



# DIRECTOR'S REPORT



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Dear Shareholders,

it is indeed a great privilege for me to place the Directors' Report on behalf of the Board of Directors and Management, for your valued consideration, adoption and approval. The report was approved by the Board of Directors on October 23, 2022. Relevant disclosures and explanations relating to certain issues have been given by the Directors, which they consider important to ensure transparency and practice of good governance.

## Global Economy

While global economy was recovering strongly from the COVID-19 pandemic, the war in Ukraine posed a setback to the ongoing recovery. A rise in the global commodity prices and sluggish economic activities by war induced supply chain disruption is being observed.

International organizations' revised their forecasts for economic growth prospects and inflations. As per the United Nations (UN) publication 'World Economic Situation and Prospect 2022', the global economy grew by 5.5 percent in 2021, the highest growth rate since 1976, after contracting 3.4 percent in 2020. Global economy is expected to grow by 4.0 percent in 2022 and 3.5 percent in 2023. In the World Bank's Global Economic Prospect, January 2022, the global economic growth is projected 4.1 and 3.2 percent in 2022 and 2023 respectively, while growth was estimated 5.5 percent in 2021.

Sluggish growth rates between advanced economies and emerging and developing economies will be divergent. Growth in advanced economies is expected to decline from 5 percent in 2021 to 3.8 percent in 2022 and 2.3 percent in 2023. This growth rate will be sufficient to restore output and investment to their pre-pandemic trend in these economies. In emerging and developing economies, however, growth is expected to drop from 6.3 percent in 2021 to 4.6 percent in 2022 and 4.4 percent in 2023. The report stressed that by 2023, all advanced economies will have achieved a full output recovery; yet output in emerging and developing economies will remain 4 percent below its pre-pandemic trend. For many vulnerable economies, the setback is even larger: output of fragile and conflict-affected economies will be 7.5 percent below its pre-pandemic trend, and output of small island states will be 8.5 percent below.

In the World Economic Outlook (WEO) April 2022, International Monetary Fund (IMF) projected that the global economy will grow by 3.6 percent both in 2022 and 2023. The projections for 2022 and 2023 are 0.8 and 0.2 percentage points lower than in the January 2022 WEO update. Global growth is forecast to decline to about 3.3 percent over the medium term beyond 2023.

## Macro-economic Situation: Bangladesh Context

Bangladesh economy was growing consistently high over a decade crossing 7.0 percent milestone in FY 2015-16 and 8.0 percent milestone in FY 2018-19. However, the COVID-19 pandemic reduced the growth rate to 3.45 percent in FY 2019-20. The economy grew by 6.94 percent in FY 2020-21. According to the provisional estimates of BBS, the GDP growth stood at 7.25 percent in FY 2021-22, 0.05 percentage point higher than the target rate and 0.31 percentage point higher than the previous fiscal year.

According to provisional estimate of Bangladesh Bureau of Statistics (BBS), per capita GDP and per capita national income stood respectively at US\$ 2,723 and US\$ 2,824 in FY 2021-22 compared to US\$ 2,462 and US\$ 2,591 respectively in FY 2020-21. The consumption increased to 78.44 percent of GDP in FY 2021-22 from 74.66 percent in FY 2020-21. The gross investment stood at 31.68 percent of GDP in FY 2021-22, where public investment and private investment accounted for 7.62 percent and 24.06 percent of GDP respectively. Medium-term forecasts for GDP growth rates are 7.5 percent in FY 2022-23, 7.8 percent in FY 2023-24 and 8.0 percent in FY 2024-25.

Inflation in FY 2020-21 stood at 5.56 percent, which is 0.09 percentage point lower than FY 2019-20. Of which food and non-food inflation accounted for 5.73 percent and 5.29 percent respectively. Like all other countries of the world, an upward trend of price level is being observed in Bangladesh as the economic damages created by COVID-19 pandemic which is triggered by war in Ukraine. The point-to-point inflation in March 2022, stood at 6.22 percent, compared to the inflation rate 5.47 percent in March 2021.

The revised revenue mobilisation target was set at Tk. 3,89,000 crore in FY 2021-22, which is 9.78 percent of the GDP. Of them, revenue receipt from NBR sources was marked at Tk. 3,30,000 crore (8.30% of GDP), tax revenue from non-NBR sources at Tk. 16,000 crore (0.40% of GDP) and non-tax revenue at Tk. 43,000 crore (1.10% of GDP). As per provisional data from iBAS++, total revenue mobilisation up to February 2022 stood at Tk. 2,25,116 crore, up by 16.39 percent of the same period of previous fiscal year, achieving 57.87 percent of the target.

According to the revised budget, the total expenditure target for FY 2021-22 has been set at Tk. 5,93,500 crore (14.93% of GDP), which is 10.11 percent higher compared to FY 2020-21. The revised Annual Development programme (ADP) size for FY 2021-22

stood at Tk. 2,07,550 crore (excluding autonomous/agencies/ corporations' own funded projects), which is 5.01 percent higher than the previous fiscal year.

The government is highly concerned of maintaining the budget deficit within 5 percent of GDP by increasing efficiency in revenue management. However, due to the increase in government expenditure for COVID-19 pandemic, target set at 5.1 percent of current fiscal year. The actual budget deficit for FY 2019-20 and FY 2020-21 stood at 4.7 percent and 4.3 percent of GDP respectively. The inflow of foreign grants and loans in the first eight months of FY 2021-22 (up to February 2022) amounted to US\$ 5,899 million, up by 6.63 percent from the same period of the previous fiscal year. The country's external debt outstanding at the end of February 2022 was US\$ 55,826 million or 12.23 percent of GDP.

The purpose of this policy stance is to outline monetary and credit programme for FY 2021-22 based on the evolving internal and external macroeconomic and financial developments. The programmed growth of broad money (M2) was set at 15.0 percent and domestic credit growth 17.8 percent, which was consistent with the targeted GDP growth and CPI based average inflation. The broad money and domestic credit actually grew by 9.45 percent and 13.32 percent respectively in February 2022 compared to 13.35 percent and 9.06 percent respectively in the same month of the previous year. However, the public and private sector credit experienced 28.1 percent and 10.9 percent growth respectively in February 2022 against the actual growth of 8.3 percent and 8.9 percent respectively in February 2021.

The recent trends in weighted average lending and deposit rates show downward movement. The weighted average lending rate decreased to 7.10 percent at the end of February 2022 from 7.48 percent of end February 2021. Similarly, the deposit rate continuously decreased to 4.02 percent in February 2022 from 4.44 percent in February 2021. The reduction in market-based interest rates has been due to the increase in excess liquidity available to banks and the reduction in interest rates, bank rate and refinancing scheme policies adopted by Bangladesh Bank.

In FY 2021-22, both stock markets (Dhaka Stock Exchange and Chattogram Stock Exchange) noticed some volatility, however, both the price index and market capitalisation increased moderately. The market capitalisation and the broad index of DSE increased by 4.41 percent and 6.59 percent respectively at the end of April 2022 compared to end June 2021. Similarly, the market capitalisation and CSE All Share Price Index increased by 6.03 percent and 11.67 percent respectively, at the end of April, 2022, compared to end June 2021.

Although global trade has turned around in 2021 after the effects of COVID-19 pandemic, the Russia-Ukraine conflict has been showing significant negative impact on world trade. As a result, food supply chains have been disrupted and Western sanctions on Russia have led to global trade instability. At the same time, the prices of petroleum along with commodity prices are rising, which is also creating inflationary pressures on the economies. However, Bangladesh's export growth is on a positive trend. During July-April of FY 2021-22, total export earnings increased by 35.14 percent to US\$ 43,344.34 million compared to the same period of previous fiscal year. The total import payments (c&f) stood at US\$ 66,898.70 million in FY 2021-22 (July-March), which is 43.84 percent higher than the import payments of the same period of the preceding fiscal year. The deficit of trade balance widened and stood at US\$ 22,306 million in FY 2021-22 (July-February) which was US\$ 12,359 million in FY 2020-21 (July-February). This deficit mainly occurred by the high growth in import payments relative to the growth in export earnings.

During the time, current account balance showed a deficit of US\$ 12,834 million due to expansion of trade deficit and a fall of workers' remittances. At the same time, the surplus of capital account balance and financial account balance both increased due to substantial amount of term loans received from the global development partner agencies. The net outcome of all these made the overall balance a deficit of US\$ 2,222 million in FY 2021-22 (July-February) compared to US\$ 6,879 million surplus in the same period of previous fiscal year. Due to the deficit of the overall balance, the foreign exchange reserve decrease slightly. The foreign exchange reserve stood at US\$ 46 billion at the end of February 2022. At the latest on 18 May 2022, the foreign exchange reserve stood at US\$ 42.33 billion. During July-April, 2022, the exchange rate of Taka depreciated by 1.9 percent against US dollar.

### **Sector-wise Economic Progress**

In response to the effects of the global COVID-19, extreme floods, and natural disasters, GOB has adopted short, medium, and long-term action plans to maintain food security for the people of the country by continuing the expansion in agricultural productivity. The target of food production is 465.83 lakh metric tonne (MT) in FY 2021-22, which was 466.35 lakh MT in FY 2020-21. Revised budget target for food collection from internal market is 19.50 lakh MT. By February 2022, 10.59 lakh MT food grain was imported through government channel and 27.69 lakh MT (3.04 lakh MT rice and 24.65 lakh MT wheat) through private channel. With a view to increase in agricultural production, Tk. 9,500 crore has been allocated for subsidising fertilisers and other agricultural activities and Tk. 150 crore has been allocated for seed production activities to support the farmers in the budget of FY 2021-22. A total of 46.21 lakh MT of fish was produced from inland water bodies and marine sources in FY 2020-21, which is

targeted 46.64 lakh MT in FY 2021-22. In FY 2020-21, 31.16 crore dose vaccines for 17 diseases have been produced and applied for cattle and poultry.

To overcome the shock of COVID-19 as well as to revitalise, GOB has provided different supports under incentives packages to its industry sector. Special fund for export oriented industries, working capital for the affected industries and service sector institutions, working capital to SMEs, credit guarantee skims for SMEs are mentionable programmes of the GOB. As a result, industry sector has rebounded. According to the 'Quantum Index of Medium and Large Scale Manufacturing Industry' (Base Year: 2005-06), the average general index of industrial production (large and medium scale manufacturing) increased by 18.52 percent to 507.65 points during July-December of FY 2021- 22 over that of FY 2020-21.

The capacity of power generation reached at 22,066 megawatts in January 2022. The volume is 25,284 megawatts including renewable energy and captive. The maximum generation level 13,792 MW were achieved in 27 April 2021. Total net electricity production was 80,423 million kilowatt-hours (kWh) in FY 2020-21 and in the first six months of FY 2021-22 (up to December 2021) total net electricity production stood at 42,395 million kWh. Out of total net generation, 40.02 percent power was generated by the public sector, 4.10 percent by joint venture, 47.39 percent power from the private sector and 8.50 percent from power import from India. At present, the total distribution line is 6.19 lakh kilometer and total consumer is 4.19 crore. The construction of Ruppur Atomic Power Plant unit is ongoing.

Natural gas met almost 62 percent of the country's total commercial use of energy. A total of 28 gas fields have been discovered from which about 19.11 trillion cubic feet gas has been produced cumulatively (up to December 2021). 9.30 trillion cubic feet of recoverable gas by January 2022. Besides, the country has about 13.60 lakh metric tonne of reserve fuel oil. In order to meet the growing demands for natural gas and fuel oil and to secure energy supply of the country in the long term, the highest emphasis is given on the diversification of energy sources, particularly on the efficient and optimum use of energy, construction of power plant based on coal, LNG, dual fuel, atomic and renewable energy.

The development efforts to build a developed and integrated communication and transport infrastructure is going on. At present, the total length of highways in the country is 22,433 km as of February 2022. Parallel to the roads, development projects like Padma Bridge, Metro- rail, BRT, Dhaka Elevated Express way, Karnaphuli tunnel and some other mega-projects are being implemented which are contributing to GDP growth of the country. At present, the total length of railway is 3,093 km. Several measures have already been undertaken for the development and maintenance of navigability of different river routes, ensuring safe movement of water crafts, development of inland river ports, creating infrastructure facilities to carry container goods in inland waterways etc. As the national flagship carrier Biman Bangladesh Airlines Limited is operating 7 national and 19 international flights in different routes. The total number of mobile phone subscribers and internet users exceed 18.15 crore and 12.28 crore in February 2022 respectively. At present Bangladesh Submarine Cable Company Ltd. (BSCCL) alone satisfying about 60 percent demand in the case of country's overall internet bandwidth, whose amount is 2,060 (Gigabyte per second) up to 28 February 2022.

The government is committed to ensure the basic needs of the people as well as human resource development through economic reform focusing on life and livelihoods to combat the long-term effects of the COVID-19 pandemic. In FY 2021- 22, the government has spent about 24.93 percent of the sectors related to human resource development such as education and technology, health and family welfare, women and children, social welfare, youth and sports development, culture, labour and employment etc. In order to build a skilled manpower to meet the challenges of the Fourth Industrial Revolution, maximum emphasis has been laid on technical education. Through The National Deployment and Vaccination Plan work is underway to vaccinate 70 percent of the population against COVID-19 to protect lives and prevent deaths from the COVID-19. Various reform initiatives, including as financial sector reform, anti-corruption and preventative actions are being adopted and executed in order to promote balanced development and establish good governance.

Bangladesh undoubtedly has accomplished an extraordinary and substantial advancement in poverty mitigation amid last decade, consequence of the devoted endeavors of the government and the appropriate and successful execution of numerous public and private development activities. It is worth mentioning that according to Household Income and Expenditure Survey (HIES) 2016, poverty rate declined to 24.3 percent in 2016, which was 40.0 percent in 2005. Several poverty alleviation programmes in Bangladesh meant to address poverty alleviation directly or indirectly have been launched by the incumbent government. Apart from these, different government along with non-government institutions, autonomous bodies carried out various activities involving introducing microcredit in order to expedite the government's efforts of poverty reduction. The ubiquitous COVID-19 pandemic had detrimental consequences on economic activities in Bangladesh to some extent while the country was in a position to achieve commendable progress on various economic and social indicators. Nevertheless, with regard to adaption of pragmatic and prudent economic policies anything could hardly hinder the celerity of overall economic development in Bangladesh. Therefore, the poverty situation in Bangladesh did no longer worsen to a scale of catastrophe during the pandemic.



During January-September in 2021, the amount of FDI was US\$ 1,803.4 million. A total 763 projects were registered in FY 2021-22 (July- February period) under joint venture investment (local and foreign) and the amount involved with the proposal was Tk. 1,08,022 crore. Total 454 business institutions are ongoing with production in the existing 8 EPZs of the country. Additional 77 industries are in to the process of operation. Up until now, the total investment amount in the EPZs is US\$ 5,858.02 million. Total number of employment generation is 4,80,140 up to February 2022 in the EPZs where 66 percent workers are female. By this time, the location and the land for 97 economic zones have been approved, 68 will be public and 29 will be private. Under public-private partnership modality, 78 projects are approved in principle covering 10 sectors.

Like other developing countries, bio-diversity rich Bangladesh is combating against environmental degradation, a crucial challenge for Bangladesh. Efforts are continuing to integrate issues pertaining to environment with mainstream development policies to ensure economic growth and environmental sustainability. A number of policies and development plans have been adopted and are being implemented to encounter environmental hazards and to ensure a pollution-free eco- friendly environment. Furthermore, a detailed work plan has been formulated with a view to achieving environmental targets of Sustainable Development Goals (SDG's). 'Bangladesh Climate Change Strategy and Action Plan, 2009 (BCCSAP 2009)' is being implemented to address the impact of climate change where both adaptation and mitigation activities have been considered. National Environmental Policy, 2018, Bangladesh Biodiversity Act 2018, Environmental Crisis Management Rules, 2017 have been promulgated to take into account the challenges of environment, biodiversity conservation and management. The government is also implementing various programmes/ projects in order to tackle eventualities emanating from natural disasters. A masterplan for coming 20 years with the objectives of maintaining environmental sustainability and achieving self- sufficiency in forest resource is under preparation. Bangladesh Economy

### **Fast Moving Consumer Goods Industry**

The Food & Beverage Industry, particularly the packaged food is getting impetus due to the changing life style of the consumers, gradually for all segments of urban, semi-urban & rural consumers. The demand for packaged & processed food is increasing dramatically, like never before.

In general, the performance of the FMCG industry serves as a powerful indicator of economic progress in any country. This is particularly evident in Bangladesh, where the economy is largely consumption driven. In 2020 as the local FMCG industry experienced a tough year, as demand for non-essential goods fell amidst lower disposable incomes brought about by a culmination of factors, including weak economic conditions and higher unemployment. Demand for such commodities has been declining since the very beginning of the lockdown situation.

During this period, industrial production dropped significantly, driven mostly by a precipitous fall in manufacturing output, while the service sector activities stalled by the partial and often complete shutdown of transportation, trade, and hospitality industries. In addition, because schools are closed from mid-March, most goods do not have any demand since they are mostly used as school tiffin's. Moreover, Bangladesh's ice cream industry is not comparable to any other industry, nor to any other region. In Bangladesh, a vested interest group raised a false alarm against the consumption of ice cream by circulating that the consumption of ice cream triggers the possibility of COVID-19.

In short, the volumes of Taufika Foods and Lovello Ice-cream PLC were directly affected by the lock-down steps imposed by the Government. In the meantime, the output of our subsidiaries and the important part of our business were below expectations.

However, the pandemic severely weakened global trade, consumption, services, and the labor market in both developed and emerging markets. Global trade contracted by nearly 3.5 percent (year over year) in the first quarter, reflecting weak demand, collapse in cross-border tourism, supply chain disruptions, and supply dislocations triggered by shutdowns across the world. Several policy measures taken by the government will help the economy to recuperate from lost investment and consumption and bounce back to the economic growth momentum observed in the last decade. A pragmatic agricultural and rural credit policy has been adopted by relaxing terms and conditions for inclusive loan disbursement. In view of the importance of the agriculture sector in terms of employment generation, food security, and poverty reduction in the country, the target disbursement of agricultural credit is set at BDT 262.92 billion for FY21 which is about 9 percent higher than that of FY19. It is expected that policy measures and strategy taken by the government such as easy monetary, fiscal, and financial policies shall facilitate the rapid recovery of the economy to the pre-COVID-19 level.

### **Lovello Ice-cream**

The brand name of ice cream of Taufika Foods and Lovello Ice-cream PLC is "LOVELLO". Initially, the brand grew quickly and soon established itself as a popular ice cream brand in the country, securing one of the top positions in the industry. Soon, in spite of



facing stiff competition over the years, its market position reached at a higher standing. This was possible due to the company introduced a large product line consisting of premium and regular segment of stick, cone, cup, tub, and mini-series of ice cream.

#### Performance of Taufika Foods and Lovello Ice-cream PLC in 2021-22.

The financial performance of the Company during the year 2021-22 with a comparison with that of 2020-21 are summarized below:

(BDT in millions except per share data)	2021-22	2020-21
Revenue	960.38	850.80
Gross profit	403.06	355.89
Operating profit	261.92	216.20
Profit before tax	146.61	96.92
Tax	25.02	1.91
Profit after tax	121.59	95.01
Earnings per Share (EPS)	1.43	1.41

#### Statement of utilization of Proceeds raised through public offerings as on June 30, 2022.

Sl. No	Purpose of Utilization	Allotment as per IPO (Tk.)	Total Utilization of Fund up to May 31, 2022	Fund utilized for the month of June 30, 2022	Total Utilization of Fund up to June 30, 2022	Unspent Balance (Taka)
1	Acquisition of plant & machinery	90,365,003	65,134,138	-	65,134,138	25,230,865
2	Freezer purchase	57,849,847	40,227,279	2,993,500	43,220,779	14,629,068
3	Vehicles purchase	20,564,250	27,005,948	-	27,005,948	(6,441,698)
4	Investment in depot to increase	13,220,900	-	-	-	13,220,900
5	To meet up IPO expenses	28,000,000	27,764,472	-	27,764,472	235,528
6	Bank loan repayment	90,000,000	90,000,000	-	90,000,000	-
	<b>Total IPO proceeds</b>	<b>300,000,000</b>	<b>250,131,837</b>	<b>2,993,500</b>	<b>253,125,337</b>	<b>46,874,663</b>
7	Interest income	772,158	-	-	-	772,158
8	Source Tax	(77,216)	-	-	-	(77,216)
9	Foreign exchange loss & Bank charges	-	126,160	-	126,160	(126,160)
	<b>Total IPO Proceeds &amp; Interest Income/ (Bank Charges)</b>	<b>300,694,942</b>	<b>250,257,997</b>	<b>2,993,500</b>	<b>253,251,497</b>	<b>47,443,445</b>

Total unutilized fund excluding Interest Income/(Bank Charges) Taka 46,874,663/- (Four Crore Sixty Eight Lac Seventy four Thousand Six Hundred Sixty Three) only and including foreign exchange loss & Bank charges and Interest income Taka 47,443,445/- as on June 30, 2022 is lying with Trust Bank Ltd. Millennium Branch, Jahangir Gate, Dhaka Cantonment, Dhaka (Account number 0022-0320000775).

### **Significant deviation in operating results & significant variance between quarterly and annual results**

Despite the devastating impact of COVID-19 Taufika Foods and Lovello Ice-cream PLC has been able to conclude the year with satisfactory turnover. There was no significant deviation from the last year's operating result and between quarterly and annual financial results.

### **Related party transaction**

Compliant steps have been taken by the Board to avoid any conflict of interests that may arise, in transacting with related parties as per the definition of IAS.

### **Events occurring after the reporting date**

As at the date of this report, the directors are not aware of any matter or circumstance that has arisen since the end of the year 2021-22 that has significantly affected or may significantly affect the operations of the Company, the results of its operations or its state of affairs, which is not already reflected in this report other than the following:

On October 23, 2022, Taufika Foods and Lovello Ice-cream PLC recommended 12 percent cash dividend. Details of the recommended dividend during the financial year are disclosed in Note 39 of the Financial Report.

### **Dividend**

The Company will be paying 12% cash dividend for the year ended 2021-22. The Board of Directors in its meeting held on 23 October 2022 recommended "12% cash" dividend for the year 2021-22. As per article-89, Schedule-1 of the Companies Act 1994, dividend shall be declared out of profit i.e. from current year's profit and from previous years' retained profit. During the year ended the company has registered profit of BDT 121.59 mn.

Taufika Foods and Lovello Ice-cream aims to provide commendable and sustainable rate of dividend to its shareholders.

The Board of Directors confirms that no bonus share or stock dividend has been or shall be declared as interim dividend.

### **Contribution to the National exchequer and the economy**

During the year 2021-22, the company contributed a total amount of BDT 15.96 million as Corporate Tax, BDT 61.36 million as SD and BDT 156.84 million as VAT, in total BDT 234.16 million was paid to the national exchequer

### **Directors' Responsibilities for Financial Statements**

The Board is responsible to present a fair, balanced and understandable assessment of the Company's position and prospect as part of good corporate governance and to that end the directors confirm to the best of their knowledge that-

- 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;
- proper books of account as required by the law 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 judgments;
- the Financial Statements prepared in accordance with IAS//IFRS;
- the Financial Statements prepared on going concern basis;
- the minority shareholders have been protected from abusive action by or in the interest of controlling shareholders acting either directly or indirectly and have effective means of redress;

### **Accounting policies and maintenance of books of accounts**

The Directors consider that in preparing the Financial Statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and that the International Accounting Standards have been followed. In preparing financial statements, information has been obtained from the books of accounts, which have been maintained properly as required by the applicable rules and regulations.

### **Observance of IAS, BAS, BFRS & applicable laws**

The Directors have the responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable to ensure that the financial statements comply with the Companies Act, 1994, the Securities and Exchange Rules, 1987 and other applicable laws. The Directors also confirm that the financial statements have been prepared in accordance with the International Accounting Standards and other applicable rules and regulations.

### **Fairness of the accounts**

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of Companies Act, 1994. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of their profits for the year ended June 30, 2021.

### **Responsibility to Internal Control System**

The Board of Directors is responsible to ensure that the system of internal control is sound in design and has been effectively implemented and monitored. In this regard, the board has taken proper steps and sufficient care in building a system of internal control, which is reviewed, evaluated and updated regularly. The internal audit department of the Company conducts periodic audit to provide reasonable assurance that the established policies and procedures of the Company are consistently followed. The Audit Committee consists of three members from the Board of Directors. The Chairman of the Audit Committee is an Independent Director

### **Risk and concerns:**

The Board of Directors is in charge of determining the Company's fundamental attitude toward risk while setting out the risk principles as well as the level of risk exposure. The Board of Directors are responsible for formulating risk policies, determining methods to measure and manage risk, setting commensurate risk limits and monitoring their performance.

Fundamental principles of Taufika Foods and Lovello Ice-cream PLC risk management philosophy are:

- Effectively managing and monitoring credit, interest rate, liquidity, market and operational risk and providing for appropriate allocation of capital among the types of risk.
- Managing risk in a forward-looking manner and identifying and analyzing risks from the beginning with the help of steering risk strategies, models and parameters.
- Creating maximum value for the shareholders, depositors and employees in long term.
- Being financially reliable and strong and establishing business relations with the stakeholders that will last for many years by creating the image of a profound institution that will stay in business permanently.
- Complying with Companies Act, Rule and Regulations of BSEC, Listing Regulations of Stock Exchanges and other guiding principles of BSEC.

### **Going concern**

The Board of Directors has reviewed the Company's overall business plans, strategies and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the financial statements of the Company are prepared based on the going concern concept.

### **Corporate governance**

Fundamentally, the conduct of the Company is guided by our core values, our code of ethics and a commitment to openness and transparency. LOVELLO's Board of Directors endeavors always to provide learned and strategic direction for the Company through applying the highest standards of corporate governance practice. To this end, we comply with all reporting regulations and requirements as defined in the Code of Corporate Governance issued by the Bangladesh Securities and Exchange Commission. Strengthening the policies and procedures by accommodating the changes in legislation and perspectives is our routine applica-



tion to protect the Company from risk and introduce new policies necessary to steer the company on right and clear strategic direction. We work to ensure all governance matters are transparent to stakeholders as well as shareholders through channels such as the Annual General Meeting (AGM), quarterly financial statements and this annual report. The Board of Directors of the Company has always committed to maintain and practice an effective corporate governance structure

#### **Directors to retire, re-appointment and biographies of the Directors-**

As per Article 104 of the Articles of Association of the Company, one-third of the Directors of the Company are required to retire by rotation at each Annual General Meeting (AGM). The retiring Directors are eligible to stand for re-election. In this connection the following Directors will retire in the 11th Annual General Meeting and being eligible offered themselves for re-election;

- i) Dato' Engr. Md. Ekramul Haque
- ii) Newly appointed Mr. Ruhul Ameen M.Com. FCMA as Independent Director in replace of Imtiaz Lutful Baset FCA, FCMA.

The Nomination and Remuneration Committee reviewed the nomination of the above retiring and newly appointed directors and recommended the board for appointment. Accordingly, the board recommended appointment of retiring directors for re-election as well as newly appointed director.

#### **Report on the compliance of the conditions of BSEC's notification**

In accordance with the BSEC's Notification dated June 3, 2018, the Board of Directors are required to report on the compliance of certain conditions. The notification was issued for the purpose of establishing a framework for ensuring good governance practices in the listed companies for the interest of the investors and the capital market. The overall shareholding pattern and a statement on the compliance with the BSEC's conditions is given on Annexure-II of this report.

#### **Pattern and distribution of shareholding-**

As on June 30, 2022 the paid up capital of the Company is Tk. 850,000,000.00 subdivided by 85,000,000 shares of Tk. 10 each where the Sponsor/Directors Shareholders holding is 44.65%. The overall shareholding patterns of the Company as at the end of the year 2020-21 is shown on Annexure-II of this report.

#### **Corporate responsibility**

Taufika Foods and Lovello Ice-cream PLC defines corporate responsibility as operating with veracity at all the times, sustaining the Company's long-term viability while contributing to the present and future well-being of all stakeholders.

We, at the company, recognize that we have certain responsibilities to our clients, shareholders, employees and to the communities in general. But the biggest contribution of the Company has to make the long-term sustainability of its business.

We value our shareholders and their rights. We are always committed towards our shareholders to preserve their rights and to enhance their return as much as possible. Considering this fact the management of Taufika Foods and Lovello Ice-cream PLC gives its best effort to:

- Keep standard operating performance that ranks among the best in the industry;
- Ensure effective corporate governance;
- Provide full and complete financial information;
- Give striking dividend.

We are committed to be equal opportunity employer, adhering to the highest social standards, the company seeks to provide a superior working environment for its employees based on diversity and respect for the importance of the individual.

#### **Business ethics**

Our customer welfare comes first. We ensure understanding our client's need, extending facilities to the right clients at just terms. We care our clients to enjoy consistent continuous service wherever we operate. We have complain box for taking care of customer complaints with highest priority. All our Board, Management and employees strictly follows regulatory guidelines, instructions and all applicable laws, rules and regulations of the country.

## **Audit information**

The Directors who held office at the date of this Director's Report confirm that:

- So far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- The Directors have taken all the steps that they themselves ought to have taken as Directors in order to make them aware of any relevant information and to establish that the company's Auditors are aware of that information.

## **Auditors**

Ahmed Zaker & Co. Chartered Accounts have expressed their willingness to become the statutory auditor of the company for the FY-2022-2023. In this regard the Audit Committee scrutinized and reviewed their proposals and recommended to the Board to appoint Ahmed Zaker & Co, Chartered Accounts as the external auditor of the Company for the FY-2022-2023.

The Board in its meeting held on October 23, 2022 recommended the shareholders to appoint Ahmed Zaker & Co., Chartered Accounts at a remuneration of Tk. 200,000 plus VAT.

The Audit Committee scrutinized and reviewed the proposals of Khalil & Associates, Cost and Management Accountant to be compliance auditor of the company and recommended to the Board for appointment.

The Board in its meeting held on October 23, 2022 also recommended the shareholders to Khalil & Associates, Cost and Management Accountant at a remuneration of Tk. 25,000 plus VAT as the compliance auditor for the year 2022-23.

## **Our employees and environment**

The Management of Taufika Foods and Lovello Ice-cream PLC believes that Human Resources of any organization can make the difference in the Industry. Considering this thought the company recruits competent people, develop them as per the demand of the time and situation, and retain them with competitive and standard motivation-award and retention policies and practices.

The Company is committed to creating a working environment based on the values of equal opportunity, diversity and meritocracy. All the Company's activities are reinforced by its governance structure, which complies with the leading codes of best practices.

## **Product Responsibility and Customer Health & Safety**

The Company believes that the modern day Consumers demand quality, convenience and value for money from the brands they choose and all our products sold under the brand names of LOVELLO score high in this regard. The Company complies with stringent international standards/ ISO certifications for hygiene and food safety.

Furthermore, our prime focus on the highest quality standards run through all the functions in the Company from sourcing and quality standard are maintaining from end-to-end covering to product innovation, manufacturing, marketing and are embedded in the genes of our staff. Our well-equipped Quality Assurance and Research and Development laboratories help us to deliver our promise of high quality products to our consumers.

## **Directors' meeting, attendance & remuneration –**

During the year ended June 30, 2022 total 05 meetings were held. During this year, all of the Directors serving on the Board attended were more than 80 percent of the aggregate of the total number of meetings of the Board of Directors. The attendance in the Board and Committee meetings by each Director is given in Annexure-I on this Report.

## **Signing of Report**

The Board in its meeting on June 2022 authorized the Chairman, Ms. Shamima Nargis Haque to sign Director's report and any addendum thereto.

## **Acknowledgement**

We would like to concede and place on record our appreciation to our valued clients, depositors and shareholders for the confidence in Taufika Foods and Lovello Ice-cream PLC. Our sincere gratitude to the Bangladesh Telecommunication Regulatory Commission, Bangladesh Securities and Exchange Commission, Dhaka and Chittagong Sock Exchanges, NBR, Banks and Financial

Institutions, Other government bodies and statutory auditors for their positive suggestions and supports. We also express our pleasure for the commitment and efforts put in by the employees at all levels of the Company.

For and on behalf of the Board,

A handwritten signature in blue ink, appearing to read 'Shamima'.

**Datin' Shamima Nargis Haque**  
Chairman

**Annexure-A**  
**[As per condition No. 1(5)(xxvi)]**

**Taufika Foods and Lovello Ice-cream PLC**  
**Declaration by MD and CFO**

The Board of Directors  
Taufika Foods and Lovello Ice-cream PLC  
Plot - 80, Road - 02, Banani (Chairman Bari),  
Banani, Dhaka-1213.

**Subject: Declaration on Financial Statements for the year ended on 30 June, 2022**

Dear Sirs,

Pursuant to the condition No. 1(5)(xxvi) imposed vide the Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 Dated 03 June 2018 under section 2CC of the Securities and Exchange Ordinance, 1969, we do hereby declare that:

1. The Financial Statements of Taufika Foods and Lovello Ice-cream PLC for the year ended on 30 June 2022 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
2. The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
3. The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;

4. To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
5. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
6. The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that:-

- i. We have reviewed the financial statements for the year ended on 30 June 2022 and that to the best of our knowledge and belief:
  - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b) these statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- ii. There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,

A blue ink signature of Dato' Md. Ekramul Haque, consisting of stylized cursive letters.

**Dato' Md. Ekramul Haque**  
Managing Director

A black ink signature of Mustaque Ahmad, consisting of stylized cursive letters.

**Mustaque Ahmad**  
Chief Financial Officer