

# Board of Directors' Report

## Hon'able Shareholders,

The Board of Directors of Salvo Chemical Industry Limited is pleased to present "Annual Report 2022-2023" which includes Boards Report and Auditors' Report alongwith audited Financial Statements for the year ended 30 June 2023 to the Hon'able Shareholders in the 21st Annual General Meeting of the Company.

## Overture

The Board of Directors has the pleasure in presenting the Annual Report for the 12 months for the year ended 30 June 2023 which includes Boards Report, compliance report on BSEC's Notification, Auditors' Report and audited Financial Statements. We present this Board of Directors' Report in compliance with section 184-"Boards Report" of the Companies Act, 1994 and the Guidelines issued by the Bangladesh Securities and Exchange Commission, Stock Exchanges and other regulatory authorities.

## The Company

Salvo Chemical Industry Limited is a public company limited by shares. The company was incorporated under the Companies Act, 1994, vide Reg. No. "C-44978(1446) 2002" dated 29 January, 2002 with the Registrar of Joint Stock Companies & Firms (RJSCF), Dhaka. Subsequently the Company was converted to Public Limited Company with recognition from RJSCF on 04 August 2008. The Company applied for public issue in 2011. It was listed with both the Dhaka Stock Exchange and Chittagong Stock Exchange on 18.04.2011 and 20.04.2011 respectively.

## Objective of the Company

Salvo Chemical Industry Limited was established with a view to set up and sprint a modern chemical industry for manufacturing of all sorts of sulphuric acid, liquid glucose, starch, fiber, gluten, germ, battery grade water, and other related items.

## Industry outlook

Sulphuric acid is not a one-grade product. It is produced and supplied in grades of exacting purity for the storage battery, rayon, dye, tannery, water purification and in grades of less exacting specifications for use in the steel, heavy chemical and super phosphate & zinc sulphate industries. Sulphuric acid is used to produce ferrous sulphate, alum etc which are consumable in ETP plants. The largest use of sulphuric acid is in the production of phosphate fertilisers. It is also used as an acidic dehydrating agent in petrochemical processes and oil refining, and to make hydrochloric and hydrofluoric acids, aluminium and copper sulphate and chromium compounds;

Liquid Glucose is widely used as thickener and sweetener in food and beverage industries. Liquid Glucose is a important form of glucose widely used as sweetener in food and beverage. As a sweetener, Liquid Glucose can be used in a wide variety of industries including: food production, beverage, pharmaceutical, agriculture/animal feed, and various other industries.

Maize starch is a native starch obtained from the wet milling of the whole corn grains. The product is very consistent in quality. Maize Starch powder exhibits all the properties of native starch with some special features such as non-foaming & non-thinning characteristics of boiling solution. Due to its great swelling properties when absorbing liquids, it is used as a thickener agent in many food products. Where high viscosity starch is used, it imparts higher tensile strength to the fiber and thus improves the sizing. Maize Starch Powder is used in canned and powder soups, instant desserts, custard powder, ice – cream, sauces and gravies, bakery products, baby foods and baking powder.

#### **By-Product-**

- **Gluten (CGM),**
- **Fiber,**
- **Germ etc.**

#### **Gluten (CGM), Fiber, Germ Used For-**

**Poultry & cattle feed :** Corn Gluten feed and steep water is widely used for cattle and other ruminants. Because of complex digestive system cattle can thrive on feeds relatively rich in fiber content and are less demanding of the quality of protein feed.

**Aqua culture industry:** feed for fish.

Fiber is used in the Cattle breeding & Oil cakes manufacturing industry.

In support of precise instructions of the resourceful management the company has emerged as one of the leading manufacturer of Basic Industrial Chemical and Food Grade Chemical in the country. We will continue our mission which will help us in achieving our vision of manufacturing of Basic Industrial Chemicals and Food Grade Chemical. We are dedicated to follow the trust production in every warship of the business.

Our Board and Management Committee members regularly review consumer trends, their concerns and consider these when making decisions. Basis insights on new trends, shaping consumer choices and behaviours during the pandemic, the Management Committee made changes to strategic directions and investments.

#### **Material Changes and future development**

Salvo started its commercial operation since 25 April 2003 by producing Basic Industrial Chemical. Mainly the company is engaged to manufacture Sulphuric Acid. Meanwhile, the company has captured the bulk chemical market of our country. The company is now producing Sulphuric Acid and Liquid Glucose as “Main Product” & Battery Grade Water as “By-product”. The commercial production of new product "Liquid Glucose" starts from 09 August 2018. The company has set up progressive plant of Corn Starch with the existing Liquid Glucose unit to grab the huge potential market at food, pharmaceutical, paper & textile industry at Bangladesh. The commercial operation of Corn Starch has commenced on May, 24 2021. This project will be cost-effective for the company with the existing business set-up. Due to machinery fault the starch unit is in stop position from 22 June 2021. The full production of the Corn Starch Unit has been started again on May 16, 2022 after having successful trial production. Capital Work in Progress an amount of Tk. 511,241,959 addition to set up development of product & diversify of progressive plant of Corn Starch unit and construction of new store house shed.

## Future development:

We are working continuously for development & diversification of our product. We also working for increase production capacity of our existing product. We are hopeful of strong business result in upcoming year. Overall, we expect an increase in the sales volumes of our products in next year. The company has already completed its set up of progressive plant of Corn Starch with the existing Liquid Glucose unit to grab the huge potential market at food, pharmaceutical, paper & textile industry at Bangladesh. We also working for set up development of product & diversify of progressive plant of Corn Starch unit and construction of new ware house & building.

## Company's Affairs and Analysis of financial statements of Year 2022-2023

The summarized financial results for the period from July 2022 to June 2023 are as under:

### Turnover

During the year July 2022 to June 2023, total sales value (net of VAT) reached at Tk. 1,609,011,849 as against last year's was Tk. 1,284,349,115. For the year from July 01, 2022 to June 30, 2023 our sales have been increased due to sales increase on Liquid Glucose Unit, Starch Unit & Residues of Starch- Gluten (CGM), Fiber & Germ.

#### Net Sales

Sulphuric Acid	186,644,250
Battery Grade Water	11,896,783
Liquid Glucose	315,634,143
Starch	356,244,174
Residues of Starch	738,592,499
	<u>1,609,011,849</u>

### Cost of Goods Sold

During the year July 2022 to June 2023, cost of goods sold stood at Tk. 1,253,317,463 increase from the previous year. Cost of Goods Sold has been increased compared to last year due to improve of raw material purchase of Liquid Glucose Unit, Starch Unit, Wages & Allowance, Electricity bill, Carrying, Transport & Fuel expenses, Fuel for generator & boiler, Packaging expenses, Depreciation etc. Therefore, Gross Profit slightly increase during the year compared to previous year.

### Administrative and Selling & Distribution Expenses

Administrative expenses were Tk. 59,480,355 and selling & distribution expenses were Tk. 15,336,647 from July 2022 to June 2023.

### Non-operating Expenses

Non-operating Expenses- Financial charges were Tk. 86,642,028 from July 2022 to June 2023. Financial charges have been increase over the preceding year. Financial expenses were increased significantly under Head of Interest on Short Term Loan due to short term loan increase from Tk. 398,818,865 to Tk. 587,592,708 which was avail from Social Islami Bank Ltd., Nawabpur Road Branch. Also, margin loan interest Tk. 1,657,120 includes in short term loan during the reporting period.

## Non-operating Income

In 2022-2023, an amount of Tk. 9,743,991 was earned from non-operating income. This income was come from Interest income Tk. 76,786, Wastage Sale of Tk. 7,270,308, dividend income Tk. 510,945 and income from sales of shares (realize gain) of Tk. 1,885,952.

## Property, Plant & Equipment

The property, plant and equipment (net of depreciation) during the year stood at Tk. 1,503,343,705 which include addition of property, plant and equipment of of Tk. 274,557,079. Land & Land development of Tk. 32,537,565 expense for land purchase & land development; Factory Building & Construction of Tk. 130,277,744 expense for new shed & godown construction; Plant & Machineries of Tk. 90,476,811 expense for purchase of additional machinery required in production line for production enhance, Vehicles of Tk. 18,920,216 for purchase of 06 nos. new covered van and others of Tk. 2,344,743 for electrical equipment, office equipment and furniture during the period.

## Capital Work In-progress

The company invested Taka 511,241,959 to erect and install new Plant & Machinery and essential Infrastructure for product development and new store house & shed for use of raw material godwan and finished goods. Amount transferred to property, plant & equipment subject to completion of particulars fixed assets & construction and in accordance with the decision of the Board.

## Long Term Loan

During the period 2022-2023 long term loan stood at Tk. 522,306,775. Interest charged during the period was Tk. 47,832,341. The above loan has been availed from Social Islami Bank Ltd. as Term Finance Facilities to procure and import Plant & Machinery and essential Infrastructure & utilities purpose.

## Provision for Employee Benefits

Salvo recognizes the importance of attracting and retaining, skilled and motivated employees with a strong commitment to the business in line with the Company's ethical vision and values. In that view, the company reconstructed its payroll structure in 2011 and also includes provision for employer's contribution to provident fund, gratuity Fund which is payable within the service life of each employee and/ or after his/ her retirement as per terms of employment of service. Details of employee benefit plan are disclosed in the note no- 38 of the notes to the financial statements.

## Representation on Statement of Profit or Loss and Other Comprehensive Income, 2022-2023

### *Profit Analysis*

During the year 2022-2023, the profit of the following area is as under-

#### ➤ the Gross Profit

July 22- June 23	(12 months)	:	355,694,386
July 21 - June 22	(12 months)	:	341,363,257

➤ **the Operational Profit**

July 22- June 23 (12 months) : 280,877,384

July 21 - June 22 (12 months) : 289,286,171

➤ **the Net Profit before Tax**

July 22- June 23 (12 months) : 194,266,045

July 21 - June 22 (12 months) : 219,936,967

➤ **the Net Profit after Tax**

July 22- June 23 (12 months) : 96,608,997

July 21 - June 22 (12 months) : 129,029,199

### Segment-wise performance

Segment-wise performance has been shown in Note- 42 of the notes to the accounts of the financial statements.

### Risk & Concern

The company's activities expose it to a variety of financial risk. The company's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance. The company uses derivative financial instrument to economically hedge certain risk exposures. Financial risks management has been disclosed in the note-41 of the notes to the accounts of the financial statements.

### Discussion on Cost of Goods Sold, GP & NP

For the year from July 01, 2022 to June 30, 2023 our sales have been increased from previous year @ 25.28% of Tk- 324,662,734 and stood at Tk-1,609,011,849 due to sales increase of Starch & Residues of Starch unit.

Cost of goods sold during the period increase by Tk- 310,331,605 @ 32.91% compared to same period of previous year significantly due to increase of production, high raw material price in local & import prices, high dollar rate, currency devaluation and increase in energy (electricity) price and manufacturing overhead specially wages & allowance, electricity bill, fuel, carrying, packaging expenses of Liquid Glucose, Starch & Residues of Starch - Gluten, Germ, Fiber unit.

Gross Profit during the year increased by 4.20% compared to same period of previous year. Sales increase by 25% during the period due to sales of Starch unit (Starch, Gluten, Fiber Germ etc.) but high raw material price in local & import prices, currency devaluation and increase in energy (electricity) price effected in gross profit. As a result, Gross Profit has been increased slightly 4.20% during this reporting year compare to previous year.

Net Profit & Earning per share (EPS) has decreased due to increase in costs because of high raw material price in local & import prices, currency devaluation and increase in energy (electricity) price, administrative expenses, selling & distribution expenses, significant deterioration of non-operating income which adversely affected overall profitability of the Company.

Net operating cash Flow per Share (NOCFPS) during this period increase due to increase of sales & collection from customers. As a result, net cash generated from operating activities has been increased compare to same period of previous year.

### Extra-ordinary gain or loss

In 2022-2023, an amount of Tk. 9,743,991 was earned from non-operating income. The non-operating income was earned from Interest income Tk. 76,786, Wastage Sale of Tk. 7,270,308, Dividend income of Tk. 510,945 and income from sales of shares (realize gain) of Tk.1,885,952. The company has also un-realize loss Tk. 9,507,499 from investment in share, which is presented as Other Comprehensive income in the Statement of Profit or Loss and Other Comprehensive Income. The company has no other Extra-ordinary gain or loss.

### Related Party Disclosure

Related party transaction & disclosure has been disclosed in the note-40 of the notes to the accounts of the financial statements.

### Utilization of proceeds

No proceed has been raised by the company through public issue, right issue or any instrument during the year.

### Deterioration of Financial Results

Not any other indicators of Financial results deteriorated after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing etc.

### Variance between Quarterly and Annual Financial Statements

Salvo Chemical Industry Limited disclosed quarterly financial performance for the 1st, 2nd & 3rd quarter 2022-2023. Quarterly financial performance and final financial performance are stated below:

Particulars	Q-1	Q-2	Q-3	Q-4	Final
Sales	391,350,524	354,976,101	422,464,975	440,220,249	1,609,011,849
Cost of Goods Sold	305,330,717	295,952,652	358,065,395	293,968,699	1,253,317,463
<b>Gross Profit</b>	<b>86,019,807</b>	<b>59,023,449</b>	<b>64,399,580</b>	<b>146,251,550</b>	<b>355,6943,86</b>

Increase of raw material price during 2nd & 3rd quarter, high foreign currency rate, electricity crisis and increase of production related cost i.e manufacturing overhead specially wages, electricity bill, packaging expenses & depreciation, expenses of Liquid Glucose & Starch unit etc., as a result, Gross Profit has been comparative low during 2nd & 3rd quarter of this reporting year. Last quarter of this reporting year sales increase and seasonal impact of raw material price of maize is low consequently Gross Profit has been increased during last quarter significantly, also, uninterpreted electricity supply cause smooth production & supply.

## **Auditor Opinion- Emphasis of Matter**

- I. According to Bangladesh Labour Act 2006, Bangladesh Labour Act (Amended) 2018, Bangladesh Labour Rules 2015, the company introduced employees benefit scheme i.e. Employees Provident Fund, Gratuity Fund, Worker's Profit Participation Fund (WPPF) but yet to form Board of Trustee and to obtain the approval of National Board of Revenue (NBR) under first schedule part C of Income Tax Ordinance 1984 for its Provident Fund. Moreover, the entity does not maintain separate bank account and separate books of account for the above-mentioned employees benefit scheme.
- II. The requirement of minimum shareholding jointly by the sponsor(s) and Director(s) is 30% as per notification no. BSEC/CMRRCD/2009-193/217/Admin/90 dated 21 May 2019 issued by the Bangladesh Securities Exchange Commission whereas in Salvo Chemical Industry Limited the percentage is 25.18%.
- III. The company incurred an unrealized loss of BDT 9,507,499 against its investment in shares. This loss has been adjusted of BDT 6,476,288 from the Fair Value Other Comprehensive Income (FVOCI) Reserve, with the remaining balance of BDT 3,031,211 adjusted from Retained Earnings.

## **Discussion on Auditor Opinion- Emphasis of Matter**

- I. According to Bangladesh Labour Act 2006, Bangladesh Labour Act (Amended) 2018, Bangladesh Labour Rules 2015, the company introduce employees benefit scheme i.e. Employees Provident Fund, Gratuity Fund and necessary steps would be taken to form Board of Trustee and to obtain the approval of National Board of Revenue (NBR) under first schedule part C of Income Tax Ordinance 1984. Moreover, separate bank account and separate books of account for the above mention employees benefit scheme would be implemented. The company maintain Workers' Profit Participation Fund (WPPF). However, separate bank account would be maintained for the maintenance of the fund. 10% payment of WPPF would be incorporate in compliance of Employees Welfare Fund as per chapter 15, Bangladesh Labour Act 2006, Bangladesh Labour Act (Amended) 2018.
- II. In 2011, when Salvo Chemical Industry Limited offloaded 77.86% of shares through IPO, the sponsors/directors were not required to maintain a 30% shareholding. Subsequently, the BSEC directed all listed companies to maintain this threshold to enhance stability and transparency. At our organization, we recognize the importance of regulatory compliance and are fully committed to achieving and sustaining the required 30% shareholding in accordance with the BSEC's Notification. In relation to this, we have already submitted our detailed plan to the BSEC dated September 20, 2023. We have faith that the submitted comprehensive plan elucidates our continuous effort regarding not only meeting regulatory requirements but also protecting the interests of our shareholders.
- III. The company incurred an unrealized loss of BDT 9,507,499 against its investment in shares. This loss has been adjusted of BDT 6,476,288 from the Fair Value Other Comprehensive Income (FVOCI) Reserve, with the remaining balance of BDT 3,031,211 adjusted from Retained Earnings. Investments in Marketable Securities are measured at fair value. Unrealized Gain or Loss on these financial assets is recognized in "Other Comprehensive Income". The company has accounted for it as per IFRS 9. The company has reported

unrealized gain/(loss) from Marketable Securities as Other Comprehensive Income in the “Statement of Profit or Loss and Other Comprehensive Income:” and in the “Statement of Changes in Equity” which are in conformity with IAS-12 and IFRS-9.

### **Significant variation in financial statement**

Revenue: At the end of year, the reported total revenue (net sales) of BDT 1,609,011,849. For the year from July 01, 2022 to June 30, 2023 our sales have been increased due to sales increase of Starch & by product units.

Cost of goods sold: During the year July 2022 to June 2023, cost of goods sold stood at Tk. 1,253,317,463 increase from the previous year. Cost of Goods Sold has been increased compared to last year due to improve of raw material purchase of Liquid Glucose Unit, Starch Unit, Wages & Allowance, Electricity bill, Carrying, Transport & Fuel expenses, Fuel for generator & boiler, Packaging expenses, Depreciation etc. Therefore, Gross Profit slightly increase during the year compared to previous year.

Gross Profit during the year increased by 4% compared to same period of previous year. Sales increase by 25% during the period due to sales of Starch unit (Starch, Gluten, Fiber Germ etc.) but high raw material price in local & import prices, currency devaluation and increase in energy (electricity) price effected in gross profit. As a result, Gross Profit has been increased slightly 4% during this reporting year compare to previous year.

In 2022-2023, an amount of Tk. 9,743,991 was earned from non-operating income. The non-operating income was earned from Interest income Tk. 76,786, Wastage Sale of Tk. 7,270,308, Dividend income of Tk. 510,945 and income from sales of shares (realize gain) of Tk.1,885,952. The company has also un-realize loss Tk. 9,507,499 from investment in share, which is presented as Other Comprehensive income in the Statement of Profit or Loss and Other Comprehensive Income.

The Company reported total income tax expense of BDT 97,657,048 with current tax provision Tk. 35,563,320 and deferred tax income 62,093,728 note no. 30. The Company has recognized deferred Tax Liability for deductible temporary differences that it believes are payable. The recoverability of recognized deferred tax liability is in part dependent on the company's ability to generate future taxable profits sufficient to utilize deductible temporary differences.

Net Profit & Earning per share (EPS) has decreased due to increase in costs because of high raw material price in local & import prices, currency devaluation and increase in energy (electricity) price, administrative expenses, selling & distribution expenses, significant deterioration of non-operating income which adversely affected overall profitability of the Company.

Net operating cash Flow per Share (NOCFPS) during this period increase due to increase of sales & collection from customers. As a result, net cash generated from operating activities has been increased compare to same period of previous year.

Capital Work in Progress increase due to addition of set up development of product & diversify of progressive plant of Corn Starch unit and construction of new store house shed.

The company has represented total Property Plant and Equipment (WDV) Tk. 1,503,343,705 during the financial year 30 June 2023, which recovers 57.72% of total assets. The company represents addition for property, plant and equipment Tk. 274,557,079.



The company has a net trade receivable of Tk. 137,219,329 as at 30 June 2023. Trade receivables of the company comprise mainly receivables in relation to the trading business regarding the Sales of finished goods. The recoverable amount was estimated by management based on their specific recoverability assessment on debtor with reference to the aging profile, historical payment pattern and the past record of default of the customer.

### **Remuneration to Directors**

Remuneration to Directors has been disclosed in the note-36 & 26 of the notes to the accounts of the financial statements.

### **Fairness of 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. The auditors expressed their un-qualified opinion on the financial statements as well.

### **Maintenance of proper books of accounts**

The books of accounts of the company have been maintained in accordance with provisions of the Companies Act 1994.

### **Accounting Policies**

Appropriate accounting policies have been applied in preparation of the financial statements of the company. Significant account policies have been disclosed in the note-02 of the notes to the accounts of the financial statements.

### **Application of IAS & IFRS**

Applicable IAS & IFRS applied in preparation of the financial statements of the company. Complied IAS & IFRS have been disclosed in the note-02.15 of the notes to the accounts of the financial statements.

### **Internal Control**

A meaningful internal controls system requires a specific organizational and policy framework. Salvo has a management framework that clearly defines the roles, responsibilities and reporting lines of business and support systems. The delegation of authority, control processes and operational procedures are documented and disseminated to staff. The Internal Audit, Risk Management and Legal & Compliance functions provide independently errors and weaknesses over controls and risks within the organization.

### **Redressal of Minority Shareholders**

No situation arisen with minority shareholders who protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and no effective means of redress.

### **Going Concern**

Financial statements are generally prepared under the assumption that the business will remain a "going concern". That is, it is expected to continue to generate a positive return on its assets and meet its obligations in the ordinary course of business. It is the responsibility of the management of a company to determine whether the going concern assumption is appropriate in the preparation of financial statements. Salvo Chemical Industry Limited is running well above the level of different parameters.

## **Significant deviation in operating result**

Significant deviation in operating result have been disclosed in the note-34 of the notes to the accounts of the financial statements.

## **Last Five years key operation**

Last Five years key operation result has been presented in the page no 17 of this annual report.

## **Interim Dividend**

No bonus share or stock dividend has been declared by the Board as interim dividend and there was no effect of the company's financial position.

## **Board Meetings and Attendance**

In compliance to the Clause- 1.5 (xxii) of the BSEC Notification No- BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018, a table on Board Meetings and Attendance has been shown in "Annexure-I".

## **Shareholding Pattern**

The shareholding combination as per Clause- 1.5(xxiii) of the BSEC Notification No- BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 has been shown in "Annexure-II".

## **Proposed Dividend**

The Board in its meeting dated 30 October 2023 had recommended 5% (five percent) Cash Dividend to the general shareholders excluding the Sponsors and Directors for the year ended June 30, 2023. The Sponsor and Directors hold 1,63,75,228 shares out of total 6,50,22,793 shares of the Company and Tk. 2,43,23,782.50 is payable to the general shareholders as cash dividend.; the balance retained earnings of the company will be utilizing for development of the company. In compliance to the Clause- 1.5 (xx) of the BSEC Notification No- BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018, Reason for such recommendation is to implement the development programs and to comply BSEC notification for declare dividend. The company shall not be able to raise capital through bonus shares as per the BSEC Notification No BSEC/CMRRCD/2009-193/217/Admin/90 dated May 21, 2019. The record date was fixed by the date 22 November 2023.

## **Appointment / Re-appointment of Directors**

In accordance with Article 122 & 127 to 131 of the Articles of Association of the Company one third of the existing directors shall retire by rotation. Mr. A. S. M. Shariar Ansari & Mr. Md Zaidul Hoque have submitted their resignations which were duly received and considered for retirement in compliance to the mentioned terms.

In compliance to the BSEC Notification No.- BSEC/ CMRRCD/ 2009-193/119/Admin/--- dated 22 November 2011, the company has now only two sponsor Directors. The Board of Directors of Salvo Chemical Industry Ltd. has appointed Mr. A. S. M. Shariar Ansari, Nominated Director from Reddeer PLC as the Director of the company. The Board is fill the casual vacancy by the Independent Directors. Mr. Md. Mujibur Rahman, FCS, FCMA and Mr. Md Zaidul Hoque were fill the said office. In support of consents from A. S. M. Shariar Ansari and Mr. Md Zaidul Hoque, the Board is pleased to propose their consents for re-appointment as Directors of the company.

The remuneration of the Directors fixed in the meeting of the Board was duly shown in the Financial Statements. This may be changed in accordance with the resolution of the Board Meeting in compliance to the relevant Articles of Association.

A disclosure made to the shareholders for the appointment or re-appointment of a Director's including existing Director's brief resume, expertise in specific functional areas and holding directorship or membership of any other companies or committees are shown at page no- 14 & 15 and also, made a disclosure as per BSEC notification no. BSEC/ CMRRCD/ 2009-193/3/Admin/104, dated 05 February 2020.

## **Auditors**

Our existing auditor **M/s. Zoha Zaman Kabir Rashid & Co.**, Chartered Accountants would retire on 28th December 2023, the date of 21st AGM. They have satisfactorily conducted the audit for the year 2022-2023. They are not however eligible for reappointment as per BSEC order No.- SEC/CMRRCD/2009 193/104/admin dated 27 July 2011.

**M/s . Basu Banerjee Nath & Co.**, Chartered Accountants was sent written consent as Auditor for audit of the company's books of accounts for the year ended 30 June 2024.

The Board recommended to appoint **M/s. Basu Banerjee Nath & Co.**, Chartered Accountants as the External Auditors' of the Company to audit of the financial statements for the year 2023-2024 with a remuneration of Tk. 310,000/- (three lac ten thousand only) including all direct taxes and excluding of indirect taxes as applicable for the time being in force subject to the approval of shareholders in the 21st Annual General Meeting of the Company.

On the willingness to appointed as professional to certificate on compliance of the Corporate Governance Code (CGC), the Board recommended to appoint **Jasmin & Associates - Chartered Secretaries** with a remuneration of Tk. 75,000 (seventy-five thousand only) including all direct taxes and excluding of indirect taxes as applicable for the time being in force subject to the approval of shareholders in the 21st Annual General Meeting of the Company.

## **Reporting on Corporate Governance Compliance**

Salvo has taken effective stand for best practice of corporate governance. We persistently work for strengthening all sorts of operational policies and procedures and adopting new standards for the time being in force. We are committed to be more open and transparent with our stakeholders.

Pursuant to Clause- 7 of BSEC Notification No- BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 the company's compliance status is shown separately. As per BSEC Notification, a "**Status of Compliance**" to the Corporate Governance has been shown in "Annexure-C". Also, a "**Certificate on compliance on the Corporate Governance**" has been obtained and included in "Annexure-B" with this Annual Report.

In accordance with the requirements of the Corporate Governance Code 2018 of the Bangladesh Securities and Exchange Commission, a additional statement in pursuance of Clause 1 (5), resume of the directors who shall be reappointed, Management Discussion Analysis,

Certificate from the CEO and CFO to the Board, Certificate on Compliance of the Conditions of the Corporate Governance Code 2018 by the Compliance Auditors and Status of Compliance are depicted in the Annexure. The Audit Committee Report, the Nomination and Remuneration Policy, and the Dividend Distribution Policy are also presented in the Annual Report.

### **Audit Committee**

The Audit Committee acts as a sub-committee of the Board of Directors of Salvo Chemical Industry Limited., assisting in assuring and performing its oversight responsibilities. A total of 4 (Four) meetings were held during the year. Company Secretary of the Company functioned as the Secretary to the Committee as per regulatory guidelines. In accordance with the requirements of the Corporate Governance Code 2018 of the Bangladesh Securities and Exchange Commission, The Audit Committee Report are presented separately in the Annual Report.

### **Proposed Audit Committee (AC)**

The Board is pleased to propose following Audit committee (AC) which would be approved in the 21st AGM and will remain in full function till 22nd AGM. This committee shall be responsible to report to the Board.

<b>Sl. No.</b>	<b>Name of the Director</b>	<b>Position in Audit Committee</b>
<b>01.</b>	Mr. Md. Mujibur Rahman, FCS, FCMA, Independent Director	<b>Chairman</b>
<b>02.</b>	Md. Zaidul Hoque, Independent Director	<b>Member</b>
<b>03.</b>	A. S. M. Shariar Ansari, Director	<b>Member</b>
<b>04.</b>	Mr. Liton Kumar Roy, Company Secretary	<b>Secretary</b>

### **Nomination & Remuneration Committee (NRC) Committee**

The Nomination and Remuneration Committee has been constituted by the Board of Directors of the Company as a subcommittee to assist the Board under the Condition No. 6 of the Corporate Governance Code 2018 of Bangladesh Securities and Exchange Commission. NRC is independent and responsible or accountable to the Board of Directors and to the Shareholders of Company. The Nomination & Remuneration Committee (NRC) meets once (01) time during 2022-23. In accordance with the requirements of the Corporate Governance Code 2018 of the Bangladesh Securities and Exchange Commission, The Nomination & Remuneration Committee (NRC) Committee Report are presented separately in the Annual Report.

### **Proposed Nomination and Remuneration Committee (NRC)**

The Board is pleased to propose following Nomination and Remuneration Committee (NRC) which would be approved in the 21st AGM and will remain in full function till 22nd AGM. This committee shall be responsible to report to the Board.

<b>Sl. No.</b>	<b>Name of the Member</b>	<b>Position in Committee</b>
<b>01.</b>	Mr. Md. Zaidul Hoque, Independent Director	<b>Chairman</b>
<b>02.</b>	Mr. Md. Mujibur Rahman, FCS, FCMA, Independent Director	<b>Member</b>
<b>03.</b>	A. S. M. Shariar Ansari, Director	<b>Member</b>
<b>04.</b>	Mr. Liton Kumar Roy, Company Secretary	<b>Secretary</b>

### **Proposed Management Committee (MANCOM)**

The Board is delighted to propose following committee as Management Committee (MANCOM) which would be approved in the 21st AGM and will remain in full function till 22nd AGM. This committee shall be responsible to report to the Board.

<b>Chairman</b>	<b>Mrs. Khondoker Afia Sultana</b>	<b>Chairman</b>
<b>Company Secretary</b>	<b>Liton Kumer Roy</b>	<b>Secretary</b>
<b>Managing Director</b>	<b>Md. Salam Obaidul Karim</b>	<b>Member</b>
<b>Executive Director- Administration</b>	<b>Mrs. Sayeeda Karim</b>	<b>Member</b>
<b>Chief Finance Officer</b>	<b>Md. Saiful Alam</b>	<b>Member</b>

### **Additional Disclosures**

- ▶ The financial statements prepared by the management present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity.
- ▶ Proper books of account of the Company have been maintained.
- ▶ Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- ▶ International Accounting Standards and International Financial Reporting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements.
- ▶ The system of internal control is sound in design and has been effectively implemented and monitored.
- ▶ There are no significant doubts upon the Company's ability to continue as a going concern.

### **Acknowledgements**

The Directors acknowledge the support extended by the Company's staff and all the employees for their dedicated service. The Directors would also like to thank the financial institutions, banks, government authorities, customers, vendors and other stakeholders for the continued support and co-operation. The Directors deeply regret the loss of lives on account of the Covid-19 pandemic and place on record their sincere appreciation to all those who have gone beyond their duties in this fight against the pandemic.

## Conclusion

The Board of Directors takes this opportunity of expressing its sincere appreciation and gratitude to the valued customers, bankers and other stakeholders for their continued support and cooperation. The Board also expresses its profound gratitude to Bangladesh Securities & Exchange Commission (BSEC), the Dhaka Stock Exchange (DSE), the Chittagong Stock Exchange (CSE), the Registrar of Joint Stock Companies and Firms, Banks, the Central Depository Bangladesh Limited (CDBL) and other regulatory bodies for their help, assistance, valuable guidance and advice being extended to the Company from time to time. The Board also thanks to the Auditors of the Company, for their efforts to complete the audit for the year ended 30 June 2023.

On behalf of the Board of Directors, I, the undersigned, am also articulating my heartfelt appreciation to the management and all staff of the Company for their outstanding efforts, loyalty, sincere services and dedication.

I would like to take this opportunity to pay heartfelt tribute to my colleagues of the Board who have extended their all sorts of cooperation and support.

Finally, I the chairman the Board of Directors thank the respected shareholders on its behalf and assure them that they will continue to add to maximize the shareholders' wealth through further strengthening and development of the Company in which they have placed their trust and confidence.

For and on behalf of the Board of Directors,



**Khondoker Afia Sultana**

Chairman