |
|-------------------|--------------------------------|--------------------|--------------------|

Issued and paid up:

| | | | |
|-------------------|--|--------------------|--------------------|
| 1,680,700 | Ordinary shares of Tk. 10 each | 16,807,000 | 16,807,000 |
| 1,049,300 | Ordinary shares of Tk. 10 each issued for consideration other than cash | 10,493,000 | 10,493,000 |
| 6,090,000 | Bonus shares of Tk. 10 each | 60,900,000 | 60,900,000 |
| <u>7,350,000</u> | Right shares of Tk. 10 each | <u>73,500,000</u> | <u>73,500,000</u> |
| <u>16,170,000</u> | | <u>161,700,000</u> | <u>161,700,000</u> |

The aforesaid share capital is subscribed as under:

| | <u>No. of shares</u> | <u>Percentage</u> |
|---------------------|----------------------|-------------------|
| Directors/Sponsors | 5,952,949 | 36.81 |
| Institutions | 6,059,149 | 37.48 |
| General shareowners | 4,157,902 | 25.71 |
| | <u>16,170,000</u> | <u>100.00</u> |

A distribution schedule of the above shares is given below as required by the listing rules :

| <u>Number of shareowners</u> | <u>Share ownings</u> | <u>No of shares</u> | <u>Percentage of total share ownings</u> |
|----------------------------------|---------------------------|---------------------|--|
| 12,167 | Less than 500 shares | 1,237,696 | 7.65 |
| 1,187 | 501- 5,000 shares | 1,628,639 | 10.08 |
| 78 | 5,001- 10,000 shares | 579,428 | 3.58 |
| 49 | 10,001- 20,000 shares | 761,355 | 4.71 |
| 12 | 20,001- 30,000 shares | 316,280 | 1.96 |
| 3 | 30,001- 40,000 shares | 111,760 | 0.69 |
| 4 | 40,001- 50,000 shares | 183,920 | 1.14 |
| 6 | 50,001- 100,000 shares | 438,254 | 2.71 |
| 14 | 100,001- 1,000,000 shares | 3,594,946 | 22.23 |
| 3 | Over 1,000,000 shares | 7,317,722 | 45.25 |
| <u>13,523</u> | | <u>16,170,000</u> | <u>100.00</u> |

14. Share premium

This represents the amount received against issue of shares at premium in the years 1995 and 1998.

15. Capital reserve

This represents the total grant received from Imperial Chemical Industries plc, London towards the cost of fixed assets.



16. Bank overdraft

| | Notes | 2007 Taka | 2006 Taka |
|---|-------|--------------------|--------------------|
| Standard Chartered Bank | 17.1 | 51,449,751 | 19,865,269 |
| Commercial Bank of Ceylon Limited | 17.2 | 44,816,008 | 64,380,752 |
| The Hongkong and Shanghai Banking Corporation Limited | 17.3 | 59,918,598 | 24,700,829 |
| Citibank, N.A. | 17.4 | 115,014,970 | 14,240,601 |
| Mercantile Bank Limited | | - | 2,416,566 |
| Dhaka Bank Limited | | (3,345) | 1,153,461 |
| Dutch Bangla Bank Limited | | - | (157) |
| | | <u>271,195,982</u> | <u>126,757,321</u> |

16(a) Consolidated bank overdraft

| | | |
|---|--------------------|--------------------|
| Standard Chartered Bank | 69,893,177 | 45,920,865 |
| Commercial Bank of Ceylon Limited | 44,816,008 | 65,657,893 |
| The Hongkong and Shanghai Banking Corporation Limited | 67,047,759 | 36,739,089 |
| Citibank, N.A. | 132,437,852 | 14,240,601 |
| Mercantile Bank Limited | - | 2,416,566 |
| Dhaka Bank Limited | (3,345) | 1,153,461 |
| Janata Bank Limited | - | 10,774 |
| Dutch Bangla Bank Limited | - | (157) |
| | <u>314,191,451</u> | <u>166,139,092</u> |

17. Short term bank loan

| | | | |
|---|------|----------------------|--------------------|
| Standard Chartered Bank | 17.1 | 333,159,433 | 240,266,736 |
| Commercial Bank of Ceylon Limited | 17.2 | 210,414,000 | 14,137,000 |
| The Hongkong and Shanghai Banking Corporation Limited | 17.3 | 513,606,966 | 316,958,099 |
| Citibank, N.A. | 17.4 | 85,216,318 | 127,137,140 |
| | | <u>1,142,396,717</u> | <u>698,498,975</u> |

17(a) Consolidated short term bank loan

| | | |
|---|----------------------|----------------------|
| Standard Chartered Bank | 624,442,082 | 329,870,465 |
| Commercial Bank of Ceylon Limited | 210,414,000 | 14,137,000 |
| The Hongkong and Shanghai Banking Corporation Limited | 914,701,787 | 597,754,164 |
| Citibank, N.A. | 165,473,546 | 127,137,140 |
| Bangladesh Krishi Bank | - | 109,757,683 |
| | <u>1,915,031,415</u> | <u>1,178,656,452</u> |

17.1 Standard Chartered Bank

The company is enjoying following facilities from Standard Chartered Bank (SCB) under the following terms and conditions:

17.1.1 Overdraft

Limit : Tk 75,000,000
 Purpose : Working capital
 Tenor : On demand

17.1.2 Letter of Credit / Loan Against Trust Receipt (LATR)

Amount : Tk 350,000,000
 Purpose : To retire the documents under letters of credit issued by the Standard Chartered Bank (SCB).
 Tenor : 120 days
 Payment: On maturity each trust receipt outstanding will be adjusted by debiting company's bank account and quarterly interest will be charged into the same account.

17.1.3 Short term loan

Amount : Tk 100,000,000
 Purpose : Working capital finance
 Tenor : 120 days

Securities for the facilities mentioned under notes 17.1.1, 17.1.2 and 17.1.3 are as follows:

- i) Demand promissory note and letter of continuation for Tk 752,000,000 each.
- ii) Registered letter of hypothecation on pari -passu basis over stock and book debt of the company for Tk 873,000,000.
- iii) Registered letter of hypothecation on pari -passu basis over plant and machinery of the company for Tk 565,000,000.
- iv) Agreement and indemnity relating to the issuing of documentary credits.
- v) Board resolution of the company covering entire facility.

17.2 Commercial Bank of Ceylon Limited

The company is enjoying following facilities from Commercial Bank of Ceylon Limited under the following terms and conditions:

17.2.1 Overdraft

Limit : Tk 120,000,000
 Purpose : Working capital
 Tenor : On demand

17.2.2 Letter of Credit / Loan Against Trust Receipt (LATR)

Amount : Tk 90,000,000
 Purpose : For import of raw materials
 Tenor : 180 days

Securities for the facilities mentioned under notes 17.2.1 and 17.2.2 are as follows:

Registered hypothecation of stocks and book debts on pari-passu basis with other lenders for Tk. 210,000,000.

17.3 The Hongkong and Shanghai Banking Corporation Limited

The company is enjoying following facilities from The Hongkong and Shanghai Banking Corporation (HSBC) under the following terms and conditions:



17.3.1 Overdraft

Limit : Tk 70,000,000
 Purpose : Working capital
 Tenor : On demand

17.3.2 Letter of Credit / Loan Against Trust Receipt (LATR) / Short term loan

Amount : Tk 550,000,000
 Purpose : To retire sight documents by creating import loan and usance documents against borrowers acceptance and issue shipping guarantee. To import raw materials/spares/small machinery on sight and deferred basis.
 Tenor : 180 days

Securities for the facilities mentioned under notes 17.3.1 and 17.3.2 are as follows:

- i) Demand promissory note of Tk 645,000,000 with letter of revival and continuity.
- ii) First pari-passu charge with other lenders over the borrower's stock of raw materials, work-in-progress and finished goods and book debts/receivables for Tk. 675,000,000.
- iii) First pari-passu charge with other lenders over the borrower's plant and machinery for Tk. 455,000,000.
- iv) Power of attorney for hypothecated goods.

17.4 Citibank, N.A.

The company is enjoying following facilities from Citibank, N.A. under the following terms and conditions:

17.4.1 Overdraft

Limit : Tk 70,000,000
 Purpose : Working capital
 Tenor : On demand

17.4.2 Letter of Credit / Loan Against Trust Receipts / Short term loan

Amount : Tk 400,000,000
 Purpose : For import of raw materials, spares and finished goods.
 Tenor : LATR- 180 days
 STL- 90 days

Securities for the facilities mentioned under notes 17.4.1 and 17.4.2 are as follows:

The security includes, but is not limited to the first registered hypothecation charge on a Pari-Passu basis with other lenders of ACI on stocks and book debts Tk 470,000,000

18. Long term loan - current portion

| | <u>2007</u> Taka | <u>2006</u> Taka |
|---|---------------------|---------------------|
| Standard Chartered Bank | 58,021,601 | |
| The Hongkong and Shanghai Banking Corporation Limited | 4,483,001 | - |
| | <u>62,504,602</u> | <u>-</u> |

18(a). Consolidated long term loan- current portion

| | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> |
|---|----------------------------|----------------------------|
| Standard Chartered Bank | 58,021,601 | - |
| The Hongkong and Shanghai Banking Corporation Limited | 46,943,021 | 46,247,311 |
| Citibank, N.A. | 49,840,076 | - |
| | <u>154,804,698</u> | <u>46,247,311</u> |

19. Other creditors

| | | |
|--|--------------------|--------------------|
| Creditors for expenses | 247,735,933 | 129,980,750 |
| Security money received from customers | 43,549,675 | 51,157,139 |
| Workers profit participation fund | 55,026,894 | 43,092,222 |
| Unpaid dividend | 10,907,735 | 9,089,630 |
| Tax deduction at source | 9,567,757 | 7,079,645 |
| Employees welfare fund | 55,671,220 | 58,090,949 |
| Right share postponed | 562,644 | 561,644 |
| Family day fund | 2,068,364 | 1,296,254 |
| Non-management staff provident fund | 2,234,976 | 1,924,667 |
| Godrej Sara Lee (Bangladesh) Pvt. Limited | 735,405 | 735,405 |
| Pidilight advertisement and promotional fund | 68,114 | 68,114 |
| Perfetti advertisement and promotional fund | 12,925 | 12,925 |
| Godrej consumer product advertisement and promotional fund | 4,678,866 | 2,391,873 |
| Nivea advertisement and promotional fund | 1,112,887 | 539,899 |
| Godrej Sara Lee replacement fund | 66,366 | 66,366 |
| Management staff provident fund | 1,086,681 | - |
| ACI Trading Limited | 43,246,264 | - |
| | <u>478,332,706</u> | <u>306,087,482</u> |

19(a) Consolidated other creditors

| | | |
|--|--------------------|--------------------|
| Creditors for expenses | 340,391,873 | 181,970,100 |
| Security money received from customers | 43,748,369 | 61,783,981 |
| Workers profit participation fund | 91,179,028 | 73,301,555 |
| Unpaid dividend | 10,907,735 | 9,089,630 |
| Provident fund | 1,086,681 | 49,142 |
| Tax deduction at source | 9,650,911 | 7,678,810 |
| Employees welfare fund | 55,671,220 | 58,123,008 |
| Right share postponed | 562,644 | 561,644 |
| Family day fund | 2,068,364 | 1,296,254 |
| Non-management staff provident fund | 2,234,976 | 1,924,667 |
| Godrej Sara Lee (Bangladesh) Pvt. Limited | 735,405 | 735,405 |
| Pidilight advertisement and promotional fund | 68,114 | 68,114 |
| Perfetti advertisement and promotional fund | 12,925 | 12,925 |
| Godrej consumer product advertisement and promotional fund | 4,678,866 | 2,391,873 |
| Nivea advertisement and promotional fund | 1,112,887 | 539,899 |
| Godrej Sara Lee replacement fund | 66,366 | 66,366 |
| Sundry creditors | - | 178,303 |
| Advance against land | - | 5,000,000 |
| ACI Trading Limited | 43,246,264 | - |
| | <u>607,422,628</u> | <u>404,771,676</u> |



20. Inter-company liabilities

| | Notes | 2007 Taka | 2006 Taka |
|--------------------------------|-------|--------------|--------------|
| ACI Formulations Limited | | 726,212,549 | 347,250,313 |
| ACI Pure Flour Limited | | - | 15,276,367 |
| ACI Agrochemicals Limited | | - | 18,000 |
| Premiaflex Plastics Limited | | 31,250,543 | - |
| ACI Motors Limited | | 522,230 | - |
| Creative Communication Limited | | 673,347 | - |
| | | 758,658,669 | 362,544,680 |

20(a) Consolidated inter-company liabilities

| | | | |
|---------------------------|--|---|--------|
| ACI Agrochemicals Limited | | - | 18,000 |
| | | - | 18,000 |

21. Provision for taxation

| | | | |
|--------------------------------------|--|-------------|--------------|
| Opening balance | | 153,442,970 | 90,500,000 |
| Provision made during the year | | 124,518,213 | 97,598,579 |
| | | 277,961,183 | 188,098,579 |
| Adjustment of advance payment of tax | | - | (34,655,609) |
| Closing balance | | 277,961,183 | 153,442,970 |

21(a) Consolidated provision for taxation

| | | | |
|--------------------------------------|--|--------------|--------------|
| Opening Balance | | 214,162,306 | 145,220,938 |
| Provision made during the year | | 172,168,213 | 137,361,942 |
| | | 386,330,519 | 282,582,880 |
| Adjustment of advance payment of tax | | (58,084,381) | (60,033,684) |
| Closing balance | | 328,246,138 | 222,549,196 |

22. Long term liabilities

| | | | |
|-------------------------------------|------|-------------|-------------|
| Staff gratuity provision | | 83,087,269 | 71,046,758 |
| Deferred tax liabilities | 22.1 | 130,371,634 | 102,325,329 |
| Employees group insurance fund | | 400,000 | 400,000 |
| Loan from other sources - unsecured | | 215,245 | 285,625 |
| Obligation under finance lease | 22.2 | 8,082,683 | 15,336,353 |
| Long term bank loan | 22.3 | 103,012,854 | 10,684,341 |
| | | 325,169,685 | 200,078,406 |

22(a) Consolidated long term liabilities

| | | | |
|-------------------------------------|----------|-------------|-------------|
| Staff gratuity provision | | 83,087,269 | 73,078,196 |
| Deferred tax liabilities | | 207,158,958 | 179,010,411 |
| Employees group insurance fund | | 400,000 | 400,000 |
| Loan from other sources - unsecured | | 55,631,573 | 55,701,953 |
| Obligation under finance lease | | 8,082,683 | 17,383,481 |
| Long term bank loan | 22.3 (a) | 281,191,990 | 44,543,168 |
| | | 635,552,473 | 370,117,209 |

22.1 Deferred tax liabilities

| | <u>Notes</u> | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> |
|---|--------------|----------------------------|----------------------------|
| Deferred tax liability on revaluation reserve | | 126,386,419 | 92,629,381 |
| Deferred tax liability on temporary differences | | 3,985,215 | 9,695,948 |
| | | <u>130,371,634</u> | <u>102,325,329</u> |

22.2 Obligation under finance lease

| | | | |
|--|--|-------------------|-------------------|
| Payment due within one year | | 10,220,408 | 14,076,453 |
| Payment due within 5 years but later than one year | | 8,082,683 | 15,336,353 |
| Payment due after 5 years | | - | - |
| | | <u>18,303,091</u> | <u>29,412,806</u> |

22.3 Long term bank loan

| | | | |
|----------------|--------|--------------------|-------------------|
| Loan from HSBC | 22.3.1 | 12,328,254 | - |
| Loan from SCB | 22.3.2 | 90,684,600 | 10,684,341 |
| | | <u>103,012,854</u> | <u>10,684,341</u> |

22.3(a) Consolidated long term bank loan

| | | | |
|--------------------------|--|--------------------|-------------------|
| Loan from SCB | | 48,121,577 | 33,858,827 |
| Loan from HSBC | | 90,684,600 | 10,684,341 |
| Loan from Citibank, N.A. | | 142,385,813 | - |
| | | <u>281,191,990</u> | <u>44,543,168</u> |

22.3.1 The Hongkong and Shanghai Banking Corporation Limited - Term loan

Amount : Tk 25,000,000
 Purpose : To finance expansion of Pharmaceutical unit
 Tenor : 4 Years
 Payment : 16 equal quarterly instalments
 Condition : On maturity each instalment will be adjusted by debiting company's bank account and quarterly interest will be charged into the same account.
 Security : Same as note 17.3

22.3.2 Standard Chartered Bank - Term Loan

Amount : Tk 100,000,000
 Purpose : To make drawings to retire Letters of Credit opened from Standard Chartered Bank
 Tenor : 4 Years
 Payment : 16 equal quarterly instalments
 Condition : On maturity each instalment will be adjusted by debiting company's bank account and quarterly interest will be charged into the same account.
 Security : Same as note 17.1

**23. Sales**

| | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> |
|---------------------------------|----------------------------|----------------------------|
| Pharmaceuticals | 1,783,144,340 | 1,423,988,613 |
| Agrochemicals and public health | 1,016,584,961 | 633,579,370 |
| Animal health | 363,101,078 | 255,271,926 |
| Consumer brands | 1,434,539,829 | 1,158,264,876 |
| Seeds | 143,017,038 | 29,061,828 |
| Newspaper | 5,495,478 | 15,695,759 |
| Fertilizer | 171,421,607 | - |
| | <u>4,917,304,331</u> | <u>3,515,862,372</u> |

Pharmaceuticals turnover includes sales of the following in units :

| | | |
|------------------|------------|------------|
| Tablets | 7,623,909 | 6,641,263 |
| Capsules | 1,910,148 | 1,236,673 |
| Injection | 1,949,992 | 1,433,774 |
| Bottled products | 14,294,046 | 13,323,280 |
| Creams | 3,114,500 | 2,251,875 |

The rest relates to agrochemical, animal health, seeds and consumer goods.

23(a). Consolidated sales

| | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> |
|--------------------|----------------------------|----------------------------|
| Gross sales | 7,075,958,101 | 5,122,325,537 |
| Intercompany sales | (1,319,140,272) | (884,469,401) |
| Net sales | <u>5,756,817,829</u> | <u>4,237,856,136</u> |

24. Cost of sales

| Particulars | 2007 | | | | | | 2006 | |
|--|-----------------|----------------|---------------|-----------------|--------------|------------|--------------|---------------|
| | Pharmaceuticals | Agro-chemicals | Animal health | Consumer brands | Seeds | News paper | Fertilizer | Total |
| | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka |
| Raw and packing materials: | | | | | | | | |
| Opening stock | 223,769,897 | - | 18,703,637 | 10,268,212 | 118,287 | - | - | 252,860,033 |
| Purchase | 904,828,699 | - | 84,451,641 | 23,004,827 | 2,514,224 | 4,107,143 | 190,479,660 | 1,209,386,194 |
| Closing stock | (264,841,675) | - | (36,404,399) | (10,500,767) | (558,138) | - | (74,537,601) | (386,842,580) |
| Manufacturing expenses | 863,756,921 | - | 66,750,879 | 22,772,272 | 2,074,373 | 4,107,143 | 115,942,059 | 1,075,403,647 |
| QC & development expenses | 151,440,688 | - | 5,404,913 | 3,082,003 | 400,570 | 2,541,058 | 6,687,881 | 169,557,113 |
| Cost of samples, product bonus and stock write off | 33,261,101 | - | 24,553 | - | - | - | 887 | 33,285,654 |
| Opening work-in-process | (11,279,643) | 343,882 | 271,624 | 8,313,061 | 74,226 | - | - | (2,275,963) |
| Closing work-in-process | 32,429,713 | - | 3,569,047 | - | - | - | - | 35,998,760 |
| | (29,415,804) | - | (903,538) | - | (5,114,919) | - | - | (35,434,261) |
| Cost of goods manufactured | 1,040,192,976 | 343,882 | 75,117,478 | 34,167,336 | (2,565,750) | 6,648,201 | 122,630,827 | 1,276,534,950 |
| Finished goods: | | | | | | | | |
| Opening stock | 124,893,812 | 119,566,710 | 61,876,244 | 139,581,219 | 139,081 | - | - | 446,057,066 |
| Purchase | 28,081,396 | 746,363,215 | 158,216,473 | 1,019,668,461 | 149,950,712 | - | 37,423,459 | 2,139,703,716 |
| Closing stock | (173,045,784) | (121,888,944) | (103,729,271) | (144,169,679) | (41,960,752) | - | (26,789,625) | (611,584,055) |
| Inter business adjustment | (103,185,218) | - | 15,933,498 | 87,251,720 | - | - | - | - |
| | (123,255,794) | 744,040,981 | 132,296,944 | 1,102,331,721 | 108,129,041 | - | 10,633,834 | 1,974,176,727 |
| | 916,937,182 | 744,384,863 | 207,414,422 | 1,136,499,057 | 105,563,291 | 6,648,201 | 133,264,661 | 3,250,711,677 |
| | | | | | | | | 2,339,975,616 |

As per Part II of Schedule XI of the Companies Act 1994, the quantities of raw materials, purchases and stocks should be expressed in quantitative denomination, however this could not be provided as the company deals with large number of products both locally made and imported.

Raw and packing materials have been procured from local sources and also imported from the following countries:

| | |
|--------|-----------|
| China | Malaysia |
| France | Germany |
| USA | Korea |
| UK | Singapore |

Raw and packing materials consumed are 75% (approximately) imported.

24(a) Consolidated cost of sales

| | 2007 | 2006 |
|------------------------|-----------------|-----------------|
| | Taka | Taka |
| Opening stock | 1,166,762,791 | 1,006,180,506 |
| Purchase | 3,611,518,147 | 2,575,217,649 |
| Closing stock | 4,778,280,938 | 3,581,398,155 |
| | (1,456,332,288) | (1,166,762,791) |
| Manufacturing expenses | 3,321,948,650 | 2,414,635,364 |
| | 427,183,085 | 356,006,529 |
| | 3,749,131,735 | 2,770,641,893 |



25. Allocation of expenses

| Particulars | 2007 | | | | | | 2006 |
|-------------------------------|-------------------------|-----------------------|------------------------|-----------------------------|------------------|---------------|---------------|
| | Administrative expenses | Distribution expenses | Manufacturing expenses | QC and development expenses | Selling expenses | Total | Total |
| | Taka (A) | Taka (A) | Taka (B) | Taka (C) | Taka (A) | Taka | Taka |
| Salary and wages | 69,125,437 | 41,486,610 | 87,189,961 | 23,881,393 | 363,170,736 | 584,854,137 | 442,779,886 |
| Travelling and conveyance | 3,785,378 | 22,922,402 | 428,866 | 469,693 | 122,890,771 | 150,497,110 | 109,374,914 |
| Rent and rates | 4,361,575 | 10,092,743 | 467,453 | - | 9,102,435 | 24,024,206 | 20,680,172 |
| Repair and maintenance | 3,389,756 | 2,673,826 | 13,020,659 | 813,238 | 2,965,856 | 22,863,335 | 24,350,616 |
| Fuel and power | 1,172,948 | 2,198,711 | 10,830,522 | - | 1,741,996 | 15,944,177 | 14,798,530 |
| Postage | 2,684,443 | 1,486,283 | 538,585 | 84,978 | 8,400,495 | 13,194,784 | 12,233,788 |
| Printing and stationery | 2,181,937 | 3,669,205 | 1,183,331 | 105,604 | 11,656,713 | 18,796,790 | 15,902,422 |
| Promotional expenses | 6,287,704 | 2,440,895 | 7,112,023 | - | 343,988,367 | 359,828,989 | 204,879,577 |
| Entertainment | 597,660 | 158,021 | 42,690 | - | 2,324,500 | 3,122,871 | 1,767,304 |
| Vehicle maintenance | 4,884,612 | 29,504,668 | 1,423,491 | 215,789 | 13,271,386 | 49,299,946 | 37,426,968 |
| Bad debts | - | - | - | - | 12,996,654 | 12,996,654 | 28,642,013 |
| Truck and handling | - | 35,079,485 | 972,189 | - | 12,507,371 | 48,559,045 | 27,371,073 |
| Legal and professional charge | 4,548,613 | 96,068 | 95,396 | - | 977,209 | 5,717,286 | 1,509,104 |
| Audit fees | 255,000 | - | - | - | - | 255,000 | 230,000 |
| Insurance | 470,370 | 2,589,168 | 4,146,879 | 42,264 | 1,940,735 | 9,189,416 | 10,122,389 |
| Directors' fees | 22,500 | - | - | - | - | 22,500 | 16,500 |
| Bank charges | 5,301,244 | 2,140,254 | 2,829 | - | 95,436 | 7,539,763 | 6,080,604 |
| Sundry expenses | - | 274,144 | - | - | 1,881 | 276,025 | 248,018 |
| Product development expenses | - | - | 226,408 | 1,425,103 | 2,206,880 | 3,858,391 | 1,759,980 |
| Training expenses | 878,330 | 14,341 | 18,800 | 17,762 | 4,497,936 | 5,427,169 | 4,311,224 |
| Depreciation | 11,846,003 | 8,431,647 | 41,106,621 | 2,271,088 | 11,338,057 | 74,993,416 | 72,306,646 |
| Lab chemical and apparatus | - | - | 738,383 | 3,931,742 | - | 4,670,125 | 3,663,288 |
| QC research and development | - | - | - | 27,000 | - | 27,000 | 52,880 |
| Meeting expenses | 700,843 | 203,928 | 12,027 | - | 10,176,717 | 11,093,515 | 10,496,111 |
| Share department expenses | 2,897,429 | - | - | - | - | 2,897,429 | 2,330,448 |
| Export expenses | - | - | - | - | 2,882,855 | 2,882,855 | 2,219,635 |
| ISO/TQM related expenses | 387,128 | - | - | - | - | 387,128 | 664,069 |
| Market research | - | - | - | - | 4,722,641 | 4,722,641 | 3,762,193 |
| | 125,778,910 | 165,462,399 | 169,557,113 | 33,285,654 | 943,857,627 | 1,437,941,703 | 1,059,980,352 |

(A) Administrative, selling and distribution expenses

1,235,098,936 884,474,379

(B) Manufacturing expenses

169,557,113 152,117,967

(C) QC and development expenses

33,285,654 23,388,006

1,437,941,703 1,059,980,352

25(a) Consolidated allocation of expenses

Administrative expenses

165,387,099 119,018,755

Distribution expenses

190,882,088 193,346,149

Selling expenses

1,035,934,186 702,237,806

1,392,203,373 1,014,602,710

26. Other income/(expense)

| | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> |
|---|----------------------------|----------------------------|
| Service charges | 6,822,967 | 12,378,155 |
| Dividends | 9,216,000 | 4,752,000 |
| Agency commission: | | |
| From ACI Media | 3,378,273 | 1,205,499 |
| From Eli Lilly | - | 8,067,401 |
| | 3,378,273 | 9,272,900 |
| Rental income | 4,404,000 | 4,246,000 |
| Gain from sale of property, plant and equipment | 963,351 | 829,886 |
| Gain/(loss) from foreign currency translations | 29,199 | (375,497) |
| Sales proceed from scrap sale | 3,184,858 | 2,454,043 |
| Loss on sale of newspaper business | (5,417,088) | - |
| Miscellaneous income | 765,156 | 1,788,373 |
| | 23,346,716 | 35,345,860 |

26(a) Consolidated other income/(expense)

| | | |
|---|-------------|------------|
| Service charges | 6,822,967 | 13,229,135 |
| Dividends | 8,712,000 | 4,032,000 |
| Agency commission: | | |
| From ACI Media | 3,378,273 | 1,205,499 |
| From Eli Lilly | - | 8,067,401 |
| Others | 13,656,467 | 20,311,790 |
| | 17,034,740 | 29,584,690 |
| Rental income | 4,404,000 | 4,246,000 |
| Sales proceed from scrap sale | 4,941,968 | 2,715,428 |
| Loss on sale of news paper business | (5,417,088) | - |
| Gain/(loss) from foreign currency translations | 29,199 | (375,497) |
| Income from sale of shares | 44,007,483 | - |
| Gain from sale of property, plant and equipment | 1,061,041 | 829,886 |
| Miscellaneous income | 1,575,156 | 1,788,373 |
| | 83,171,466 | 56,050,015 |

**27. Financing cost**

| | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> |
|-----------------------------------|----------------------------|----------------------------|
| Interest expenses: | | |
| Bank loan | 139,249,313 | 92,486,464 |
| Staff welfare fund | 5,879,498 | 6,413,057 |
| Lease | 3,088,981 | 4,604,719 |
| Security deposit | 3,742,363 | 3,956,975 |
| Workers profit participation fund | 3,829,558 | 3,644,096 |
| Other funds/borrowings | 1,250,473 | 403,116 |
| | <u>157,040,186</u> | <u>111,508,427</u> |
| Interest income: | | |
| Investment/intercompany | (37,298,275) | (28,271,731) |
| Bank | (193,159) | (182,703) |
| Suppliers/others | (461,593) | (1,498,029) |
| | <u>(37,953,027)</u> | <u>(29,952,463)</u> |
| | <u>119,087,159</u> | <u>81,555,964</u> |

27(a) Consolidated financing cost

| | | |
|-----------------------------------|--------------------|--------------------|
| Interest expenses: | | |
| Bank loan | 204,733,330 | 147,768,009 |
| Staff welfare fund | 5,879,498 | 6,413,057 |
| Lease | 3,088,981 | 4,638,661 |
| Security deposit | 3,742,363 | 3,956,975 |
| Workers profit participation fund | 3,829,558 | 3,644,096 |
| Other funds/borrowings | 1,250,473 | 403,117 |
| | <u>222,524,203</u> | <u>166,823,915</u> |
| Interest income: | | |
| Investment/intercompany | (1,348,314) | (1,482,082) |
| Bank | (193,159) | (182,703) |
| Suppliers/others | (461,593) | (1,498,029) |
| | <u>(2,003,066)</u> | <u>(3,162,814)</u> |
| | <u>220,521,137</u> | <u>163,661,101</u> |

28. Sale/adjustment of fixed assets

| <u>Particulars</u> | <u>Original cost</u> | <u>Accumulated depreciation</u> | <u>Book value</u> | <u>Sale value</u> | <u>Mode of disposal/adjustment</u> |
|--------------------|----------------------|---------------------------------|-------------------|-------------------|------------------------------------|
| | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> | |
| Car | 1,297,999 | 988,999 | 309,000 | 585,000 | Sold through tender |
| Car | 404,517 | 304,517 | 100,000 | 301,000 | Sold through tender |
| Car | 565,881 | 440,881 | 125,000 | 53,000 | Sold through tender |
| Covered Van | 392,166 | 346,082 | 46,084 | 430,200 | Sold through tender |
| Micro Van | 954,999 | 729,999 | 225,000 | 251,000 | Sold through tender |
| Micro Van | 545,699 | 470,699 | 75,000 | 150,000 | Sold through tender |
| Jeep | 2,570,963 | 1,927,981 | 642,982 | 261,600 | Sold through tender |
| Microbus | 230,199 | 145,299 | 84,900 | 257,000 | Sold through tender |
| Car | 279,649 | 255,570 | 24,079 | 306,600 | Sold through tender |
| Car | 810,000 | 809,999 | 1 | - | Adjustment |
| Car | 624,125 | 624,124 | 1 | - | Adjustment |
| Motor Cycle | 41,724 | 41,723 | 1 | - | Adjustment |
| Motor Cycle | 77,142 | 77,141 | 1 | - | Adjustment |
| | <u>8,795,063</u> | <u>7,163,014</u> | <u>1,632,049</u> | <u>2,595,400</u> | |

29. Disposal of subsidiary

ACI Trading Limited (formerly ICI Bangladesh Limited) was incorporated in Bangladesh as a private limited company on 17 August 1973. The main objective of the company was to carry on the business of general merchants, importers and exporters, traders, commission agent and manufacturers, agents and trade in any goods or classes of goods. The company was divested to a multinational company named EAC Industrial Ingredients Limited effective from 1 October 2007.



30. Subsequent events

The board of directors of ACI Limited has proposed Tk 8.5 per share as cash dividend for the year 2007.

There is no events identified after balance sheet date which might be material except the amount of dividends proposed before the financial statements were authorised for issue but not recognised as a distribution to equity holders during the period under review, and the related amount per share.

31. Related party transactions

During the year, the company carried out a number of transactions with related parties in the normal course of business. The names of the related parties and nature of these transactions have been set out in accordance with the provisions of BAS 24: Related Party Disclosure.

| (a) <u>Name of related party</u> | <u>Relationship</u> | <u>Nature of transactions</u> |
|------------------------------------|---------------------|-----------------------------------|
| ACI Formulations Limited | Subsidiary | Purchase of products |
| ACI Salt Limited | Subsidiary | Providing working capital finance |
| Apex Leather Craft Limited | Subsidiary | Lease of Corporate Office |
| Flyban Insecticides Limited | Subsidiary | Providing working capital finance |
| ACI Pure Flour Limited | Subsidiary | Providing working capital finance |
| ACI Foods Limited | Subsidiary | Providing working capital finance |
| ACI Agrochemicals Limited | Subsidiary | Providing working capital finance |
| Creative Communication Limited | Subsidiary | Providing working capital finance |
| ACI Motors Limited | Subsidiary | Providing working capital finance |
| Premiaflex Plastics Limited | Subsidiary | Providing working capital finance |
| Tetley ACI (Bangladesh) Limited | Joint Venture | Purchase of products |
| Asian Consumer Care (Pvt.) Limited | Joint Venture | Promotional expenses |
| ACI Godrej Agrovet (Pvt) Limited | Joint Venture | Providing working capital finance |

(b) Directors' emoluments

| | <u>2007</u> | <u>2006</u> |
|-----------------------------|-------------------|-------------------|
| | <u>Taka</u> | <u>Taka</u> |
| Salary | 7,519,882 | 6,620,323 |
| Benefits | 3,736,610 | 3,138,344 |
| Provident fund contribution | 554,784 | 487,824 |
| | <u>11,811,276</u> | <u>10,246,491</u> |

32. Off balance sheet items

32.1 Commitments

On the balance sheet date, the company is enjoying unfunded credit facilities from the following banks:

Letter of credit:

| | Taka |
|---|-------------|
| Standard Chartered Bank | 238,043,902 |
| Commercial Bank of Ceylon Limited | 1,776,864 |
| The Hongkong and Shanghai Banking Corporation Limited | 128,912,418 |
| Citibank, N.A. | 139,206,764 |
| | 507,939,948 |

32.2 Contingent liabilities

Bank guarantee:

| | |
|---|------------|
| Standard Chartered Bank | 9,768,881 |
| The Hongkong and Shanghai Banking Corporation Limited | 4,019,700 |
| Mercantile Bank Limited | 424,382 |
| | 14,212,963 |

Shipping guarantee:

| | |
|---|------------|
| Standard Chartered Bank | 14,971,873 |
| The Hongkong and Shanghai Banking Corporation Limited | 31,039,565 |
| | 46,011,438 |

Bills receivable:

| | |
|-------------------------|-----------|
| Standard Chartered Bank | 8,373,864 |
| | 8,373,864 |

33. Segment reporting - Business segment

| Particulars | 2007 | | | | | | | | | | 2006 | |
|--------------------------------|-----------------------------|----------------|---------------|-----------------|---------------|-------------------------|---------------|-----------------|-----------------|-------|------|--|
| | Reportable business segment | | | | | Non-reportable segments | | Unallocated | | Total | | |
| | Pharmaceuticals | Agro-chemicals | Animal health | Consumer brands | Salt | Taka | Taka | Taka | Taka | Taka | Taka | |
| Segment revenue: | | | | | | | | | | | | |
| To external customers | 1,783,144,340 | 1,108,570,745 | 363,101,078 | 1,444,163,840 | 558,020,897 | 499,816,929 | - | 5,756,817,829 | 4,237,856,136 | | | |
| Total revenue | 1,783,144,340 | 1,108,570,745 | 363,101,078 | 1,444,163,840 | 558,020,897 | 499,816,929 | - | 5,756,817,829 | 4,237,856,136 | | | |
| Cost of sales | (916,937,181) | (645,066,088) | (207,414,422) | (1,127,763,153) | (444,251,945) | (407,698,946) | - | (3,749,131,735) | (2,770,641,893) | | | |
| Gross profit | 866,207,159 | 463,504,657 | 155,686,656 | 316,400,687 | 113,768,952 | 92,117,983 | - | 2,007,686,094 | 1,467,214,243 | | | |
| Selling expenses | (479,348,567) | (222,592,874) | (66,115,071) | (144,439,525) | (61,479,024) | (61,959,125) | - | (1,035,934,186) | (702,237,806) | | | |
| Distribution expenses | (116,117,500) | (14,249,027) | (8,453,973) | (28,116,812) | (21,185,180) | (2,759,596) | - | (190,882,088) | (193,346,149) | | | |
| Administrative expenses | - | - | - | - | - | - | (165,387,099) | (165,387,099) | (119,018,755) | | | |
| Other income/(expense) | 9,952,594 | 1,193,394 | 12,898 | 86,010 | - | (5,187,723) | 163,295,442 | 169,352,615 | 56,050,015 | | | |
| Segment result | 280,693,686 | 227,856,150 | 81,130,510 | 143,930,360 | 31,104,748 | 22,211,539 | (2,091,657) | 784,835,336 | 508,661,548 | | | |
| Segment assets | 1,571,209,339 | 1,514,224,119 | 280,901,659 | 960,319,493 | 413,092,152 | 715,853,183 | 456,761,334 | 5,912,361,279 | 3,716,306,002 | | | |
| Segment equity and liabilities | 773,776,398 | 609,252,174 | 139,305,733 | 537,832,869 | 413,092,152 | 459,502,340 | 2,979,599,613 | 5,912,361,279 | 3,716,306,002 | | | |

34. General

34.1 Production capacity

Production capacity of all business units is 3,114,000 units pack per 8 hr/month and current utilization is 118%.

34.2 Capital expenditure commitment

There is a capital expenditure commitment of Tk.234 million in respect of import of plant and machinery, building renovation, central warehouse and laboratory.

34.3 During the year under review, following payments were made in foreign currencies :

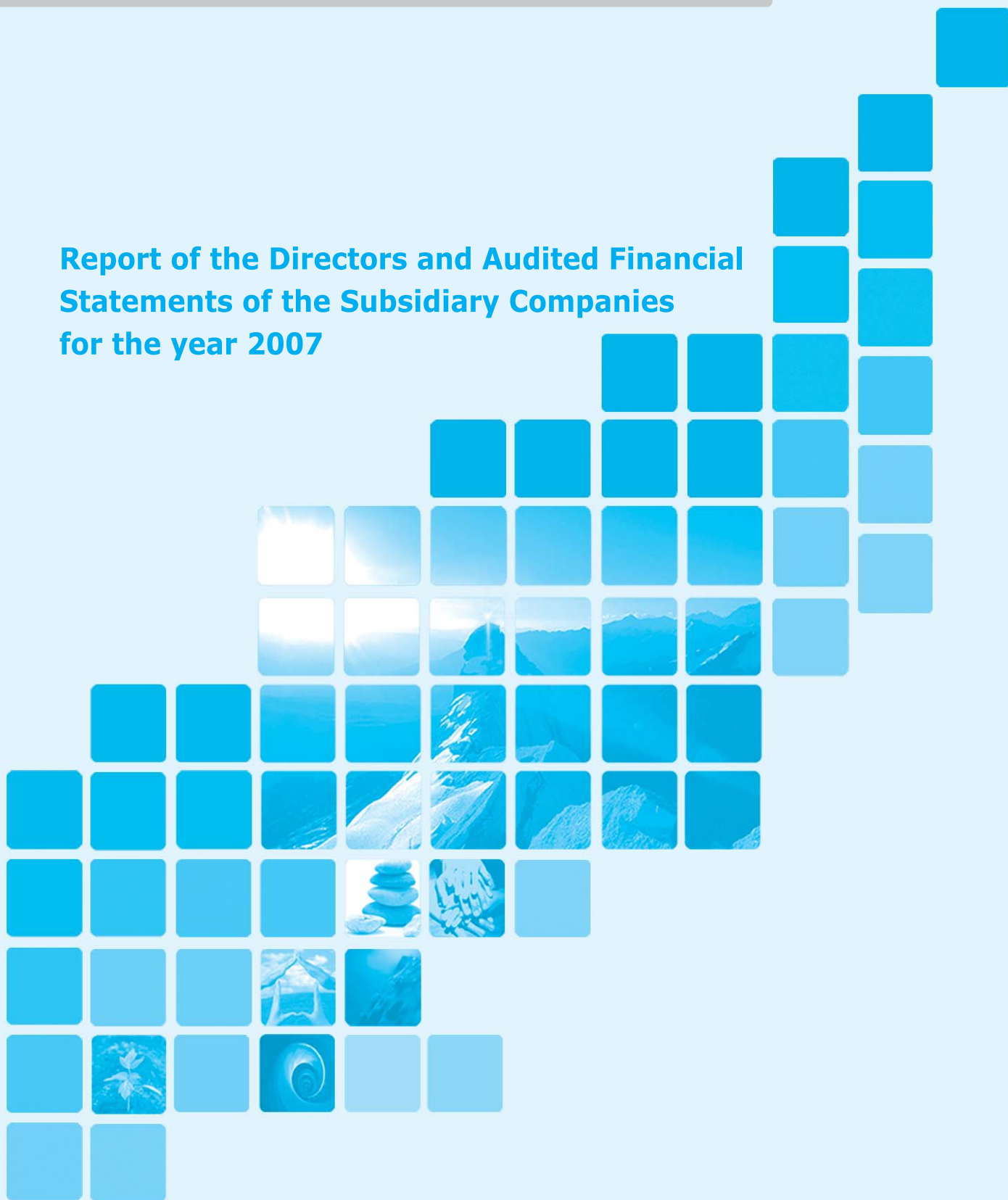
| | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> |
|---------------------------|----------------------------|----------------------------|
| Raw and packing materials | 572,847,107 | 445,470,475 |
| Finished goods | 403,654,393 | 203,959,204 |
| | <u>976,501,500</u> | <u>649,429,679</u> |

34.4 The number of employees drawing Tk. 3,000 or more per month was 3,050 (2006: 2,476).

34.5 Figures have been rounded off to the nearest taka and previous year's figures have been rearranged, where necessary, to conform to current year's presentation.



**Report of the Directors and Audited Financial
Statements of the Subsidiary Companies
for the year 2007**



Report of the Directors of ACI Formulations Limited

ACI Formulations Limited is a private limited company incorporated in 1995 with the Registrar of Joint Stock Companies, Dhaka, Bangladesh under Companies Act 1994 having 87% shares by Advanced Chemical Industries Limited "ACI Limited".

The Company went into commercial operations July 01, 1998. The principal business of the Company during the year under review was manufacturing and marketing of a number of agrochemical and consumer products. Most of the sales are to Advanced Chemical Industries limited which is responsible for marketing these products.

For smooth and safe operation the factory is organizing regular training program for workers, Supervisors and managers on safety and operation. The Company also upgraded the production facilities of toilet cleaner "Vanish" to support ACI Consumer Brand business. ACI Formulation also entered into an agreement with EAC Industrial Ingredients Ltd. Denmark (previous name ACI Trading Limited) for the Toll Manufacturing of textile and leather auxiliaries.

Financial Result

| | <u>Taka</u> |
|--|--------------|
| Profit for the year before providing tax amounted to | 112,913,207 |
| Provision for tax | (47,388,133) |
| | 65,525,074 |
| Tax Holiday reserve | (1,129,128) |
| Making a net profit to be carried forward | 64,395,946 |
| Transferred from Tax Holiday reserve | 40,764,564 |
| To which is to be added unappropriated profit from previous year | 173,611,158 |
| Leaving undistributed profit carried forward of | 278,771,668 |

Dividend

We do not propose to distribute any dividend this year in order to reduce our loans and overdraft.

Directors

Dr. F. H. Ansarey, Mrs. Najma Dowla and Ms. Shusmita Anis Salam retire by rotation and being eligible, offer themselves for re-election.

Auditors

The retiring auditors M/s. Rahman Rahman Huq, Chartered Accountants being eligible offer for themselves for re-appointment.

Dhaka, 30 April 2008

On behalf of the Board



Dr. Arif Dowla
Managing Director



Auditors' Report to the Shareowners of ACI Formulations Limited

We have audited the accompanying balance sheet of ACI Formulations Limited as at 31 December 2007 and the related profit and loss account, statement of changes in shareholders' equity and cash flow statement for the year then ended. The preparation of these financial statements is the responsibility of the company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

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 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.

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the state of the company's affairs as at 31 December 2007 and of the results of its operations and its cash flows for the period then ended and comply with the Companies Act 1994 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 purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- c) the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account.

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

Dhaka, 30 April 2008



ACI Formulations Limited

Balance Sheet

as at 31 December 2007

Assets

Property, plant and equipment:

At cost/revaluation
Less: Accumulated depreciation

Capital work in progress

Current assets

Inventories
Trade debtors
Advances, deposits and prepayments
Inter-company receivables
Cash and bank balances

Equity and liabilities

Shareowners' equity:

Share capital
Revaluation reserve
Tax holiday reserve
Retained earnings

Current liabilities:

Bank overdraft
Short term loan
Obligation under finance lease
Withholding tax and VAT
Trade creditors and accruals
Provision for tax

Deferred tax liability

| | 2007 Taka | 2006 Taka |
|------------------------------------|---------------|---------------|
| At cost/revaluation | 386,982,537 | 375,483,447 |
| Less: Accumulated depreciation | 113,364,906 | 91,341,509 |
| | 273,617,631 | 284,141,938 |
| Capital work in progress | 55,520,930 | 2,349,190 |
| Inventories | 397,807,323 | 342,324,041 |
| Trade debtors | 8,252,162 | 189,838 |
| Advances, deposits and prepayments | 50,293,772 | 53,962,987 |
| Inter-company receivables | 726,212,549 | 363,836,431 |
| Cash and bank balances | 8,022,605 | 2,800,314 |
| | 1,190,588,411 | 763,113,611 |
| | 1,519,726,972 | 1,049,604,739 |
| Share capital | 250,000,000 | 250,000,000 |
| Revaluation reserve | 65,495,689 | 65,495,689 |
| Tax holiday reserve | - | 39,635,436 |
| Retained earnings | 278,771,668 | 173,611,158 |
| | 594,267,357 | 528,742,283 |
| Bank overdraft | 20,075,993 | 29,127,059 |
| Short term loan | 663,190,412 | 269,899,794 |
| Obligation under finance lease | - | 235,731 |
| Withholding tax and VAT | 83,154 | 480,029 |
| Trade creditors and accruals | 115,699,929 | 84,013,468 |
| Provision for tax | 49,622,803 | 60,057,184 |
| | 848,672,291 | 443,813,265 |
| Deferred tax liability | 76,787,324 | 77,049,191 |
| | 1,519,726,972 | 1,049,604,739 |

Managing Director

Director

Company Secretary

As per our report of same date.

Auditors

Dhaka, 30 April 2008

Dhaka, 30 April 2008



ACI Formulations Limited Profit and Loss Account

for the year ended 31 December 2007

| Particulars | 2007 | | | | | | 2006 | |
|--|---------------|---------------|---------------|-----------------|--------------|-----------------|-------------|---------------|
| | Unit 1 | | Unit 2 | | Taxable | | Tax holiday | |
| | Taka | Taka | Taka | Taka | Unit 3 | Total | Unit 3 | Total |
| Sales | 789,479,979 | 361,369,019 | 128,700,780 | 1,279,549,778 | 103,568,930 | 1,383,118,708 | | 923,862,592 |
| Cost of sales | (630,948,985) | (327,235,664) | (118,539,912) | (1,076,724,560) | (94,204,408) | (1,170,928,968) | | (743,306,060) |
| Gross profit | 158,530,994 | 34,133,355 | 10,160,868 | 202,825,218 | 9,364,522 | 212,189,740 | | 180,556,532 |
| Other income | 1,101,718 | - | 86,010 | 1,187,728 | - | 1,187,728 | | 850,980 |
| | 159,632,712 | 34,133,355 | 10,246,878 | 204,012,946 | 9,364,522 | 213,377,468 | | 181,407,512 |
| Administrative, selling and distribution expenses: | | | | | | | | |
| Audit fee | 50,000 | 50,000 | 29,167 | 129,167 | 20,833 | 150,000 | | 120,000 |
| Business promotion | 4,719,894 | - | - | 4,719,894 | - | 4,719,894 | | 4,615,649 |
| Other expenses | 29,440,852 | 10,899,648 | 4,384,826 | 44,725,326 | 3,132,018 | 47,857,345 | | 47,879,788 |
| | 34,210,746 | 10,949,648 | 4,413,993 | 49,574,387 | 3,152,851 | 52,727,239 | | 52,615,437 |
| Financing cost | 125,421,966 | 23,183,707 | 5,832,886 | 154,438,559 | 6,211,671 | 160,650,229 | | 128,792,075 |
| | 22,764,587 | 10,423,234 | 5,020,400 | 38,208,221 | 3,586,000 | 41,794,221 | | 20,408,472 |
| Provision for contribution to WPPF | 102,657,379 | 12,760,473 | 812,486 | 116,230,338 | 2,625,671 | 118,856,008 | | 108,383,603 |
| Profit before tax | 5,132,869 | 638,024 | 40,624 | 5,811,517 | 131,284 | 5,942,801 | | 5,419,180 |
| Provision for tax: | 97,524,510 | 12,122,449 | 771,862 | 110,418,821 | 2,494,387 | 112,913,207 | | 102,964,423 |
| Current tax | 41,500,000 | 5,600,000 | 550,000 | 47,650,000 | - | 47,650,000 | | 31,800,000 |
| Deferred tax (income)/expense | (275,704) | (338,280) | 205,402 | (408,582) | 146,715 | (261,867) | | 3,896,837 |
| Profit after tax | 41,224,296 | 5,261,720 | 755,402 | 47,241,418 | 146,715 | 47,388,133 | | 35,696,837 |
| Tax holiday reserve | 56,300,214 | 6,860,729 | 16,460 | 63,177,403 | 2,347,672 | 65,525,074 | | 67,267,586 |
| Profit for the year | 56,300,214 | 6,860,729 | 16,460 | 63,177,403 | 1,129,128 | 64,395,946 | | 9,426,409 |
| | | | | | 1,218,544 | | | 57,841,177 |

As per our report of same date.

Prof. Anshu
Managing Director

Director

Sheema Akmal Rahman
Company Secretary

Company Secretary

John S. S. S. S.
Auditors

Auditors

ACI Formulations Limited

Statement of Changes in Shareowners' Equity

for the year ended 31 December 2007

| <u>Particulars</u> | <u>Share capital</u> | <u>Revaluation reserve</u> | <u>Tax holiday reserve</u> | <u>Retained earnings</u> | <u>Total</u> |
|---------------------------------------|----------------------|----------------------------|----------------------------|--------------------------|--------------|
| | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> |
| Balance as at 1 January 2006 | 250,000,000 | 65,495,689 | 30,209,027 | 115,769,982 | 461,474,698 |
| Net profit after tax | - | - | - | 67,267,585 | 67,267,585 |
| Transferred to tax holiday reserve | - | - | 9,426,409 | (9,426,409) | - |
| Balance as at 31 December 2006 | 250,000,000 | 65,495,689 | 39,635,436 | 173,611,158 | 528,742,283 |
| Net profit after tax | - | - | - | 65,525,074 | 65,525,074 |
| Transferred to tax holiday reserve | - | - | 1,129,128 | (1,129,128) | - |
| Transferred from tax holiday reserve | | | (40,764,564) | 40,764,564 | - |
| Balance as at 31 December 2007 | 250,000,000 | 65,495,689 | - | 278,771,668 | 594,267,357 |



ACI Formulations Limited Cash Flow Statement

for the year ended 31 December 2007

| | <u>2007</u> Taka | <u>2006</u> Taka |
|---|---------------------|----------------------|
| A. Cash flows from operating activities: | | |
| Profit before tax | 112,913,207 | 102,964,422 |
| Adjustment for items not involving movement of cash : | | |
| Depreciation | 22,023,397 | 20,440,465 |
| Provision for Inventory | 1,433,080 | 1,985,805 |
| | <u>136,369,684</u> | <u>125,390,692</u> |
| Changes in working capital: | | |
| Inventories | (55,483,282) | (94,294,584) |
| Trade debtors | (8,062,324) | 960,163 |
| Other receivables | - | 5,929,677 |
| Advances, deposits and prepayments | 3,669,213 | (16,128,060) |
| Due from inter-company | (362,376,118) | (107,222,740) |
| Short term loan | 393,290,618 | 99,705,864 |
| Withholding tax and VAT | (396,875) | (164,545) |
| Trade creditors and accruals | 30,253,381 | 23,096,934 |
| Income tax paid | (58,084,381) | (21,907,421) |
| | <u>(57,189,768)</u> | <u>(110,024,712)</u> |
| <i>Net cash provided by operating activities</i> | <u>79,179,916</u> | <u>15,365,980</u> |
| B. Cash flows from investing activities: | | |
| Capital work in progress | (53,171,740) | (18,547,018) |
| Acquisition of property, plant and equipment | (11,499,088) | (2,101,209) |
| Net cash used in investing activities | <u>(64,670,828)</u> | <u>(20,648,227)</u> |
| C. Cash flows from financing activities: | | |
| Obligation under finance lease - long term portion | (235,731) | (511,731) |
| Net cash flows from financing activities | <u>(235,731)</u> | <u>(511,731)</u> |
| D. Net cash inflow/(outflow) from total activities (A+B+C) | 14,273,357 | (5,793,978) |
| E. Opening cash and cash equivalents | (26,326,745) | (20,532,767) |
| F. Closing cash and cash equivalents (D+E) | <u>(12,053,388)</u> | <u>(26,326,745)</u> |
| Closing cash and cash equivalents represent: | | |
| Cash in hand and at bank | 8,022,605 | 2,800,314 |
| Bank overdraft | (20,075,993) | (29,127,059) |
| | <u>(12,053,388)</u> | <u>(26,326,745)</u> |

Report of the Directors of ACI Salt Limited

ACI Salt Limited is a private limited company incorporated in 2004 with the Registrar of Joint Stock Companies, Dhaka, Bangladesh under Companies Act 1994 having 78% shares by Advanced Chemical Industries Limited "ACI Limited".

The Company has established a world-class salt refinery plant in Rugganj under Narayanganj district in collaboration with China National Heavy Machinery Corporation (CHMC) for manufacturing and marketing of vacuum evaporated free flow Iodized salt. The quality of the salt is excellent and it has been well-accepted by the consumers.

Financial Result

| | Taka |
|--------------------------|---------------|
| Turnover | 559,104,672 |
| Cost of goods sold | (444,272,973) |
| Gross profit | 114,831,699 |
| Operating expenses | (88,021,675) |
| Financing cost | (51,109,099) |
| Other income | 1,886,560 |
| Net profit/(loss) | (22,412,515) |

Auditors

The retiring Auditors M/s. Huda Vasi Chowdhury & Co., Chartered Accountants being eligible offer for re-appointment

On behalf of the Board

Arif Dowla

Dr. Arif Dowla
Managing Director

Dhaka, 30 April 2008



Auditors' Report to the Shareowners of ACI Salt Limited

We have audited the accompanying balance sheet of ACI Salt Limited as of 31 December 2007 and the related profit and loss account, statement of changes in equity and cash flow statement for the year then ended. The preparation of these financial statements is the responsibility of the company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

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.

In our opinion, subject to contents of accompanying notes - 9 and 10, the financial statements prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) and Bangladesh Accounting Standards (BAS), give a true and fair view of the state of the company's affairs as of 31 December 2007 and its cash flows for the year then ended and comply with the Companies Act, 1994 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 purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- c) the company's balance sheet and profit and loss account along with the annexed notes 1 to 24 dealt with by the report are in agreement with the books of account.

Dhaka, 22 April 2008



Hoda Vasi Chowdhury & Co.
Chartered Accountants

ACI Salt Limited Balance Sheet

as at 31 December 2007

| | <u>2007</u> Taka | <u>2006</u> Taka |
|---|---------------------|---------------------|
| Non current assets: | | |
| Tangible fixed assets - at cost less accumulated depreciation | 300,382,158 | 316,464,380 |
| Preliminary expenses | 599,430 | 847,470 |
| Pre-operating expenses | 2,133,962 | 3,016,982 |
| | 303,115,550 | 320,328,832 |
| Current assets: | | |
| Inventories | 87,045,529 | 150,458,231 |
| Advances, deposits and prepayments | 8,085,245 | 8,698,606 |
| Accounts receivable | 7,817,709 | 13,048,476 |
| Receivable from CHMC | - | 1,566,309 |
| Cash and bank balances | 7,028,119 | 718,576 |
| | 109,976,602 | 174,490,198 |
| Total assets | 413,092,152 | 494,819,030 |
| Shareholders' equity: | | |
| Share capital | 100,000,000 | 100,000,000 |
| Accumulated loss | (118,053,349) | (95,640,834) |
| | (18,053,349) | 4,359,166 |
| Non current liabilities: | | |
| Long term loan - net of current portion | - | 33,858,827 |
| Current liabilities: | | |
| Current portion of long term loan | 36,373,839 | 46,247,311 |
| Bank overdraft | - | 8,977,571 |
| Short term loan | 84,579,287 | 210,257,683 |
| Deposit money received from transport agencies | 600,000 | 800,000 |
| Current account with ACI Limited | 296,180,279 | 170,144,978 |
| Creditors and accruals | 13,412,096 | 20,173,494 |
| | 431,145,501 | 456,601,037 |
| Total equity and liabilities | 413,092,152 | 494,819,030 |



Managing Director



Director



Company Secretary

Auditors' Report to the Shareowners
See annexed report of date.



Hoda Vasi Chowdhury & Co.
Chartered Accountants

Dhaka, 22 April 2008



ACI Salt Limited Profit and Loss Account

for the year ended 31 December 2007

| | <u>2007</u> Taka | <u>2006</u> Taka |
|------------------------------------|---------------------|---------------------|
| Turnover | 559,104,672 | 511,265,014 |
| Cost of goods sold | (444,272,973) | (431,246,848) |
| Gross profit | 114,831,699 | 80,018,166 |
| Office and administrative expenses | (5,357,471) | (2,868,409) |
| Selling and distribution expenses | (82,664,204) | (64,090,498) |
| Operating profit | 26,810,024 | 13,059,259 |
| Financial expenses | (51,109,099) | (52,936,403) |
| Other income | 1,886,560 | 261,385 |
| Net loss for the year | <u>(22,412,515)</u> | <u>(39,615,759)</u> |

Managing Director

Director

Company Secretary

Auditors' Report to the Shareowners
See annexed report of date.

Hoda Vasi Chowdhury & Co.
Chartered Accountants

Dhaka, 22 April 2008



ACI Salt Limited

Cash Flow Statement

for the year ended 31 December 2007

| | 2007 Taka | 2006 Taka |
|--|---------------|--------------|
| A Cash flows from operating activities | | |
| Net loss before tax for the year | (22,412,515) | (39,615,759) |
| Add: Items not involving in movement of cash | | |
| Depreciation on tangible fixed assets | 25,062,862 | 24,399,965 |
| Amortization of preliminary expenses | 248,040 | 248,040 |
| Amortization of pre-operating expenses | 883,020 | 883,019 |
| | 26,193,922 | 25,531,024 |
| | 3,781,407 | (14,084,735) |
| Changes in working capital | | |
| (Increase)/decrease in inventories | 63,412,702 | (35,750,225) |
| (Increase)/decrease in advances, deposits and prepayments | 613,361 | (4,564,254) |
| (Increase)/decrease in accounts receivable | 5,230,767 | (9,036,660) |
| (Increase)/decrease in receivable from - CHMC | 1,566,309 | (1,411,306) |
| Increase in current account with ACI Limited | 126,035,301 | 39,488,085 |
| Increase/(decrease) in creditors and accruals | (6,761,398) | 4,879,799 |
| Decrease in deposit money received from transport agencies | (200,000) | - |
| | 189,897,042 | (6,394,561) |
| Net cash generated from operating activities | 193,678,449 | (20,479,296) |
| B Cash flows from investing activities | | |
| Acquisition of fixed assets | (8,980,640) | (10,387,114) |
| Net cash used in investing activities | (8,980,640) | (10,387,114) |
| C Cash flows from financing activities | | |
| Decrease in long term loan | (33,858,827) | (43,732,299) |
| Increase/(decrease) in bank overdraft | (8,977,571) | 6,633,527 |
| Increase/(decrease) in short term loan | (125,678,396) | 70,257,683 |
| Decrease in current portion of long term loan | (9,873,472) | (2,515,012) |
| Net cash used in financing activities | (178,388,266) | 30,643,899 |
| D Net cash flow (A+B+C) | 6,309,543 | (222,511) |
| E Cash and bank balances at the beginning of the year | 718,576 | 941,087 |
| F Cash and bank balances at the end of the year | 7,028,119 | 718,576 |

Managing Director

Director

Company Secretary

Dhaka, 22 April 2008



ACI Salt Limited

Statement of Changes in Shareowners' Equity

for the year ended 31 December 2007

| <u>Particulars</u> | <u>Share capital</u> <u>Taka</u> | <u>Accumulated loss</u> <u>Taka</u> | <u>Total</u> <u>Taka</u> |
|------------------------------------|-------------------------------------|--|-----------------------------|
| Balance at 01 January 2006 | 100,000,000 | (56,025,075) | 43,974,925 |
| Net loss for the year | - | (39,615,759) | (39,615,759) |
| Balance at 31 December 2006 | 100,000,000 | (95,640,834) | 4,359,166 |
| Net loss for the year | - | (22,412,515) | (22,412,515) |
| Balance at 31 December 2007 | 100,000,000 | (118,053,349) | (18,053,349) |

Managing Director

Director

Company Secretary

Dhaka, 22 April 2008



Report of the Directors of ACI Foods Limited

ACI Foods Limited is a subsidiary company incorporated in 2006 with Registrar of Joint Stock Companies, Dhaka, Bangladesh under Companies Act 1994 having 95% shares held by Advanced Chemical Industries Limited "ACI Limited". A land measuring 17 Bighas at Kutirchar, Vadrghat, Sirajgonj has been purchased for the factory. The factory went into commercial production in January 2008. Some spice materials are locally procured considering best variety & quality and some are imported.

The quality of the product is good and competitive with market and has a high customer acceptance. It is our desire to reach the break-even point shortly and the project is expected become profitable from next year. The Company did not go into commercial operation during the period under review and as such no Profit and Loss Account has been drawn up.

On behalf of the Board

Dr. Arif Dowla
Managing Director

Dhaka, 4 May 2008



Auditors' Report to the Shareowners of ACI Foods Limited

We have audited the accompanying balance sheet of ACI Foods Limited as at 31 December 2007 and the related cash flow statement for the year then ended. The preparation of 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.

We conducted our audit in accordance with Bangladesh Standards on Auditing. 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements, prepared in accordance with Bangladesh Accounting Standards (BAS), give a true and fair view of the state of the Company's affairs as of 31 December 2007 and its cash flow for the year then ended and comply with the Companies Act 1994 and other applicable laws and regulations.

We also report that:

- a) we have obtained all the information and explanations which were necessary for the purposes of our audit ;
- b) in our opinion, proper books of accounts were maintained by the company so far as it appeared from our examination;
- c) the balance sheet and cash flow statement dealt with by the report are in agreement with the books of account maintained by the company and examined by us and
- d) the expenditure incurred was for the purpose of the companies business.

Dhaka, 15 April 2008

M. J. ABEDIN & CO.
Chartered Accountants



ACI Foods Limited Balance Sheet

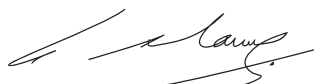
as at 31 December 2007

| Assets | Amount in Taka 2007 | Amount in Taka 2006 |
|---|------------------------|------------------------|
| Non Current Assets: | | |
| Property, Plant and Equipments | 117,111,405 | 14,054,015 |
| Capital Work -in-Progress | 2,809,332 | - |
| Pre-operating Expenses | 149,303 | 24,441 |
| Advance for Capital Expenditure | 11,113,506 | 831,750 |
| Preliminary Expenses | 72,185 | 72,185 |
| | 9,251,331 | 20,000 |
| Current Assets: | | |
| Inventories | 8,616,910 | - |
| Advances, Deposits and Prepayments | 630,081 | - |
| Cash and Cash Equivalents | 4,340 | 20,000 |
| Total Assets | 140,507,062 | 15,002,391 |
| Equity & Liabilities | | |
| Share Capital: | | |
| Authorised | | |
| 2,000,000 Ordinary Shares of Tk. 100/- each | 200,000,000 | 200,000,000 |
| Issued, Subscribed & Paid-up | | |
| Long Term Loan | 40,000,000 | 20,000 |
| | 35,793,323 | - |
| | 64,713,739 | 14,982,391 |
| Current Liabilities: | | |
| Bank Overdraft | 4,077,422 | - |
| Trade Creditors | 5,736,004 | - |
| Sundry Creditors | 1,231,349 | 10,000 |
| Interest Payable | 1,292,253 | - |
| Current Portion of Long Term Loan | 6,086,181 | - |
| Inter-company Liabilities | 46,290,530 | 14,972,391 |
| Total Liabilities and Shareowners Equity | 140,507,062 | 15,002,391 |

No manufacturing, trading and profit and loss account has been prepared as the company has not gone into commercial production during the year under review.



Managing Director



Director



Company Secretary

This is the Balance Sheet referred to in our report of even date.



M. J. ABEDIN & CO.
Chartered Accountants

Dhaka, 15 April 2008



ACI Foods Limited Cash Flow Statement

(Incorporated on 14 September 2006) for the year ended 31 December 2007

Cash Flows from Operating Activities:

Cash received from customer -
Cash paid to suppliers and others -
Net cash provided by operating activities -

Cash Flows from Investing Activities:

| | Amount in Taka 2007 | Amount in Taka 2006 |
|--|------------------------|------------------------|
| Payments for Property, Plant and Equipment | (103,057,390) | (14,054,015) |
| Cash payment for Capital Work-in-Progress | (2,809,332) | - |
| Pre-operation expenses | (124,862) | (24,441) |
| Advance for Capital Expenditure and Deposits | (10,611,837) | (831,750) |
| Preliminary Expenses | - | (72,185) |
| Inventory | (8,616,910) | - |
| Advance against Expenses | (300,000) | - |
| Bank overdraft | 4,077,422 | - |
| Trade Creditors | 5,736,004 | - |
| Sundry Creditors | 1,221,349 | 10,000 |
| Interest Payable | 1,292,253 | - |
| <i>Net cash used in investing activities</i> | (113,193,303) | (14,972,391) |

Cash Flows from Financing Activities:

| | | |
|---|-------------|------------|
| Proceeds from Issuance of Share Capital | 39,980,000 | 20,000 |
| Long Term Liabilities | 35,793,323 | - |
| Current Portion of Long Term Loan | 6,086,181 | - |
| Received from Inter Companies | 31,318,139 | 14,972,391 |
| <i>Net cash flows from financing activities</i> | 113,177,643 | 14,992,391 |
| Increase/(Decrease) in cash and cash equivalents | (15,660) | 20,000 |
| Cash and Cash Equivalents at the beginning | 20,000 | - |
| Cash and Cash Equivalents at the end | 4,340 | 20,000 |

Managing Director

Director

Company Secretary

This is the Cash Flow referred to in our report of even date.

M. J. ABEDIN & CO.
Chartered Accountants

Dhaka, 15 April 2008

Report of the Directors of ACI Pure Flour Limited

ACI Pure Flour Limited is a subsidiary company incorporated in 2006 with Registrar of Joint Stock Companies, Dhaka, Bangladesh under Companies Act 1994 having 95% shares held by Advanced Chemical Industries Limited "ACI Limited". A land measuring 22 Bighas at Chawrapara, Bandar, Narayanganj has been purchased for factory building. The factory went into commercial production in January 2008. The raw material of the product is wheat which is sourced from local market and also imported as a group.

The quality of the product is good and competitive with market and has high customer acceptance. It is our desire to reach the break-even point shortly and the project to become profitable from next year. The Company did not go into commercial operation during the period under review and as such no Profit and Loss Account has been drawn up.

On behalf of the Board



Dr. Arif Dowla
Managing Director

Dhaka, 4 May 2008



Auditors' Report to the Shareowners of ACI Pure Flour Limited

We have audited the accompanying balance sheet of ACI Pure Flour Limited as at 31 December 2007 and the related cash flow statement for the year then ended. The preparation of 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.

We conducted our audit in accordance with Bangladesh Standards on Auditing. 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements, prepared in accordance with Bangladesh Accounting Standards (BAS), give a true and fair view of the state of the Company's affairs as of 31 December 2007 and its cash flow for the year then ended and comply with the Companies Act 1994 and other applicable laws and regulations.

We also report that:

- a) we have obtained all the information and explanations which were necessary for the purposes of our audit ;
- b) in our opinion, proper books of accounts were maintained by the company so far as it appeared from our examination;
- c) the balance sheet and cash flow statement dealt with by the report are in agreement with the books of account maintained by the company and examined by us and
- d) the expenditure incurred was for the purpose of the companies business.

Dhaka, 15 April 2008

M. J. ABEDIN & CO.
Chartered Accountants

ACI Pure Flour Limited Balance Sheet

(Incorporated on 29 August, 2006) as at 31 December 2007

| | Amount in Taka 2007 | Amount in Taka 2006 |
|--|------------------------|------------------------|
| Assets | | |
| Property, Plant and Equipments | 60,373,500 | 1,125,633 |
| Capital Work-in-Progress | 294,871,781 | - |
| Pre-operating Expenses | 174,430 | 10,184 |
| Advance for Capital Expenditure | 23,905,251 | 23,445,022 |
| Preliminary Expenses | 94,605 | 90,000 |
| | 31,745,559 | 15,339,161 |
| Current Assets: | | |
| Inventories | 28,404,572 | - |
| Other Receivables | 93,131 | - |
| Advances, Deposits and Prepayments | 1,576,021 | - |
| Receivable from Inter-companies | 61,795 | 15,338,161 |
| Cash and Cash Equivalents | 1,610,040 | 1,000 |
| | 411,165,126 | 40,010,000 |
| Capital & Liabilities | | |
| Share Capital: | | |
| Authorised | | |
| 5,000,000 Ordinary Shares of Tk. 100/- each | 500,000,000 | 500,000,000 |
| Issued, Subscribed & Paid-up | | |
| | 40,000,000 | 40,000,000 |
| Long Term Loan | | |
| | 142,385,813 | - |
| Current Liabilities: | | |
| | 228,779,313 | 10,000 |
| Bank Overdraft | 18,842,053 | - |
| Short Term Loan | 24,865,000 | - |
| Current Portion of Long Term Loan | 49,840,076 | - |
| Interest Payable | 9,039,333 | - |
| Sundry Creditors | 54,561 | 10,000 |
| Inter-company Liabilities | 126,138,290 | - |
| | 411,165,126 | 40,010,000 |
| Total Liabilities and Shareowners' Equity | | |

No manufacturing, trading and profit and loss account has been prepared as there was no production and trading during the year under review.



Managing Director



Director



Company Secretary

This is the Balance Sheet referred to in our report of even date.



M. J. ABEDIN & CO.
Chartered Accountants

Dhaka, 15 April 2008



ACI Pure Flour Limited Cash Flow Statement

for the year ended 31 December 2007

Cash Flows from Operating Activities:

Cash received from customer
Cash paid to suppliers and others
Net cash provided by operating activities

Cash Flows from Investing Activities:

Payments for Property, Plant and Equipment
Cash payment for Capital Work-in-Progress
Pre-operation expenses
Advance for Capital Expenditure and Deposits
Preliminary Expenses
Inventory
Interest Receivable
Advance against Expenses
Bank overdraft
Interest Payable
Sundry Creditors
Net cash used in investing activities

Cash Flows from Financing Activities:

Proceeds from issuance of share capital
Long Term Loan
Short Term Loan
Current Portion of Long Term Loan
Received from Inter Companies
Net cash flows from financing activities

Increase/(Decrease) in cash and cash equivalents

Cash and Cash Equivalents at the beginning

Cash and Cash Equivalents at the end

| | Amount in Taka 2007 | Amount in Taka 2006 |
|--|------------------------|------------------------|
| | - | - |
| | - | - |
| | - | - |
| | (59,247,867) | (1,125,633) |
| | (294,871,781) | - |
| | (164,246) | (10,184) |
| | (1,931,464) | (23,445,022) |
| | (4,605) | (90,000) |
| | (28,404,572) | - |
| | (93,131) | - |
| | (104,786) | - |
| | 18,842,053 | - |
| | 9,039,333 | - |
| | 44,561 | 10,000 |
| | (356,896,505) | (24,660,839) |
| | - | 40,000,000 |
| | 142,385,813 | - |
| | 24,865,000 | - |
| | 49,840,076 | - |
| | 141,414,656 | (15,338,161) |
| | 358,505,545 | 24,661,839 |
| | 1,609,040 | 1,000 |
| | 1,000 | - |
| | 1,610,040 | 1,000 |

Managing Director

Director

Company Secretary

This is the Cash Flow referred to in our report of even date.

M. J. ABEDIN & CO.
Chartered Accountants

Dhaka, 15 April 2008

Report of the Directors of Apex Leather Craft Limited

Apex Leather Craft Limited is a private limited company incorporated in 2007 with the Registrar of Joint Stock Companies, Dhaka, Bangladesh under Companies Act 1994 having 100% shares by Advanced Chemical Industries Limited "ACI Limited".

The name change of the Company from Apex Leather Craft Limited to ACI Properties Limited is still under process.

Financial Result

During the year the Company earned rental income
Expenses

Taka
9,912,000
3,484,468

Profit before Interest and Tax

Financing Cost

6,427,532
(4,708,234)

Profit before tax

Provision for tax

1,719,298
(665,877)

Surplus for the year

Deficit brought forward from previous year

1,053,421
(89,048,060)

Deficit carried forward

(87,994,639)

On behalf of the Board



Dr. Arif Dowla
Managing Director

Dhaka, 30 April 2008



Auditors' Report to the Shareowners of Apex Leathercraft Limited

We have audited the accompanying balance sheet of Apex Leathercraft Limited as at 31 December 2007 and the related profit and loss account, cash flow statement and statement of changes in equity for the year then ended. The preparation of 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.

We conducted our audit in accordance with Bangladesh Standards on Auditing. 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit the financial statements prepared in accordance with Bangladesh Accounting Standards (BAS), give a true and fair view of the state of the company's affairs as at 31 December 2007 and of the results of its operation and cash flows for the year then ended and comply with the Companies Act, 1994 and other applicable laws and regulations.

We also report that:

- a) we have obtained all the information and explanations which were necessary for the purposes of our audit;
- b) in our opinion, proper books of accounts were maintained by the company so far as it appeared from our examination;
- c) the balance sheet and profit and loss account dealt with by the report are in agreement with the books of account maintained by the company and examined by us and
- d) the expenditure incurred was for the purpose of the companies business.

Dhaka, 15 April 2008

M. J. ABEDIN & CO.
Chartered Accountants

Apex Leathercraft Limited

Balance Sheet

as at 31 December 2007

| | December 31 2007 | December 31 2006 |
|--|---------------------|---------------------|
| Assets | | |
| Fixed Assets (W.D.V) | 332,671,618 | 73,295,754 |
| Current Assets | | |
| Income Tax Deducted at Source | 996,576 | 1,706,854 |
| Cash at Bank (In operative) | 987,391 | 1,697,669 |
| Cash in Hand | 3,328 | 3,328 |
| | 5,857 | 5,857 |
| Total Assets | TK. 333,668,194 | 75,002,608 |
| Capital & Liabilities | | |
| Shareowners' Equity | 222,761,378 | (26,713,060) |
| Share Capital | 37,010,000 | 37,010,000 |
| Share Money Deposit | 25,325,000 | 25,325,000 |
| Revaluation Surplus | 248,421,017 | - |
| Accumulated Loss | (87,994,639) | (89,048,060) |
| Loan from ACI Limited (Unsecured) | | |
| Non Interest Bearing | 55,416,328 | 55,416,328 |
| Interest Bearing | 53,981,658 | 44,662,948 |
| Current Liabilities | | |
| Accrued Expenses | 1,508,830 | 1,636,392 |
| Income Tax Payable | 846,678 | 434,239 |
| | 662,152 | 1,202,153 |
| Total Liabilities and Shareowners' Equity | TK. 333,668,194 | 75,002,608 |



Managing Director



Director



Company Secretary

This is the Balance Sheet referred to in our report of even date.



M. J. ABEDIN & CO.
Chartered Accountants

Dhaka, 15 April 2008



Apex Leathercraft Limited Profit and Loss Account

for the year ended 31 December 2007

| | December 31 2007 | December 31 2006 |
|---|---------------------|---------------------|
| Revenue from | | |
| Rent Income | 9,912,000 | 9,912,000 |
| Less: Expenses | 3,484,468 | 2,690,773 |
| Municipal and Land Revenue Tax | 161,447 | 161,448 |
| Depreciation | 2,821,092 | 2,026,736 |
| Audit Fee | 20,000 | 20,000 |
| Legal Charge | 10,000 | 15,000 |
| Insurance | 413,339 | 413,339 |
| Other Expenses | 58,590 | 54,250 |
| Profit before Interest and Tax | 6,427,532 | 7,221,227 |
| Financing cost | (4,708,234) | (5,075,016) |
| Profit before tax | 1,719,298 | 2,146,211 |
| Provision for tax: | | |
| For the year | 662,152 | |
| For prior year (31.12.2006) | 3,725 | |
| Surplus for the year | 1,053,421 | 2,029,735 |
| Deficit brought forward form previous year | (89,048,060) | (91,077,795) |
| Deficit carried forward | Tk. (87,994,639) | (89,048,060) |
| Earnings per Share (Par value Tk. 100) | Tk. 2.85 | 5.48 |
| Number of Shares used to compute ESP | 370,100 | 370,100 |

Managing Director

Director

Company Secretary

This is the Profit and Loss Account referred to in our report of even date.

M. J. ABEDIN & CO.
Chartered Accountants

Dhaka, 15 April 2008

Apex Leathercraft Limited Cash Flow Statement

for the year ended 31 December 2007

| | December 31 2007 | December 31 2006 |
|---|---------------------|---------------------|
| A. Cash Flows from Operating Activities: | | |
| Cash received from customer | 9,912,000 | 9,912,000 |
| Payment of cost & expenses | (5,454,771) | (5,822,614) |
| Net cash provided by operating activities | 4,457,229 | 4,089,386 |
| B. Cash Flows from Investing Activities: | | |
| Payments for fixed assets | (13,775,939) | (168,140) |
| Net cash used in investing activities | (13,775,939) | (168,140) |
| C. Cash Flows From Financing Activities: | | |
| Interest bearing loan received | 9,318,710 | (3,921,246) |
| Net cash flows from financing activities | 9,318,710 | (3,921,246) |
| D. Net Cash Flow from Total Activities (a+b+c) | - | - |
| Cash balance at the beginning | 9,185 | 9,185 |
| Cash balance at the end | Tk. 9,185 | 9,185 |



Managing Director



Director



Company Secretary

This is the Cash Flow referred to in our report of even date.



M. J. ABEDIN & CO.
Chartered Accountants

Dhaka, 15 April 2008

Apex Leathercraft Limited Statement of Changes in Shareowners' Equity

for the year ended 31 December 2007

| Particulars | Share Capital | Share Money Deposit | Revaluation Surplus | Deficit | Total |
|------------------------------|-----------------------|---------------------|---------------------|---------------------|--------------------|
| | 1 | 2 | 3 | 4 | 5=(1+2+3+4) |
| 31st December 2006 | 37,010,000 | 25,325,000 | - | (89,048,060) | (26,713,060) |
| Net Profit for the year 2007 | - | - | - | 1,053,421 | 1,053,421 |
| Revaluation Surplus in 2007 | - | - | 248,421,017 | - | 248,421,017 |
| 31st December 2007 | Tk. 37,010,000 | 25,325,000 | 248,421,017 | (87,994,639) | 222,761,378 |



Managing Director



Director



Company Secretary

This is the statement of changes in share owners' equity referred to in our report of even date.



Dhaka, 15 April 2008

M. J. ABEDIN & CO.
Chartered Accountants



Report of the Directors of Flyban Insecticides Limited

Flyban Insecticides Limited is a private limited company incorporated in 1991 with the Registrar of Joint Stock Companies, Dhaka, Bangladesh under Companies Act 1994 having 51% shares by Advanced Chemical Industries Limited "ACI Limited".

The Company has remained dormant for ten years, the Accounts of this dormant company for the year 2007 are published with this Report. The principal business of the Company was to manufacturing Mosquito Coil and marketing.

On behalf of the Board

F H Ansarey
Managing Director

Dhaka, 30 April 2008



Auditors' Report to the Shareowners of Flyban Insecticides Limited

We have audited the accompanying balance sheet of Flyban Insecticides Limited as of 31 December 2007 and the related notes to the accounts. The preparation of these financial statements is the responsibility of the Organization's management. Our responsibility is to express an independent opinion on these financial statement based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing. 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.

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards, give a true and fair view of the state of the company's affairs as of 31 December 2007 and of the results of its operations for the period then ended and comply with the Companies Act 1994 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 purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- c) the company's balance sheet dealt with by the report are in agreement with the books of account.
- d) the expenditure incurred was for the purposes of the company's business.

Dhaka, 02 April 2008

Shiraz Khan Basak & Co.
Chartered Accountants



Flyban Insecticides Limited

Balance Sheet

as at 31 December 2007

| | Amount in TK. 2007 | Amount in TK. 2006 |
|---------------------------------------|-----------------------|-----------------------|
| Assets | | |
| Property, plant and equipment: | | |
| At cost | 6,349,299 | 6,349,299 |
| Current assets: | | |
| Deffered revenue expenditure | 431,992 | 416,252 |
| Total Asset: | 6,781,291 | 6,765,551 |
| Equity and liabilities | | |
| Shareowners' equity: | | |
| Share capital | 5,000,000 | 5,000,000 |
| Current liabilities: | | |
| Current Account with ACI Limited | 971,126 | 956,386 |
| Other liabilities | 810,165 | 809,165 |
| | 1,781,291 | 1,765,551 |
| Total Equity and Liabilities | 6,781,291 | 6,765,551 |

Managing Director

Director

Auditors' Report to the Shareowners
See annexed report of date.

Shiraz Khan Basak & CO.
Chartered Accountants

Dhaka, 02 April 2008



Report of the Directors of ACI Agrochemicals Limited

ACI Agrochemicals Limited is a private limited company incorporated in 2006 with the Registrar of Joint Stock Companies, Dhaka, Bangladesh under Companies Act 1994 having 90% shares by Advanced Chemical Industries Limited "ACI Limited".

The principal business of the Company are formulating and packaging of pesticides, fertilizer, plant nutrient and animal food and other nutrient products. The company has yet not started its business, in future it may go on production.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Arif Dowla', is written over a light blue grid background.

Dr. Arif Dowla
Managing Director

Dhaka, 30 April 2008

Auditors' Report to the Shareowners of ACI Agrochemicals Limited

We have audited the accompanying balance sheet of ACI Agrochemicals Limited as of 31 December 2007 and the related notes to the accounts. The preparation of these financial statements is the responsibility of the Organization's management. Our responsibility is to express an independent opinion on these financial statement based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing. 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.

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards, give a true and fair view of the state of the company's affairs as of 31 December 2007 and of the results of its operations for the period then ended and comply with the Companies Act 1994 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 purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- c) the company's balance sheet dealt with by the report are in agreement with the books of account.
- d) the expenditure incurred was for the purposes of the company's business.

Dhaka, 2 April 2008



Shiraz Khan Basak & Co.
Chartered Accountants



ACI Agrochemicals Limited Balance Sheet

as at 31 December 2007

Particular

Assets

Current assets:

Cash in hand
Preliminary expenses
Pre - operation expenses

Total Assets

Equity and Liabilities

Share capital

Current Liabilities:

Current Account with ACI Limited
Audit fee payable

Total Equity and Liabilities

Amount in TK.
2007

Amount in TK.
2006

2,000

2,000

20,020

20,020

35,320

11,415

57,340

33,435

20,000

20,000

27,340

8,435

10,000

5,000

37,340

13,435

57,340

33,435

Managing Director

Director

Company Secretary

Auditors' Report to the Shareowners
See annexed report of date.

Shiraz Khan Basak & CO.
Chartered Accountants

Dhaka, 2 April 2008

Report of the Directors of Creative Communication Limited

Creative Communication Limited is a private limited company incorporated in 2007 with the Registrar of Joint Stock Companies, Dhaka, Bangladesh under Companies Act 1994 having 60% shares by Advanced Chemical Industries Limited "ACI Limited".

The principal business of the Company is advertisement and public relation services to different clients including production and telecast commercial and promotional activities.

On behalf of the Board



Dr. Arif Dowla
Managing Director

Dhaka, 30 April 2008



Auditors' Report to the Shareowners of Creative Communication Limited

We have audited the accompanying balance sheet of Creative Communication Limited as of 31 December 2007 and the related notes to the accounts. The preparation of this financial statement is the responsibility of the Organization's management. Our responsibility is to express an independent opinion on this financial statement based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing. 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.

In our opinion, the financial statement prepared in accordance with Bangladesh Accounting Standards, give a true and fair view of the state of the company's affairs as of 31 December 2007 and of the results of its operations for the period then ended and comply with the Companies Act 1994 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 purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- c) the company's balance sheet dealt with by the report are in agreement with the books of account.
- d) the expenditure incurred was for the purposes of the company's business.

Dhaka, 06 April 2008



Ashraf Haque Nabi & Co.
Chartered Accountants



Creative Communication Limited

Balance Sheet

as at 31 December 2007

Capital And Liabilities

Share Capital

Current Liabilities

Audit Fee Payable

Assets

Current Assets

Cash and Bank Balance

Current Account with ACI Limited

Preliminary Expenses

Pre - Operating Expenses

31-Dec-07
Taka

1,000,000

7,500

1,007,500

400,000

522,230

73,425

11,845

1,007,500

Director

Director

Company Secretary

Auditors' Report to the Shareowners
See annexed report of date.

Ashraf Haque Nabi & Co.
Chartered Accountants

Dhaka, 06 April 2008



Report of the Directors of ACI Motors Limited

ACI Motors Limited is a private limited company incorporated in 2006 with the Registrar of Joint Stock Companies, Dhaka, Bangladesh under Companies Act 1994 having 75% shares by Advanced Chemical Industries Limited "ACI Limited". The principal activities of the Company is buying, selling, importing and assembling of vehicles of both agriculture and other than agricultural use including supplying spare parts and providing service facilities for vehicles.

The Company has entered into an agreement with M/s. Sonalika International Limited, India for continuous supply of the products to the Company which will be marketed by the Company.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Arif Dowla', is written over a light blue grid background.

Dr. Arif Dowla
Managing Director

Dhaka, 30 April 2008

Auditors' Report to the Shareowners of ACI Motors Limited

We have audited the accompanying balance sheet of ACI Motors Limited as of 31 December 2007 and the related notes to the accounts. The preparation of this financial statement is the responsibility of the Organization's management. Our responsibility is to express an independent opinion on this financial statement based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing. 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.

In our opinion, the financial statement prepared in accordance with Bangladesh Accounting Standards, give a true and fair view of the state of the company's affairs as of 31 December 2007 and of the results of its operations for the period then ended and comply with the Companies Act 1994 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 purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- c) the company's balance sheet dealt with by the report are in agreement with the books of account.
- d) the expenditure incurred was for the purposes of the company's business.

Dhaka, 06 April 2008



Ashraf Haque Nabi & Co.
Chartered Accountants



ACI Motors Limited Balance Sheet

as at 31 December 2007

Capital and Liabilities

Share Capital

Current liabilities

Audit Fee Payable

Assets

Current Assets

Cash and Bank Balance
Current Account with ACI Ltd.
Preliminary Expenses
Pre-Operating Expenses

31 December '07
Taka

1,000,000

7,500

1,007,500

250,000

673,347

71,168

12,985

1,007,500

Director

Director

Company Secretary

Auditors' Report to the Shareowners
See annexed report of date.

Ashraful Haque Nabi & Co.
Chartered Accountants

Dhaka, 06 April 2008

Report of the Directors of Premiaflex Plastics Limited

Premiaflex Plastics Limited is a private limited company incorporated in 2007 with the Registrar of Joint Stock Companies, Dhaka, Bangladesh under Companies Act 1994 having 80% shares by Advanced Chemical Industries Limited "ACI Limited".

The principal activities of the Company are manufacturing and marketing of plastic products, flexible printing and other ancillary business associated with plastic and flexible printing. The factory of the Company will be located at Sreepur, Gazipur. The factory will go into commercial production from September 2008.

On behalf of the Board



Dr. Arif Dowla
Managing Director

Dhaka, 30 April 2008



Auditors' Report to the Shareowners of Premiaflex Plastics Limited

We have audited the accompanying balance sheet of Premiaflex Plastics Limited as of 31 December 2007 and the related notes to the accounts. The preparation of this financial statement is the responsibility of the Organization's management. Our responsibility is to express an independent opinion on this financial statement based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing. 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.

In our opinion, the financial statement prepared in accordance with Bangladesh Accounting Standards, give a true and fair view of the state of the company's affairs as of 31 December 2007 and of the results of its operations for the period then ended and comply with the Companies Act 1994 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 purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- c) the company's balance sheet dealt with by the report are in agreement with the books of account.
- d) the expenditure incurred was for the purposes of the company's business.

Dhaka, 06 April 2008

Ashraful Haque Nabi & Co.
Chartered Accountants



Premiaflex Plastics Limited

Balance Sheet

as at 31 December 2007

| | 31 December '07 Taka |
|--|-------------------------|
| Capital and Liabilities | |
| Share Capital | 40,000,000 |
| Current Liability | |
| Audit Fee Payable | 7,500 |
| | <u>40,007,500</u> |
| Assets | |
| Property, Plant & Equipment | |
| Capital Work in Progress | 412,322 |
| Current Assets | |
| Cash and Bank Balance | 8,087,450 |
| Current Account with ACI Ltd. | 31,250,543 |
| Preliminary Expenses | 237,837 |
| Pre - Operating Expenses | 19,348 |
| | <u>39,595,178</u> |
| Total Assets | <u>40,007,500</u> |

Director

Director

Company Secretary

Auditors' Report to the Shareowners
See annexed report of date.

Ashraf Haque Nabi & Co.
Chartered Accountants

Dhaka, 06 April 2008



Corporate Directory

Registered Office

ACI Centre
245 Tejgaon Industrial Area
Dhaka 1208
Phone : (8802) 9885694
Fax : (8802) 9884784, 9886029

Share Office

9 Motijheel C/A
Dhaka 1000
Phone : (8802) 9556254
Fax : (8802) 9565257

Manufacturing Facilities

- 1. Pharmaceuticals Plant**
7 Hajiganj Road, Narayanganj
Phone : (8802) 7630496, 7630525, 7630493
Fax : (8802) 7630524
- 2. ACI Formulations Plant**
Rajabari, Sreepur, Gazipur
Phone : (8802) 9201071, 9201072
Fax : (8802) 9201070
- 3. ACI Salt Limited**
Murapara, Rugganj, Narayanganj
Phone : (06725) 56028
Fax : (06725) 56017
- 4. ACI Foods Limited**
Kutirchar, Bhadrghat
Kamarkhand, Sirajgonj
Phone : 01713082734
- 5. ACI Pure Flour Limited**
6/3 Dewli Chowrapara,
Bondor, Narayanganj
Phone : 7661419
Fax : 7661420
- 6. ACI Napkin Plant**
Nil Nagar, Konabari, Gazipur
Phone : 01730007780



Advanced Chemical Industries Limited

Registered Office
ACI Centre, 245 Tejgaon Industrial Area, Dhaka 1208

PROXY FORM

I/We _____
of _____
being a Member of Advanced Chemical Industries Limited, hereby appoint _____
of _____
whose signature is appended below as my/our proxy to attend and vote for me/us and on my/our behalf
at the 35th Annual General Meeting of the Company to be held on Monday, 23 June 2008 at 10 a.m.
and/or at any adjournment thereof.

As witness my hands this _____ day of _____ 2008.

Signature on
Tk. 8
Revenue Stamp

(Signature of the Proxy)

(Signature of the Shareowner)
Registered Folio / BO ID No. _____
No. of Shares held _____

Note : A Member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on his/her behalf. The Proxy Form, duly completed, must be deposited at the Registered Office of the Company at ACI Centre, not later than 48 hours before the time fixed for the meeting.

Safety, Health and Environment (SHE) Policy

ACI is committed to conduct all its operations in a manner that is protective of the environment, health and safety of employees, customers and the community. To this end, the company has already obtained ISO 14001 Certification for Environmental Management System. ACI will provide the resources to educate and involve every individual in the Company in achieving this objective. In fulfillment of this commitment, we shall maintain a continuing effort to adhere to the following principles.

Principles

- 1 We believe that all accidents, incidents and work-related ill health are preventable and we will manage our business with this aim including the provision of adequate resources for the prevention and control of major accident.
- 2 We will investigate all workplace accidents and illnesses in order to promptly correct any unsafe conditions or practices, and to prevent repetition of these occurrences.

- 3 As an absolute minimum we will comply with all national regulations but in addition will set our own stringent internal corporate standards on matters relating to safety, health and the environment, and endeavour to strictly adhere to them.
- 4 We will continue to improve communication and exchange views with employees, employee representatives, customers, contractors, suppliers, neighbours and any other individual or organisation affected by our business.
- 5 We will integrate SHE considerations into business planning and decision-making.
- 6 We will continue to innovate in order to improve our products and processes so that their effect on safety, health and the environment is reduced.
- 7 We will increase shareowner value through SHE excellence.

Issued by ACI SHE Committee

Quality Policy



One of our important vision is to provide products and services of high and consistent quality, ensuring value for money to its customers.

To attain the Vision ACI will:

Aim to achieve business excellence by understanding, accepting, meeting and exceeding customer expectations.

Follow International Standards on Quality Management System to ensure consistent quality of products and services to achieve customer satisfaction. ACI will also meet all national and regulatory requirements relating to its current businesses and ensure that current Good Manufacturing Practice (cGMP) as recommended by World Health Organisation is followed for its pharmaceutical operations and all other guidelines and best practices relating to its other businesses.

Commit itself to quality as the prime consideration in all its business decisions. All employees of ACI must follow documented procedures to ensure compliance with quality standards.

Develop the pool of human resources of the Company to their full potential and harnessed through regular training and their participation in seeking continual improvement of the Quality Management System.

Environmental Policy



ACI Limited is committed to formulate and conduct all its operation in an environmentally friendly manner ensuring continual improvement in the utilisation of resources and prevention of pollution or degradation of the environment.

In pursuit of this Goal, ACI will:

- Comply with all local and national legislations.
- Conserve natural resources like water and energy for sustainable development, and adopt environmentally safe processes.
- Ensure appropriate treatment of all effluents prior to discharge.
- Ensure appropriate communication with internal and external interested parties on environmental issues.
- Create awareness on environmental issues among our employees and contractors.
- Ensure waste management in an environmentally responsible manner through continuous upgradation of technology.



Advanced Chemical Industries Limited
ACI Centre, 245 Tejgaon Industrial Area, Dhaka 1208



Designed and Production - Creative Communication Limited