



Report of the Directors' to the Shareowners

ACI Group had a successful year in 2014 with a revenue growth above 16% over 2013. This achievement was attained through the combined effort of our sales and marketing team supported by services and factories. Most of the businesses contributed to this growth resulting in a robust and quality growth for ACI.

The year was much less politically active than the previous year. Most macroeconomic indicators, such as, GDP growth, inflation, exchange rate and foreign exchange reserve were favourable. During the FY:2013-14, Bangladesh achieved a GDP growth above 6%. The 12-month average inflation was 7.3%.

Sustained growth was also prevailed in exports and remittance inflows that led to the phenomenal rise in Foreign Exchange Reserve. Export about 30.18 billion US dollars and remittance of 14.22 billion US dollars, and current account surplus of 1.55 billion US dollars in FY:2013-14 resulted into Forex Reserve around USD 22 billion which was equivalent to more than six months' import requirements. This huge reserve kept the Taka strong and stable in the exchange rate during 2014. On the other hand, the lending rate decreased throughout the year, mainly due to lower deposit rates and excess liquidity in the money market. ACI Group enjoyed the benefits of positive macroeconomic factors of the year.

ACI continued its focus on business process efficiency, investment in human capital and improvement of service quality to improve our businesses. Operational efficiency and productivity were enhanced through benchmarking and evaluation as well as setting measurable and relevant performance indicators. Working capital management was intensified resulting in improved inventory and credit management. This was accompanied by selective investments with strong returns.

ACI celebrated some noteworthy achievements in 2014. Our pharmaceutical business has developed a more robust export market. They were also engaged with leading medical and public health research organizations to deliver products that improve hygienic conditions during childbirth. Consumer Brands has further strengthened its distribution channel. Agribusiness has performed well across all their business units. Case Construction Equipment was added to our sales and distribution portfolio. Logistics strengthened Shwapno as a strong service brand as well as launching a flagship hypermarket in Uttara. Finance has launched an unsecured and transferable commercial paper first time in Bangladesh. Through these and many more achievements, ACI has been able to deliver high quality sustainable growth.



Strategic Business Units and Subsidiaries

Health Care
Consumer Brands
Agribusiness
Logistics

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



Health Care Division



Our newly launched product Cerox CV has become the most successful new launch in the industry according to the IMS data

The Business has grown by 15% which is significantly higher than the market growth of 11.4% reported by IMS. Most of our major brands and therapy areas have grown satisfactorily. Our brands of chronic therapy areas, such as cardiovascular, anti-diabetic, respiratory and Central Nervous System have demonstrated a very high growth rate. Brands of acute therapy have also registered a significant growth.

Our newly launched product Cerox CV has become the most successful new launch in the industry according to the IMS data. We have introduced the latest oral anti-diabetic agents, Sitap and Sitomet. Our Meter Dose Inhaler portfolio has been enriched through the introduction of Combair HFA Refill. We have also introduced ACI ORS which has been highly accepted by the customers.

ACI Pharma has continued to increase its reach in export operations. ACI Pharma products have reached five new destinations – Cameroon, Macau, Solomon Island, Vanuatu and Samoa. A total of 47 products have received marketing approvals from drug regulatory authorities in different countries. ACI Pharma has participated in number of international tenders and has been selected for supply. ACI has been privileged to supply to renowned international hospitals like King Abdulla University Hospital in the Middle East.

With our continued commitment to the society and people of the country ACI Pharma is continuously





participating in clinical research projects conducted by internationally renowned institutions and organizations. Following are some completed research projects:

- Application of '4% Chlorhexidine (Chlorhexidine Gluconate 7.1%) in the umbilical cord of neonates in coordination with Save the Children'.
- 'Topical Applications of Chlorhexidine (4% Chlorhexidine aqua base) to the Umbilical Cord for Prevention of Umbilical infection: A Hospital Based Study in Bangladesh' conducted by Bangabandhu Sheikh Mujib Medical University (BSMMU).
- 'Waterless hand cleansing with Chlorhexidine: A novel approach to prevent neonatal deaths' conducted by International Centre for Diarrhoeal Disease Research, Bangladesh (icddr,b).

Rural Medical Practitioners play a vital role in delivering healthcare to the people. In order to improve their knowledge and skills to provide better healthcare, ACI Pharma and icddr,b, Dhaka had organized 'Refresher Training of Rural Medical Practitioners'. A large number of Rural Medical Practitioners from different areas of the country participated in this training program which has been acknowledged in the annual report of icddr,b as an 'Innovative Training Partnership'.

ACI's greatest asset is the human capital - not only their individual skills, expertise and vision, but also their inspired personal commitment to the company's mission of making a difference in improving quality of healthcare in Bangladesh.

With our continued commitment to the society and people of the country ACI Pharma is continuously participating in clinical research projects





Consumer Brands Division

Consumer Brands Division business revenue grew by 5%. The flagship brand ACI Aerosol retained its market leader position with 86% market share. ACI mosquito coil maintained its leadership position with 36% market share.

Savlon continued to produce good results by maintaining more than 75% market share. Savlon Liquid Antiseptic had a growth of 19%. Two new variants of toilet soap branded as 'Savlon Sports Soap' and 'Savlon Men's Soap' were introduced with a view to extend the range to new consumers. The portfolio of Savlon Bar Soap achieved a 27% growth.

Savlon antiseptic bandage was launched with the aim to protect the wound and accelerate healing under the umbrella brand of Savlon, consisting of 2 SKU's - Savlon Antiseptic Bandage and Savlon Kids Bandage.

In the Savlon Handwash category, two new variants 'Irish' and 'Lavender' were introduced following the success of another new variant 'Marigold'. Liquid Handwash recorded a growth of 28%. To cater the growing needs of institutions, Savlon Handwash launched a new 5 Litre SKU.

Freedom Sanitary Napkin established itself as the second largest market share in the category within short span of time. However, Freedom Sanitary Napkin has captured the leading position in modern categories like Ultra-thin, by beating the international brand 'Stayfree'. Newly introduced Freedom Pregnancy Test Strip has shown good prospects in the less known Chinese products dominated market and achieved a substantial market presence in the first year.

Vanish Quick Action Toilet Cleaner recorded major growth and was able to capture 14% of the market share.

Angelic Air Freshener further strengthened its leadership position and enhanced its range by introducing three new enticing variants of fragrances.

A step was taken to make the mark in Men's grooming category by introducing four attractive SKUs of body spray by the name of Impact Alive, Impact Eclipse, Impact Safari and Impact Voyage.

In the kitchen care category, a new brand Septex Anti-Bacterial dishwashing bar was introduced with the proposition to ensure sparkling, germ-free and clean kitchen utensils.

In the fabric care category, Smart Washing Powder was launched to cater to the growing demand for quality fabric care products.

Our International Business, comprising of world renowned brands like Colgate, Nivea, Laser and Canderel/Equal maintained its steady growth. Colgate rapidly gained market share in the highly competitive category. Nivea registered a commendable growth of 22%.



Electrical and Electronics

Sparkle was re-launched with a new and attractive brand logo and pack design thus creating a stir in the market. National supply chain has been strengthened and nationwide distribution coverage was developed by appointing distributors strategically across the country. New category of lamps and associated products were launched. As a result of various business development activities during 2014, ACI Electrical achieved an excellent growth of 121%.

ACI Electronics has shown signs of improvement and attained 36% growth. The business introduced electronics appliances under its own brand 'Sparkle'. They also opened two new showrooms located in Uttara and Rokeya Sarani and introduced new range of high-end Panasonic products in 2014.

Paints

2014 was a year for developing a platform for the Dulux brand in the Bangladesh market by building positive relationships with the customers and understanding their expectations from this brand. Many improvements were made from this experience. Dulux was launched in 2013 with a limited and imported product range. To overcome this limitation in 2014, Dulux entered into toll manufacturing agreement with Aqua Paints to ensure the supply of products like distempers, interior sealers and putty. At the same time, ACI Formulations Limited initiated a project for manufacturing Dulux paints locally.

Salt

ACI Pure Salt delivered excellent result and achieved 16% growth over last year keeping the market leader position intact. It has also received 'The Best Brand Award 2014' after an extensive research done by Millward Brown and Bangladesh Brand Forum. Beside these achievements, ACI Pure Salt is gradually becoming a brand of first choice by the households all over the country.

Flour

In spite of the increased competition and volatility of the flour market, ACI Pure Flour Limited is maintaining a steady performance. The business ran marketing campaigns round the year. The company continued to utilize its 100% capacity for the consecutive years since its inception and increased penetration further in the consumer packs.

The range of multigrain flour products and Rice bran oil together form the healthy lifestyle brand called 'Nutralife', which has been well received by consumers. The brand was heavily promoted through the doctors and nutritionists, Joggers' Park campaign and street shows.

Foods

The business registered 21% revenue growth. Proper optimization of factory resources, efficient buying, cost minimization, brand communication and enhancement of retail coverage helped develop the business during the year.

Both the brand 'PURE' and 'Fun' performed steadily in the consumer market due to their unique taste and high quality. Both the brands successfully launched some new innovative products in the market. A nationwide marketing campaign for the newly launched ACI Pure Stick Noodles was undertaken for the development of the brand. The export volume and number of destinations for ACI Foods rose significantly in 2014. The company exported to 18 countries and the growth of export revenue was 82%. The business is poised for higher growth in the coming years.

Edible Oil

ACI Nutralife Rice Bran Oil has become a beacon of health for the conscious people of Bangladesh. ACI Nutralife Rice Bran Oil has been gaining enormous popularity since its launch and grew by 196% over last year.

Rice Bran Oil is produced from rice bran and is the most balanced and versatile edible oil in the market, and a rich source of Vitamin E. Its high smoke point requires less oil usage in cooking. Innovative, unconventional, niche marketing campaigns were undertaken in order to increase brand awareness. This product has tremendous potential for growth and taking bigger share in the Bangladesh edible oil market.





Agribusinesses Division



ACI Fertilizer has conducted huge promotional program partnering with government and non-government organizations ensuring demand for micro-nutrients among farmers

Crop Care and Public Health

In 2014 ACI Formulations Limited (ACI FL) had an outstanding achievement with commendable growth of 24% over previous year. Each separate portfolio (Herbicide, Fungicide, Insecticide) had a significant growth. The weather condition was favorable for farmers and there was less infestation. Some of the reasons for good performance were aggressive marketing strategy, tight credit policy, inventory control and promotional activities.

In Crop Care business we achieved 34% growth over last year. Under Herbicide category, we have done well and in Fungicide also we achieved excellent growth. Insecticide market is stagnant, yet we achieved some growth. We have registered some additional products for export which will yield results in 2015.

ACI FL is focused on creating value for our customers, providing high quality product portfolio, adhering to the concept of sustainable development. We take our social responsibility very seriously. Occupational health, safety and environmental protection are always our top priority. We aspire to achieve even better results. We are developing our business strategies accordingly.

Fertilizer

ACI Fertilizer has been able to provide incredible contribution in maintaining their leadership position in micro-nutrient market with 30% growth over last year. They are focusing on expanding capacity in production, distribution and marketing of organic fertilizers, and promoting its benefit.

The business has launched Trichoderma based organic fertilizer which will act as bio-control agent and stimulate plant growth. It has also introduced crop specific foliar fertilizers, and developing polymerized balanced fertilizers for longer duration in the field.

ACI Fertilizer has conducted huge promotional program partnering with government and non - government organizations ensuring demand for micro-nutrients among farmers. ACI Fertilizer generated their revenue stream mainly in rice, vegetable and potato market as well as through institutional sales to BADC and Directorate of Agriculture Extension projects - IAPP and BARI.





ACI Fertilizer aims to maintain their leadership through strong distribution network, approaching modern geo marketing and building their ability to produce and market superior quality fertilizers.

Seed

2014 has been a remarkable year for ACI Seed with 21% growth over previous year, with a significant growth in Vegetable Seed (38%), and Inbred Rice Seed (35%).

ACI R&D developed fifteen new varieties and commercialized seven new varieties of vegetables. It has also developed indigenous potato with 30 metric tonnes per hectare yield, and can be stored up to three months in the farmer's house. ACI Seed has successfully introduced new varieties through extensive promotional activities, enhanced field force training, and higher number of distribution channel. Strong brand visibility and demonstrations with extensive support from Agriculture Extension Service and Developing Partners were critical enablers. ACI Seed penetrated the jute seed market effectively with the new variety of Deshi Pat-CVL-1 which is used both as vegetable and as fibre.

The Business incorporated a new seed processing center in Jessore with both controlled and ambient condition warehousing facilities to support its accelerated growth. ACI Seed partnered with IRRI to explore high yield rice seeds. Another partnership was with Swedish International Development Cooperation to promote climate resilient agriculture amongst marginal farmers in coastal districts.

ACI Seed is utilizing their large trade network as well as partnership with major local and international NGOs to distribute their high quality seeds in remote areas of the country.

Cropex

ACI Cropex has performed better in attaining a substantial growth of 8% over previous year. The business has initiated the supply of fresh vegetables and fish along with the export of Agri-commodities.

A joint stock operation has been started with internationally recognized Japanese organization Mitsui, a partnership to explore new diversified market and products. Through this collaboration ACI Cropex has started importing Soya extraction for animal feed industries.

ACI Seed partnered with IRRI to explore high yield rice seeds. Another partnership was with Swedish International Development Cooperation to promote climate resilient agriculture amongst marginal farmers in coastal districts





Motors

ACI Motors has performed well with a sales growth of 25% over last year. ACI Motors focused on most efficient after sales service for the customers and extended its reach by penetrating potential markets. ACI Motors ensured their trust and visibility through intense promotional campaigns aligned with seasonal variety. In 2014, ACI Motors was recognized with the ISO 9001:2008 certification for Quality Management System.

ACI-R24 Power Tiller ensures deeper and wider ploughing for farmer's field to break the plough pan, has demonstrated high potential for growth. There was also significant contribution from the reaper and cultivation tractor. ACI Motors has also experienced good response from market with collapsible grain dryer, cocoon, and flat-bed dryer. They have opened five new dealer showrooms and three new service centers for higher market penetration and customer satisfaction.

ACI Motors entered into a dealership agreement with CASE Construction Equipment, a world leading construction equipment manufacturer, which will enable ACI Motors to act as both agent and dealer of CASE construction machineries; which is a major intervention in terms of future prospect for infrastructure development services. The major clients of this business are corporate clients, government and non-government authorities which

will allow the business to increase its market share and brand visibility among diversified stakeholders.

Animal Health

ACI Animal Health had an outstanding achievement in 2014 with a significant growth of 31% over the last year. One of the most remarkable achievements of this business was the launching of electronic mastitis detector to support farmers in identifying disease for improving milk production and ensuring safe milk.

Animal Health launched GSL Artemia along with some pro-biotic and shrimp fry feed products for marine fisheries. Animal Health had launched 46 new products in 2014 among which 15 products were introduced for the first time in Bangladesh. Products with advanced technology like super-biotic has also been launched for poultry industry for ensuring better bird environment and health.

ACI Animal Health became the sole agent of Tanin Sevnica, European Union Company to distribute their Animal Care products in Bangladesh. ACI Animal Health organized massive training to farmers for better utilization of technology and tools with a view to taking a leadership role in transforming the industry.





Logistics

Shwapno has achieved a revenue growth of 25% along with footfall growth of 21%. The basket size has grown along with an increased range of products offerings. Shwapno network has further extended with new stores and dealers.

Shwapno has developed a sizable dealer network outside Dhaka where non perishables are sold. This signifies Shwapno's increased acceptance and popularity. Shwapno has also launched a hypermarket in Uttara that can be referred to as one of our flagship outlets. It is a multi-floor market with a diverse range of products including electronics, home decor and furniture, clothing, and a multi-vendor food court. In addition, Shwapno has launched several new outlets across Dhaka.

There has been significant work done to improve supply chain efficiency and backward linkage which resulted in higher gross margin compared to the previous year. Product availability and range of offering of local and international products in the outlets have improved significantly. Convenient merchandising has further helped our customers to navigate through the store and fully experience the choice and decision making power that Shwapno unveils for them.

Shwapno's quality perception continued to improve resulting in higher customer satisfaction and increased market share. From internal quality audit teams to customer usable in-store formalin testers, our values of transparency and quality are fully embodied in Shwapno. In addition, customer interactions are being monitored and evaluated by our staff, who are pushing the boundaries to provide a truly five star experience.

The loyalty of the customers has become an important asset for Shwapno. The people of Shwapno were excited to see the relationship develop to this unprecedented level. The business is poised for significant growth in the coming years and hopes to delight and surprise its customers in new ways.





Subsidiaries and Associated Companies

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

ACI Formulations Ltd.

ACI Formulations Ltd., a Public Listed Company has provided its own report for its shareowners.

Premiaflex Plastics Limited

In 2014 Premiaflex Plastics Limited had a growth of 14% over the previous year. They have a number of multinational as well as major local FMCG companies in their customer list. The growth was driven by increased production capacity, and penetration of new markets.

They have been able to manufacture raw materials such as MPET, MCPPE by introducing Metalized Coating Technology, which eventually helped them to explore new markets. Premiaflex has initiated advanced quality control laboratory for the first time in Bangladesh.

The business has already been recognized with the ISO 9001:2008 and HACCP certification and is also working for the recognition of FSSC 22000 assuring quality services in the transformation of the packaging industry. Premiaflex Plastics has built a reputation for superior customer service which has resulted in getting the most selective clients.

ACI Godrej Agrovet Private Limited

ACI-Godrej Agrovet Pvt. Ltd is a (50:50) Joint-venture company of ACI Ltd and Godrej Agrovet Pvt. Ltd, India. Despite of market disturbance in last year the company has achieved total turnover of BDT 4,870 Million last year.

With increase in per capita consumption of broiler meat and eggs, the poultry industry is expected to grow 20% annually over next 5 years as per world poultry science association, Bangladesh Chapter. The

overall cultured fish production in Bangladesh is also growing by 10% annually and farmers are shifting to floating fish feed due to positive economic benefit. Similarly the dairy feed industry is also growing significantly with the growth of dairy industry.

The company is also putting up a state-of-the-art green field floating fish feed project with an annual production capacity of 122 thousands MT at Rajshahi which will be operative by June 2015.

Tetley ACI (Bangladesh) Ltd.

The year 2014 was very challenging for tea marketers due to unstable prices. This volatility in the tea market was primarily a result of the various changes in the import duty structure and rapidly decreasing tea prices at the auctions during the last two years. This led us to periodically reduce our selling price, impacting overall brand realization and turnover.

However, we were able to maintain our sales volume, at the same time take corrective measures to improve our buying efficiency. This ensured significant improvement in our gross margins as the year progressed. The improvement in margins is what allowed us to continue investing behind the brand building activities, in the highly competitive market of Bangladesh.

Asian Consumer Care Pvt. Ltd.

The company had a revenue growth of 12%. They have commenced commercial production from the newly set up plant at Dhamrai on the outskirts of Dhaka while successfully closing down operations from two facilities existing at Narayanganj and Manikganj. The Plant has commissioned facilities to manufacture range of Hair Oils, Shampoos, Toothpastes, Dabur Honey and Odonil under the trade mark of 'Dabur'. The company expects business performance to improve in coming financial year.





Financial Results - ACI Limited

In the year 2014, ACI Limited registered a 15.30 percent growth in revenue from its own operation compared to 2013. Total revenue has increased to Taka 12,319 million in 2014 from Taka 10,684 million in 2013 with a net increase of Taka 1,635 million. Higher sales volume aided by favorable product mixes, lower material cost and selected product price increases has contributed to increase in Gross profit by Taka 913 million or 21.45 percent over last year. Profit after tax has increased to Tk. 951 million from Tk. 764 million of 2013 resulting into 24.41 percent growth over 2013 due mainly to higher gross profit, containment of fixed expenses and lower growth in financing cost by enjoying better interest rate on bank borrowings. The basic earnings per share (BEPS) of the company was Tk. 27.65 in 2014 (Tk. 22.27 in 2013) representing a favourable growth of 24.16 percent over last year. The diluted earnings per share (DEPS) of the company was Tk. 27.47 in 2014 (Tk. 22.18 in 2013). The diluted earnings per share originated due to the existence of dilutive potential ordinary shares in the balance sheet to be required to issue in case the bondholders of ACI 20% Convertible Zero Coupon Bonds exercise their convertibility option in the respective redemption dates.

Appropriation of profit

Considering the financial results of the company during the year and free reserve carried over and in line with following a consistent dividend policy, the Directors recommended appropriation of net profit as follows:

| | 2014 Taka | 2013 Taka |
|---|----------------------|----------------------|
| Un-appropriated profit from the previous year | 3,711,714,997 | 3,246,317,615 |
| Add: Net profit after tax for the year | 950,713,609 | 764,187,906 |
| Add: Realization of revaluation reserve | 1,595,289 | 2,158,044 |
| Add: Gain on amalgamation | 197,510,510 | - |
| Total available for appropriation | <u>4,861,534,405</u> | <u>4,012,663,565</u> |

Appropriation proposed:

| | 2014 | 2013 |
|-------------------------|----------------------|----------------------|
| Proposed dividend: | | |
| Cash dividend | 346,406,340 | 243,625,031 |
| Stock dividend | 51,960,950 | 57,323,537 |
| Total dividend | <u>398,367,290</u> | <u>300,948,568</u> |
| Balance carried forward | <u>4,463,167,115</u> | <u>3,711,714,997</u> |

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

Dividend

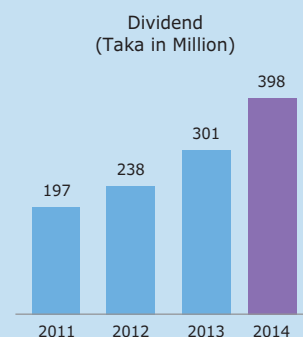
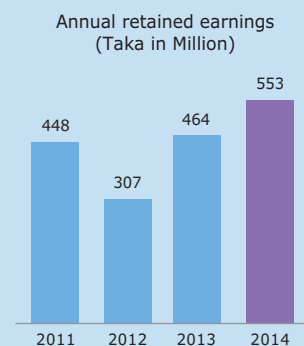
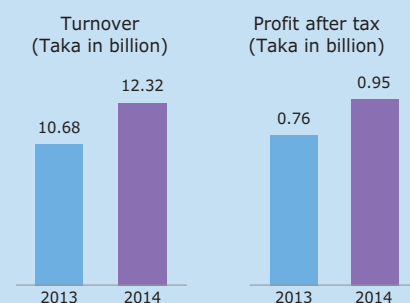
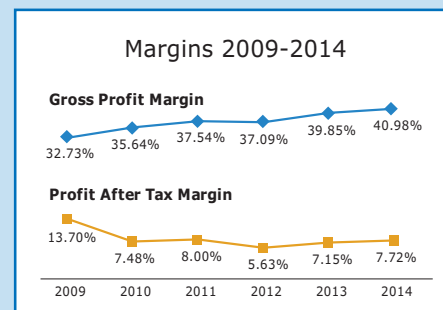
The Board of Directors is pleased to recommend dividend @ 115% which include Tk. 10.00 per share (100%) as cash dividend and 15% as stock dividend for the year 2014 to those shareowners whose names will appear in the Share Register of Members of the Company or in the Depository list of CDBL on the Record Date which is Wednesday, 13 May 2015.

Contribution to the National Exchequer

During 2014, the company contributed Tk. 2.16 billion to the National Exchequer in the form of corporate tax, custom duty and Value Added Tax (VAT). This is equivalent to 17.52 percent of the Company's net sales revenue for the year 2014.

Cost of Goods Sold and Profit Margins

In the year 2014, though revenue has been increased by 15.30 percent but COGS has been increased by 11.23 percent only. This has been achieved mainly for lower material cost and stable exchange rate. This along with favorable product mixes and selected product price increases, we have been able to generate additional Gross Profit of Taka 913 million which is almost 21.45 percent higher than last year. However, with reasonable growth in operating expenses and comparatively lower growth in financing cost, the company registered higher PAT growth by 24.41 percent compared to last year.





Financial Results - ACI Group

In 2014, consolidated turnover has reached to Tk. 25.82 billion from Tk. 22.17 billion of 2013, a rise of Tk. 3,655 million or 16.49 percent over last year. On the other hand, the cost of sales has increased by 14.14 percent against 16.49 percent growth of turnover. Gross profit has shown a significant positive growth of 22.03 percent mainly on account of improved product mix, lower material cost, stable exchange rate and selective product price increases. The operating profit resultantly was significantly higher (28.90 percent) than the comparative period. The group PAT registered 181.54 percent growth over last year due mainly to generation of higher gross profit, increase in share of profit from Joint Ventures & Associates, containment of financing cost by enjoying better rate of interest etc. The consolidated basic earnings per share in 2014 was Tk. 16.68 in comparison to last year's Tk. 5.94 resulting into 180.81 percent growth over previous year.

Directors Declaration as to Statutory Information

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

- Segment-wise performance has been shown in note-6 (ii) of the financial statements.
- The Company is aware of the different risks associated with doing business and is prepared to counter those risks through systematic approach. Financial risks management has been disclosed in the Note-31 of the Financial Statements.
- No extra-ordinary gain or loss exists during the year as prescribed by the Bangladesh Financial Reporting Standards (BFRSs).
- All transactions with related parties are made on a commercial basis and the basis was the principle of 'Arms Length Transaction'. Details of related party transactions are disclosed in the Note-36 of the Financial Statement.
- No IPO or Right issue was made during the year.
- No significant variance occurs between Quarterly Financial Performance and Annual Financial Statement.
- During the year, Company has paid a total of Taka 20,250 as Board meeting attendance fees. The remuneration of Directors has been mentioned in Note-26 and 36 (a) (ii) of the Financial Statements.
- The financial statements prepared by the management of the Company present a true and fair view of Company's state of affairs, result of its operation and changes in equity and cash flows.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently followed in formulating the Financial Statements and Accounting estimates are reasonable and accurate.
- Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs) have been followed in preparation of the financial statements.
- All significant variations in operating results from the previous year have been highlighted and reasons thereof have been explained.
- The key financial and operating data for last six years is disclosed at year 2014-at a Glance.
- The Company has recommended dividend for the year 2014.
- During 2014 a total of four Board meetings were held, which conform the regulatory requirements which are shown in Annexure-I.

- Shareholding pattern of the Company as on 31 December 2014 are shown in Annexure-II.
- The profiles of directors who have sought for appointment/re-appointment are shown in Annexure-IV.
- The CEO and CFO has certified to the Board that they have reviewed the Financial Statements and believe that these statements do not contain any material untrue statements or omit any material fact or certain statements that might be misleading.
- The CEO and CFO further confirm that Financial Statements together present a true and fair view of the Company's affairs and are in compliance with applicable laws.
- The CEO and CFO have further certified to the Board that there are, to the best of their knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the Company's code of conduct.



Composition of the Board

The Board consists of 10 members drawn from amongst the major shareowners and business professionals. Mr. M. Anis Ud Dowla is the Chairman of the Board and Dr. Arif Dowla is the Managing Director. There are three Independent Directors on the Board.

Role of the Board

The Board is the highest level of authority of the Company to oversee its operations through appropriate delegation, reporting, monitoring 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 number of Board Meetings held in 2014 was four. The Board gets a thorough review of the performance of the Company through a PowerPoint presentation by the Managing Director. All pertinent matters are discussed in details and decisions are taken. The Chief Financial Officer presents the Profit & Loss position and Cash Flow Statement. There is a procedure which allows for Resolution by Circulation to be adopted by the Directors present in Bangladesh, which takes care of any urgent matter requiring Board decision without having to call a meeting.

Management through People

The Board has delegated adequate operational and financial authority to the Managing Director which empowers him to set up the organizational structure, recruit appropriate people, empower them to manage the Strategic Business Units and functional areas and



provide them guidance for achievements of the desired results.

The Board is kept informed of the goals and targets of the Business Units and apprised of the financial performance on a quarterly basis.

The Managing Director manages the affairs of the Group through close consultation with relevant people from within the Company and outside experts.

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 achievements.

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 note the views, expectations 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.

Election of Directors

By operation of Article 120 of the Company's Articles of Association Mr. M. Anis Ud Dowla and Ms. Sheema Abed Rahman retire by rotation and being eligible, offer themselves for re-election.

Independent Director

The Board in its meeting held on Wednesday, 29 April 2015 has extended the tenure of Mr. Abdul-Muyeed Chowdhury and Mr. Juned Ahmed Choudhury as Independent Directors of the Company for three years with effect from 28-May-2015 in terms of the provision of BSEC guidelines.

Brief resume and other information of the above mentioned Directors as per clause 1.5 (xxii) of SEC Notification dated August 07, 2012 are depicted in Annexure-IV.

Audit Committee

Following the Guidelines of Bangladesh Securities and Exchange Commission, the Board has constituted an Audit Committee for the Company which is mentioned in the Compliance Report enclosed herewith. The Committee comprises of Mr. Golam Mainuddin, Ms. Shusmita Anis and Ms. Sheema Abed Rahman. Mr. Golam Mainuddin is an Independent Director and also the Chairman of the Audit Committee.

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

1. Review and appraisal of the performance of internal control system.
2. Review of the risks associated with the Company's operation including mitigation and awareness plan.
3. Overseeing hiring and performance of external auditors.



4. Ensuring high quality of Company's financial reporting process.
5. Review of the operation as required under the Guidelines of Bangladesh Securities and Exchange Commission.

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. Accordingly, Financial Statements are prepared on a going concern basis.

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 9001:2008 Quality Management System, the first Company in Bangladesh to do so under which all activities are carried out on the basis of Standard Operating Procedures. These standard procedures are updated on a regular basis in line with ISO requirements. The Company has also introduced ISO 14001:2004 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. Internal Audit department has been strengthened with induction of qualified and experienced personnel, demonstrating the Board's commitment to ensure that adequate risk management and internal control systems are in place across the Company. In addition, the Company has adopted the Ten Principles of Global Compact, an initiative taken by the Secretary General of the United Nations and adopted world-wide by big and progressive companies.

Corporate Social Responsibility (CSR)

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

Corporate Governance compliance statement

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

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

Auditors

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





The People of ACI

ACI gives the highest level of importance to the development of its people. Special emphasis was given to developing our marketing and sales staff to adopt new innovative approaches toward excellence in their area. Our HR department enhanced their level of engagement with the people. Training for middle and senior management has increased both in quantity and in the variety of offerings. We want to strengthen the area of human capital development further.

We tried to bring the people with similar roles closer together and share experiences across business units. We also encouraged greater engagement between the services, businesses and factories through improved communication and feedback and develop a greater sense of ownership to the common end result of improved performance. A stronger focus on operational key performance indicators led to greater visibility of the processes. This required IT based training across selected groups of people.

We have had numerous gatherings among factories, field force, services and businesses to reinforce our company values of transparency, fairness, quality,

customer focus, continuous improvement and innovation. During these gatherings we try to create this common culture throughout the diversity of our businesses. The external adversity that we faced through political and social agitation only brought us together, and made us stronger. Alongside our internal development, we reached out to the communities we impact through CSR and sustainability, where we harmonize with the external environment through various activities, for which a separate report will be given.

We thank the partners of ACI, shareowners, suppliers, customers, bankers, media and all other well wishers for their support and patronage to bring us to this level. We value their continued support to fulfill our mission to improve the lives of people.

Finally, and most importantly, I thank the employees of ACI in factories, depots, offices and other locations across the country, for their untiring efforts. They have worked hard, against uncertainties and adversity, built a stronger organization that can create a greater positive impact on the quality of life of people.

On behalf of the Board

Dr. Arif Dowla
Managing Director

Waliur Rahman Bhuiyan, OBE
Director

