***"If you have any query about this document, you may consult issuer, issue manager and underwriters"***

## PROSPECTUS OF

# ZAHINTEX INDUSTRIES LTD.

**PUBLIC ISSUE OF 20,000,000 ORDINARY SHARES OF TK.10.00 EACH AT AN ISSUE PRICE OF TK.25.00 EACH INCLUDING A PREMIUM OF TK.15.00 PER SHARE TOTALING TK.500,000,000.00**

**Opening date for subscription: September 18, 2011**
**Closing date for subscription: September 22, 2011**
**For Non-Resident Bangladeshi quota, subscription closes on: October 01, 2011**

### CREDIT RATING STATUS

| | Long Term | Short Term |
|---|---|---|
| Entity Rating | $A_1$ | ST-3 |
| Date of Rating | December 28, 2010 | |
| Validity of Rating | December 31, 2011 | |
| **RATING ASSIGNED BY: CREDIT RATING AGENCY OF BANGLADESH (CRAB)** | | |

### UNDERWRITERS

| | |
|---|---|
| **SBL Capital Management Limited**<br>Chamber Building (3rd floor),<br>122-124, Motijheel C/A, Dhaka-1000 | **Trust Bank Investment Limited**<br>36, Dilkusha C.A. Dhaka-1000 |
| **Peoples Insurance Co. Ltd.**<br>Peoples Insurance Bhabon, 36 Dilkusha C/A, Dhaka-1000 | **Swadesh Investment Management Limited**<br>Unique Trade Centre, 8 Panthapath, Karwanbazar<br>Dhaka-1215 |
| **Popular Life Insurance Co. Limited**<br>Peoples Insurance Bhaban (3rd floor)<br>36 Dilkusha C/A. Dhaka-1000 | **Union Capital Limited**<br>Noor Tower (5th floor), 1/F, Free School Street<br>73, Sonargaon Road, Dhaka-1205 |
| **AAA Consultants & Financial Advisers Ltd.**<br>Amin Court, 4th Fl. (Suit#403-405), Motijheel C/A,<br>Dhaka-1000 | **FAS Capital Management Limited**<br>Suvastu Imam Square (4thfloor) 65, Gulshan Avenue<br>Gulshan, Dhaka-12312 |
| **United Commercial Bank Ltd.**<br>Head Office : Bulus Center Plot - CWS- (A)-1 Road No - 34<br>Gulshan Avenue, Dhaka-1212 | **Continental Insurance Limited**<br>Ideal Trade Centre (7th Floor), 102, Shahid Tajuddin<br>Ahmed Sarani, Tejgaon, Dhaka-1208 |

**The issue shall be placed in "N" category**
**Issue date of the Prospectus: August 10, 2011**

### Manager to the Issue

**AAA CONSULTANTS & FINANCIAL ADVISERS LTD.**
PARTNERSHIP OF TRUST

Amin Court, 4th Floor (Suit#403-405),
31, Bir Uttam Shahid Ashfaqueus Samad Road
(Previous 62-63, Motijheel C/A) Dhaka-1000
Phone: +88029559602, +88029567726, Fax: 880-2-9558330
Web-site: **www.aaawebbd.com** E-mail: **info@aaawebbd.com**

GIVENSEE GROUP

# ZAHINTEX INDUSTRIES LTD.

House#06, Road#13, Sector#03, Uttara Model Town, Uttara, Dhaka
**Tel:** 8932813, 8913802, 8913826, 8932801-2, **Fax:** 880-2-8932816, 8960347
**E-mail:** info@givenseegroup.com, **Web:** www.zahintex.com

**"CONSENT OF THE SECURITIES AND EXCHANGE COMMISSION HAS BEEN OBTAINED TO THE ISSUE/OFFER OF THESE SECURITIES UNDER THE SECURITIES AND EXCHANGE ORDINANCE, 1969, AND THE SECURITIES AND EXCHANGE COMMISSION (PUBLIC ISSUE) RULES, 2006. IT MUST BE DISTINCTLY UNDERSTOOD THAT IN GIVING THIS CONSENT THE COMMISSION DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THE ISSUER COMPANY, ANY OF ITS PROJECTS OR THE ISSUE PRICE OF ITS SECURITIES OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINION EXPRESSED WITH REGARD TO THEM. SUCH RESPONSIBILITY LAYS WITH THE ISSUER, ITS DIRECTORS, CHIEF EXECUTIVE OFFICER/CHIEF FINANCIAL OFFICER, ISSUE MANAGER, UNDERWRITER AND/OR AUDITOR".**

# AVAILABILITY OF PROSPECTUS

Prospectus of the Company may be available at the following addresses:

| Name & Address | Contact Person | Tel. No. |
|---|---|---|
| **Company** | | |
| **Zahintex Industries Ltd.**<br>House#06, Road#13, Sector#03, Uttara Model Town, Uttara, Dhaka-1230 | **Aminul Islam**<br>Director–Finance & Company Secretary | 8932813<br>8913802 |
| **Issue Manager** | | |
| **AAA Consultants & Financial Advisers Ltd.**<br>Amin Court, 4th Floor (Suit#403-405)<br>31, Bir Uttam Shahid Ashfaqueus Samad Road<br>(Previous 62-63, Motijheel C/A) Dhaka-1000 | **Khwaja Arif Ahmed**<br>Managing Director & CEO | 9559602<br>9567726 |
| **Underwriters** | | |
| **SBL Capital Management Limited**<br>Chamber Building (3rd floor), 122-124,<br>Motijheel C/A, Dhaka-1000 | **Mufakhkharul Islam**<br>EVP & Head of Merchant Banking Wing | 9515484 |
| **Trust Bank Investment Limited**<br>36, Dilkusha C.A. Dhaka-1000 | **Md. Mozakkerul Islum**<br>SAVP | 01713014641 |
| **United Commercial Bank Limited**<br>Head Office : Bulus Center Plot - CWS- (A)-1 Road No - 34<br>Gulshan Avenue, Dhaka-1212 | **Md. Al Tamas**<br>First AVP | 9558481 |
| **Continental Insurance Limited**<br>Ideal Trade Centre (7th Floor), 102, Shahid Tajuddin Ahmed Sarani, Tejgaon, Dhaka-1208 | **Md. Qamrul Munir**<br>Head of Investment | 01713370145 |
| **Union Capital Limited**<br>Noor Tower (5th floor), 1/F, Free School Street<br>73, Sonargaon Road, Dhaka-1205 | **Abul Munim Khan**<br>EVP & Head of Banking | 9662888 |
| **FAS Capital Management Limited**<br>Suvastu Imam Square (4thfloor) 65, Gulshan Avenue<br>Gulshan .Dhaka-1212 | **Md. Maniruzaman Akan**<br>SAVP | 8825949 |
| **Popular Life Insurance Co. Limited**<br>Peoples Insurance Bhaban (3rd floor)<br>36 Dilkusha C/A. Dhaka-1000 | **Mostofa Helal Kabir**<br>General Manager (A & F) | 7174158<br>(ext 107) |
| **Peoples Insurance Co. Ltd.**<br>Peoples Insurance Bhabon,<br>36 Dilkusha C/A, Dhaka-1000 | **Chowdhury Hamid Gaffar**<br>Deputy general Manager (A&E) | 9564166 |
| **Swadesh Investment Management Limited**<br>Unique Trade Centre,<br>8 Panthapath, Karwanbazar, Dhaka-1215 | **Mamun Ahmed**<br>Managing Director | 8158166 |
| **AAA Consultants & Financial Advisers Ltd.**<br>Amin Court, 4th Fl. (Suit#403-405),<br>62-63 Motijheel C/A, Dhaka-1000 | **Khwaja Arif Ahmed**<br>Managing Director & CEO | 9559602<br>9567726 |
| **Stock Exchanges** | | |
| **Dhaka Stock Exchange Limited (DSE)**<br>9/F, Motijheel C.A., Dhaka-1000 | DSE Library | 9564601-7<br>9666944-8 |
| **Chittagong Stock Exchange Limited (CSE)**<br>CSE Building, 1080, Sk. Mujib Road,<br>Agrabad C.A., Chittagong | CSE Library | 714632-3<br>720871-3 |

Prospectus is also available on the web sites **www.zahintex.com**; **www.aaawebbd.com; www.secbd.org; www.dsebd.org; www.csebd.com** and Public Reference Room of the SEC for reading and study.

## Name and Address of the Auditor

**ACNABIN**
**Chartered Accountants**
BDBL Bhaban (13th Floor), 12 Kawran Bazar Commercial Area, Dhaka-1215, Bangladesh
**Telephone:** (880-2) 8144347-52, **Facsimile:** (880-2)8144353
**E-mail**: acnabin@bangla.net, **Web:** www.acnabin-bd.com

# TABLE OF CONTENTS

## Definition and Elaboration of the abbreviated Words and technical terms used in the Prospectus

| | | |
|---|---|---|
| **AAA** | : | AAA Consultants & Financial Advisers Ltd. |
| **Allotment** | : | Letter of allotment for shares |
| **BB** | : | Bangladesh Bank |
| **BO A/C** | : | Beneficial Owner Account or Depository Account |
| **Certificate** | : | Share Certificate |
| **Commission** | : | Securities and Exchange Commission |
| **Companies Act** | : | Companies Act, 1994 (Act. No. XVIII of 1994) |
| **CSE** | : | Chittagong Stock Exchange Limited |
| **DSE** | : | Dhaka Stock Exchange Limited |
| **EPZ** | : | Export Processing Zone |
| **FC Account** | : | Foreign Currency Account |
| **FI** | : | Financial Institution |
| **GOB** | : | The Government of People's Republic of Bangladesh |
| **IPO** | : | Initial Public Offering |
| **Issue** | : | Public Issue |
| **Issuer** | : | Zahintex Industries Ltd. |
| **NAV** | : | Net Asset Value of the Company |
| **NBR** | : | National Board of Revenue |
| **NRB** | : | Non Resident Bangladeshi |
| **Offering Price** | : | Price of the securities of Zahintex Industries Ltd. being offered |
| **Registered Office** | : | Head Office of the Company |
| **RJSC** | : | Registrar of Joint Stock Companies & Firms |
| **SC** | : | Share Certificate |
| **SEC** | : | Securities and Exchange Commission |
| **Securities** | : | Shares of Zahintex Industries Ltd. |
| **Share Market** | : | Market of the Securities |
| **Sponsors** | : | The sponsor shareholders of Zahintex Industries Ltd. |
| **SND Account** | : | Special Notice Deposit Account |
| **Stockholders** | : | Shareholders |
| **Subscription** | : | Application money |
| **The Company** | : | Zahintex Industries Ltd. |
| **ZIL** | : | Zahintex Industries Ltd. |

## DISCLOSURE IN RESPECT OF ISSUANCE OF SECURITY IN DEMAT FORM

"As per provisions of the Depository Act, 1999 and regulations made there under, share of the company will be issued in dematerialized form only and for this purpose the **Zahintex Industries Ltd.** has signed an agreement with the Central Depository Bangladesh Ltd. (CDBL). Therefore, all transfer/ transmission, splitting or conversion will take place in the CDBL system and any further issuance of shares (including right/bonus) will also be issued in dematerialized form only."

## CONDITIONS UNDER 2CC OF THE SECURITIES AND EXCHANGE ORDINANCE, 1969

### PART–A

1. The company shall go for Initial Public Offer (IPO) for 2,00,00,000 Ordinary Shares of Tk.10.00 each at an issue price of Tk. 25.00 each including premium of Tk. 15.00 per share totaling of Tk. 50,00,00,000.00 (Fifty crore) following the Securities and Exchange Commission (Public Issue) Rules, 2006, the Depository Act, 1999 and regulations made there under.

2. The abridged version of the prospectus, as approved by the Commission, shall be published by the issuer in 4 (Four) national daily newspapers (two in Bangla and two in English), within 3 (Three) working days of issuance of the consent letter. The issuer shall post the full prospectus, vetted by the Securities and Exchange Commission, in the issuer's website and shall also put on the websites of the Commission, stock exchanges, and the issue manager, within 3 (Three) working days from the date of issuance of this letter and shall remain posted till the closure of the subscription list. The issuer shall submit to SEC, the stock exchanges and the issue managers a diskette containing the text of the vetted prospectus in "MS -Word" format.

3. Sufficient copies of prospectus shall be made available by the issuer so that any person requesting a copy may receive one. A notice shall be placed on the front of the application form distributed in connection with the offering, informing that interested persons are entitled to a prospectus, if they so desire, and that copies of prospectus may be obtained from the issuer and the issue managers. The subscription application shall indicate in bold type that no sale of securities shall be made, nor shall any money be taken from any person, in connection with such sale until twenty five days after the prospectus has been published.

4. The company shall submit 40 (Forty) copies of the printed prospectus to the Securities and Exchange Commission for official record within **5 (Five) working days** from the date of publication of the abridged version of the prospectus in the newspaper.

5. The issuer company and the issue manager shall ensure transmission of the prospectus, abridged version of the prospectus and relevant application forms for NRBs through email, simultaneously with publication of the abridged version of the prospectus, to the Bangladesh Embassies and Missions abroad and shall also ensure sending of the printed copies of abridged version of the prospectus and application forms to the said Embassies and Missions within 5 (Five) working days of the publication date by Express Mail Service (EMS) of the postal department. A compliance report shall be submitted in this respect to the SEC jointly by the issuer and the issue manager within 2 (Two) working days from the date of said dispatch of the prospectus and the forms.

6. The paper clipping of the published abridged version of the prospectus, as mentioned at **condition no. 2 above**, shall be submitted to the Commission within 24 hours of the publication thereof.

7. The company shall maintain separate bank account(s) for collecting proceeds of the Initial Public Offering and shall also open Foreign Currency (FC) account(s) to deposit the application money of the Non Resident Bangladeshis (NRBs) for IPO purpose, and shall incorporate full particulars of said FC account(s) in the prospectus. The company shall open the above-mentioned accounts for IPO purpose; and close these accounts after refund of over-subscription money. Non-Resident Bangladeshi (NRB) means Bangladeshi citizens staying abroad including all those who have dual citizenship (provided they have a valid Bangladeshi passport) or those, whose foreign passport bear a stamp from the concerned Bangladesh Embassy to the effect that no visa is required for traveling to Bangladesh.

8. The issuer company shall apply to all the stock exchanges in Bangladesh for listing within 7 (Seven) working days from the date of issuance of this letter and shall simultaneously submit the vetted prospectus with all exhibits, as submitted to SEC, to the stock exchanges.

9. The following declaration shall be made by the company in the prospectus, namely: -

“**Declaration about Listing of Shares with the stock exchange (s):**

None of the stock exchange(s), if for any reason, grants listing within 75 (Seventy Five) days from the closure of subscription, any allotment in terms of this prospectus shall be void and the company shall refund the subscription money within 15 (Fifteen) days from the date of refusal for listing by the stock exchanges, or from the date of expiry of the said 75 (Seventy Five) days, as the case may be.

In case of non-refund of the subscription money within the aforesaid 15 (Fifteen) days, the Directors of the company, in addition to the issuer company, shall be collectively and severally liable for refund of the subscription money, with interest at the rate of 2% (Two Percent) per month above the bank rate, to the subscribers concerned.

The issue manager, in addition to the issuer company, shall ensure due compliance of the above mentioned conditions and shall submit compliance report thereon to the Commission within 7 (Seven) days of expiry of the aforesaid fifteen days time period allowed for refund of the subscription money.”

10. The subscription list shall be opened and the sale of securities commenced after **25 (Twenty Five) days** of the publication of the abridged version of the prospectus and shall remain open for **5 (Five) consecutive banking days**.

11. A non-resident Bangladeshi shall apply either directly by enclosing a foreign demand draft drawn on a bank payable at Dhaka, or through a nominee by paying out of foreign currency deposit account maintained in Bangladesh or in Taka, supported by foreign currency encashment certificate issued by the concerned bank, for the value of securities applied for through crossed bank cheque marking “Account Payee only”. The NRB applicants shall send applications to the issuer company within the closing date of the subscription so as to reach the same to the company by the closing date plus 9 (Nine) days. Applications received by the company after the above time period will not be considered for allotment purpose.

12. The company shall apply the spot buying rate (TT clean) in US Dollar, UK Pound Sterling and Euro of Sonali Bank Ltd, which shall be mentioned in the Prospectus, as prevailed on the date of opening of the subscription for the purpose of application of the NRBs and other non-Bangladeshi persons, wherever applicable.

13. The Company and the issue manager shall ensure prompt collection/clearance of the foreign remittances of NRBs and other non-Bangladeshi(s), if applicable, for allotment of shares.

14. Upon completion of the period of subscription for securities, the issuer and the issue manager shall jointly provide the Commission and the stock exchanges with the preliminary status of the subscription within 5 (Five) working days, in respect of the following matters, namely: -

(a) Total number of securities for which subscription has been received;
(b) Amount received from the subscription; and
(c) Amount of commission paid to the bankers to the issue.

15. The issuer and the issue manager shall jointly provide the Commission and the stock exchanges with the list of valid and invalid applicants (i.e. final status of subscription) in electronic form in 2 (Two) CDs and final status of subscription to the Commission within **3 (Three) weeks** after the closure of the subscription along with bank statement (original), branch-wise subscription statement. The list of valid and invalid applicants shall be finalized after examination with the CDBL in respect of BO accounts and particulars thereof.

16. The IPO shall stand cancelled and the application money shall be refunded immediately (but not later than 5 (Five) weeks from the date of the subscription closure), if any of the following events occur:

(a) Upon closing of the subscription list it is found that the total number of valid applications (in case of under subscription including the number of the underwriter) is less than the minimum requirement as specified in the listing regulations of the stock exchange(s) concerned; or

(b) At least 50% of the IPO is not subscribed.

17. 10% of total public offering shall be reserved for non-resident Bangladeshi (NRB) and 10% for mutual funds and collective investment schemes registered with the Commission, and the remaining 80% shall be open for subscription by the general public. In case of under-subscription under any of the 10% categories mentioned above, the unsubscribed portion shall be added to the general public category and, if after such addition,

there is over subscription in the general public category, the issuer and the manager to the issue shall jointly conduct an open lottery of all the applicants added together.

18. All the applicants shall first be treated as applied for one minimum market lot of **500 shares worth Taka 12,500/-** (Twelve thousand five hundred only). If, on this basis, there is over subscription, then lottery shall be held amongst the applicants allocating one identification number for each application, irrespective of the application money. In case of over-subscription under any of the categories mentioned hereinabove, the issuer and the issue manager shall jointly conduct an open lottery of all the applications received under each category separately in presence of representatives from the issuer, the stock exchanges and the applicants, if there be any.

19. **An applicant cannot submit more than two applications, one in his/her own name and the other jointly with another person. In case an applicant makes more than two applications, all applications will be treated as invalid and will not be considered for allotment purpose. In addition, whole or part of the application money may be forfeited by the Commission.**

20**.** **The applicant shall provide with the same bank account number in the application form as it is in the BO account of the application. Otherwise the application will be considered invalid and subscription may be forfeited.**

21. Lottery (if applicable) shall be held within **4 (Four) weeks** from closure of the subscription date.

22. The company shall issue share allotment letters to all successful applicants within **5 (Five) weeks** from the date of the subscription closing. Within the same time, refund to the unsuccessful applicants shall be made in the currency in which the value of securities was paid for by the applicants without any interest, through direct deposit to the applicant's bank account as far as possible/ Account Payee Cheque/ refund warrants with bank account number, bank's name and branch as indicated in the securities application forms payable at Dhaka/ Chittagong/ Khulna/ Rajshahi/ Barisal/ Sylhet/ Bogra, as the case may be subject to condition no. 19 above.

    Refund money of the unsuccessful applicants shall be credited directly to their respective bank accounts, who have chosen the option in the IPO application forms, as maintained with the bankers to the issue or any other banks mentioned in the application.

    A compliance report in this regard shall be submitted to the Commission within 7 (Seven) weeks from the date of closure of subscription.

23. The company shall furnish the List of Allotees to the Commission and the stock exchange(s) simultaneously in which the shares will be listed, within **24 (Twenty Four) hours** of allotment.

24. In the event of under-subscription of the public offering, the unsubscribed portion of securities shall be taken up by the underwriter(s) (subject to Para -16 above). The issuer must notify the underwriters to take up the underwritten shares within 10 (Ten) days of the closing of subscription on full payment of the share money within 15 (Fifteen) days of the issuer's notice. The underwriter shall not share any underwriting fee with the issue manager, other underwriters, issuer or the sponsor group.

25. All issued shares of the issuer at the time of according this consent shall be subject to a **lock-in period of 3 (Three) years** from the date of issuance of prospectus or commercial operation, whichever comes later.

    Provided that the persons (other than Directors and those who hold 5% or more shares in the company), who have subscribed to the shares of the company within immediately preceding two years of according consent shall be subject to a **lock-in period of 1 (One) year** from the date of issuance of prospectus or commercial operation, whichever comes later.

26. In respect of shares of Sponsors/Directors/Promoters (if in paper format) shall be handed over to security custodian bank registered with SEC and shall remain till completion of lock in and the name and branch of the bank shall be furnished to the Commission jointly by the issuer and issue manager, along with a confirmation thereof from the custodian bank, within one week of listing of the shares with the stock exchange(s). Or they (shares of Sponsors/ Directors/ Promoters) can be demated and will remain in lock-in under CDBL system and issuer will submit a dematerialization confirmation report generated by CDBL and attested by Managing Director of the company along with lock-in confirmation with SEC within one week of listing of the shares with the stock exchange(s). In respect of shares other than Sponsors/Directors/Promoters the issuer will ensure their lock-in of those shares and submit a statement to this effect to SEC.

27. The company shall apply to the stock exchanges for listing within 7 (Seven) working days of issuance of this letter and shall simultaneously submit to the Commission attested copies of the application filed with the stock exchanges.

28. The Company shall not declare any benefit other than cash dividend based on financial statement for the period ended December 31, 2010.

## PART–B

1. The issuer and the Issue Manager shall ensure that the abridged version of the prospectus and the full prospectus is published correctly and in strict conformity with the conditions of this letter without any error/omission, as vetted by the Securities and Exchange Commission.

2. The issue manager shall carefully examine and compare the published abridged version of the prospectus on the date of publication with the copy vetted by SEC. If any discrepancy/ inconsistency is found, both the issuer and the issue manager shall jointly publish a corrigendum immediately in the same newspapers concerned, simultaneously endorsing copies thereof to SEC and the stock exchange(s) concerned, correcting the discrepancy/inconsistency as required under 'Due Diligence Certificates' provided with SEC.

3. Both the issuer company and the issue manager shall, immediately after publication of the prospectus and its abridged version, jointly inform the Commission in writing that the published prospectus and its abridged version are verbatim copies of the same as vetted by the Commission.

4. The fund collected through Public Offering shall not be utilized prior to listing with stock exchanges and that utilization of the said fund shall be effected through banking channel, i.e. through account payee cheque, pay order or bank drafts etc.

5. The company shall furnish report to the Commission and to the stock exchanges on utilization of Public Offering proceeds within **15 (Fifteen) days** of the closing of **each month** until such fund is fully utilized, as mentioned in the schedule contained in the prospectus, and in the event of any irregularity or inconsistency, the Commission may employ or engage any person, at issuer's cost, to examine whether the issuer has utilized the proceeds for the purpose disclosed in the prospectus.

6. All transactions, excluding petty cash expenses, shall be effected through the company's bank account(s).

7. Proceeds of the Public Offering shall not be used for any purpose other than those specified in the prospectus. Any deviation in this respect must have prior approval of the shareholders in the shareholders Meeting under intimation to SEC and stock exchanges.

8. Directors on the Company's Board will be in accordance with applicable laws, rules and regulations.

## PART-C

1. All the above conditions imposed under section 2CC of the Securities and Exchange Ordinance, 1969 shall be incorporated in the prospectus immediately after the page of the table of contents, with a reference in the table of contents, prior to its publication.

2. The Commission may impose further conditions/restrictions etc. from time to time as and when considered necessary which shall also be binding upon the issuer company.

## PART-D

1. As per provision of the Depository Act, 1999 and regulations made there under, shares will only be issued in dematerialized condition. All transfer/transmission/splitting will take place in the Central Depository Bangladesh Ltd. (CDBL) system and any further issuance of shares (Including rights/bonus) will be made in dematerialized form only.

   An applicant (including NRB) shall not be able to apply for allotment of shares without Beneficial Owners (BO) account.

2. The company and the issue manager shall ensure due compliance of all the above conditions and the Securities and Exchange Commission (Public Issue) Rules, 2006.

# GENERAL INFORMATION

AAA Consultants & Financial Advisers Ltd. has prepared this Prospectus from information supplied by Zahintex Industries Ltd. (the Company) and also several discussions with Chairman, Managing Director and related executives of the Company. The Directors of both Zahintex Industries Ltd. and AAA Consultants & Financial Advisers Ltd. collectively and individually, having made all reasonable inquiries, confirm that to the best of their knowledge and belief, the information contained herein is true and correct in all material respect and that there are no other material facts, the omission of which, would make any statement herein misleading.

No person is authorized to give any information or to make any representation not contained in this Prospectus and if given or made, any such information or representation must not be relied upon as having been authorized by the Company or AAA Consultants & Financial Advisers Ltd..

The Issue as contemplated in this document is made in Bangladesh and is subject to the exclusive jurisdiction of the courts of Bangladesh. Forwarding this Prospectus to any person resident outside Bangladesh in no way implies that the Issue is made in accordance with the laws of that country or is subject to the jurisdiction of the laws of that country.

A copy of this Prospectus may be obtained from the Head Office of Zahintex Industries Ltd., AAA Consultants & Financial Advisers Ltd., the underwriters and the Stock Exchanges where the securities will be traded.

## DECLARATION ABOUT THE RESPONSIBILITY OF THE DIRECTORS INCLUDING CEO OF THE COMPANY "ZAHINTEX INDUSTRIES LTD." IN RESPECT OF THE PROSPECTUS

This prospectus has been prepared, seen and approved by us, and we, individually and collectively, accept full responsibility for the authenticity and accuracy of the statements made, information given in the prospectus, documents, financial statements, exhibits, annexes, papers submitted to the Commission in support thereof, and confirm, after making all reasonable inquires that all conditions concerning this public issue and prospectus have been met and that there are no other information or documents the omission of which make any information or statements there in misleading for which the Commission may take any civil, criminal or administrative action against any or all of us as it may deem fit.

We also confirm that full and fair disclosure has been made in this prospectus to enable the investors to make a well informed decision for investment.

Sd/-
**Khatib Abdul Zahid Mukul**
Managing Director & Director

Sd/-
**Masuma Khatun Lipa**
Director

Sd/-
**Khatib Mahboob Akhter Rubel**
Director

Sd/-
**Aminul Islam**
Director

Sd/-
**Kazi Mushahidur Rahman**
Director

## CONSENT OF DIRECTOR(S) TO SERVE AS DIRECTOR(S)

We hereby agree that we have been serving as Director(s) of Zahintex Industries Ltd. and continue to act as a Director(s) of the Company:

Sd/-
**Khatib Abdul Zahid Mukul**
Managing Director & Director

Sd/-
**Masuma Khatun Lipa**
Director

Sd/-
**Khatib Mahboob Akhter Rubel**
Director

Sd/-
**Aminul Islam**
Director

Sd/-
**Kazi Mushahidur Rahman**
Director

## DECLARATION ABOUT FILING OF PROSPECTUS WITH THE REGISTRAR OF JOINT STOCK COMPANIES AND FIRMS

A dated and signed copy of this Prospectus will be filed for registration with the Registrar of Joint Stock Companies and Firms, Bangladesh, as required by Section 138 (1) of the Companies Act, 1994 on or before the date of publication of the prospectus.

## DECLARATION BY THE ISSUER ABOUT THE APPROVAL FROM SEC FOR ANY MATERIAL CHANGES REGARDING PROSPECTUS OF ZAHINTEX INDUSTRIES LTD.

In case of any material changes in any agreement, contract, instrument, facts and figures, operational circumstances and statement made in the Prospectus subsequent to the preparation of the Prospectus and prior to its publication shall be incorporated in the Prospectus and the said Prospectus should be published with the approval of the Commission.

For Issuer
Sd/-
**Khatib Abdul Zahid Mukul**
Managing Director & Director

## DECLARATION BY THE ISSUE MANAGER ABOUT THE APPROVAL FROM SECURITIES AND EXCHANGE COMMISSION FOR ANY MATERIAL CHANGES REGARDING PROSPECTUS OF ZAHINTEX INDUSTRIES LTD.

In case of any material changes in any agreement, contract, instrument, facts and figures, operational circumstances and statement made in the Prospectus subsequent to the preparation of the Prospectus and prior to its publication shall be incorporated in the Prospectus and the said Prospectus should be published with the approval of the Commission.

For Manager to the Issue
Sd/-
**Khwaja Arif Ahmed**
Managing Director & CEO
AAA Consultants & Financial Advisers Ltd.

## DUE DILIGENCE CERTIFICATE OF MANAGER TO THE ISSUE

**Sub: Public offer of 20,000,000 Ordinary Shares of Tk.10.00 Each at an Issue Price of Tk.25.00 Each Including a Premium of Tk.15.00 per Share of Zahintex Industries Ltd.**

We, the under-noted Manager to the Issue to the above mentioned forthcoming Issue, state as follows:

1. We, while finalizing the draft Prospectus pertaining to the said Issue, have examined various documents and other materials as relevant for adequate disclosures to the investors; and

2. On the basis of such examination and discussions with the issuer Company, its directors and officers and other agencies, independent verification of the statements concerning objects of the Issue and the contents of the documents and other materials furnished by the issuer Company;

**WE CONFIRM THAT:**

a. The draft Prospectus forwarded to the Commission is in conformity with the documents, materials and papers relevant to the Issue;

b. All the legal requirements connected with the said Issue have been duly complied with; and

c. The disclosures made in the draft Prospectus are true, fair and adequate to enable the investors to make a well-informed decision for investment in the proposed Issue.

For Manager to the Issue

Sd/-
**Khwaja Arif Ahmed**
Managing Director & CEO
AAA Consultants & Financial Advisers Ltd.

Dated: July 31, 2011

## DUE DILIGENCE CERTIFICATE OF THE UNDERWRITERS

**Sub: Public offer of 20,000,000 Ordinary Shares of Tk.10.00 Each at an Issue Price of Tk.25.00 Each Including a Premium of Tk.15.00 per Share of Zahintex Industries Ltd.**

We, the under-noted Underwriter(s) to the above mentioned forthcoming Issue, state individually and collectively as follows:

1. We, while underwriting the above mentioned Issue on a firm commitment basis, have examined the draft Prospectus, other documents and materials as relevant to our underwriting decision; and

2. On the basis of such examination, and the discussion with the Issuer Company; its directors and other officers, and other agencies; independent verification of the statements concerning objects of the Issue and the contents of the documents and other materials furnished by the Issuer Company;

**WE CONFIRM THAT:**

a. All information as are relevant to our underwriting decision has been received by us and the draft Prospectus forwarded to the Commission has been approved by us;

b. We shall subscribe and take up the under-subscribed Securities against the above-mentioned Public Issue within 15 (fifteen) days of calling up thereof by the Issuer; and

c. This underwriting commitment is unequivocal and irrevocable

For Underwriter(s)

Sd/-

**Managing Directors/CEO**

SBL Capital Management Limited
Trust Bank Investment Limited
United Commercial Bank Limited
Swadesh Investment Management Limited
Union Capital Limited
FAS Capital Management Limited
Popular Life Insurance Company Limited
Peoples Insurance Company Limited
Continental Insurance Limited
AAA Consultants & Financial Advisers Ltd.

# RISK FACTORS AND MANAGEMENT PERCEPTION REGARDING RISKS

The Company operates in a field involving some internal /external risk factors and among those some are avertable; others are beyond control, which may be causes of loss. The management of **Zahintex Industries Ltd.** perceives the risk factors which are as follows simultaneously:-

### (a) Industry Risk

Textile industry is a highly competitive industry but the largest industrial sub-sector in Bangladesh. Its contribution is the highest in the country's total export earnings, gives employment to over four million people and contributes around 50% of the industrial value addition. The company faces a number of aggressive competitors within the country as well as after phasing out of the Multi fiber Agreement (MFA). The global textile trade is now free from quota restriction. So the textile industry of Bangladesh is now facing competition from China only which is very strong in production of textile goods.

The company has successfully entered in to the market by offering better quality products at competitive terms as well as the textile industry of Bangladesh has also successfully coped with the post Multi fiber Agreement(MFA) competitive situation. The force, which is helping the company for its strong existence, is emergence of backward linkage industry. Backward linkage industries are supporting for minimizing lead-time and cost of production. The Company is a first state of backward linkage industry of Acrylic yarn and Cotton Yarn producing that facilitates for better existence.

### (b) Interest Rate Risk

Interest/financial charges are paid against any kind of borrowed fund. Volatility in money market and increased demand for loan presses interest rate structure to be fixed at high. Raising of interest rate increases the cost of fund for a company, which has borrowed fund, and consequently profit is squeezed.

The management of the Company is always aware of interest rate, which is connected to the cost of fund of the Company. The Management prefers procuring the long-term fund with minimum fixed interest rate and the short-term fund with reasonable competitive rate. On the other hand management of the Company is emphasizing on equity based financing.

### (c) Exchange Rate Risk

If exchange rate is increased against local currency opportunity is created for getting more revenue against sale in local currency. On the other hand if exchange rate goes down margin is squeezed in local currency.

The products of the company are sold against foreign currency and payments for raw materials are also made in foreign currency. The exchange rate of the country traditionally witnessed upward trends, which makes ample opportunity of export. It notes that in case of Zahintex Industries Ltd. earnings is made only by export in the currency of US Dollars and payment is also made from earnings US dollars. As the Company is 100% export oriented and in future it will be the same, volatility of exchange rate will have no impact on profitability of the Company and exchange rate risk factor minimize to foreign business transaction.

### (d) Market and technology related Risk

#### (i) Market Risk:

In the global market of 21$^{st}$ century, developed technology, products and services render obsolete the old service and product strategy. So, the existing organization may not be able to cope up with the future needs and demands.

#### (ii) Technology related Risk:

Technology always plays a vital role for existence of any industrial concern. Innovation of new and cost effective technology may obsolescence existent technology, which may cause negative impact.

The project is equipped with world's modern and latest machineries and technology and to cope with the pace in harmony with modern textile world, the Company is continuing modernization program of its machinery.

**(e) Potential or existing government regulations:**
The Company operates under companies act, taxation policy adopted by NBR, Security and Exchange Commission (SEC)'s rule and rules adopted by other regulatory organizations. Any abrupt changes of the policies formed by those bodies will impact the business of the Company adversely. Unless adverse policies are taken, which may materially affect the industry as a whole; the business of the Company will not be affected.

Government emphasizes on the growth of Yarn Industry to boost up the export of RMG. Yet the promoters and the sponsors have to endeavor to convince the policy makers for adopting favorable terms & conditions, which will eventually help the yarn manufacturers of Bangladesh to compete with the firms in low cost locations in the global arena.

**(f) Potential changes in global or national policies**
The performance of the company may be affected by the political and economical instability both in Bangladesh and worldwide. Any instance of political turmoil and disturbance in the country may adversely affect the economy in general.

The company can prosper in a situation of political stability and a congenial business environment. Political turmoil and disturbance are bad for the economy and so also for this sector. This is why WTO and Asian Development Bank emphasize development of textile sector in chalking out their respective policies. The Company is always aware of all types of turmoil and even though if the smooth supply of raw material (TOW) is hampered or faces any kind of disruptions it will produce it in future and try to keep the production smooth.

## (g) History of non operation, if any

Is there any history for the Company to become non-operative from its commercial operation?

The Company is in commercial operation since December 28, 2002 and it has no history of non operation till now. The Company has an independent body that is operated by its Memorandum & Articles of Association and other applicable laws Implemented by the Government. Besides, the Company's financial strength is satisfactory. It has very experienced Directors and Management team to make the Company more efficient and stronger for knitting purpose. So, the chance of becoming non-operative for the Company is minimum.

**(g) Operational risk**

Shortage of power supply, labor unrest, unavailability or price increase of raw material, natural calamities like flood, cyclone, earth quack etc. may disrupt the production of the Company and can adversely impact the profitability of the Company**.**

The compensation as well the benefit package will restrain the employees to leave their assignment and go for any employee movement for higher benefit packages. The project of the Company is situated at a high land where less amount of flood is recorded. The factory building has strong RCC foundation, RCC floor, pre-fabricated steel structure to withstand wind, storm, rain etc. along with good drainage facility. The risks from these factors are also covered through Insurance. The company is also facilitated to keep a rational reserve for any future price escalation of the raw materials.

## USE OF PROCEEDS FROM IPO AND IMPLEMENTATION SCHEDULE

**Zahintex Industries Ltd.** will raise paid-up capital through Initial Public Offering (IPO) in order to meet the present business needs for the purpose of business augmentation and repayment of its debt to enhance profitability in the following way:

| Utilization of Fund | Amount in BDT (Crore) | Implementation Schedule |
|---|---|---|
| **A. Working capital** | 9.10 | Within one month after receiving IPO Fund |
| **B. Loan Repayment:** | | |
| One Bank Ltd. Uttara Branch, Dhaka | 32.00 | |
| AB Bank Ltd. Uttara Branch, Dhaka | 8.00 | |
| **C. Payment of Tax @ 3.00% on Share premium** | 0.90 | Within one month after receiving IPO Fund |
| **Total** | **50.00** | |

N.B. As per rule 8B4(C) of Securities and Exchange Commission (Public Issue) Rules, 2006 there is no contract covering any of the activities of the issuer Company for which the proceeds of sale of securities from IPO is to be used.

Sd/-
**Aminul Islam**
Director-Finance & CFO

Sd/-
**Khatib Abdul Zahid Mukul**
Managing Director

# DESCRIPTION OF BUSINESS

## Corporate Status and Background:

Zahintex Industries Ltd. has been incorporated as a company with the Registrar of Joint Stock Companies & Firms; having head office at House # 6, Road # 13, Sector # 03, Uttara, Dhaka-1230. The factories of the Company is located at Bokran Monipur, Gazipur Sadar on owned land, Zoydebpur Industrial Extension Area, BISCIC, Gazipur on Leasehold land which taken for 99 years, Arishaprashad, Kowlatia, Gazipur on rented space where the Company has a construction for 25 years and also at Soydana, Board Bazar, Gazipur on rented premises. Zahintex Industries Ltd. runs the business of manufacturing and exporting of readymade sweaters, pull over and wearing apparels of all kinds out of wool, cotton, synthetic, fibers and others. It was at first incorporated as a Private Limited Company as on 11 June, 2002 and started commercial operation from 28 December, 2002. Subsequently, it has been converted into Public Limited Company on 07 March, 2010.

## Nature of Business:

Zahintex Industries Ltd. runs the business of manufacturing and exporting of readymade sweaters, pull over and wearing apparels of all kinds out of wool, cotton, synthetic, fibers and others.

## (1) Principal Products:

The company has been set up to produce international standard 100% export quality sweater.

## Market of the Products:

Zahintex Industries Ltd is a 100% export oriented sweater manufacturing Company that exports non branded products basically to European Union and Turkey. Dependency on a single product for overall revenue generation creates some product non diversification risk, but its widely diversified customer base and sound relationship maintenance make them a successful player in the relevant market. Most importantly their buyer composition remains more or less same over last three years. Their prime buyers are Teddy from Italy; Temma from Turkey; CHTX, SRG, C&A, all of which are renowned brand seller in their respective market.

## (2) Relative Contribution of the Services Contributing More than 10% of Total Revenue:

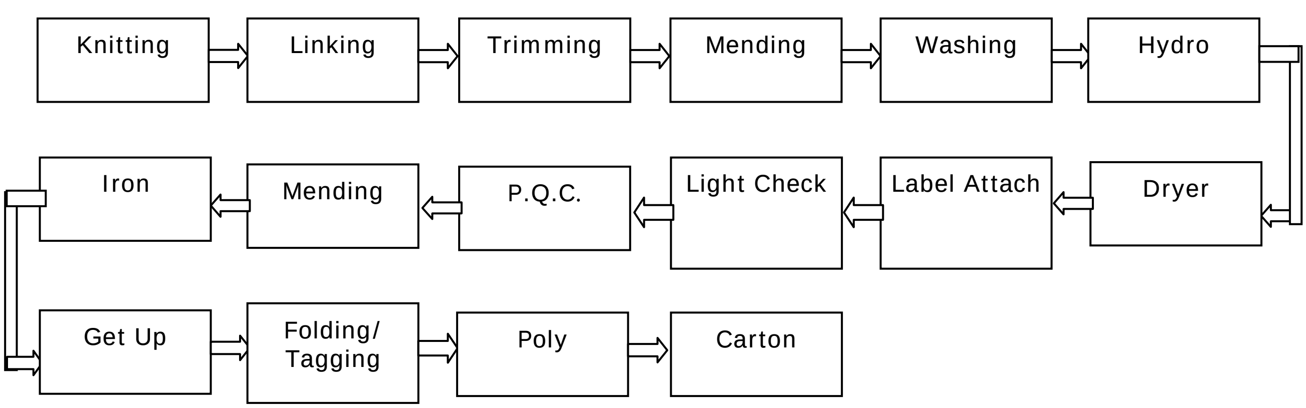
The Company has only one product and it is contributing 100% to its revenue.

## (3) Associates, Subsidiary/ Related Holding Company:

Zahintex Industries Ltd. has no associate/subsidiary/related holding company.

## (4) Distribution of Products/Services:

The Company supplies its products from its own factory premises at customers' own risk against delivery order. We may demonstrate the distribution process as follows:



## (5) Competitive Conditions in the Business:

The Company has already earned good name & fame in the manufacturing of 100% export oriented sweater for its quality. The following are the major competitors of sweater production in Bangladesh:

| Sl. No. | Producers |
|---|---|
| 1. | Dragon Group |
| 2. | Matrix Sweater Ltd. |
| 3. | Diganta Sweater Ltd. |
| 4. | Masihata Sweater Ltd. |
| 5. | Ring Shine Group |
| 6. | DNS Pretty Group |
| 7. | Target Sweater |
| 8. | Pioneer Sweater Ltd. |
| 9. | Tamishna Sweater Ltd. |
| 10. | Best Wool Sweater Ltd. |

## (6) Sources and Availability of Raw Materials and the Names of the Principal Suppliers:

Basic raw materials used for production process are yarn and accessories, which procured from both domestic and foreign sources. Principal raw material suppliers of the company are as follows:

| Sl. No. | Name of Suppliers | Name of Raw Materials | Address of Suppliers |
|---|---|---|---|
| 1 | Jiansu Huarong Group | Yarn | Zhenxing North RD,Chen Hang, Zhangiagang, Jiangsu, China |
| 2 | Fullwise (China) | Yarn | 3F, No 388-1 Sec-4, Jen-Ai Rd, Taipei, Taiwan |
| 3 | JGIG HUASENG Import & Export Co. Ltd. | Yarn | 24-26/F Int'l Trading Centre, Zenmin RD, Zhangiagang, Jiangsu, China |
| 4 | Acme Internatioal | Yarn | 58, New Cloth Market, 1st Floor, Ahmedabad, India |
| 5 | Masuma Khatun Textile Industries Ltd. | Yarn | House#06, Road#13, Sector#03, Uttara Model Town, Uttara, Dhaka |
| 6 | Givensee Garments Accessories Ltd. | Accessories | House#06, Road#13, Sector#03, Uttara Model Town, Uttara, Dhaka |

## (7) Sources of and requirement for power, gas & water:

All required utility facilities are available at the project site and those are stated below:

### Power & Gas:

Total requirement of power of the project is about 5446 KW, out of which 630 KW is met up from Rural Electrification Board (REB) and rest 3916 KW is met up from Gas, Diesel and Furnace oil Generators numbering 8(eight). There are 2(two) gas generators of 1064 KW and 880 KW imported from USA, brand name General Electronics Company (GEC). There are 4(four) diesel generators of 500 KW, 440 KW, 400 KW and 296 KW of M/S Volvo, UK, M/S FG Willson Perkins, UK and M/S GEC, Austria and rest 2(two) are of 120 KW and 216 KW run with Furnace oil.

### Water:

Demand of water is met up with own Deep tube well.

**(8) Name of the customer(s) who purchase 10% or more of the Company product/service:**

| Sl. No. | Name of Customers | Address | Nature of Transaction | Percentage |
|---|---|---|---|---|
| 1. | Tema | TEMA MAGAZACILIK EVREN MAHALESI GULBAHAR CADDESI SEHIT CENGIZ KARACHI SOKAK NO-4. BAGGCILAR ISTANBUL,TURKEY | L/C in USD | 15% |
| 2. | C & A | C & A BUYING KG WANHEIMER STRABE 70 D-40468 DUSSELDORF, GERMANY | L/C in USD | 25% |
| 3. | SRG | SRG IMPORTS LTD. UNIT6 MOUNTTHEAT INDUSTRIAL PARK PRESTWICH MARCHASTER M25 9WB | L/C in USD | 10% |
| 4. | NKD | NKD VERTRIEBS GMBH BIIHISTR. 5-7 D-95436 BINDLACH, GERMANY | L/C in USD | 5% |
| 5. | K-MAIC ORDER GMBH +CO.KG. ZENTRALE RECHNUNGPRUE-FUNG | POJTFACH 0828 75108 PFORZ+EIM, GERMANY | L/C in USD | 6% |
| 6. | K & L RUPPERT STIFTTUNG KCO | HANDELS-KG-Paradeisstr. 67-D 82362 EILHEIM, GERMANY | L/C in USD | 5% |
| 7. | H & M HENNES K MARRITZ GBC AB. | MASTER SAMUELSGATAN 46 A,106 38 STOCKHOLM, SWEDEN | L/C in USD | 25% |
| 8. | Others | | | 9% |
| **Total** | | | | **100%** |

**(9) Contract with Principal Suppliers/Customers:**

There is no contract with principal suppliers or customers other than the normal course of business.

**(10) Material Patents, Trademark, Licenses or Royalty Agreements:**

The Company has acquired no Patents, Trademark, Licenses or Royalty Agreements.

**(11) Employees' position as on 31.12.2010**

| Monthly Salary Range | Employees | | Total Employee |
|---|---|---|---|
| | Permanent Basis | Contract Basis | |
| Below 3000 | Nil | Nil | **Nil** |
| Above 3000 | 3,225 | 8,790 | **12,015** |
| **Total** | **3,225** | **8,790** | **12,015** |

**(12) Production Capacity and Current Utilization as Per Audit Report:**

| Particulars | July 2010 to December 2010 | July 2009 to December 2009 |
|---|---|---|
| Licence Capacity in Pcs (Half Yearly) | 5,208,000 | 5,208,000 |
| Production Capacity in Pcs (Half Yearly) | 4,800,000 | 4,800,000 |
| Capacity Utilization in Pcs (Half Yearly) | 3,979,973 | 3,956,754 |
| Capacity Utilization % | 82.92 | 82.43 |

## DESCRIPTION OF PROPERTY

The Company's registered office is situated at House 6, Road 13, Sector 3, Uttara Model Town, Uttara, Dhaka-1230 at rented premises. The Company has set up its plants at its own land and rented premises as under:

| Plant No. | Address | Status |
|---|---|---|
| 1 | Bokran Monipur, Gazipur Sadar, Gazipur | On owned land |
| 2 | Zoydebpur Industrial Extension Area, BISCIC, Gazipur | On Leasehold land for 99 yrs. |
| 3 | Arishaprashad, Kowlatia, Gazipur | On rented space where the Company has a construction for 25 years |
| 4 | Soydana, Board Bazar, Gazipur | On Rented premises |

The Company possesses the following fixed assets at written down value as at 31.12.2010:

*As per Audited Accounts (Annexure-A)*

| Particulars | 31.12.2010(W.D.V) | | |
|---|---|---|---|
| | Cost pries | Revaluation surplus | Total |
| 1. Land & Development | 45,540,075 | 503,587,425 | 549,127,500 |
| 2. Building Factory | 183,322,485 | 174,800,432 | 358,122,917 |
| 3. Plant & Machinery: | 261,381,758 | 94,377,232 | 355,758,990 |
| 4. Vehicle | 7,387,297 | - | 7,387,297 |
| 5. Electric Installation | 4,535,999 | - | 4,535,999 |
| 4. Office Decoration | 768,057 | - | 768,057 |
| 5. Office Equipments | 1,243,303 | - | 1,243,303 |
| 6. Furniture & Fixture | 682,897 | - | 682,897 |
| **Total** | | | **1,277,626,960** |

1. All Properties of the Company are mortgaged to the lending Institutions namely One Bank Ltd. Principal & Uttara Br, & AB Bank Ltd., Uttara Branch. All the machines are purchased in brand new condition. The economic life of machines is 5 Years to 20 years.
2. The date of expiration and name of leasor are given under caption '**Financial Lease during last five years**' part of this prospectus.
3. The Company owns 720.17 decimals of land located as under:

| Location | Area in Decimal | Status |
|---|---|---|
| Bishiya koribari, Gazipur | 27.17 | Vacant land |
| Bokran, Monipur, Gazipur | 693.00 | Factory Building |
| **Total** | **720.17** | |

Further to above the Company has taken 4494 square feet of land on lease basis for 99 years on 07.02.1989 from Bangladesh Small and Cottage Industry Corporation (BSCIC) Industrial Extension Area, Joydebpur, Gazipur.

## PLAN OF OPERATION AND DISCUSSION OF FINANCIAL CONDITION

### (1) Internal and External Sources of Cash:

*(As per Audited Accounts in BDT)*

| **Internal sources of Cash:** | **31.12.2010** | **30.06.2010** | **30.06.2009** | **30.06.2008** |
|---|---|---|---|---|
| Share Capital | 250,000,000 | 100,000,000 | 100,000,000 | 100,000,000 |
| Revaluation surplus | 772,765,090 | 787,227,704 | 480,638,212 | - |
| Retained Earnings | 127,562,493 | 186,968,422 | 82,338,042 | 54,721,047 |
| **Sub Total** | **1,150,327,582** | **1,074,196,126** | **662,976,254** | **154,721,047** |
| **External Sources of Cash:** | | | | |
| Long term borrowing net off current maturity | 181,930,534 | 90,677,463 | 311,602,309 | 61,976,002 |
| Lease Obligation | - | - | 571,451 | 3,792158 |
| Liabilities for imported machineries | - | 71,000,000 | - | 7,359,769 |
| **Sub Total** | **181,930,534** | **161,677,463** | **312,173,760** | **73,127,929** |
| **Grand Total** | **1,332,258,116** | **1,235,873,589** | **975,150,014** | **227,848,976** |

### (2) Material Commitment for Capital Expenditure:

The Company has not entered into any material Commitment for Capital expenditure for expansion of the project.

### (3) Material Change from period to period:

*(As per audited accounts in BDT)*

| **Particulars** | **July'10 to Dec'10** | **30.06.2010** | **30.06.2009** | **30.06.2008** |
|---|---|---|---|---|
| **Sales** | **1,355,481,103** | **1,802,520,400** | **1,229,566,560** | **1,143,177,956** |
| Less: Cost Of Goods sold | 1,174,092,178 | 1,575,515,586 | 1,095,481,627 | 1,022,629,801 |
| **Gross profit** | **181,388,925** | **227,004,814** | **134,084,933** | **120,548,155** |
| Less: Other Operating Income | - | - | - | - |
| Less: Administrative expenses | 5,399,058 | 10,395,443 | 11,383,462 | 9,221,629 |
| Less: Selling & Distribution expenses | 23,960,230 | 37,005,686 | 33,499,611 | 36,862,941 |
| **Operating Profit** | **152,029,637** | **179,603,686** | **89,201,860** | **74,463,585** |
| Less: Non-Operating Income | - | - | - | - |
| Less: Financial expenses | 66,183,973 | 99,176,019 | 58,510,949 | 45,998,736 |
| Worker's profit participation fund | 4,292,283 | 4,021,383 | - | - |
| **Net profit before income tax for the period** | **81,553,381** | **76,406,283** | **30,690,911** | **28,464,849** |
| Less: Provision for income tax | 5,421,924 | 4,506,301 | 3,073,916 | 2,857,945 |
| **Net Profit after income tax for the period** | **76,131,456** | **71,899,982** | **27,616,994** | **25,606,904** |

The Management of the Company is always attempting to maximize production with cost efficiency as a result profit is also showing greater in size.

### (4) Seasonal Aspects:

ZIL is a 100% export oriented company. So, in general demand for sweater is prevailed in whole year yet from April to August demand goes at high.

### (5) Known Trends, Events or Uncertainties:

The business operation of the Company may be affected by some known events as follows:

1. Down-trend demand at international market
2. Entrance of new technology
3. Increase competition
4. Political unrest
5. Natural disaster

### (6) Changes in the Assets of the Company used to pay off any Liabilities:

No asset of the Company has been disposed to pay off any liability.

### (7) Loans taken from or given to its holding/parent or subsidiary company:

The company has no holding /parent/Associate or subsidiary company. So loan taking from or giving to such concerns does not arise.

### (8) Future Contractual Liabilities:

The company has no plan to enter into any contractual liabilities within next one year other than the normal course of business.

### (9) Future capital expenditure:

No capital expenditure has been planned to be incurred by the Company in near future for expansion of the project.

### (10) VAT, Income Tax, Customs Duty or other Tax Liability:

1. **VAT:** As per certificate given by Assistant Revenue Officer, Gazipur Circle-1 of Customs, Excise and Vat, dated 20/03/11 the Company has no VAT liability up to date and submits VAT return regularly.

2. **Income Tax:** Year wise income tax status of the Company is depicted below:

| Accounting Year | Assessment Year | Status |
|---|---|---|
| 2005-2006 | 2006-2007 | As per certificate given by DCT of Taxes circle-15, Zone-2, Dhaka, dated 12.08.2007 income tax case settled up to Assessment year 2006-2007 and there is no tax is payable. |
| 2006-2007 | 2007-2008 | As per certificate given by DCT of Taxes circle-15, Zone-2, Dhaka, dated 27.02.2008 return submitted for Assessment year 2007-2008 under section 82 BB of Income Tax Ordinance 1984 that is considered as settled. |
| 2007-2008 | 2008-2009 | As per certificate given by DCT of Taxes circle-15, Zone-2, Dhaka, dated 27.02.2008 Income tax return submitted for Assessment year 2008-2009 under section 82 BB of Income Tax Ordinance 1984 that is considered as settled as per rules and all payable income tax has been paid. |
| 2008-2009 | 2009-2010 | As per certificate given by DCT of Taxes circle-15, Zone-2, Dhaka, dated 08.02.2010 Income tax return has been submitted for Assessment year 2009-2010 under universal self assessment system against disclosed income that is considered as settled as per rules. |
| 2009-2010 | 2010-2011 | As per certificate given by DCT of Taxes circle-15, Zone-2, Dhaka, dated 18.05.2011 Income tax return has been submitted for Assessment year 2010-2011 under universal self assessment system against disclosed income that is considered as settled as per rules. |

3. **Custom duty:** Customs duty not applicable for the company.

### (11) Operating Lease:

The company has established its head office and other factory offices on leased accommodation as under:

| Name of Office and Address | Area (sft.) | Rent per Sft. | Period of Lease | Monthly Amount |
|---|---|---|---|---|
| **Head office** House#06, Road#13, Sector#03, Uttara, Dhaka | 2,500 | 6.00 | 30.06.2012 | 15,000.00 |
| **Factory Building** Arishaprashad, Kowlatia, Gazipur | 1,13,424 | 0.50 | 30.06.2013 | 56,712.00 |
| **Factory Building** Soydana, Board Bazar, Gazipur | 40,350 | 3.63 | 30.04.2012 | 1,46,470.00 |
| | 24,950 | 5.39 | 30.04.2012 | 1,34,481.00 |

### (12) Financial Lease/ Loan commitment

The Company has obtained following Term Loan facilities last five years.

| Name of Bank & A/C No. | Type of loan | Amount of loan | Rate of interest | Sanction Date | Amount of installment (Monthly) | Outstanding Balance 31.12.10 |
|---|---|---|---|---|---|---|
| **AB Bank Ltd.** | | | | | | |
| 460 | Term Loan | 675.00 Lac | 13 % | 29.06.2008 | 16.01 Lac | 539.93 Lac |
| 461 | Term Loan | 100.00 Lac | 13 % | 29.06.2008 | 2.35 Lac | 73.11 Lac |
| 462 | Term Loan | 325.00 Lac | 13 % | 29.06.2008 | 7.70 Lac | 282.57 Lac |
| 463 | Term Loan | 700.00 Lac | 13 % | 10.05.2010 | 18.93 Lac | 738.52 Lac |
| 465 | Term Loan | 225.00Lac | 13 % | 10.05.2010 | 6.22 Lac | 19.94 Lac |
| **One Bank Ltd.** | | | | | | |
| 016434-248 Pr. Br | Term Loan | 668.00 Lac | 13% | 14.10.2009 | 24.46 Lac | 278.35 Lac |
| 016434-434 Pr. Br. | Term Loan | 483.00 Lac | 13% | 14.10.2009 | 12.75 Lac | 326.56 Lac |
| 183121-871 UttaraBr. | Term Loan | 100.00 Lac | 13% | 14.10.2009 | 5.52 Lac | 62.39 Lac |

### (13) Personnel Related Scheme:

The Company considers its human resources as the most valuable assets and the profitability of company largely depends on the efficient & effective productivity of human resources. The Company provides facilities and incentives to motivate employees for its continued profitability and prosperity. Besides ZIL has made workers profit participation fund as per provision of law.

### (14) Revaluation of Company's Assets & Summary thereof:

ZIL made revaluation of its land & land developments as on 30.06.2008 by M/s Amal & Leena, Chartered Accountants to arrive at a fair market value of the Land & Land Development for the purpose of accounting with affect from 01.07.2008. The summary of revaluation report is as under:

| Particulars | Revalued Depreciated Cost | Book Written Down Value | Revaluation Surplus |
|---|---|---|---|
| Land & Land Development | 524,245,700 | 43,607,488 | 480,638,212 |

Further the Company made revaluation of its assets in Financial Year (FY) 2009-2010 and reflected in the Financial Statements of that year. Particulars of the valuer and summery of report are as follows:

| | | |
|---|---|---|
| **Name & Address** | : | **M/s S. F. Ahmed & Co. (SFACO)**<br>H#25, R#13A, Block#D, Banani, Dhaka-1213 |
| **Qualification** | : | Chartered Accountants |
| **Others major works done by the valuer** | : | Sonali Bank, Dhaka, Investment Corporation of Bangladesh, Dhaka, Bakhrabad Gas Systems Ltd., Bangladesh Power Development Board (BPDB), Dhaka, National Telecom Ltd., Dhaka, BTTB, DWASA |
| **Reasons for Revaluation** | : | The purpose of this revaluation is to determine an estimated fair market value of the assets and liabilities of **Zahintex Industries Ltd.** It is our understanding that the result of our revaluation will be used for the purpose of raising fund from capital market after obtaining necessary permission of Securities & Exchange Commission |

**Itemizing Showing Comparison:**

| Particulars | Asset Value before Revaluation (Tk.) | Revalued Amount (Tk.) | Revaluation Surplus (Tk.) |
|---|---|---|---|
| 1 | 2 | 3 | 4=3-2 |
| Land & Land Development | 526,178,287 | 549,127,500 | 22,949,213 |
| Building Factory | 205,908,020 | 402,244,062 | 196,336,042 |
| Plant & Machinery | 196,110,840 | 316,145,475 | 120,034,635 |
| **Total** | **928,197,147** | **1,267,517,037** | **339,319,890** |

**(15) Break Down of Expenses for Issue Manager and Underwriters:**

Detail of estimated Public Issue expenses are shown below:

| Particulars | Basis of Calculation | Amount in Tk. |
|---|---|---|
| Manager to the Issue fee | Lump sum | 2,000,000 |
| **SEC fee:** | | |
| Application Fee to Securities & Exchange Commission | | 10,000 |
| Consent Fee to Securities & Exchange Commission | @ 0.15% on the IPO amount | 750,000 |
| **Fees related to listing with the stock exchanges:** | | |
| Application fee | | 5,000 |
| Annual Fee for DSE & CSE | @Tk.75,000 each | 150,000 |
| Listing fee to DSE & CSE | @ 0.25% on Tk. 100 million and<br>@ 0.15% on the rest of paid-up capital.<br>But not more than 2 million each | 1,550,000 |
| **CDBL fees and expenses:** | | |
| Security Fee | | 300,000 |
| Documentation fee | | 2,500 |
| Initial public offering fee | @0.025% on total IPO | 150,000 |
| Annual Fee | | 75,000 |
| Connection Fee | | 6,000 |
| **Commissions & Expenses:** | | |
| Bankers to the Issue Commission | @ 0.10% on collected amount<br>(Estimated; to be paid at actual) | 15,000,000 |
| Underwriting Commission | @.50% on 50% of IPO amount | 600,000 |
| **Expenses related to printing & publication:** | | |
| Abridged version of Prospectus and Notices | (Estimated; to be paid at actual) | 250,000 |
| Designs, Printing of Prospectus and Forms | (Estimated; to be paid at actual) | 350,000 |
| Distribution & Collection of forms and Data Processing | (Estimated; to be paid at actual) | 450,000 |
| Lottery related expenses including BUET fee | (Estimated; to be paid at actual) | 300,000 |
| Distribution of allotment letters and refund warrants | (Estimated; to be paid at Actual) | 100,000 |
| **Total** | | **22,048,500** |

**(16) Transaction between Holding Company and the subsidiary**

As the company has no Associate/subsidiary/holding Company. So, no transaction has taken place between subsidiary and holding Company.

**AUDITORS' CERTIFICATE REGARDING ANY ALLOTMENT OF SHARES TO PROMOTERS OR SPONSOR SHAREHOLDERS FOR ANY CONSIDERATION OTHER THAN IN CASH**

This is to certify that M/s Zahintex Industries Ltd. allotted 15,000,000 ordinary shares of Tk.10 each to its promoters /sponsors and directors on 01 December, 2010 against stock dividend / bonus shares. Details given below:

| SL. No. | Name of Allotee | Status | Numbers of Bonus Shares |
|---|---|---|---|
| 1 | Khatib Abdul Zahid Mukul | Sponsor/ Director | 9,000,000 |
| 2 | Masuma Khatun Lipa | Sponsor/ Director | 5,550,000 |
| 3 | Khatib Mahboob Akhter Rubel | Director | 300,000 |
| 4 | Aminul Islam | Director | 37,500 |
| 5 | Kazi Mushahidur Rahman | Director | 37,500 |
| 6 | Mamunur Rashid | Shareholder | 37,500 |
| 7 | Khatib Md. Abue Saleh | Shareholder | 37,500 |
| **Total** | | | **15,000,000** |

Except the above all other shares were allotted against cash consideration.

Sd/-
**ACNABIN**
Chartered Accountants

Dhaka
23 February 2011

## (17) DECLARATION REGARDING SUPPRESSION OF MATERIAL INFORMATION

This is to declare that to the best of our knowledge and belief no information, facts, circumstances, that are disclose-able have been suppressed that can change the terms and conditions under which the offer has been made to the public.

Sd/-
**Khatib Abdul Zahid Mukul**
Managing Director & Director

## DIRECTORS AND OFFICERS

| Name | Designation | Age | Date of Becoming Director for the First Time | Expiry of Current Term |
|---|---|---|---|---|
| Khatib Abdul Zahid Mukul | Managing Director | 56 Years | 11.06. 2002 | Next AGM |
| Masuma Khatun Lipa | Chairman | 43 Years | 11. 06. 2002 | Next AGM |
| Khatib Mahboob Akhter Rubel | Director | 31 Years | 09. 02. 2010 | Next AGM |
| Aminul Islam | Director | 41 Years | 01. 11. 2010 | Next AGM |
| Kazi Mushahidur Rahman | Director | 42 Years | 01. 11. 2011 | Next AGM |

### Involvement of Directors' with other Organizations:

*As per audited accounts*

| Name | Age (Year) | Designation with ZIL | Entities where they have Interest | Position | Experience |
|---|---|---|---|---|---|
| Khatib Abdul Zahid Mukul | 56 Years | Managing Director & Director | Givensee Spinning Mills Ltd.<br>Hotapara Garments Ltd.<br>Masuma Khatun Textile industries Ltd.<br>Givensee Garments Ltd.<br>Givensee Garments Accessories Ltd.<br>Givensee Real Estate Ltd.<br>Khatib Hamid Denim Ltd.<br>Givensee Foods & Essentials Ltd.<br>Givensee Group of Industries Ltd. | Managing Director & Director | 26 Years |
| Masuma Khatun Lipa | 43 Years | Chairman | Givensee Spinning Mills Ltd.<br>Hotapara Garments Ltd.<br>Masuma Khatun Textile industries Ltd.<br>Givensee Garments Ltd.<br>Givensee Garments Accessories Ltd.<br>Givensee Real Estate Ltd.<br>Khatib Hamid Denim Ltd.<br>Givensee Foods & Essentials Ltd.<br>Givensee Group of Industries Ltd. | Director | 20 Years |
| Khatib Mahboob Akhter Rubel | 31 Years | Director | Hotapara Garments Ltd.<br>Khatib Hamid Denim Ltd. | Director | 9 Years |
| Aminul Islam | 41 Years | Director | - | - | 15 Years |
| Kazi Mushahidur Rahman | 42 Years | Director | - | - | 16 Years |

### Family Relation between Directors and Top Five Executives:

| Name of the Director | Position in the Company | Relationship |
|---|---|---|
| Khatib Abdul Zahid Mukul | Managing Director & Director | Self |
| Masuma Khatun Lipa | Director-HR & Admin & Chairman | Wife of Managing Director |
| Khatib Mahboob Akhter Rubel | Director-Marketing & Production | Nephew of Managing Director |
| Aminul Islam | Director(Finance & CFO) and Company Secretary | No relationship |
| Kazi Mushahidur Rahman | Director-Procurement | Brother in law of Managing Director |

### Family Relationship among the Directors:

| Name of the Director | Position in the Company | Relationship |
|---|---|---|
| Khatib Abdul Zahid Mukul | Managing Director | Self |
| Masuma Khatun Lipa | Chairman | Wife of Managing Director |
| Khatib Mahboob Akhter Rubel | Director | Nephew of Managing Director |
| Aminul Islam | Director | No relationship |
| Kazi Mushahidur Rahman | Director | Brother in law of Managing Director |

## Short BIO-DATA of the Directors

**Masuma Khatun Lipa, Chairman:**

Masuma Khatun Lipa, aged 43 years, is the Chairman of the company. She is Masters in Science from Dhaka University. She joined in her family business in 1990. She is also Director of 9(nine) other industrial units mostly pertaining to textile sectors viz. Givensee Spinning Mills Ltd., Masuma Khatun Textile Industries Ltd., Hotapara Garments Ltd., Givensee Garments Ltd., Givensee Garments Accessories Ltd., Givensee Foods & Essentials Ltd., Khatib Hamid Demim Ltd., Givensee Real Estate Ltd. and Givensee Group of Industries Ltd.. During her long business experience of 20 years she has gathered vast knowledge in modern method and technology in production, marketing and management of textile industries. She has traveled many countries of the world, such as America Japan, China, India, German, UK, Australia, Saudi Arab, Hong Kong, Singapore, Canada, Spain, France, South Africa and many other countries for business purpose. She is associated with and donors of a number of different social welfare organizations. She is directly involved in rendering social services by holding the portfolio of General Secretary of Old Rehabilitation Centre established and run by the Managing Director of the company.

**Khatib Abdul Zahid Mukul, Managing Director**:

Khatib Abdul Zahid Mukul, aged 56, is the Managing Director of the company. He obtained B.A degree from Dhaka University and started his business career in 1984. He started Readymade Garments export business through establishment of a 100% export oriented Knit Garments Industry in 1984 and gradually captivated own position in export market of Bangladesh.

He became a successful business man within short time of his business career by dint of his sincerity, honesty, hard labour, conceptual and practical problem solving potentiality/aptitude.

He gradually established a number of export oriented large industries in textile sector one by one and continued contribution in the development process of country through earning of valuable foreign currency. He is selected thrice as CIP (Commercial Important Person) by the Government of the People's Republic of Bangladesh for remarkable contribution in boosting up the export earnings of the country.

He is also Director of 9(nine) other industrial units mostly pertaining to textile sectors viz. Givensee Spinning Mills Ltd., Masuma Khatun Textile Industries Ltd., Hotapara Garments Ltd., Givensee Garments Ltd., Givensee Garments Accessories Ltd., Givensee Foods & Essentials Ltd., Khatib Hamid Demim Ltd., Givensee Real Estate Ltd. and Givensee Group of Industries Ltd. As a whole, he is a successful entrepreneur. He has gathered vast knowledge and got business experience of long 26 years. He has established School and College in his native village in the district of Pabna. He is also associated with and donors of a number of Schools, Colleges, madrasha, mosque and different social welfare organization. Besides, he is directly involved in social works.

As a part of discharging of social responsibilities he established Old Rehabilitation Center in 1987 in rented premise in own initiative and own finance with a view to mitigate painful sufferings of helpless old people of 60 years and above, who have no support other than the Almighty Allah. In 1994 the center was shifted to its own land located at Gazipur

He is well acquainted with international business scenario because of his frequent business tours in many countries including USA, UK, Japan, China, India, German, Australia, Saudi Arab, Hong Kong, Singapore, Canada, Spain, France, South Africa and many other countries.

**Khatib Mahboob Akhter Rubel, Director:**

Khatib Mahboob Akhter Rubel, aged 31 years, the Director of the company is B.A.Sc. Engineer (Canada), MBA (USA). After completion of his education he joined as Director of Hotapara Garments Ltd., a 100% export oriented Knit composite garments industry and subsequently by merit and performance he became a successful business man within short period of 7 years. He is well known in yarn quality and production process of RMG. He is well acquainted with international yarn market as well as merchandising and international marketing of RMG through attending several conferences/ seminars and visiting several industrial concerns within the country as well as outside the country. He has made frequent visits to many countries of the world for business purpose of which Japan, USA, France, Spain, China, Korea, Singapore, Thailand are mentionable.

**Aminul Islam, Director:**

Aminul Islam, an FCA, aged 41 years, is the Director of the company. He is an M.Com. He started his career in Management level in a renowned Group of Industries after qualifying as a Chartered Accountant. He has acquired vast knowledge in accounts and finance of private company's during his service life and able to hold key position in the same field. He has got long 15 years experience as professional accountant. Having rich experience in various industrial concerns he has acquired the required experience, fitness and financial efficiency to run any business unit. He is associated with and donors of mosques, madrasha, schools and other social welfare organization. He has also visited few countries of the world in connection with business and has gathered sufficient knowledge required to run a business profitably and smoothly.

**Kazi Mushahidur Rahman, Director:**

Kazi Mushahidur Rahman, aged 42 years, the Director of the company is an M.S.S (Economics), MBA. After completion of his education he joined in an international private bank as an officer and within short period able to hold mid management level position by dint of his performance. Thereafter, he joined in a renewed group of companies in top executive level. He visited many countries in connection with business and has bagged to his credit a vast knowledge in production technology and management techniques of textile industries. He has also attended various national and international conference/seminars. He is well conversant in yarn quality, technical details of spinning machinery and general production process. He is also associated with different social organizations.

## CIB REPORT:

Neither Zahintex Industries Ltd. nor any of its Sponsors or Directors or shareholders who hold 5% or more shares in paid-up capital of the issuer is loan defaulter in terms of the CIB Report of the Bangladesh Bank.

## Particulars of Top Executives/Officers:

| Sl. No. | Name of the Officers | Position | Educational Qualification | Date of Joining in the Company | Last 5 years Job Experience |
|---|---|---|---|---|---|
| 1. | Khatib Abdul Zahid Mukul | Managing Director & Director | B.A | Since inception | Zahintex Industries Ltd. |
| 2. | Masuma Khatun Lipa | Director-HR & Admin & Chairman | M.Sc | Since inception | Zahintex Industries Ltd. |
| 3. | Khatib Mahboob Akhter Rubel | Director-Marketing & Production | B.A.Sc, MBA | 01.02.2004 | Zahintex Industries Ltd. |
| 4. | Aminul Islam | Director(Finance & CFO) and Company Secretary | FCA | 01.07.2005 | Zahintex Industries Ltd. |
| 5. | Kazi Mushahidur Rahman | Director-Procurement | MSS, MBA | 01.07.2006 | Zahintex Industries Ltd. |
| 6. | Syed Kamrul Hasan | AGM-Finance & Accounts | M.Com | 01.06.2006 | Zahintex Industries Ltd. |

## INVOLVEMENT OF OFFICERS AND DIRECTORS IN CERTAIN LEGAL PROCEEDINGS

No Director or Officer of the Company was involved in any of the following types of legal proceedings in the past ten years:

1) Any bankruptcy petition filed by or against any company of which any officer or director of the issuer company filling the prospectus was a director, officer or partner at the time of the bankruptcy;

2) Any conviction of director, officer in criminal proceedings or any criminal proceedings pending against him.

3) Any order, judgment or decree of any Court of competent jurisdiction against any director, officer permanently or temporarily enjoying, barring, suspending or otherwise limiting the involvement of any director or officer in any type of business, securities or Banking activities.

4) Any order of the Securities and Exchange Commission or other regulatory authority or foreign financial regulatory authority suspending or otherwise limiting the involvement of any director or officer in any type of business of securities or Banking activities.

## CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

The Company does not have any transaction during the last two years or any proposed transaction between the Issuer and any of the following persons as under, except as mentioned in note no. 32.9 (Related Party Transaction) of the Auditors' Report:

| Name of the Party | Nature of Transactions | Transactions Value (Taka) | |
|---|---|---|---|
| | | 01 July 2010 to 31 Dec. 2010 | 01 July 2009 to 31 Dec. 2009 |
| Givensee Spinning C & F | Clearing & forwarding Service | 2,558,778 | 2,045,654 |
| Givensee Garments Accessories Ltd. | Accessories & Packing Materials Supply | 35,025,450 | 11,504,321 |
| | Space Rent | 340,272 | 340,272 |
| Givesee Spinning Mills Ltd. | Raw Yarn Supply | 21,025,780 | 12,654,258 |
| Masuma Khatun Textile Industries Ltd. | Died Yarn Supply | 151,025,690 | 102,124,687 |
| Givensee Foods & Essentials Ltd. | Nasta Supply | 290,354 | 275,658 |

Apart from that the Company neither entered into any transaction nor proposed any transaction during the last 02 (two) years between the issuer and any of the following persons:

(a) Any Director or Executive officer of the issuer.

(b) Any director or officer.

(c) Any person owning 5% or more of the outstanding share of the issuer.

(d) Any member of the immediate family (including spouse, parents, brothers, sisters, children, and in-laws) of any of the above persons.

(e) any transaction or arrangement entered into by the issuer or its subsidiary for a person who is currently a Director or in any way connected with a Director of either the issuer company or any of its subsidiaries/holding company or associate concerns, or who was a Director or connected in any way with a Director at any time during the last three years prior to the issuance of the prospectus.

(f) The company did not take or give any loan from or to any Director or any person connected with any Director nor did any Director or any person connected with any Director.

(g) There were no facilities whether pecuniary or non-pecuniary enjoyed by the Directors except as mentioned in note 26.1 and 26.2 of the audited accounts.

### Directors' Facilities during Prospectus Publication

Facilities whether pecuniary or non-pecuniary enjoyed by the Directors will remain unchanged during the publication period of the Prospectus. Interest and facility is already disclosed in Executive Compensation of the Prospectus.

## EXECUTIVE COMPENSATION

**Remuneration/Salary paid to top five salaried Executives in the last accounting year**

| Sl. No. | Name | Designation | Remuneration/Salary(BDT) | |
|---|---|---|---|---|
| | | | July, 2010 to December, 2010 | July, 2009 to June, 2010 |
| 1. | Khatib Abdul Zahid Mukul* | Managing Director & Director | 327,600 | 625,800 |
| 2. | Masuma Khatun Lipa* | Director-HR & Admin & Chairman | 116,000 | 203,000 |
| 3. | Khatib Mahboob Akhter Rubel* | Director-Marketing & Production | 80,000 | - |
| 4. | Aminul Islam* | Director (Finance & CFO) and Company Secretary | 386,400 | 694,800 |
| 5. | Kazi Mushahidur Rahman* | Director- Procurement | 448,800 | 805,600 |

*Also shareholder of the Company

**Aggregate Amount of Remuneration paid to Directors and Officers as per audited Accounts:**

| Sl. No. | Name | Remuneration/Salary(BDT) | |
|---|---|---|---|
| | | July, 2010 to Dec, 2010 | July, 2009 to June 2010 |
| 01. | Managing Director's Remuneration | 327,600 | 625,800 |
| 02. | Directors' Remunerations | 196,000 | 203,000 |
| 03. | Salary paid to Executives & Employees | 7,387,618 | 13,206,740 |

- Except the above there is no pecuniary or non-pecuniary benefit is enjoyed by the directors as per notes 26.1 & 26.2 of the audited accounts.
- Remuneration to Directors was paid as per article 121 of Articles of Association of the Company
- The Company did not pay any amount to any person who was not an Officer/ Director of the Company during the last fiscal year.
- There is no contract with any Director/Officer for future compensation.

### Pay Increase Intention

Besides normal increment, additional salary increment has also been made.

## OPTION GRANTED TO OFFICERS, DIRECTORS AND EMPLOYEES

The Company has not offered any option for issue of shares to any of the officers, directors and employees or to any outsiders.

## TRANSACTIONS WITH THE DIRECTORS AND SUBSIDIARIES TO THE MEMORANDUM

### Benefit from the Company

The directors and subscribers to the memorandum have not received any benefit except dividend and Remuneration ireceived by directors Khatib Abdul Zahid Mukul, Mrs.Masuma Khatun Lipa, Mr. Khatib Mahboob Akhter Rubel, Mr. Aminul Islam and Mr. Kazi Mushahidur Rahman for their services rendered to the Company. The Company also has not received anything from its Promoters except fund against allotment of Shares.

### Promoters' Asset to Company

Directors and subscribers to the memorandum have not transferred any asset to the Company except Khatib Abdul Zahid Mukul sold his 693.00 decimals of land to the Company for Tk.2,772,000 based on the prevailing market price as on 30.11.2006.

## NET TANGIBLE ASSETS VALUE PER SHARE

The calculation of net tangible assets value per share is as under:

| | Taka |
|---|---|
| Total Assets | 2,183,107,204 |
| Less: Intangible Assets | - |
| Liabilities | 1,032,779,622 |
| Net tangible assets | **1,150,327,582** |
| Number of Ordinary Shares outstanding(Denominator) | **25,000,000** |
| Net Tangible Assets value per share/Net Assets Value(NAV) | **46.01** |

We have examined the above calculation of Net Tangible Assets Value per Share of M/s Zahintex Industries Ltd. as of 31 December 2010 which is found correct.

Sd/-
**ACNABIN**
Chartered Accountants

Dhaka
23 February 2011

## OWNERSHIP OF THE COMPANY'S SECURITIES (As Per Schedule X)

| Name of Shareholders | Address | Position | Shareholdings | Percentage (%) |
|---|---|---|---|---|
| Khatib Abdul Zahid Mukul | House#04, Road#83, Gulshan-02, Dhaka | Managing Director & Director | 15,000,000 | 60.00 |
| Masuma Khatun Lipa | House#04, Road#83, Gulshan-02, Dhaka | Director | 9,250,000 | 37.00 |
| Khatib Mahboob Akhter Rubel | House#191, Road#02 (West), Baridhara, DOHS. Gulshan,Dhaka. | Director | 500,000 | 2.00 |
| Aminul Islam | 120, Malibagh, 1st Lane, Dhaka | Director | 62,500 | 0.25 |
| Kazi Mushahidur Rahman | House#30, Road#06, Flat-1-B, Sector#03, Uttara Model Town, Uttara, Dhaka. | Director | 62,500 | 0.25 |
| Mamunur Rashid | House#04, Road#83, Gulshan-02, Dhaka | Shareholder | 62,500 | 0.25 |
| Khatib Md. Abue Saleh | House#04, Road#83, Gulshan-02, Dhaka | Shareholder | 62,500 | 0.25 |
| **Total** | | | **25,000,000** | **100%** |

No officer/executive except the following holds any share of the Company individually or as a group as at 31.12.2010:

| Sl. No. | Name of Executive | Designation | Shareholding | Amount | Percentage (%) |
|---|---|---|---|---|---|
| 1. | Khatib Abdul Zahid Mukul | Managing Director & Director | 15,000,000 | 150,000,000 | 60.00 |
| 2. | Masuma Khatun Lipa | Director-HR & Admin | 9,250,000 | 92,500,000 | 37.00 |
| 3. | Khatib Mahboob Akhter Rubel | Director-Marketing & Production | 500,000 | 5,000,000 | 2.00 |
| 4. | Aminul Islam | Director Finance & CFO | 62,500 | 625,000 | 0.25 |
| 5. | Kazi Mushahidur Rahman | Director-Procurement | 62,500 | 625,000 | 0.25 |
| **Total** | | | **24,875,000** | **248,750,000** | **99.50** |

**Shareholders Shareholding of 5.00 % or More of the Company**

There is no shareholders shareholding of 5% or more except the directors of the company:

| Sl. No. | Name | Designation | Shareholding | Percentage (%) |
|---|---|---|---|---|
| 1. | Khatib Abdul Zahid Mukul | Managing Director & Director | 15,000,000 | 60.00 |
| 2. | Masuma Khatun Lipa | Director | 9,250,000 | 37.00 |

## DETERMINATION OF OFFERING PRICE

The issue price at Tk.25.00 each including a premium of Tk.15.00 per share is justified as details below:

| Justification of Offering Price Under Different Methods | | BDT |
|---|---|---|
| Method 1: Net Asset Value (NAV) per share | (a) Considering Revaluation Surplus | 46.01 |
| | (b) Without Considering Revaluation Surplus | 15.10 |
| Method 2: Historical Earnings based value per share | | 30.29 |

### Method-1: Equity based Value per share

| Particulars | Amount(BDT) |
|---|---|
| Paid-up Capital | 250,000,000 |
| Revaluation Surplus | 772,765,090 |
| Retained Earnings | 127,562,493 |
| **Total shareholders' Equity** (As on 31st December 2010) | **1,150,327,583** |
| **Total number of shares** | **25,000,000** |
| **Equity Based Value Per Share considering revaluation surplus** (As on 31st December 2010) | **46.01** |
| **Equity Based Value Per Share without considering revaluation surplus** (As on 31st December 2010) | **15.10** |

### Method-2: Earning based Value per share

| Period | Paid Up Capital | Net Profit After Tax | Weight of total Net Profit after tax | Weighted Net Profit after tax |
|---|---|---|---|---|
| July 2009 to June 2010 | 100,000,000 | 71,899,982 | 46.21 | 33,227,149.29 |
| July 2008 to June 2009 | 100,000,000 | 27,616,995 | 17.75 | 4,902,169.93 |
| July 2007 to June 2008 | 100,000,000 | 25,606,904 | 16.46 | 4,214,535.01 |
| July 2006 to June 2007 | 100,000,000 | 20,636,504 | 13.26 | 2,737,207.82 |
| July 2005 to June 2006 | 100,000,000 | 9,823,453 | 6.31 | 620,245.84 |
| **Total** | | **155,583,838** | **100.00** | **45,701,307.89** |
| **Number of Shares outstanding before IPO** | | | | **25,000,000** |
| **Weighted average EPS stands** | | | | **1.83** |
| **Market PE** (As Per DSE Review June 30, 211) | | | | **16.55** |
| **Earning Base Value Per Share** (1.83 X 16.55) | | | | **30.29** |

## MARKET FOR THE SECURITIES BEING OFFERED

The issuer shall apply to the all the stock exchanges in Bangladesh within 7(seven) working days from the date of consent accorded by the Commission to issue prospectus.

**Dhaka Stock Exchange Limited (DSE)**
9/F, Motijheel C/A,
Dhaka-1000

**And**

**Chittagong Stock Exchange Limited (CSE)**
CSE Building, 1080 Sk. Mujib Road
Agrabad C/A, Chittagong.

### "Declaration about Listing of Shares with the Stock Exchange(s):

None of the stock exchange(s), if for any reason, grants listing within 75 days from the closure of subscription, any allotment in terms of this prospectus shall be void and the company shall refund the subscription money within fifteen days from the date of refusal for listing by the stock exchanges, or from the date of expiry of the said 75 (seventy five) days, as the case may be.

In case of non-refund of the subscription money within the aforesaid fifteen days, the company directors, in addition to the issuer company, shall be collectively and severally liable for refund of the subscription money, with interest at the rate of 2% (two percent) per month above the bank rate, to the subscribers concerned.

The issue manager, in addition to the issuer company, shall ensure due compliance of the above mentioned conditions and shall submit compliance report thereon to the Commission within seven days of expiry of the aforesaid fifteen days time period allowed for refund of the subscription money."

**Trading and settlement regulation of the stock exchanges shall apply in respect of trading and settlement of the share of the company.**

## DESCRIPTION OF SECURITIES OUTSTANDING OR BEING OFFERED

### Dividend, Voting, Preemption Right

The share capital of the Company is divided into ordinary shares carrying equal rights to vote and receive dividend in terms of the relevant provisions of the Companies Act, 1994 and the Articles of Association of the Company. Shareholders shall have the usual voting right in person or by proxy in connection with, among others, selection of Directors & Auditors and other usual agenda of General Meeting – Ordinary or Extra Ordinary. On a show of hand every shareholder present and every duly authorized representative of a shareholder present at a General Meeting shall have one vote and on a poll every shareholder present in person or by proxy shall have one vote for every share held by him/her.

In case of any additional issue of rights shares for raising further capital the existing shareholders shall be entitled in terms of the guidelines issued by the SEC from time to time.

### Conversion & Liquidation Right

If the company at any time issues convertible preference shares or Debenture with the consent of SEC, such holders of Securities shall be entitled to convert such securities into ordinary shares if it is so determined by the company.

Subject to the provisions of the Companies Act, 1994, Articles of Association of the Company and other relevant Rules in force, the Shares, if any, of the Company are freely transferable, the Company shall not change any fee for registering transfer of shares. No transfer shall be made to firms, minors or persons of unsound mental health.

a) The profit of the company, subject to any special right relating thereto created or authorized to be created by the Memorandum of Association subject to the provision of the Articles of Association, shall be divisible among the members in proportion to the capital paid up on the Shares held by them respectively.

b) No larger dividend shall be declared than is recommended by the Directors, but the Company in its General Meeting may declare a smaller dividend. The declaration of Directors as to the amount of net Profit of the Company shall be conclusive.

c) No dividend shall be payable except out of profits of the Company or any other undistributed profits. Dividend shall not carry interest as against the Company.

d) The Directors may, from time to time, pay the members such interim dividend as in their judgment the financial position of the Company may justify.

e) A transfer of Shares shall not pass the right to any dividend declared thereon before the registration of transfer.

f) There is no limitation on the payment of dividend.

## OTHER RIGHTS OF STOCK HOLDERS

The shareholders shall have the right to receive all periodical reports and statements, audited as well as un-audited, published by the company from time to time. The Directors shall present the financial statements as required under the Law and International Accounting standards. Financial Statements will be prepared in accordance with International Accounting Standards, consistently applied throughout the subsequent periods and present with the objective of providing maximum disclosure as per law and International Accounting Standard to the shareholders regarding the Financial and operational position of the Company.

In case of any declaration of stock dividend by issue of bonus shares, all shareholders shall be entitled to it in proportion to their shareholdings on the date of book closure for the purpose.

The shareholders holding not less than 10% of the issued/fully paid up capital of the company shall have the right to requisition Extra-Ordinary General Meeting of the Company as provided under Section 84 of the Companies Act, 1994.

## DEBT SECURITIES

Zahintex Industries Ltd. has not issued any debt securities and has no plan to issue within next six months.

### FINANCIAL STRUCTURE

*(Amount in BDT)*

| | |
|---|---|
| **Authorized Capital** | **1,200,000,000** |
| **Issued & Fully Paid Up capital**<br>25,000,000 ordinary Shares @ Taka 10.00 each | |
| Issued as on 10.06.2002 | 2,500,000 |
| Issuance of new ordinary shares dated 14.06.2005 | 9,75,000,00 |
| Issuance of Bonus shares dated 01.12.2010 | 15,00,00,000 |
| **Total Paid up capital before IPO** | **250,000,000** |
| **IPO (Initial Public Offering)** | **200,000,000** |
| **Total Paid-up capital after IPO** | **450,000,000** |

## LOCK-IN PROVISION OF SHARES

All issued shares of the issuer at the time of according consent to the public offering shall be subject to a lock- in period of three years from the date of issuance of prospectus or commercial operation, whichever comes later.
Provided that the persons, other than directors and those who hold **5% or more**, who have subscribed to the shares of the Company within immediately preceeding two years of according consent, shall be subject to a lock-in period of one year from the date of issuance of prospectus or commercial operation, whichever comes later.

| Sl. No. | Name of Shareholders | Position | Shareholdings | Percentage % | Date of Acquisition | Expiry Date |
|---|---|---|---|---|---|---|
| 1 | Khatib Abdul Zahid Mukul | Managing Director & Director | 15,000,000 | 60.00 | 11.06.2002 | 09.08.2014 |
| 2 | Masuma Khatun Lipa | Director | 9,250,000 | 37.00 | 11.06.2002 | 09.08.2014 |
| 3 | Khatib Mahboob Akhter Rubel | Director | 500,000 | 2.00 | 09.02.2010 | 09.08.2014 |
| 4 | Aminul Islam | Director | 62,500 | 0.25 | 09.02.2010 | 09.08.2014 |
| 5 | Kazi Mushahidur Rahman | Director | 62,500 | 0.25 | 09.02.2010 | 09.08.2014 |
| 6. | Mamunur Rashid | ShareHolder | 62,500 | 0.25 | 09.02.2010 | 09.08.2012 |
| 7. | Khatib Md. Abue Saleh | ShareHolder | 62,500 | 0.25 | 09.02.2010 | 09.08.2012 |

## Refund of Subscription Money

As per SEC Notification Dated February 9, 2010, the issuer shall refund application money to the unsuccessful applicants of the public offer by any of the following manner based on the options given by the applicant in the application form;-

(a) Through banking channel for onward deposit of the refund money into the applicant's bank account as provided in the respective application form for subscription;
or

(b) Through issuance of refund warrant in the name and address of the applicant as provided in the respective application form for subscription:

Provided that, in case of deposit into the applicant's bank account, the applicant will bear the applicable service charge, if any, of the applicant's banker, and the issuer shall simultaneously issue a letter of intimation to the applicant containing, among others, the date and amount remitted with details of the bank through and to which bank such remittance has been effected."

## Subscription By and Refund to Non-Resident Bangladeshi (NRB):

1. A Non-Resident Bangladeshi shall apply either directly by enclosing a foreign demand draft drawn on a bank payable at Dhaka, or through a nominee by paying out of foreign currency deposit account maintained in Bangladesh or in Taka, supported by foreign currency encashment certificate issued by the concerned bank, for the value of securities applied for through crossed Bank cheque marking "Account Payee only".

2. The value of securities applied for by such person may be paid in Taka or US dollar or UK pound sterling or EURO at the rate of exchange mentioned in the securities application form.

3. Refund against oversubscription shall be made in the currency in which the value of securities was paid for by the applicant through Account Payee bank cheque payable at Dhaka with bank account number, Bank's name and Branch as indicated in the securities application form. If the applicants' bank accounts as mentioned in their IPO Application Forms are maintained with the Bankers to the Issue and other banks as mentioned below, refund amount of those applicants will be directly credited into the respective bank accounts as mentioned in their IPO Application Forms.

## Allotment

The company shall issue share allotment letters to all successful applicants within 5 (five) weeks from the date of the subscription closing date. Within the same time, Refund to the unsuccessful applicants shall be made in the currency in which the value of securities was paid for by the applicants without any interest, through Account Payee Cheque/ refund warrants with bank account number, bank's name and Branch as indicated in the securities application forms payable at Dhaka/ Chittagong/ Khulna/ Rajshahi/ Barisal/ Sylhet/ Bogra, as the case may be. A compliance report in this regard shall be submitted to the Commission within 7(seven) weeks from the date of closure of subscription.

## AVAILBLITY OF SECURITIES

| | | |
|---|---|---|
| a) | 10% of the Issue i.e 2,000,000 ordinary shares @Tk.25.00 each including a premium of Tk.15.00 per share shall be reserved for Non-resident Bangladeshis. | Tk.50,000,000.00 |
| b) | 10% of the Issue i.e 2,000,000 ordinary shares @Tk.25.00 each including a premium of Tk.15.00 per share shall be reserved for Mutual Funds and collective investment schemes registered with the Commission. | Tk.50,000,000.00 |
| c) | The remaining 80% i.e. 16,000,000 Ordinary Shares @Tk.25.00 each including a premium of Tk.15.00 per share shall be open for subscription by the general public. | Tk.400,000,000.00 |
| **Total** | | **Tk. 500,000,000.00** |

(1) 10% of total public offering shall be reserved for non-resident Bangladeshi **(NRB)** and 10% for **mutual funds** and collective investment schemes registered with the Commission, and the remaining 80% shall be open for subscription by the general public.

(2) All securities as stated in sub-rule (1) shall be offered for subscription and subsequent allotment by the issuer, subject to any restriction which may be imposed, from time to time, by the Securities and Exchange Commission.

(3) In case of over-subscription under any of the categories mentioned in sub-rule (1), the issue manager shall conduct an open lottery of all the applications received under each category separately in accordance with the letter of consent issued by the Securities and Exchange Commission.

(4) In case of under-subscription under any of the 10% categories mentioned in sub-rule (1), the unsubscribed portion shall be added to the general public category and, if after such addition, there is over subscription in the general public category, the issuer and the issue manager shall jointly conduct an open lottery of all the applicants added together.

(5) In case of under-subscription of the public offering, the unsubscribed portion of securities shall be taken up by the underwriter(s).

(6) The lottery as stated in sub-rule (3) and (4) shall be conducted in presence of representatives from the issuer, the stock exchanges, and the applicants, if there be any.

# APPLICATION FOR SUBSCRIPTION

01. Application for shares may be made for a minimum lot of 500 (Five hundred) ordinary shares to the value of Tk.12,500.00 and should be made on the Company's printed Application Forms. Application Forms and the Prospectus may be obtained from the Registered Office of the Company, members of the Dhaka Stock Exchange Ltd., Chittagong Stock Exchange Ltd. or from the Bankers to the Issue. In case adequate forms are not available, applicants may use photocopied/cyclostyled/ handwritten/ typed copies of the forms. Application must not be for less than 50 shares. Any application not meeting the criterion will not be considered for allotment purpose.

02. Joint application form for more than two persons will not be accepted. In the case of a joint application each party must sign the application form.

03. Application must be in full name of individuals or limited companies or trusts or societies and not in the name of firms, minors or persons of unsound mind. Applications from insurance, financial and market intermediary companies and Limited Companies must be accompanied by Memorandum and Articles of Association.

**04. An applicant can NOT submit more than two applications, one in his/her own name and another jointly with another person. In case an applicant makes more than two applications, all applications will be treated as invalid and will not be considered for allotment purpose. In addition, whole or part of application money may be forfeited by the Commission.**

05. Bangladeshi nationals (including non-resident Bangladeshis residing/working aboard) and foreign nationals shall be entitled to apply for shares.

06. Payment for subscription by investor other than Non-Resident Bangladeshi may be made to the said branches/office of the bank mentioned below in cash /cheque/pay order /Bank Draft. The Cheque or Pay order or Bank Draft shall be made payable to the bank to which it is sent and be marked "**ZAHINTEX INDUSTRIES LTD.**" and shall bear the crossing **"Account Payee only**" and must be drawn on a Bank the same town of the bank to which application from is deposited.

07. All completed Application forms, together with remittance for the full amount payable on Application, shall be lodged by investors other than Non-Resident Bangladeshis with any of the branches of the Bankers to the Issue.

08. A Non-Resident Bangladeshi (NRB) shall apply against the IPO either directly by enclosing a foreign demand draft drawn on a Bank payable at Dhaka, or through a nominee (including a bank or a company) by paying out of foreign currency deposit account maintained in Bangladesh, for the value of Securities applied for.

    The value of Securities applied for may be paid in Taka, US Dollar or UK Pound Sterling at the spot buying (TT Clean) rate of exchange prevailing on the date of opening of subscription. Refund against over subscription of shares shall be made in the currency in which the value of Shares applied for was paid by the applicant. Share Application Form against the quota for NRB shall be sent by the applicant directly along with a draft or cheque to the Company at its Registered Office. Copies of Application Form and Prospectus shall be available with Bangladesh Embassy/High Commission in USA, UK, Saudi Arabia, UAE, Qatar, Kuwait, Oman, Bahrain, Malaysia and South Korea and web sites of the Company, Issue Manager, DSE, CSE and the SEC.

09. The IPO subscription money collected from investors (other than Non-Resident Bangladeshis) by the Bankers to the Issue will be remitted to the Company's **Special Notice Deposit Account No. 006-5184722005 with One Bank Limited, Uttara Branch, Dhaka** for the purpose.

10. The subscription money collected from Non-Resident Bangladeshis in US Dollar or UK Pound Sterling shall be deposited to " FC Account(s) opened by the Company for IPO as follows:

| Sl. No. | Name of the Accounts | Accounts No. | Bank and Branch |
|---|---|---|---|
| 1 | FC A/C USD | 006-0184722003 | One Bank Limited, Uttra Branch, Dhaka |
| 2 | FC A/C GBP | 006-0184722038 | |
| 3 | FC A/C EURO | 006-0184722011 | |

11. In the case of over-subscription of securities to the NRB applicants, refund shall be made by the Company out of the "FC Account for IPO". The Company has already opened the aforesaid FC Accounts and shall close these FC Accounts after refund of over-subscription, if any.

12. Applications not in conformity with the above requirements and the instructions printed on the applicant form are liable to be rejected.

**APPLICATIONS NOT IN CONFORMITY WITH THE ABOVE REQUIREMENTS AND THE INSTRUCTIONS PRINTED ON THE APPLICATION FORM ARE LIABLE TO BE REJECTED**

As per Securities and Exchange Commission's guideline 50% of the **Public Offer of Tk.250,000,000** ordinary share i.e. **20,000,000** ordinary shares of TK. 10.00 each at an issue price of Tk. 25.00(including premium Tk. 15/- per share) totaling of **TK.500,000,000** will be Underwritten at a rate of **0.20%** (underwriting commission) by the following Underwriters for the IPO of **ZAHINTEX INDUSTRIES LTD.** No additional commission will be paid on the amount of shares required to be subscribed by the underwriters.

| Name and Address of the underwriters | No. of Shares Underwritten | Underwriting Amount in BDT |
|---|---|---|
| **SBL Capital Management Limited**<br>Chamber Building (3rd floor), 122-124, Motijheel C/A, Dhaka-1000 | 1,000,000 | 25,000,000.00 |
| **Peoples Insurance Co. Ltd.**<br>Peoples Insurance Bhabon, 36 Dilkusha C/A, Dhaka-1000 | 1,000,000 | 25,000,000.00 |
| **Popular Life Insurance Co. Limited**<br>Peoples Insurance Bhaban (3rd floor) 36 Dilkusha C/A. Dhaka-1000 | 1,000,000 | 25,000,000.00 |
| **AAA Consultants & Financial Advisers Ltd.**<br>Amin Court, 4th Fl. (Suit#403-405), 62-63, Motijheel C/A, Dhaka-1000 | 1,000,000 | 25,000,000.00 |
| **United Commercial Bank Ltd.**<br>Head Office : Bulus Center Plot - CWS- (A)-1 Road No-34 Gulshan Avenue, Dhaka-1212 | 1,000,000 | 25,000,000.00 |
| **Continental Insurance Limited**<br>Ideal Trade Centre (7th Floor), 102, Shahid Tajuddin Ahmed Sarani, Tejgaon, Dhaka-1208 | 1,000,000 | 25,000,000.00 |
| **Swadesh Investment Management Limited**<br>Unique Trade Centre, 8 Panthapath, Karwanbazar, Dhaka-1215 | 1,000,000 | 25,000,000.00 |
| **Union Capital Limited**<br>Noor Tower (5th floor), 1/F, Free School Street 73, Sonargaon Road, Dhaka-1205 | 1,000,000 | 25,000,000.00 |
| **FAS Capital Management Limited**<br>Suvastu Imam Square (4thfloor) 65, Gulshan Avenue Gulshan, Dhaka-1212 | 1,000,000 | 25,000,000.00 |
| **Trust Bank Investment Limited**<br>36, Dilkusha C.A. Dhaka-1000 | 1,000,000 | 25,000,000.00 |
| **Total** | **10,000,000** | **250,000,000.00** |

If and to the extent that the Shares offered to the public through a Prospectus authorized hereunder shall not have been subscribed and paid for in cash in full by the closing date, the Company shall within **10** (ten) days of the closure of subscription call upon the underwriter in writing with a copy of the said writing to the Securities and Exchange Commission, to subscribe the Shares not so subscribed within the closing date and to pay for in cash in full, inclusive of any premium, if applicable, for such unsubscribed Shares within **15** (fifteen) days after being called upon to do so. If payment is made by Cheque/Bank Draft by the underwriter it will be deemed that the underwriter has not fulfilled his obligation towards underwriting commitment under this agreement, until such time as the Cheque/Bank Draft has been en-cashed and the Company's account credited. In any case within **7** (seven) days after expiry of the aforesaid **15** (fifteen) days, the Company shall send proof of subscription and payment by the underwriters, to the Commission. In the case of failure by the underwriter to pay for the Shares under the terms mentioned above, the said underwriter will not be eligible to underwrite any Issue, until such time as he fulfills his underwriting commitment under this Agreement and also other penalties as may be determined by the Commission

## MISCELLANEOUS INFORMATION

| | |
|---|---|
| **ISSUE MANAGER** | **AAA Consultants & Financial Advisers LTD.**<br>Amin Court, 4th Floor (Suite # 403-405)<br>31, Bir Uttam Shahid Ashfaqus Samad Road<br>Motijheel C/A, Dhaka-1000 |
| **AUDITOR** | **ACNABIN**<br>Chartered Accountants<br>BDBL Bhaban (13th Floor), 12 Kawran Bazar C/A<br>Dhaka-1215 |
| **BANKER** | **One Bank Limited**<br>Uttara Branch, Dhaka |
| **COMPLIANCE OFFICER OF MANAGER TO THE ISSUE** | **Md. Khalid Hossain**<br>Deputy Manager |
| **COMPANY'S COMPLIANCE OFFICER** | **Aminul Islam**<br>Director (Finance & CFO) and<br>Company Secretary |

All investors are hereby informed by the Company that it has appointed a Compliance Officer who may be contacted in case of any Pre-Issue / Post Issue related problems such as, non-receipt of letters of allotment /Share Certificates/Refund warrants/Cancelled Stock Investors, etc.

### MATERIAL CONTRACTS

The following are material contracts in the ordinary course of business, which have been entered into by the Company.

a. Underwriting Agreement between the Company and the Underwriters.

b. Issue Management Agreement between the Company and the Manager to the Issue, AAA Consultants & Financial Advisers Limited.

c. Contract between the company and the Central Depository Bangladesh Ltd. (CDBL).Copies of the aforementioned contracts and documents and a copy of Memorandum and Articles of Association of the Company and the Consent Order from the Securities and Exchange Commission may be inspected on any working day during office hours at the Company's Registered Office.

# Auditor's Report

## To the shareholders of zahintex industries ltd.

We have audited the accompanying financial statements of Zahintex Industries Ltd. which comprise the statement of financial position as of 31 December 2010, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 01 July 2010 to 31 December 2010, and a summary of significant accounting policies and other explanatory information.

### Management Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above give a true and fair view of the financial position of Zahintex Industries Ltd. as of 31 December 2010, and of its financial performance and cash flows for the period from 01 July 2010 to 31 December 2010 in accordance with Bangladesh Financial Reporting Standards and comply with the Companies Act 1994, Securities and Exchange Rules 1987 and other applicable laws and regulations.

**We also report that:**

(a) our examination and checking of records, relevant books of accounts, registers, schedules and financial statements were sufficient to enable us to form an informed and assessed opinion on the authenticity and accuracy of the financial statements;

(b) we have obtained all the information, explanations and documents as required by us;

(c) the company's management has followed relevant provisions of laws and rules in managing the affairs of the company. Proper books of accounts, records and other statutory books have been properly maintained;

(d) the statement of financial position and the statement of comprehensive income are in agreement with the said books of account maintained by the company and examined by us; and

(e) the expenditure incurred and payments made were for the purpose of the company's business for the period.

Dhaka
26 January 2011

Sd/-
**ACNABIN**
Chartered Accountants

## Zahintex Industries Ltd.

### Statement of Financial Position
### As of 31 December 2010

| | Note | 31.12.2010 Taka | 30.06.2010 Taka |
|---|---|---|---|
| **ASSETS** | | | |
| **Non- current Assets** | | **1,334,458,810** | **1,329,227,816** |
| Property, plant and equipment | 4 | 1,277,626,960 | 1,312,542,943 |
| Capital work-in-progress | 5 | 56,831,850 | 16,684,873 |
| **Investment in Shares** | 6 | **100,000** | **100,000** |
| **Current Assets** | | **848,548,394** | **963,882,044** |
| Inventories | 7 | 649,393,620 | 814,679,459 |
| Bills receivable | 8 | 169,623,426 | 98,570,245 |
| Advances, deposits and prepayments | 9 | 10,801,499 | 9,376,803 |
| Advance income tax | | 5,421,924 | 4,506,301 |
| Cash and bank balance | 10 | 13,307,925 | 36,749,236 |
| **TOTAL ASSETS** | | **2,183,107,204** | **2,293,209,859** |
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' Equity** | | **1,150,327,582** | **1,074,196,126** |
| Share capital | 11 | 250,000,000 | 100,000,000 |
| Revaluation surplus | 12 | 772,765,090 | 787,227,704 |
| Retained earnings | 13 | 127,562,493 | 186,968,422 |
| **LIABILITIES** | | | |
| **Non current liabilities** | | **181,930,534** | **161,677,463** |
| Long term borrowing net off current maturity | 14 | 181,930,534 | 90,677,463 |
| Liabilities for imported machineries | 15 | - | 71,000,000 |
| **Current liabilities and provision** | | **850,849,088** | **1,057,336,270** |
| Trade creditors | 16 | 6,227,083 | 4,578,950 |
| Current portion of long term loan | 17 | 122,571,800 | 105,459,800 |
| Lease obligation | 18 | - | 571,451 |
| Current portion of liabilities for imported machineries | 19 | - | 24,000,000 |
| Short term loan | 20 | 595,127,758 | 559,269,975 |
| Provision for income tax | 21 | 5,421,924 | 4,506,301 |
| Liabilities for expenses | 22 | 57,742,376 | 51,862,819 |
| Bills Payable | 23 | 63,758,147 | 307,086,974 |
| **Total Liabilities** | | **1,032,779,622** | **1,219,013,733** |
| **TOTAL EQUITY AND LIABILITIES** | | **2,183,107,204** | **2,293,209,859** |
| **Net Asset Value (NAV) per share** | 31 | **46.01** | **42.14** |

The annexed notes form an integral part of the Statement of Financial Position.

| Sd/- | Sd/- | Sd/- |
|---|---|---|
| **Director** | **Director** | **Managing Director** |

This is the Statement of Financial Position referred to in our separate report of even date.

Sd/-
**ACNABIN**
**Chartered Accountants**

Dhaka,
26 January 2011

# Zahintex Industries Ltd.

**Statement of Comprehensive Income**
**For the period from 01 July 2010 to 31 December 2010**

**(Figures are in Taka)**

| | Note | July 2010 to Dec. 2010 | July 2009 to Dec. 2009 |
|---|---|---|---|
| Sales | 24 | 1,355,481,103 | 1,153,444,646 |
| Less: Cost of goods sold | 25 | 1,174,092,178 | 1,023,682,420 |
| **Gross profit** | | **181,388,925** | **129,762,226** |
| Other operating income | | - | - |
| Administrative expenses | 26 | (5,399,058) | (5,436,381) |
| Selling and distribution expenses | 27 | (23,960,230) | (19,084,812) |
| **Operating profit** | | **152,029,637** | **105,241,033** |
| Non-operating income | | - | - |
| Financial expenses | 28 | (66,183,973) | (48,236,129) |
| Workers' Profit Participation Fund (WPPF) | | (4,292,283) | (2,850,245) |
| **Net profit before income tax for the period** | | **81,553,381** | **54,154,659** |
| Less: Provision for income tax | 29 | **5,421,924** | **2,883,612** |
| **Net profit after tax for the period** | | **76,131,456** | **51,271,047** |
| **Earning Per Share (EPS)** | 30 | **3.05** | **2.05** |
| **Earning Per Share (EPS)-Annualized** | 30.1 | **6.09** | **4.10** |

The annexed notes form an integral part of the Statement of Comprehensive Income.

| Sd/- | Sd/- | Sd/- |
|---|---|---|
| **Director** | **Director** | **Managing Director** |

This is the Statement of Comprehensive Income referred to in our separate report of even date.

Sd/-
**ACNABIN**
**Chartered Accountants**

Dhaka,
26 January 2011

# Zahintex Industries Ltd.

**Statement of Changes in Equity**
**For the period from 01 July 2010 to 31 December 2010**

**(Amount in Taka)**

| Particulars | Share Capital | Retained Earnings | Revaluation Surplus | Total |
|---|---|---|---|---|
| Balance as on 01 July 2010 | 100,000,000 | 186,968,422 | 787,227,704 | 1,074,196,126 |
| Revelation surplus realised (Note: 12.1) | - | 14,462,614 | (14,462,614) | - |
| Profit for the period | - | 76,131,456 | - | 76,131,456 |
| Bonus Shares Issued | 150,000,000 | (150,000,000) | - | - |
| **Total as of 31 December 2010** | **250,000,000** | **127,562,493** | **772,765,090** | **1,150,327,582** |
| Balance as on 01 July 2009 | 100,000,000 | 82,338,042 | 480,638,212 | 662,976,254 |
| Revaluation surplus | - | - | 339,319,890 | 339,319,890 |
| Revelation surplus realised | - | 16,365,199 | (16,365,199) | - |
| Profit for the year | - | 51,271,047 | - | 51,271,047 |
| **Total as of 31 December 2009** | **100,000,000** | **149,974,288** | **803,592,903** | **1,053,567,191** |

| | Sd/- | Sd/- | Sd/- |
|---|---|---|---|
| Dhaka,<br>26 January 2011 | **Director** | **Director** | **Managing Director** |

**Zahintex Industries Ltd.**

**Statement of Cash Flows**
**For the period from 01 July 2010 to 31 December 2010**

**(Amount in Taka)**

| | Note | July 2010 to Dec. 2010 | July 2009 to Dec. 2009 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash received from customers | | 1,284,427,922 | 1,107,440,664 |
| Cash paid to suppliers | | (1,246,032,172) | (1,048,555,187) |
| Cash paid for operating expenses | | 10,044,986 | 39,927,478 |
| Cash paid for financial expenses | | (66,183,973) | (48,236,129) |
| Income tax paid | | (5,421,924) | (2,883,612) |
| **Net cash (used in) / flow from operating activities** | | **(23,165,163)** | **47,693,214** |
| **Cash Flow from Investing Activities** | | | |
| Purchase of fixed assets | | (8,780,573) | (130,571,439) |
| Capital work in progress | | (40,146,977) | (7,025,690) |
| **Net cash used in investing activities** | | **(48,927,550)** | **(137,597,129)** |
| **Cash Flow from Financing Activities** | | | |
| Short term loan received | | 28,969,783 | 168,648,909 |
| Payment of Lease obligation | | (571,451) | (1,031,537) |
| Long term loan received/(repaid) | | 20,253,071 | (85,630,706) |
| **Net cash flow from financing activities** | | **48,651,402** | **81,986,666** |
| **Net deficit in cash and bank balance for the period** | | **(23,441,311)** | **(7,917,249)** |
| Cash and bank balances at beginning of the period | | 36,749,236 | 65,802,096 |
| **Cash and bank balances at end of the period** | | **13,307,925** | **57,884,847** |
| **Net Operating Cash Flow Per Share (NOCFPS)** | 31.1 | **(0.93)** | **1.91** |
| **Net Operating Cash Flow Per Share -Annualized** | 31.2 | **(1.85)** | **3.82** |

| | Sd/- | Sd/- | Sd/- |
|---|---|---|---|
| Dhaka,<br>26 January 2011 | **Director** | **Director** | **Managing Director** |

# Zahintex Industries Ltd

## Notes to the Financial Statements
## For the period from 01 July 2010 to 31 December 2010

### 1. Incorporation and Business Activities

Zahintex Industries Ltd. was incorporated under the Companies Act 1994 on 11 June 2002 bearing registration number C-46052 (2525)/02. The Company's registered office is situated at House 6, Road 13, Sector 3, Uttara Model Town, Uttara and its factory is located at Bokran, Monipur, Gazipur. Zahintex Industries Ltd. runs the business of manufacturing and exporting of readymade sweaters, pull over and wearing apparels of all kinds out of wool, cotton, synthetic, fibers and others.

### 2. Summary of significant accounting and valuation policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless other wise stated. The specific Accounting Policies selected and applied by the company's management for significant transactions and events that have a material effect within the framework of Bangladesh Accounting Standard (BAS) -1 " Presentation of Financial Statements" in preparation and presentation of financial statements. Compared to the previous period, there were no significant changes in the accounting and valuation principles affecting the financial position and performance of the company. Accounting and valuation methods are disclosed for reasons of clarity.

### 3. Basis of Preparation of Financial Statements

#### (a) Accounting Standards

The financial statements of the company have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) which include Bangladesh Accounting Standards (BAS).

#### (b) Accounting Convention

The financial statements are prepared under the historical cost convention. The company classified the expenses using the function of expenses method as per BAS-1.

#### (c) Legal compliance

The financial statements have been prepared and the disclosures of information have been made in accordance with the requirements of the Companies Act 1994, The Securities and Exchange Rules,1987, BASs and BFRSs. On the basis of these regulations Bangladesh Accounting Standards (BAS) & Bangladesh Financial Reporting Standards (BFRS) were applied at the balance sheet date.

#### (d) Critical accounting estimates, assumptions and judgments

The preparation of the financial statements in conformity with BFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Therefore the management has fulfilled these requirements for preparation and presentation of financial statements of the company.

#### (e) Application of standards

The following BASs and BFRS are applicable for the financial statements of the company for the period under audit:

| | | |
|---|---|---|
| BAS | 1 | Presentation of Financial Statements |
| BAS | 2 | Inventories |
| BAS | 7 | Cash Flow Statements |

| | | |
|---|---|---|
| BAS | 8 | Accounting Policies, Changes in Accounting Estimates and Errors |
| BAS | 10 | Event after the Balance sheet date |
| BAS | 16 | Property, Plant and Equipments |
| BAS | 17 | Leases |
| BAS | 18 | Revenue |
| BAS | 19 | Employee Benefits |
| BAS | 21 | The effects of Changes in Foreign Exchange Rates |
| BAS | 23 | Borrowing Costs |
| BAS | 24 | Related Party Disclosures |
| BAS | 33 | Earning Per Share |
| BAS | 37 | Provisions, contingent Liabilities and Assets |
| BAS | 38 | Intangible Assets. |

The related BFRSs are also complied for the preparation of these financial statements.

**(f) Reporting period**

The financial period of the company covers one year from 01 July to 30 June and is followed consistently. However, financial statements for the six months period have been prepared for the initial public offering purpose.

### 3.1 Property, plant & equipment

These are recognized initially at cost and subsequently at cost/revalued amount less accumulated depreciation in compliance with BAS-16: Property Plant and Equipment. The cost of acquisition of an asset comprises its purchase price and any direct attributable cost of bringing the assets to its working condition for its intended use. Expenditure incurred after the assets have been put into use, such as repairs and maintenance is normally charged off as revenue expenditure in the year in which it incur. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the assets, the expenditure is capitalized as an additional cost of the assets. According to BAS-16: Property Plant and Equipment the land, building and plant & machinery had been revalued by M/s S.F. Ahmed & Co., Chartered Accountants in 01 July 2009.

### 3.2 Depreciation

Depreciation is calculated using 'Reducing Balance Method' over the estimated useful life of each item of property, plant and equipments. Full year's depreciation is charged on addition to property, plant and equipments during the period. Rate of depreciation varies from 7.5% to 15% p.a. based on useful lives and nature of the depreciable assets. Rate(s) of depreciation of assets considering their useful lives are as follows:

| | |
|---|---|
| Building | 7.5% |
| Plant and machinery | 15% |
| Vehicle | 10% |
| Electric Installation | 15% |
| Office Decoration | 10% |
| Office Equipments | 10% |
| Furniture & Fixture | 10% |

### 3.3 Valuation of inventory

Inventories are valued in accordance with Bangladesh Accounting Standard-2: Inventories i.e. at cost or estimated net realizable value whichever is lower. The cost of inventories is valued at weighted average (WA) cost method and includes expenditure for acquiring the inventories and bringing them to their existing location and condition. Net realizable value is estimated upon selling price in the ordinary course of business less estimated cost of completion. When the inventories are used, the carrying amount of those inventories are recognized as expense in the year in which the related revenue is recognized.

### 3.4 Advances, deposits, loans and prepayments

Advances are initially measured at cost. After initial recognition advances are carried at cost less deductions or adjustments. Deposits are measured at payment value. Prepayments are initially measured at cost. After initial recognition prepayments are carried at cost less charges to the statement of comprehensive income.

### 3.5 Cash and bank balances

Cash and bank balances comprise of cash in hand and cash at bank which are held and available for use by the company without any restriction.

### 3.6 Bills receivables

Bills receivables are recognized at cost or net realizable value from the ordinary course of sales in the market whichever is lower. Bills receivables from foreign currency transactions are recognized into Bangladeshi Taka using exchange rates prevailing on the closing date of the accounts in accordance with BAS-21: The Effects of Changes in Foreign Exchange Rates.

### 3.7 Trade and other payables

Liabilities are recorded at the amount payable for settlement in respect of goods and services received by the company.

### 3.8 Revenue

Revenue represents the invoice value of goods supplied to customers during the period. Revenue from sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Sales are recognized when delivery certificate is raised against confirmed orders. Sales in these accounts are stated as per Net Realization Value.

### 3.9 Financial expenses

Financial expenses comprise of interest expense on long term loan, short term loan, finance lease, L/C commission, charges etc. All such costs are charged to revenue except those are capitalized in accordance with BAS-23: Borrowing Costs.

### 3.10 Leased assets

Lease transactions have been classified based on the extent to which risks and rewards incident to ownership of the assets lie with the lessor/lessee. According to this classification, all lease transactions have been identified as finance lease, as per BAS - 17: Leases.

### 3.11 Foreign Currency Transaction

Foreign currency transactions are translated into BDT at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in the foreign currencies are translated at prevailing rates on the balance sheet (financial position) date. Non minority assets and liabilities denominated in foreign currencies, which are related at historical cost, are translated into Bangladesh Taka at the exchange date ruling at the date of transactions. Foreign exchange fluctuation gain/losses are charged to Statement of Comprehensive Income for the respective period.

### 3.12 Taxation

<u>Current Tax:</u>

As per section 53BBBB of the Income Tax Ordinance 1984 tax has been deducted at source from export proceeds @ 0.50% and the rate has been reduced to @ 0.40% from 1st October 2010 and the deducted amount is treated as the final settlement as final discharge of income tax liability of the company under the provision of section 82(c).

Deferred tax

Deferred tax arises due to temporary difference deductible or taxable for the events or transaction which is recognized in the income statement. A temporary difference is the difference between the tax base of an asset or liability and its carrying amount/reported amount in the balance sheet. Deferred tax assets or liability is the amount of income tax recoverable or payable in future period's) recognized in the current period. The income of the company is being assessed and income tax @ 0.40% is deducted on the gross turnover of the company as its final tax liability. Thus there arises a permanent differences due to unavailability of temporary differences, unused tax losses and unused tax credits for the company. So the calculation of deferred tax is not required for the company.

### 3.13 Earning per share

The company calculates Earning Per Share (EPS) in accordance with BAS-33: Earning Per Share, which has been shown at the bottom of the Statement of Comprehensive Income and the computation of EPS is stated in note # 30.

Basic earnings:

This represents earnings for the period attributable to the ordinary shareholders. As there was no preference dividend, minority interest or extra ordinary items, the net profit for the period has been considered as fully attributable to ordinary shareholders. Basic earnings per share has been calculated by dividing the net profit or loss by the number of ordinary shares outstanding during the period. Computation of number of ordinary shares are required as number of shares outstanding has been changed during the period. The basic EPS for 2009 has been restated by the current Share Capital.

Diluted earnings per share:

No diluted EPS is required to be calculated for the period as there was no scope for dilution during the period under audit.

### 3.14 Statement of Cash flows

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

### 3.15 Event after Reporting date

All material events occurring after the reporting date are considered and where necessary, adjusted for or disclosed.

### 3.16 Provisions

A provision is recognized on the date of financial position if, as a result of past events, the company has a present legal obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

### 3.17 Contingent liabilities and assets

Contingent liabilities and assets are current or possible obligations or assets, arising from past events and whose existence is due to the occurrence or non-occurrence of one or more uncertain future events which are not within the control of the company. In accordance with BAS 37, they are disclosed in the notes to the financial statements.

### 3.18 General

i. Figures have been rounded off to the nearest Taka.
ii. Previous period's figures have been rearranged wherever considered necessary to conform to the current year's presentation.

| | | 31.12.2010 Taka | 30.06.2010 Taka |
|---|---|---|---|
| **4. Property, Plant and Equipment** | | | |
| **A. Cost** | | | |
| **i) Freehold Assets** | | | |
| Opening Balance | | 1,548,328,356 | 1,074,947,027 |
| Add: Purchased during the period | | 8,780,573 | 130,571,439 |
| Add: Increase due to revaluation | (Note: 4.1) | - | 339,319,890 |
| | | **1,557,108,929** | **1,544,838,356** |
| Add: Transferred from Leasehold Assets during the period | | 4,100,000 | 3,490,000 |
| | | **1,561,208,929** | **1,548,328,356** |
| **ii) Leasehold Assets** | | | |
| Opening Balance | | 4,100,000 | 7,590,000 |
| Add: Addition during the period | | - | - |
| | | **4,100,000** | **7,590,000** |
| Less: Transferred to freehold assets during the period | | 4,100,000 | 3,490,000 |
| Total Cost | | **-** | **4,100,000** |
| Total (A) | | **1,561,208,929** | **1,552,428,356** |
| **B. Accumulated Depreciation** | | | |
| **i) Freehold Assets** | | | |
| Opening Balance | | 238,380,694 | 138,862,896 |
| Add: Charged during the period | | 43,696,556 | 98,374,257 |
| | | **282,077,250** | **237,237,153** |
| Add: Transferred from Leasehold Assets | | 1,504,720 | 1,143,540 |
| | | **283,581,969** | **238,380,694** |
| **ii) Leasehold Assets** | | | |
| Opening Balance | | 1,504,720 | 2,486,955 |
| Add: Charged during the period | | - | 161,305 |
| | | 1,504,720 | 2,648,260 |
| Less: Transferred to accumulated depreciation of freehold assets during the period | | 1,504,720 | 1,143,540 |
| | | - | 1,504,720 |
| Total (B) | | **283,581,969** | **239,885,414** |
| **C. Written Down Value (A-B)** | | **1,277,626,960** | **1,312,542,943** |

A Schedule of Property, Plant & Equipment is given in Annexure-A.

### 4.1 Revaluation of Freehold Assets

The company revalued its land, building and plant & machinery on 01 July 2009 by M/s S.F. Ahmed & Co., Chartered Accountants to reflect the up to date value of these existing assets in the financial statements as at 30 June 2010. Details of the revaluation of the assets are given below:

| Particulars | Net Book Value Taka | Revalued Amount Taka | Value Increase due to Revaluation Taka |
|---|---|---|---|
| 1 | 2 | 3 | 4=3-2 |
| Land & Land Development | 526,178,287 | 549,127,500 | 22,949,213 |
| Building Factory | 205,908,020 | 402,244,062 | 196,336,042 |
| Plant & Machinery | 196,110,840 | 316,145,475 | 120,034,635 |
| **Total** | **928,197,147** | **1,267,517,037** | **339,319,890** |

### 5. Capital Work-in-Progress

| | | 31.12.2010 Taka | 30.06.2010 Taka |
|---|---|---|---|
| Opening Balance | | 16,684,873 | 1,025,850 |
| Add: Addition during the period | (Note: 5.1) | 40,146,977 | 15,659,023 |
| | | **56,831,850** | **16,684,873** |

### 5.1 Capital Work-in-Progress

| | | 31.12.2010 Taka | 30.06.2010 Taka |
|---|---|---|---|
| Building | (2 floors measuring 27,000 sft per floor) | 37,336,689 | 13,310,170 |
| Boundary Wall | (425 sft boundary wall) | 2,810,288 | 2,348,853 |
| | | **40,146,977** | **15,659,023** |

The above work has been started at Gazipur factory on 01 April 2010.

**6. Investment in Shares**

In the year 2007 Zahintex Industries Ltd. acquired Tk.1,00,000 for 1000 ordinary shares @ Tk.100 each in Givensee Group of Industries Ltd., a sister concern of the company.

**7. Inventories**

| | Quantity | | 31.12.2010 Taka | 30.06.2010 Taka |
|---|---|---|---|---|
| Raw Materials (Yarn) | 847,060 lbs | (Note: 7.1) | 143,153,185 | 157,886,317 |
| Stock of Work-in-Process | 1,087,400 pcs | (Note: 7.2) | 269,675,890 | 361,859,234 |
| Stock of finished Goods | 819,878 pcs | (Note: 7.3) | 229,565,986 | 287,275,598 |
| Stock in transit | 27,250 lbs | (Note: 7.4) | 4,470,150 | 4,825,750 |
| Stores & Spares | | (Note: 7.5) | 2,528,409 | 2,832,560 |
| | | | **649,393,620** | **814,679,459** |

**7.1 Raw Materials (Yarn)**

| | | |
|---|---|---|
| Opening balance | 157,886,317 | 161,254,875 |
| Add: Purchase during the period | 669,250,265 | 1,457,889,421 |
| | 827,136,582 | 1,619,144,296 |
| Less: Consumption during the period | 683,983,397 | 1,461,257,979 |
| | **143,153,185** | **157,886,317** |

**7.2 Stock of Work-in-Process**

| | | |
|---|---|---|
| Opening balance | 361,859,234 | 49,858,743 |
| Add: Material issued during the period | 1,024,199,222 | 2,048,395,799 |
| | 1,386,058,456 | 2,098,254,542 |
| Less: Transferred to finished goods during the period | 1,116,382,566 | 1,736,395,308 |
| | **269,675,890** | **361,859,234** |

**7.3 Stock of Finished Goods**

| | Quantity (Pcs) | | | |
|---|---|---|---|---|
| | 01 July 2010 to 31. Dec. 2010 | 01 July 2009 to 30 June 2010 | | |
| Opening balance | 944,663 | 506,769 | 287,275,598 | 126,395,876 |
| Add: Cost of Goods Produced during the period | 4,074,293 | 6,440,267 | 1,116,382,566 | 1,736,395,308 |
| Cost of Goods available for Sale during the period | 5,018,956 | 6,947,036 | 1,403,658,164 | 1,862,791,184 |
| Less: Cost of Goods Sold during the period | 4,199,078 | 6,002,373 | 1,174,092,178 | 1,575,515,586 |
| | **819,878** | **944,663** | **229,565,986** | **287,275,598** |

**7.4 Stock in Transit**

| | | | |
|---|---|---|---|
| Opening balance | | 4,825,750 | 5,258,744 |
| Add: Addition during the period | | 6,598,658 | 6,855,775 |
| | | 11,424,408 | 12,114,519 |
| Less: Received during the period | | 6,954,258 | 7,288,769 |
| Closing balance | (Note: 7.4.1) | **4,470,150** | **4,825,750** |

**7.4.1 Stock in Transit**

| | Quantity | | |
|---|---|---|---|
| Yarn | 27,250 lbs | 4,023,135 | 4,354,296 |
| Accessories | - | 447,015 | 471,454 |
| | | **4,470,150** | **4,825,750** |

**7.5 Stores & Spares**

| | | |
|---|---|---|
| Opening balance | 2,832,560 | 1,525,432 |
| Add: Addition during the period | 3,021,547 | 9,595,844 |
| | 5,854,107 | 11,121,276 |
| Less: Consumed during the period | 3,325,698 | 8,288,716 |
| | **2,528,409** | **2,832,560** |

| 8. | Bills Receivable | | 31.12.2010 Taka | 30.06.2010 Taka |
|---|---|---|---|---|
| | Opening Balance | | 98,570,245 | 31,095,789 |
| | Add: Addition during the period | | 262,949,146 | 98,570,245 |
| | | | 361,519,391 | 129,666,034 |
| | Less: Received during the period | | 191,895,965 | 31,095,789 |
| | Closing balance | (Note: 8.1) | **169,623,426** | **98,570,245** |

**8.1 Bills Receivable**

Bills receivable have been stated at their nominal value. Bills receivable are accrued in the ordinary course of business. All receivables have been considered as good and realizable.

Ageing of the above receivables is given below:

| | upto 1 month | 1-3 Months | 3- 6 months | above 6 months | Total |
|---|---|---|---|---|---|
| Buyer | **-** | **71,241,839** | **98,381,587** | **-** | **169,623,426** |

A schedule of bills receivable is given in Annexure-B.

**9. Advances, Deposits & Prepayments**

| | | 31.12.2010 | 30.06.2010 |
|---|---|---|---|
| Advances | (Note: 9.1) | 8,135,321 | 6,710,625 |
| Deposits | (Note: 9.2) | 2,666,178 | 2,666,178 |
| | | **10,801,499** | **9,376,803** |

**9.1 Advances**

| | | |
|---|---|---|
| Advance against Salary | 1,130,658 | 950,525 |
| Advance against Goods Supply | 3,525,690 | 2,530,750 |
| Advance against Rent | 1,022,000 | 1,217,000 |
| Advance against Others | 2,456,973 | 2,012,350 |
| | **8,135,321** | **6,710,625** |

**9.2 Deposits**

| | | |
|---|---|---|
| Security Deposit against Telephone (BTCL) | 185,000 | 185,000 |
| Security Deposit against Electricity (REB) | 199,766 | 199,766 |
| Security Deposit against Gas (Titas Gas) | 2,281,412 | 2,281,412 |
| | **2,666,178** | **2,666,178** |

**10. Cash & Bank Balances**

| | | | |
|---|---|---|---|
| Cash in Hand | | 875,647 | 850,755 |
| Cash at Bank | (Note: 10.1) | 12,432,278 | 35,898,481 |
| | | **13,307,925** | **36,749,236** |

**10.1 Cash at Bank**

| | | |
|---|---|---|
| One Bank Ltd., A/c # 0183121 022 Uttara Br | 572,124 | 580,978 |
| One Bank Ltd., A/c # 0183121 235 Uttara Br. | 546,295 | 578,666 |
| One Bank Ltd., A/c # 0183121 014 Uttara Br. | 8,493,566 | 296,988 |
| AB Bank Ltd.,A/c # 4020-757375-254-Uttara Br. | 2,739,784 | 16,211,948 |
| One Bank Ltd. CD A/c # 16434-019 Pr. Br. | 80,509 | 6,849 |
| Premier Bank Ltd. A/c # 0108 1110000955 9- Motijheel Br. | - | 27,424 |
| One Bank Ltd., A/c # 0183121 294 Uttara Br. | - | 18,191,476 |
| One Bank Ltd., A/c # 0183121 138 Uttara Br. | - | 4,152 |
| | **12,432,278** | **35,898,481** |

**11. Share Capital**

11.1 Authorized capital

| | | |
|---|---|---|
| 120,000,000 Ordinary Shares of Tk.10 each. | **1,200,000,000** | **1,200,000,000** |

11.2 Issued, subscribed and paid-up capital

| | | |
|---|---|---|
| 25,000,000 Ordinary Shares of Tk.10 each fully paid | **250,000,000** | **100,000,000** |

Details of the shareholdings are as under:

| Sl. # | Particulars | 31.12.2010 % of Holdings | 31.12.2010 No. of shares | 31.12.2010 Taka | 30.06.2010 Taka |
|---|---|---|---|---|---|
| 1. | Mr. Khatib Abdul Zahid Mukul | 60% | 15,000,000 | 150,000,000 | 60,000,000 |
| 2. | Ms. Masuma Khatun Lipa | 37% | 9,250,000 | 92,500,000 | 37,000,000 |
| 3. | Mr. Khatib Mahboob Akhter Rubel | 2% | 500,000 | 5,000,000 | 2,000,000 |
| 4. | Mr. Aminul Islam | 0.25% | 62,500 | 625,000 | 250,000 |
| 5. | Mr. Kazi Mushahidur Rahman | 0.25% | 62,500 | 625,000 | 250,000 |
| 6. | Mr. Mamunur Rashid | 0.25% | 62,500 | 625,000 | 250,000 |
| 7. | Mr. Khatib Md. Abue Saleh | 0.25% | 62,500 | 625,000 | 250,000 |
| | | **100%** | **25,000,000** | **250,000,000** | **100,000,000** |

## 12. Revaluation Surplus

| | | 31.12.2010 Taka | 30.06.2010 Taka |
|---|---|---|---|
| Opening Balance | | 787,227,704 | 480,638,212 |
| Add: Addition during the period | | - | 339,319,890 |
| | | 787,227,704 | 819,958,102 |
| Less: Transferred to retained earnings | (Note: 12.1) | 14,462,614 | 32,730,398 |
| | | **772,765,090** | **787,227,704** |

12.1 This transfer of revaluation surplus was made in accordance with paragraph 39 of BAS 16 as the said amount of revaluation surplus has been realised due to use of the revalued assets. Calculation of the amount is given in Annexure-A.

## 13. Retained Earnings

| | 31.12.2010 Taka | 30.06.2010 Taka |
|---|---|---|
| Opening Balance | 186,968,422 | 82,338,042 |
| Add: Addition during the period | 76,131,456 | 71,899,982 |
| Transferred from Revaluation Surplus through use of assets (depreciation) | 14,462,614 | 32,730,398 |
| | 277,562,493 | 186,968,422 |
| Less: Bonus shares issued | 150,000,000 | - |
| | **127,562,493** | **186,968,422** |

## 14. Long Term Loan

| | | 31.12.2010 Taka | 30.06.2010 Taka |
|---|---|---|---|
| Term Loan | (Note: 14.1) | 304,502,334 | 196,137,263 |
| Less: Current portion of term loan | (Note: 17) | 122,571,800 | 105,459,800 |
| | | **181,930,534** | **90,677,463** |

## 14.1 Term Loan

| | | 31.12.2010 Taka | 30.06.2010 Taka |
|---|---|---|---|
| **One Bank Limited** | | | |
| Term loan, A/c 16434-248 Principal Br. | | 27,835,054 | 33,787,822 |
| Term loan, A/c 16434-434 Principal Br. | | 32,656,196 | 42,900,801 |
| Term loan, A/c 183121-871 Uttara Br. | | 6,239,993 | 8,507,174 |
| | | 66,731,243 | 85,195,797 |
| **AB Bank Limited** | | | |
| Term loan, A/c -460 Uttara Br | | 53,993,737 | 55,179,071 |
| Term loan, A/c -461 Uttara Br. | | 7,311,782 | 8,200,715 |
| Term loan, A/c -462 Uttara Br. | | 28,257,591 | 30,969,958 |
| Term loan, A/c -463 Uttara Br. | | 73,852,830 | 16,591,722 |
| Term loan, A/c -465 Uttara Br. | | 1,994,270 | - |
| | | 165,410,210 | 110,941,466 |
| Term loan, A/c -464 Utt. Br.: | Transferred from Liabilities for Imported Machineries | 71,000,000 | - |
| | Interest on the above loan amount | 1,360,881 | - |
| | | 72,360,881 | - |
| | | **237,771,091** | **110,941,466** |
| | | **304,502,334** | **196,137,263** |

Particulars of the above term loans are given below:

| Bank | Loan Account | Particulars |
|---|---|---|
| One Bank Limited | A/c 16434-248 | Limit amount: 48,300,000<br>Purpose: To import capital machinery.<br>Interest rate: 13%<br>Security : Mortgage of Land, Building & Construction, Plant & Machineries<br>Tenor: Four years |
| | A/c 16434-434 | Limit amount: 66,800,000<br>Purpose: Expansion of existing factory building.<br>Interest rate: 13%<br>Security :Mortgage of Land, Building & Construction, Plant & Machineries<br>Tenor: Four years |
| | A/c 183121-871 | Limit amount: 10,000,000<br>Purpose: Construction of factory shade.<br>Interest rate: 13%<br>Security :Mortgage of Land, Building & Construction, Plant & Machineries<br>Tenor: Two years with 3 three months grace period. |
| AB Bank Limited | A/c -460 | Limit amount: 67,500,000<br>Purpose: Construction of factory building .<br>Interest rate: 13%<br>Security: Mortgage of Land, Building & Construction, Plant & Machineries<br>Tenor: Six years |
| | A/c -461 | Limit amount: 10,000,000<br>Purpose: Construction of factory building.<br>Interest rate: 13%<br>Security: Mortgage of Land, Building & Construction, Plant & Machineries<br>Tenor: Five years |
| | A/c -462 | Limit amount: 32,500,000<br>Purpose: Construction of factory building.<br>Interest rate: 13%<br>Security: Mortgage of Land, Building & Construction, Plant & Machineries<br>Tenor: Five years |
| | A/c -463 | Limit amount: 70,000,000<br>Purpose: Purchase of capital machinery and construction of factory building.<br>Interest rate: 13%<br>Security: Mortgage of Land, Building & Construction, Plant & Machineries<br>Tenor: Five years |

## 15. Liabilities for Imported Machineries

| | | 31.12.2010 Taka | 30.06.2010 Taka |
|---|---|---|---|
| Opening Balance | | 71,000,000 | - |
| Add: Addition during the period | | - | 95,000,000 |
| | | 71,000,000 | 95,000,000 |
| Less: Transferred to term loan during the period | (Note - 14.1) | 71,000,000 | - |
| | | - | 95,000,000 |
| Less: Current portion of Liabilities for Imported Machineries | | - | 24,000,000 |
| | | **-** | **71,000,000** |

Liability for imported machineries was created against import of machineries which was subsequently paid of by term loan taken from AB Bank Limited which was sanctioned in June 2010 but disbursed in July 2010.

## 16. Trade Creditors

| | 31.12.2010 Taka | 30.06.2010 Taka |
|---|---|---|
| Opening Balance | 4,578,950 | 4,317,876 |
| Add: Addition during the period | 15,246,272 | 15,780,631 |
| | 19,825,222 | 20,098,507 |
| Less: Paid during the period | 13,598,139 | 15,519,557 |
| | **6,227,083** | **4,578,950** |

**16.1 Trade Creditors**

Ageing of the above trade payables is given below:

| | upto 1 month | 1-3 Months | 3-6 months | Above 6 months | Total |
|---|---|---|---|---|---|
| Suppliers | **-** | **4,483,500** | **1,743,583** | **-** | **6,227,083** |

A schedule of trade creditors is given in Annexure-C.

| | | 31.12.2010 Taka | 30.06.2010 Taka |
|---|---|---|---|
| **17. Current Portion of Long Term Loan** | | | |
| One Bank Limited, term loan | (Note: 17.1) | 51,271,800 | 51,271,800 |
| AB Bank Limited, term loan | (Note: 17.2) | 71,300,000 | 54,188,000 |
| | | **122,571,800** | **105,459,800** |
| **17.1 Current Portion of Term Loan from One Bank Limited** | | | |
| A/c 16434-248 | | 15,300,000 | 15,300,000 |
| A/c 16434-434 | | 29,352,000 | 29,352,000 |
| A/c 183121-871 | | 6,619,800 | 6,619,800 |
| | | **51,271,800** | **51,271,800** |
| **17.2 Current Portion of Term Loan from AB Bank Limited** | | | |
| A/c 460 | | 19,400,000 | 19,400,000 |
| A/c 461 | | 2,820,000 | 2,820,000 |
| A/c 462 | | 9,248,000 | 9,248,000 |
| A/c 463 | | 22,720,000 | 22,720,000 |
| A/c -464 | | 17,112,000 | - |
| | | **71,300,000** | **54,188,000** |
| **18. Lease Obligation** | | | |
| Opening Balance | | 571,451 | 2,687,857 |
| Add: Interest for the period | | 21,526 | 268,725 |
| | | 592,977 | 2,956,582 |
| Less: Paid during the period | | 592,977 | 2,385,131 |
| | | **-** | **571,451** |

18.1 The company had enjoyed the above lease facility of Premier Bank Limited under the terms and conditions given below:

Premier Bank LTd.
Limit amount: 4,100,000
Interest rate: 16% p.a.
Purpose: Purchase of motor vehicle
Tenor: Four years

| | | 31.12.2010 Taka | 30.06.2010 Taka |
|---|---|---|---|
| **19. Current portion of liabilities for imported machineries** | | | |
| Opening Balance | | 24,000,000 | - |
| Add: Interest during the period/Addition during the period | | 1,430,663 | 24,000,000 |
| Less: Paid during the period | | 616,000 | - |
| | | 24,814,663 | 24,000,000 |
| Less: Transferred to time loan during the period - AB Bank Ltd. | (Note: 20.2) | 24,814,663 | - |
| | | **-** | **24,000,000** |
| **20. Short Term Loan** | | | |
| One Bank Ltd. Time Loan-Uttara Br. | (Note: 20.1) | 412,342,171 | 401,676,631 |
| AB Bank Ltd. Time Loan- Uttara Br. | (Note: 20.2) | 146,867,918 | 122,320,923 |
| One Bank Ltd.,Overdraft, A/c 183121-006 -Uttara Br. | | 10,305,546 | 10,324,555 |
| AB Bank Ltd.: Overdraft, A/c 757375-000 - Uttara Br. | | 25,612,123 | 24,947,866 |
| | | **595,127,758** | **559,269,975** |

## 20.1 Time Loan from One Bank Ltd. Uttara Br.

| | 31.12.2010 Taka | 30.06.2010 Taka |
|---|---|---|
| Time loan, A/c 183121-804 | - | 13,678,489 |
| Time loan, A/c 183121-839 | - | 92,440,702 |
| Time loan, A/c 183121-863 | - | 579,371 |
| Time loan, A/c 183121-898 | - | 43,460,839 |
| Time loan, A/c 183121-936 | - | 57,381,747 |
| Time loan, A/c 183121-944 | - | 51,516,667 |
| Time loan, A/c 183121-952 | - | 61,148,333 |
| Time loan, A/c 183121-979 | 32,285,896 | 30,238,333 |
| Time loan, A/c 183121-987 | 18,580,220 | 21,066,039 |
| Time loan, A/c 183121-995 | 10,742,182 | 10,057,778 |
| Time loan, A/c 184443-007 | 21,471,634 | 20,108,333 |
| Time loan, A/c 184443-015 | 21,281,361 | - |
| Time loan, A/c 184443-023 | 42,542,779 | - |
| Time loan, A/c 184443-031 | 4,235,378 | - |
| Time loan, A/c 184443-058 | 5,264,123 | - |
| Time loan, A/c 184443-066 | 57,904,351 | - |
| Time loan, A/c 184443-074 | 6,280,928 | - |
| Time loan, A/c 184443-082 | 20,900,792 | - |
| Time loan, A/c 184443-104 | 6,265,258 | - |
| Time loan, A/c 184443-112 | 51,611,241 | - |
| Time loan, A/c 184443-139 | 14,590,272 | - |
| Time loan, A/c 184443-147 | 20,590,019 | - |
| Time loan, A/c 184443-155 | 22,640,575 | - |
| Time loan, A/c 184443-163 | 6,172,171 | - |
| Time loan, A/c 184443-171 | 16,922,725 | - |
| Time loan, A/c 184443-198 | 17,012,578 | - |
| Time loan, A/c 184443-201 | 3,967,196 | - |
| Time loan, A/c 184443-228 | 11,080,492 | - |
| | **412,342,171** | **401,676,631** |

Particulars of the above time loans are given below:

| Bank | Loan Account | Particulars |
|---|---|---|
| One Bank Limited | Time loan, A/c 183121-804 | Limit amount: 500,000,000 |
| | Time loan, A/c 183121-839 | Purpose: Working capital expenses |
| | Time loan, A/c 183121-863 | Interest rate: 13% |
| | Time loan, A/c 183121-898 | Tenor: One year |
| | Time loan, A/c 183121-936 | Nature: Revolving |
| | Time loan, A/c 183121-944 | Security: Hypo of Inventory |
| | Time loan, A/c 183121-952 | |
| | Time loan, A/c 183121-979 | |
| | Time loan, A/c 183121-987 | |
| | Time loan, A/c 183121-995 | |
| | Time loan, A/c 184443-007 | |

## 20.2 Time Loan from AB Bank Ltd. Uttara Br.

| | | 31.12.2010 Taka | 30.06.2010 Taka |
|---|---|---|---|
| Time loan, A/c 757375-506 | | - | 31,313,766 |
| Time loan, A/c 757375-507 | | - | 30,942,500 |
| Time loan, A/c 757375-508 | | - | 8,549,947 |
| Time loan, A/c 757375-509 | | - | 10,187,777 |
| Time loan, A/c 757375-510 | | - | 21,153,600 |
| Time loan, A/c 757375-511 | | - | 20,173,333 |
| Time loan, A/c 757375-514 | (Note-19) | 24,814,663 | - |
| Time loan, A/c 757375-515 | | 7,860,037 | - |
| Time loan, A/c 757375-516 | | 3,547,858 | - |
| Time loan, A/c 757375-517 | | 7,808,033 | - |
| Time loan, A/c 757375-518 | | 24,713,846 | - |
| Time loan, A/c 757375-519 | | 19,596,811 | - |
| Time loan, A/c 757375-520 | | 20,267,222 | - |
| Time loan, A/c 757375-521 | | 20,267,222 | - |
| Time loan, A/c 757375-522 | | 10,133,611 | - |
| Time loan, A/c 757375-523 | | 7,858,615 | - |
| | | **146,867,918** | **122,320,923** |

Particulars of the above time loans are given below:

| Bank | Loan Account | Particulars |
|---|---|---|
| AB Bank Limited | Time loan, A/c 757375-506<br>Time loan, A/c 757375-507<br>Time loan, A/c 757375-508<br>Time loan, A/c 757375-509<br>Time loan, A/c 757375-510<br>Time loan, A/c 757375-511 | Limit amount: 150,000,000<br>Purpose: Working capital expenses, import capital machineries<br>Interest rate: 13% p.a.<br>Tenor: One year<br>Nature: Revolving<br>Security: Hypo of Inventory |
| | Overdraft, A/c 757375-000 | Limit amount: 20,000,000<br>Purpose: Meet up operational expenses<br>Interest rate: 13% p.a.<br>Tenor: One year<br>Nature: Revolving<br>Security: Hypo of Inventory |
| One Bank Limited | Overdraft, A/c 183121-006 | Limit amount: 10,000,000<br>Purpose: Working capital expenses<br>Interest rate: 13% p.a.<br>Tenor: One year<br>Nature: Revolving<br>Security: Hypo of Inventory |

| | 31.12.2010 Taka | 30.06.2010 Taka |
|---|---|---|
| **21. Provision for Income Tax** | | |
| Opening Balance | 4,506,301 | 3,073,916 |
| Add: Provision during the period | 5,421,924 | 4,506,301 |
| | 9,928,225 | 7,580,217 |
| Less: Adjustment during the period | 4,506,301 | 3,073,916 |
| | **5,421,924** | **4,506,301** |
| **22. Liabilities for Expenses** | | |
| Salary & Allowances | 1,120,690 | 975,365 |
| Wages & Allowances | 42,565,201 | 42,381,741 |
| Rent | 310,951 | 310,951 |
| Gas Bills | 2,390,534 | 2,150,926 |
| Telephone Bills | 30,751 | 50,261 |
| Audit Fee | 150,000 | 230,000 |
| Electricity Bills | 620,325 | 230,373 |
| Workers' Profit Participation Fund (WPPF) | 8,313,667 | 4,021,383 |
| Other liabilities | 2,240,257 | 1,511,819 |
| | **57,742,376** | **51,862,819** |
| **23. Bills Payable** | | |
| Opening Balance | 307,086,974 | 163,348,685 |
| Add: Addition during the period | 237,910,478 | 306,450,334 |
| | 544,997,452 | 469,799,019 |
| Less: Paid during the period | 481,239,305 | 162,712,045 |
| | **63,758,147** | **307,086,974** |

A schedule of bills payable is given in Annexure-D.

| | | July 2010 to Dec. 2010 Taka | July 2009 to Dec. 2009 Taka |
|---|---|---|---|

## 24. Sales

| | | | |
|---|---|---|---|
| Sales | (Note: 32.1 (a) | 1,355,481,103 | 1,153,444,646 |
| Less: Sales Return | | - | - |
| | | **1,355,481,103** | **1,153,444,646** |

## 25. Cost of Goods Sold

| | | | |
|---|---|---|---|
| Opening stock of raw materials | | 157,886,317 | 161,254,875 |
| Add: Purchased during the year | | 669,250,265 | 894,563,950 |
| | | 827,136,582 | 1,055,818,825 |
| Less: Closing stock of raw materials | | 143,153,185 | 106,052,697 |
| Raw materials consumed | (Note: 25.1) | 683,983,397 | 949,766,128 |
| Add: Opening stock of work-in-process | | 361,859,234 | 49,858,743 |
| | | 1,045,842,631 | 999,624,871 |
| Less: Closing stock of work-in-process | | 269,675,890 | 255,060,987 |
| | | 776,166,741 | 744,563,884 |
| Add: Conversion Cost | (Note: 25.2) | 340,215,825 | 359,473,550 |
| Cost of goods manufactured | | 1,116,382,566 | 1,104,037,434 |
| Add: Opening stock of finished goods | | 287,275,598 | 126,395,876 |
| Cost of goods available for sale | | 1,403,658,164 | 1,230,433,310 |
| Less: Closing stock of finished goods | | 229,565,986 | 206,750,890 |
| | | **1,174,092,178** | **1,023,682,420** |

### 25.1 Raw Materials Consumed

| Particulars | Yarn | Accessories & Packing Materials | Total |
|---|---|---|---|
| | Taka | Taka | Taka |
| Opening stock | 145,055,658 | 12,830,659 | 157,886,317 |
| Add: Purchase | 587,286,485 | 81,963,780 | 669,250,265 |
| Raw material available for consumption | 732,342,143 | 94,794,439 | 827,136,582 |
| Less: Closing stock | 133,182,677 | 9,970,508 | 143,153,185 |
| **Raw material consumed** | **599,159,466** | **84,823,931** | **683,983,397** |

| | | July 2010 to Dec. 2010 Taka | July 2009 to Dec. 2009 Taka |
|---|---|---|---|
| **25.2** | **Conversion Cost** | | |
| | Wages | 277,345,171 | 291,722,317 |
| | Gas Bills | 6,061,465 | 6,216,696 |
| | Electric Bill | 1,386,524 | 1,533,918 |
| | Telephone/Mobile Bill | 31,177 | 210,257 |
| | Factory Maintenance | 6,375,099 | 2,569,876 |
| | Repair of Vehicle | 114,419 | 256,987 |
| | Factory Rent | 1,685,706 | 1,685,706 |
| | Space Rent | 340,272 | 340,272 |
| | Fuel & Lubricant | 841,802 | 1,890,680 |
| | Holiday Allowances | 716,738 | 890,257 |
| | Printing & Stationery | 721,050 | 525,987 |
| | Conveyance | 647,492 | 489,573 |
| | Medical Expenses | 103,803 | 165,201 |
| | Tiffin Expenses | 290,354 | 958,796 |
| | Depreciation | 43,554,753 | 49,111,002 |
| | | **340,215,825** | **359,473,550** |

**26. Administrative Expenses**

| | | | |
|---|---|---|---|
| Salary & Allowance | | 3,366,480 | 3,150,367 |
| Managing Director's Remuneration | (Note: 26.1) | 327,600 | 327,600 |
| Directors Remuneration | (Note: 26.2) | 196,000 | 116,000 |
| Stationery | | 216,563 | 410,258 |
| Conveyance | | 134,932 | 121,435 |
| Office Rent | | 90,000 | 90,000 |
| Entertainment | | 113,464 | 90,257 |
| Office Maintenance | | 8,360 | 65,879 |
| Fuel for Vehicle | | 103,885 | 5,259 |
| Electricity Bill | | 38,037 | 30,257 |
| Telephone /Mobile Bill | | 44,277 | 210,258 |
| Postage & Courier | | 143,742 | 6,589 |
| Audit Fees | | 300,000 | 115,000 |
| Renewal & Registration | | 70,508 | 60,258 |
| Miscellaneous Expenses | | 103,407 | 190,630 |
| Depreciation | | 141,803 | 156,778 |
| Amortization of Preliminary Expenses | | - | 212,231 |
| Amortization of Pre Operational Expenses | | - | 77,325 |
| | | **5,399,058** | **5,436,381** |

**26.1 Managing Director's Remuneration**

| | | |
|---|---|---|
| Remuneration | 117,600 | 117,600 |
| House Rent Benefit | 210,000 | 210,000 |
| | **327,600** | **327,600** |

No other remuneration or special payment except as mentioned above was made to the Managing Director during the period 2010.

**26.2 Directors Remuneration**

Article 121 of the Articles of Association of the company allows payment of remuneration to Directors of the company. No other remuneration or special payment except as mentioned above was made to the Directors during the period 2010. Nothing is due from any Director of the Company as on the date of closing the accounts. During the period under audit four Board of Directors' meetings were held.

**27. Selling & Distribution Expenses**

| | | |
|---|---|---|
| Salary & Allowance | 4,021,138 | 3,450,658 |
| Freight Charges | 4,333,879 | 4,560,257 |
| B/L Charges | 1,845,257 | 1,125,698 |
| Buying Commission | 4,231,597 | 4,025,687 |
| Traveling & Conveyance | 261,232 | 101,321 |
| Vehicle Maintenance | 352,529 | 258,790 |
| Cleaning & Forwarding | 5,467,165 | 3,865,025 |
| Fuel for Vehicle | 161,176 | 210,987 |

| | July 2010 to Dec. 2010 Taka | July 2009 to Dec. 2009 Taka |
|---|---|---|
| Sampling Expenses | 1,020,119 | 20,656 |
| Postage & Courier | 330,591 | 790,658 |
| Carriage Outward | 862,390 | 102,590 |
| Fees & forms | 264,909 | 46,578 |
| Business Promotion | 808,248 | 525,907 |
| | **23,960,230** | **19,084,812** |

**28. Financial Expense**

| | | |
|---|---|---|
| Bank Charge & Commission | 10,627,567 | 11,720,659 |
| Bank Interest | 55,556,406 | 36,515,470 |
| | **66,183,973** | **48,236,129** |

**29. Provision for income tax**

| | | |
|---|---|---|
| Provision for income tax | **5,421,924** | **2,883,612** |

As per section 53BBBB of the Income Tax Ordinance 1984 tax has been deducted at source from export proceeds @ 0.50% and the rate has been reduced to @ 0.40% from 1st October 2010 and the deducted amount is treated as the final settlement as final discharge of income tax liability of the company under the provision of section 82(c).

**30. Earning Per Share (Basic earning per share-BAS - 33)**

| | | |
|---|---|---|
| Net profit after tax (Numerator) | 76,131,456 | 51,271,047 |
| Number of ordinary shares outstanding (Denominator) | 25,000,000 | 10,000,000 |
| Earning Per Share (EPS) | **3.05** | **5.13** |

**Restated:**

| | | |
|---|---|---|
| Net profit after tax (Numerator) | | 51,271,047 |
| Number of ordinary shares outstanding (Denominator) | | 25,000,000 |
| Earning Per Share (EPS) | | **2.05** |

| | | |
|---|---|---|
| **30.1 Earning Per Share (Annualized)** | **6.09** | **4.10** |

**31. Net Asset Value (NAV) Per Share**

| | | |
|---|---|---|
| Total Assets | 2,183,107,204 | 2,091,546,754 |
| Less: Intangible Assets | - | - |
| Liabilities | 1,032,779,622 | 1,037,979,564 |
| Net Asset Value(NAV) | 1,150,327,582 | 1,053,567,190 |
| Number of ordinary shares outstanding (Denominator) | 25,000,000 | 10,000,000 |
| Net Asset Value (NAV) Per Share | **46.01** | **105.36** |

**Restated:**

| | | |
|---|---|---|
| Net Assets (Total Assets-intangible assets- Liabilities) | | 1,053,567,190 |
| Number of ordinary shares outstanding (Denominator) | | 25,000,000 |
| Net Asset Value (NAV) Per Share | | **42.14** |

**31.1 Net Operating Cash Flow Per Share (NOCFPS)**

| | | |
|---|---|---|
| Net Operating Cash Flows | (23,165,163) | 47,693,214 |
| Number of ordinary shares outstanding (Denominator) | 25,000,000 | 25,000,000 |
| Net Operating Cash Flows per share | **(0.93)** | **1.91** |

| | | |
|---|---|---|
| **31.2 Net Operating Cash Flows Per Share (NOCFPS) -Annualized** | **(1.85)** | **3.82** |

## 32. Other Commitments, Contingencies and relevant information

### 32.1 Quantity wise schedule as required under Para 3, Schedule XI, Part II of the Companies Act, 1994

Quantity wise schedules of sales, raw material consumed and opening and closing stock of finished goods relating to the financial statements for the half year ended 31 December 2010 as required under Para 3, Schedule XI, Part II of the Companies Act 1994 are given below:

**a. Sales:**

| Particulars | 01.07.2010 to 31.12.2010 | | 01.07.2009 to 31.12.2009 | |
|---|---|---|---|---|
| | Quantity (Pcs) | Amount in Taka | Quantity (Pcs) | Amount in Taka |
| Domestic Sales | - | - | - | - |
| Export Sales | 4,224,078 | 1,355,481,103 | 3,722,481 | 1,153,444,646 |
| **Total** | **4,224,078** | **1,355,481,103** | **3,722,481** | **1,153,444,646** |

**b. Raw Materials Consumed in Quantities:**

| Particulars | Yarn (Lbs) | Yarn (Lbs) |
|---|---|---|
| Opening stock | 980,105 | 1,056,508 |
| Add: Purchase | 3,941,520 | 5,317,612 |
| Raw material available for consumption | 4,921,625 | 6,374,120 |
| Less: Closing stock | 847,060 | 659,304 |
| **Raw material consumed** | **4,074,565** | **5,714,816** |

**c. Particulars in respect of opening stock, sales and closing stock of finished goods:**

| Period | Opening stock | | Closing stock | | Sales | |
|---|---|---|---|---|---|---|
| | Quantity (in Pcs) | Value in Taka | Quantity (in Pcs) | Value Taka | Quantity (in metric ton) | Value in Taka |
| July to Dec. 2010 | 944,663 | 287,275,598 | 819,878 | 229,565,986 | 4,199,078 | 1,355,481,103 |
| July to Dec. 2009 | 506,769 | 126,395,876 | 741,042 | 206,750,890 | 3,722,481 | 1,153,444,646 |

### 32.2 Information as per requirement of Para 8, Schedule XI, Part II, of The Companies Act 1994

Disclosure under Para 8, Schedule XI, Part II of the Companies Act, 1994 are as under:

Raw materials:

| Items | Purchase in Taka | | | Consumption in Taka | % of Consumption of Total Purchase |
|---|---|---|---|---|---|
| | Import | Local | Total | | |
| Yarn | 587,286,485 | - | 587,286,485 | 599,159,466 | 100% |
| Accessories & Packing Mater. | 73,893,126 | 8,070,654 | 81,963,780 | 84,823,931 | 100% |
| **Total** | **661,179,611** | **8,070,654** | **669,250,265** | **683,983,397** | |

The value of imported raw materials is calculated on CIF basis.

Foreign exchange earning USD 19,531,416 equivalent to BDT 1,355,481,103 in respect of export (July-2010 to December-2010) has been calculated on F.O.B basis.

### 32.3 Contingencies

As on 31 December 2010 the company had contingencies of Tk. 2.5 million in respect of letter of guarantee in One Bank Limited.

### 32.4 Number of Employees

The company had 3225 permanent employees and 8790 employees on contract basis as at 31 December 2010 (2010:10,610). All permanent employees receive salary & allowances in excess of Tk.36,000 per annum per employee.

| 32.5 Capacity Utilization | 31.12.2010 Taka | 31.12.2009 Taka |
|---|---|---|
| Total Production Capacity in Pcs (Half yearly) | 48,000,000 | 4,800,000 |
| Capacity Utilized in Pcs for the Period | 3,979,973 | 3,956,754 |
| Capacity Utilized for the Period | 82.92% | 82.43% |

Production capacity of the company is 9,600,000 Pcs per year.

**32.6 Capital expenditure commitment**

There was no capital expenditure commitment or contract at 31 December 2010. There was no material capital expenditure authorized by the Board but not contracted for at 31 December 2010.

**32.7 Directors' interest in contracts with the company**

There was no transaction resulting in Directors' interest with the company and no leasing facilities have been made available to the Directors.

**32.8 Foreign remittances**

No remittances was made in foreign currency on account of dividend, royalty, technical experts, professional advisor fees, interest, etc.

**32.9 Related party disclosures**

**Related party transactions**

During the period, the company carried out a number of transactions with related parties in the normal course of business and on an arms' length basis. The name of these related parties, nature of these transactions and their total value have been set out in accordance with the provisions of BAS 24: Related Party Disclosure.

| Name of the Party | Nature of Transactions | Nature of Relationship | Transactions Value (Taka) | |
|---|---|---|---|---|
| | | | 01 July 2010 to 31 Dec. 2010 | 01 July 2009 to 31 Dec. 2009 |
| Givensee Spinning C & F | Clearing & forwarding Service | Sister Concern | 2,558,778 | 2,045,654 |
| Givensee Garments Accessories Ltd. | Accessories & Packing Materials Supply | -do- | 35,025,450 | 11,504,321 |
| Givesee Spinning Mills Ltd. | Raw Yarn Supply | -do- | 21,025,780 | 12,654,258 |
| Masuma Khatun Textile Industries Ltd. | Died Yarn Supply | -do- | 151,025,690 | 102,124,687 |
| Givensee Foods & Essentials Ltd. | Nasta Supply | -do- | 290,354 | 275,658 |

**ii) Particulars of Directors of Zahintex Industries Ltd. as at 31 December 2010:**

| Name of Directors | BOD of Zahintex Industries Ltd. | Entities where they have interests |
|---|---|---|
| Mr. Khatib Abdul Zahid Mukul | Chairman & Managing Director | Givensee Spinning Mills Ltd.<br>Hotapara Garments Ltd.<br>Masuma Khatun Textile Industries Ltd.<br>Givensee Garments Ltd.<br>Givensee Garments Accessories Ltd.<br>Givensee Real Estate Ltd.<br>Khatib Hamid Denim Ltd.<br>Givensee Foods & Essentials Ltd. |
| Mrs. Masuma Khatun Lipa | Director | Givensee Spinning Mills Ltd.<br>Hotapara Garments Ltd.<br>Masuma Khatun Textile Industries Ltd.<br>Givensee Garments Ltd.<br>Givensee Garments Accessories Ltd.<br>Givensee Real Estate Ltd.<br>Khatib Hamid Denim Ltd.<br>Givensee Foods & Essentials Ltd. |
| Mr. Khatib Mahboob Akhter Rubel | Director | Hotapara Garments Ltd.<br>Khatib Hamid Denim Ltd. |
| Mr. Aminul Islam | Director | - |
| Mr. Kazi Mushahidur Rahman | Director | - |

| | Sd/- | Sd/- | Sd/- |
|---|---|---|---|
| Dhaka, | Director | Director | Managing Director |
| 26 January 2011 | | | |

**Annexure-A**

## Zahintex Industries Ltd.

**Schedule of Property, Plant & Equipments**
**As of 31 December 2010**

Figures are in Taka

| Name of assets | Cost | | | | | Depreciation | | | | Written Down Value as of 31.12.2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance as of 01.07.2010 | Addition during the period | Adjustment/ Transfer during the period | Balance as of 31.12.2010 | Rate % | Balance as of 01.07.2010 | Charged during the period | Adjustment/ Transfer during the period | Balance as of 31.12.2010 | |
| **a. Freehold assets** | | | | | | | | | | |
| **Factory** | | | | | | | | | | |
| Land & Land Development | 45,540,075 | - | - | 45,540,075 | - | - | - | - | - | 45,540,075 |
| Building Factory | 245,381,761 | - | - | 245,381,761 | 7.5% | 54,916,843 | 7,142,434 | - | 62,059,277 | 183,322,484 |
| Plant & Machinery | 418,822,898 | 8,116,268 | - | 426,939,166 | 15% | 144,364,293 | 21,193,116 | - | 165,557,408 | 261,381,758 |
| Vehicle | 8,750,851 | - | 4,100,000 | 12,850,851 | 10% | 3,570,029 | 388,805 | 1,504,720 | 5,463,554 | 7,387,297 |
| Electrical Installation | 5,868,227 | 650,257 | - | 6,518,484 | 15% | 1,614,701 | 367,784 | - | 1,982,485 | 4,535,999 |
| | 724,363,813 | 8,766,525 | 4,100,000 | 737,230,338 | | 204,465,865 | 29,092,139 | 1,504,720 | 235,062,724 | 502,167,614 |
| **Administrative** | | | | | | | | | | |
| Office Decoration | 1,194,593 | - | - | 1,194,593 | 10% | 386,112 | 40,424 | - | 426,536 | 768,057 |
| Office Equipment | 1,797,528 | - | - | 1,797,528 | 10% | 488,788 | 65,437 | - | 554,225 | 1,243,303 |
| Furniture & Fixtures | 1,014,320 | 14,048 | - | 1,028,368 | 10% | 309,529 | 35,942 | - | 345,471 | 682,897 |
| | 4,006,441 | 14,048 | - | 4,020,489 | | 1,184,429 | 141,803 | - | 1,326,232 | 2,694,257 |
| **Sub-Total** | 728,370,254 | 8,780,573 | 4,100,000 | 741,250,827 | | 205,650,294 | 29,233,942 | 1,504,720 | 236,388,956 | 504,861,871 |
| **b. Revalued Asset** | | | | | | | | | | |
| Land & Land Development | 503,587,425 | - | - | 503,587,425 | - | - | - | - | - | 503,587,425 |
| Building Factory | 196,336,042 | - | - | 196,336,042 | 7.5% | 14,725,203 | 6,810,406 | - | 21,535,610 | 174,800,432 |
| Plant & Machinery | 120,034,635 | - | - | 120,034,635 | 15% | 18,005,195 | 7,652,208 | - | 25,657,403 | 94,377,232 |
| **Sub-Total** | 819,958,102 | - | - | 819,958,102 | | 32,730,398 | 14,462,614 | - | 47,193,013 | 772,765,089 |
| **Total Freehold Assets** | **1,548,328,356** | **8,780,573** | **4,100,000** | **1,561,208,929** | | **238,380,693** | **43,696,556** | **1,504,720** | **283,581,969** | **1,277,626,960** |
| **c. Leased Asset** | | | | | | | | | | |
| Vehicle | **4,100,000** | **-** | **(4,100,000)** | **-** | 10% | **1,504,720** | **-** | **(1,504,720)** | **-** | **-** |
| **Total as on 31 December 2010 (a+b+c)** | **1,552,428,356** | **8,780,573** | **-** | **1,561,208,929** | | **239,885,413** | **43,696,556** | **-** | **283,581,969** | **1,277,626,960** |
| **Total as on 30 June 2010** | **1,082,537,027** | **473,381,329** | **3,490,000** | **1,552,428,356** | | **141,349,851** | **98,535,562** | **2,287,079** | **239,885,413** | **1,312,542,943** |

**Zahintex Industries Ltd.**

**Annexure-B**

**Schedule of Bills Receivable**
**As at 31st December 2010**

**(Amount in Taka)**

| Particulars | Balance as on 01.07.2010 | Addition during the Period | Realized during the period | Balance as on 31.12.2010 |
|---|---|---|---|---|
| AGORA | 7,924,324 | - | 7,924,324 | - |
| C & A | 2,264,187 | 52,025,690 | 3,455,854 | 50,834,023 |
| CHICTEX | 145,942 | 8,590,587 | 5,705,008 | 3,031,521 |
| K & L | 4,234,983 | 25,069,870 | 18,351,209 | 10,953,644 |
| K - MAIL | 7,393,455 | 14,058,796 | 3,595,085 | 17,857,166 |
| SRG | 12,588,360 | 31,125,478 | 43,713,838 | - |
| TEDDY | 18,932,424 | - | 18,932,424 | - |
| TEMA | 15,665,657 | 40,558,957 | 37,883,461 | 18,341,153 |
| H & M | - | 31,025,697 | 3,122,265 | 27,903,432 |
| NKD | - | 7,599,245 | 7,599,245 | - |
| Uniteks | - | 17,635,856 | - | 17,635,856 |
| Others | 29,420,913 | 35,258,970 | 41,613,252 | 23,066,631 |
| **Total** | **98,570,245** | **262,949,146** | **191,895,965** | **169,623,426** |

**Annexure-C**

**Zahintex Industries Ltd.**
**Schedule of Trade Creditors**
**As at 31st December 2010**

(Amount in Taka)

| Particulars | Balance as on 01.07.2010 | Addition during the Period | Realized during the period | Balance as on 31.12.2010 |
|---|---|---|---|---|
| Bagura Hardware | 107,310 | 338,809 | 160,258 | 285,861 |
| Sakil Enterprise | 625,599 | 11,165,972 | 10,825,698 | 965,873 |
| Colour Chem International | 176,000 | 84,257 | | 260,257 |
| Dhaka Traders | 726,729 | 393,774 | 310,247 | 810,256 |
| Electro Power | 82,798 | 318,074 | 210,247 | 190,625 |
| Energypac Power Generaration | 91,689 | - | 91,689 | - |
| Fair Plastic | 150,915 | 259,672 | 150,000 | 260,587 |
| Rashid Enterprise | 253,200 | 105,770 | 100,000 | 258,970 |
| Givensee Spinning C & F | 2,166,919 | 2,558,778 | 1,700,000 | 3,025,697 |
| Moni trading Corporation | 197,791 | 21,166 | 50,000 | 168,957 |
| **Total** | **4,578,950** | **15,246,272** | **13,598,139** | **6,227,083** |

Annexure-D

## Zahintex Industries Ltd.

### Schedule of Bills Payable
### As at 31st December 2010

(Amount in Taka)

| Particulars | Balance as on 01.07.2010 | Addition during the Period | Realized during the period | Balance as on 31.12.10 |
|---|---|---|---|---|
| ATOZ | 16,588,770 | 4,580,259 | 21,169,029 | - |
| Givensee Garments Accessories Ltd. | 17,462,510 | 35,025,450 | 50,752,357 | 1,735,603 |
| Givesee Spinning | 13,640,800 | 21,025,780 | 34,666,580 | - |
| Masuma Tex | 156,509,534 | 151,025,690 | 252,545,088 | 54,990,136 |
| Fullwise | 1,519,800 | 11,025,950 | 12,545,750 | - |
| Hamid Denim | 17,617,032 | - | 17,617,032 | - |
| JIANGSU | 74,272,062 | 2,525,450 | 76,431,978 | 365,534 |
| YKK | 1,301,427 | - | 611,427 | 690,000 |
| Nafiza Tex | 7,825,440 | 6,725,025 | 14,550,465 | - |
| YCC Zipper | 349,600 | - | 349,600 | - |
| SAN. Int. | - | 2,760,000 | - | 2,760,000 |
| PPPL | - | 722,478 | - | 722,478 |
| Colour Fashion | - | 119,182 | - | 119,182 |
| Fashion Zone | - | 669,766 | - | 669,766 |
| Swiss Tex | - | 463,788 | - | 463,788 |
| Pride Corp | - | 690,000 | - | 690,000 |
| Others | - | 551,659 | - | 551,659 |
| **Total** | **307,086,974** | **237,910,478** | **481,239,305** | **63,758,147** |

## Zahintex Industries Ltd.

### Auditors' Report under section 135(1) and paragraph 24(1) of Part -II of Third Schedule of the Companies Act 1994

We have examined the financial statements of M/s. Zahintex Industries Limited for the years ended 30 June 2006, 2007, 2008, 2009 and 2010 and for the period from 01 July 2010 to 31 December 2010. In pursuance of Section 135(1) under Paragraph 24(1) of Part -II of Third Schedule of the Companies Act 1994 our report is as under:

**A. Statement of Assets and Liabilities:**

Amount in Taka

| | As At | | | | | |
|---|---|---|---|---|---|---|
| | **31.12.2010** | **30.06.2010** | **30.06.2009** | **30.06.2008** | **30.06.2007** | **30.06.2006** |
| **ASSETS** | | | | | | |
| Property, plant and equipment | 1,277,626,960 | 1,312,542,943 | 941,187,176 | 349,586,161 | 313,833,065 | 190,108,980 |
| Capital work-in-progress | 56,831,850 | 16,684,873 | 1,025,850 | - | - | - |
| **Total non-current assets** | **1,334,458,810** | **1,329,227,816** | **942,213,026** | **349,586,161** | **313,833,065** | **190,108,980** |
| **Investment in shares** | **100,000** | **100,000** | **100,000** | **100,000** | **-** | **-** |
| Inventories | 649,393,620 | 814,679,459 | 344,293,670 | 182,118,467 | 137,513,812 | 16,644,489 |
| Bills receivables | 169,623,426 | 98,570,245 | 31,095,789 | 121,708,313 | 89,612,126 | 8,596,786 |
| Advances, deposits and prepayments | 10,801,499 | 9,376,803 | 8,395,530 | 6,585,657 | 6,478,490 | 3,559,464 |
| Advance income tax | 5,421,924 | 4,506,301 | - | - | - | - |
| Cash and bank balance | 13,307,925 | 36,749,236 | 65,802,096 | 42,911,732 | 44,033,748 | 17,421,462 |
| **Total current assets** | **848,548,394** | **963,882,044** | **449,587,085** | **353,324,169** | **277,638,176** | **46,222,201** |
| Pre-operational expenses | - | - | 212,231 | 235,813 | 262,014 | 291,127 |
| Preliminary expenses | - | - | 77,325 | 85,917 | 95,463 | 106,070 |
| **Total deferred expenditures** | **-** | **-** | **289,556** | **321,730** | **357,477** | **397,197** |
| **Total assets** | **2,183,107,204** | **2,293,209,859** | **1,392,189,667** | **703,332,060** | **591,828,718** | **236,728,378** |
| **EQUITY AND LIABILITIES** | | | | | | |
| **Shareholders' equity** | | | | | | |
| Share capital | 250,000,000 | 100,000,000 | 100,000,000 | 100,000,000 | 100,000,000 | 100,000,000 |
| Revaluation surplus | 772,765,090 | 787,227,704 | 480,638,212 | - | - | - |
| Retained earnings | 127,562,493 | 186,968,422 | 82,338,042 | 54,721,047 | 29,114,143 | 8,477,639 |
| **Total shareholders' equity** | **1,150,327,582** | **1,074,196,126** | **662,976,254** | **154,721,047** | **129,114,143** | **108,477,639** |
| **Liabilities** | | | | | | |
| Long term borrowing net off curent maturity | 181,930,534 | 90,677,463 | 311,602,309 | 61,976,002 | 48,917,518 | 33,380,672 |
| Lease obligation | - | - | 571,451 | 3,792,158 | 2,789,400 | - |
| Liabilities for imported machineries | - | 71,000,000 | - | 7,359,769 | 9,146,940 | - |
| **Total non-current liabilities** | **181,930,534** | **161,677,463** | **312,173,760** | **73,127,929** | **60,853,858** | **33,380,672** |
| Trade creditors | 6,227,083 | 4,578,950 | 4,317,876 | 8,489,055 | 7,317,120 | - |
| Current portion of long term loan | 122,571,800 | 105,459,800 | 73,491,800 | 108,192,405 | 123,712,976 | 46,225,479 |
| Current portion of lease obligation | - | 571,451 | 2,116,406 | 1,971,151 | 4,800,818 | - |
| Current portion of liabilities for imported machineries | - | 24,000,000 | - | 44,940,231 | 56,782,163 | - |
| Short term loan | 595,127,758 | 559,269,975 | 148,069,285 | 152,202,118 | 58,231,174 | 36,876,769 |
| Provision for income tax | 5,421,924 | 4,506,301 | - | - | - | - |
| Liabilities for expenses | 57,742,376 | 51,862,819 | 25,695,601 | 22,824,111 | 15,819,565 | 6,291,879 |
| Bills payable | 63,758,147 | 307,086,974 | 163,348,685 | 136,864,013 | 135,196,901 | 5,475,940 |
| **Total current liabilities** | **850,849,088** | **1,057,336,271** | **417,039,653** | **475,483,084** | **401,860,717** | **94,870,067** |
| **Total liabilities** | **1,032,779,622** | **1,219,013,734** | **729,213,413** | **548,611,013** | **462,714,575** | **128,250,739** |
| **Total equity and liabilities** | **2,183,107,204** | **2,293,209,859** | **1,392,189,667** | **703,332,060** | **591,828,718** | **236,728,378** |

**B. Statement of Operating Results:**

Amount in Taka

| | July 2010 to December 2010 | July 2009 to June 2010 | July 2008 to June 2009 | July 2007 to June 2008 | July 2006 to June 2007 | July 2005 to June 2006 |
|---|---|---|---|---|---|---|
| | **Total** | **Total** | **Total** | **Total** | **Total** | **Total** |
| Sales | 1,355,481,103 | 1,802,520,400 | 1,229,566,560 | 1,143,177,956 | 927,680,388 | 453,862,520 |
| Less: Cost of goods sold | 1,174,092,178 | 1,575,515,586 | 1,095,481,627 | 1,022,629,801 | 836,081,231 | 410,735,854 |
| **Gross profit** | **181,388,925** | **227,004,814** | **134,084,933** | **120,548,155** | **91,599,157** | **43,126,666** |
| Other operating income | - | - | - | - | - | - |
| Administrative expenses | (5,399,058) | (10,395,443) | (11,383,462) | (9,221,629) | (10,843,844) | (8,792,774) |
| Selling and distribution expenses | (23,960,230) | (37,005,686) | (33,499,611) | (36,862,941) | (25,052,526) | (7,962,325) |
| **Operating profit** | **152,029,637** | **179,603,686** | **89,201,860** | **74,463,585** | **55,702,787** | **26,371,567** |
| Non-operating income | - | - | - | - | - | - |
| Financial expenses | (66,183,973) | (99,176,019) | (58,510,949) | (45,998,736) | (32,747,082) | (15,413,458) |
| Workers' profit participation fund (WPPF) | (4,292,283) | (4,021,383) | - | - | - | - |
| **Net profit before income tax for the period** | **81,553,381** | **76,406,283** | **30,690,911** | **28,464,849** | **22,955,705** | **10,958,109** |
| Less: Provision for Income Tax | 5,421,924 | 4,506,301 | 3,073,916 | 2,857,945 | 2,319,201 | 1,134,656 |
| **Net profit after tax for the period** | **76,131,456** | **71,899,982** | **27,616,995** | **25,606,904** | **20,636,504** | **9,823,453** |

## C. Statement of Cash Flows:

Amount in Taka

| | July 2010 to December 2010 | For the year July 2009 to June 2010 | July 2008 to June 2009 | July 2007 to June 2008 | July 2006 to June 2007 | July 2005 to June 2006 |
|---|---|---|---|---|---|---|
| **a. Cash flow from operating activities:** | | | | | | |
| Cash received from customers | 1,284,427,922 | 1,735,045,945 | 1,320,179,084 | 1,111,081,769 | 846,665,047 | 454,201,974 |
| Cash paid to suppliers | (1,246,032,172) | (1,901,902,012) | (1,235,343,336) | (1,064,395,409) | (819,912,474) | (418,694,413) |
| Cash paid for operating expenses | 10,044,986 | 72,588,551 | 9,074,037 | (3,274,805) | (811,662) | (3,214,381) |
| Cash paid for financial expenses | (66,183,973) | (99,176,019) | (58,510,949) | (45,998,736) | (32,747,082) | (15,413,458) |
| Income tax paid | (5,421,924) | (4,506,301) | (3,073,916) | (2,857,945) | (2,319,201) | (1,134,656) |
| **Net cash (used in) / flow from operating activities** | **(23,165,163)** | **(197,949,836)** | **32,324,919** | **(5,445,126)** | **(9,125,371)** | **15,745,066** |
| **b. Cash flow from investing activities:** | | | | | | |
| Purchase of fixed assets | (8,780,573) | (130,571,439) | (163,826,123) | (71,629,736) | (152,160,412) | (49,283,691) |
| Capital work in progress | (40,146,977) | (15,659,023) | (1,025,850) | - | - | - |
| Investment in shares | - | - | - | (100,000) | - | - |
| **Net cash (used in) / flow from investing activities** | **(48,927,550)** | **(146,230,462)** | **(164,851,973)** | **(71,729,736)** | **(152,160,412)** | **(49,283,691)** |
| **c. Cash flow from financing activities:** | | | | | | |
| Short term loan received/(repiad) | 28,969,783 | 411,200,690 | (4,132,833) | 93,970,944 | 21,354,405 | 14,246,443 |
| Lease obligation received/(paid) | (571,451) | (2,116,406) | (3,075,452) | (1,826,909) | 7,590,218 | - |
| Long term loan received /(repaid) | 20,253,071 | (93,956,846) | 162,625,702 | (16,091,190) | 158,953,446 | 24,696,241 |
| **Net cash (used in) / flow from financing activities** | **48,651,402** | **315,127,438** | **155,417,417** | **76,052,845** | **187,898,069** | **38,942,684** |
| **d. Net cash surplus / (deficit) for the period (a+b+c)** | **(23,441,311)** | **(29,052,860)** | **22,890,364** | **(1,122,017)** | **26,612,286** | **5,404,059** |
| **e.** Cash and bank balances at beginning of the period | 36,749,236 | 65,802,096 | 42,911,732 | 44,033,748 | 17,421,462 | 12,017,403 |
| **f. Cash and bank balances at end of the period** | **13,307,925** | **36,749,236** | **65,802,096** | **42,911,732** | **44,033,748** | **17,421,462** |

**Point to be noted:**
**The Statements of cash flows for the year ended 30 June 2009, 2008, 2007 and 2006 were not part of the Auditor's report and audited financial statements for the years then ended.**

## D. Dividend Declared:

| | | | | | | |
|---|---|---|---|---|---|---|
| Cash dividend-% | - | - | - | - | - | - |
| Stock dividend (Bonus shares)-% | 150 | - | - | - | - | - |

**E.** The company was incorporated on 11 June 2002;

**F.** The Statement of Assets and Liabilities (Statement of Financial Positions) as at 31 December 2010 and 30 June 2010 of the Company has been duly certified by us;

**G.** The Statement of Operating Results (Statement of Comprehensive Income) for the six months from 01 July 2010 to 31 December 2010 and for the year ended 30 June 2010 of the Company has been duly certified by us;

**H.** The Statement of Cash Flows for the six months from 01 July 2010 to 31 December 2010 and for the year ended 30 June 2010 of the Company are enclosed and certified by us;

**I.** The Company has no subsidiaries;

**K.** No proceeds or part of proceeds of the issue of shares were applied directly or indirectly by the company in the purchase of any other business;

**L.** The Company did not prepare any financial statements for any period subsequent to 31 December 2010; and

**M.** Figures related to previous years have been rearranged wherever considered necessary.

Dhaka,
23 February 2011

Sd/-
**ACNABIN**
**Chartered Accountants**

## Zahintex Industries Ltd.

### Statement of Ratio Analysis
### For the periods from 01 July 2005 to 31 December 2010

The following ratios have been computed from the audited financial statements of M/s. Zahintex Industries Limited for the period from 01 July 2010 to 31 December 2010 and for the years ended 30 June 2010, 2009, 2008, 2007 and 2006:

| | Name of Ratio | 01 July to 31 December 2010 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|
| | | Result | Result | Result | Result | Result | Result |
| **A.** | **Liquidity Ratios** | | | | | | |
| 1 | Current Ratio (Times) | 1.00 | 0.91 | 1.08 | 0.74 | 0.69 | 0.49 |
| 2 | Quick Ratio (Times) | 0.23 | 0.14 | 0.25 | 0.36 | 0.35 | 0.31 |
| 3 | Times Interest Earned Ratio (Times) | 2.30 | 1.81 | 1.52 | 1.62 | 1.70 | 1.71 |
| 4 | Debt to Equity Ratio (Times) | 0.90 | 1.13 | 1.10 | 3.55 | 3.58 | 1.18 |
| **B.** | **Operating Ratios** | | | | | | |
| 1 | Accounts Receivable Turnover Ratio | 10.11 | 27.80 | 16.09 | 10.82 | 18.89 | 52.67 |
| 2 | Inventory Turnover Ratio (Times) | 1.60 | 2.72 | 4.16 | 6.40 | 10.85 | 30.17 |
| 3 | Fixed Assets Turnover Ratio | 1.05 | 1.60 | 1.91 | 3.45 | 3.68 | 2.66 |
| 4 | Assets Turnover Ratio (Times) | 0.61 | 0.98 | 2.05 | 1.77 | 2.24 | 2.15 |
| **C.** | **Profitability Ratios** | | | | | | |
| 1 | Gross Margin Ratio (%) | 13.38 | 12.59 | 10.91 | 10.55 | 9.87 | 9.50 |
| 2 | Operating Income Ratio (%) | 11.22 | 9.96 | 7.25 | 6.51 | 6.00 | 5.81 |
| 3 | Net Income Ratio (%) | 5.62 | 3.99 | 2.25 | 2.24 | 2.22 | 2.16 |
| 4 | Return on Assets Ratio (%) | 3.40 | 3.90 | 2.64 | 3.95 | 4.98 | 4.66 |
| 5 | Return on Equity Ratio (%) | 6.62 | 6.69 | 4.17 | 16.55 | 15.98 | 9.06 |
| 6 | Earning Per Share | 3.05 | 7.19 | 27.62 | 25.61 | 20.64 | 9.82 |

We have examined the calculation of the above ratios of M/s. Zahintex Industries Limited for the period from 01 July 2010 to 31 December 2010 and for the years ended 30 June 2010, 2009, 2008, 2007 and 2006 and found them correct. The detail calculation is presented in Annexure-1.

Sd/-
**ACNABIN**
**Chartered Accountants**

Dhaka,
23 February 2011

**Annexure-1**

| | Name of Ratio | | Amount in Taka | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 01 July to 31 December 2010 | | 2010 | | 2009 | | 2008 | | 2007 | | 2006 | |
| | | | Calculation | Result | Calculation | Result | Calculation | Result | Calculation | Result | Calculation | Result | Calculation | Result |
| **A.** | **Liquidity Ratios** | | | | | | | | | | | | | |
| 1 | Current Ratio (Times) | Current Assets / Current Liability | 848,548,394 / 850,849,088 | 1.00 | 963,882,044 / 1,057,336,271 | 0.91 | 449,587,085 / 417,039,653 | 1.08 | 353,324,169 / 475,483,084 | 0.74 | 277,638,176 / 401,860,717 | 0.69 | 46,222,201 / 94,870,067 | 0.49 |
| 2 | Quick Ratio (Times) | Current Assets - Inventory / Current Liability | 199,154,774 / 850,849,088 | 0.23 | 149,202,585 / 1,057,336,271 | 0.14 | 105,293,415 / 417,039,653 | 0.25 | 171,205,702 / 475,483,084 | 0.36 | 140,124,364 / 401,860,717 | 0.35 | 29,577,712 / 94,870,067 | 0.31 |
| 3 | Times Interest Earned Ratio (Times) | Operating Profit / Net Interest Expenses | 152,029,637 / 66,183,973 | 2.30 | 179,603,686 / 99,176,019 | 1.81 | 89,201,860 / 58,510,949 | 1.52 | 74,463,585 / 45,998,736 | 1.62 | 55,702,787 / 32,747,082 | 1.70 | 26,371,567 / 15,413,458 | 1.71 |
| 4 | Debt to Equity Ratio (Times) | Total Debt (Total Liabilities) / Total Shareholders' Equity | 1,032,779,622 / 1,150,327,582 | 0.90 | 1,219,013,734 / 1,074,196,126 | 1.13 | 729,213,413 / 662,976,254 | 1.10 | 548,611,013 / 154,721,047 | 3.55 | 462,714,575 / 129,114,143 | 3.58 | 128,250,739 / 108,477,639 | 1.18 |
| **B.** | **Operating Ratios** | | | | | | | | | | | | | |
| 1 | Accounts Receivable Turnover Ratio (Times) | Sales / Average Receivables | 1,355,481,103 / 134,096,836 | 10.11 | 1,802,520,400 / 64,833,017 | 27.80 | 1,229,566,560 / 76,402,051 | 16.09 | 1,143,177,956 / 105,660,220 | 10.82 | 927,680,388 / 49,104,456 | 18.89 | 453,862,520 / 8,616,513 | 52.67 |
| 2 | Inventory Turnover Ratio (Times) | Cost of Goods Sold / Average Inventory | 1,174,092,178 / 732,036,540 | 1.60 | 1,575,515,586 / 579,486,565 | 2.72 | 1,095,481,627 / 263,206,069 | 4.16 | 1,022,629,801 / 159,816,140 | 6.40 | 836,081,231 / 77,079,151 | 10.85 | 410,735,854 / 13,616,201 | 30.17 |
| 3 | Fixed Assets Turnover Ratio (Times) | Sales / Average Fixed Assets | 1,355,481,103 / 1,295,084,951 | 1.05 | 1,802,520,400 / 1,126,865,059 | 1.60 | 1,229,566,560 / 645,386,669 | 1.91 | 1,143,177,956 / 331,709,613 | 3.45 | 927,680,388 / 251,971,023 | 3.68 | 453,862,520 / 170,688,012 | 2.66 |
| 4 | Assets Turnover Ratio (Times) | Sales / Average Total Assets | 1,355,481,103 / 2,238,158,532 | 0.61 | 1,802,520,400 / 1,842,699,763 | 0.98 | 2,857,405,020 / 1,392,189,667 | 2.05 | 1,143,177,956 / 647,580,389 | 1.77 | 927,680,388 / 414,278,548 | 2.24 | 453,862,520 / 210,861,774 | 2.15 |
| **C.** | **Profitability Ratios** | | | | | | | | | | | | | |
| 1 | Gross Margin Ratio (%) | Gross Profit / Sales | 181,388,925 / 1,355,481,103 | 13.38 | 227,004,814 / 1,802,520,400 | 12.59 | 134,084,933 / 1,229,566,560 | 10.91 | 120,548,155 / 1,143,177,956 | 10.55 | 91,599,157 / 927,680,388 | 9.87 | 43,126,666 / 453,862,520 | 9.50 |
| 2 | Operating Income Ratio (%) | Operating Profit / Sales | 152,029,637 / 1,355,481,103 | 11.22 | 179,603,686 / 1,802,520,400 | 9.96 | 89,201,860 / 1,229,566,560 | 7.25 | 74,463,585 / 1,143,177,956 | 6.51 | 55,702,787 / 927,680,388 | 6.00 | 26,371,567 / 453,862,520 | 5.81 |
| 3 | Net Income Ratio (%) | Profit after Tax / Sales | 76,131,456 / 1,355,481,103 | 5.62 | 71,899,982 / 1,802,520,400 | 3.99 | 27,616,995 / 1,229,566,560 | 2.25 | 25,606,904 / 1,143,177,956 | 2.24 | 20,636,504 / 927,680,388 | 2.22 | 9,823,453 / 453,862,520 | 2.16 |
| 4 | Return on Assets Ratio (%) | Profit after Tax / Average Total Assets | 76,131,456 / 2,238,158,532 | 3.40 | 71,899,982 / 1,842,699,763 | 3.90 | 27,616,995 / 1,047,760,864 | 2.64 | 25,606,904 / 647,580,389 | 3.95 | 20,636,504 / 414,278,548 | 4.98 | 9,823,453 / 210,861,774 | 4.66 |
| 5 | Return on Equity Ratio (%) | Profit after Tax / Shareholders' Equity | 76,131,456 / 1,150,327,582 | 6.62 | 71,899,982 / 1,074,196,126 | 6.69 | 27,616,995 / 662,976,254 | 4.17 | 25,606,904 / 154,721,047 | 16.55 | 20,636,504 / 129,114,143 | 15.98 | 9,823,453 / 108,477,639 | 9.06 |
| 6 | Earning Per Share | Profit after Tax / Number of Shares | 76,131,456 / 25,000,000 | 3.05 | 71,899,982 / 10,000,000 | 7.19 | 27,616,995 / 1,000,000 | 27.62 | 25,606,904 / 1,000,000 | 25.61 | 20,636,504 / 1,000,000 | 20.64 | 9,823,453 / 1,000,000 | 9.82 |

## 05. Provision of law for formation of WPPF

Workers' Profit Participation Fund has been made by the company as per provision of Bangladesh Labour Act 2006. Section 232(1) of the said Act states regarding maintenance of WPPF as under:

"এই অধ্যায় শিল্প সম্পর্কিত কাজ কর্মে নিয়োজিত এমন সকল প্রতিষ্ঠানের ক্ষেত্রে প্রযোজ্য হইবে যাহারা কোম্পানী এবং নিম্নলিখিত যে কোন শর্ত পূরণ করে, যথাঃ-

(ক) কোন বৎসরে কোন সময়ে কোন শিফটে কোন কোম্পানী কর্তৃক নিযুক্ত শ্রমিকের সংখ্যা অন্যূন একশত জন;

(খ) কোন কোম্পানীর হিসাব বৎসরের শেষ দিনে উহার পরিশোধিত মূলধনের পরিমাণ অন্যূন এক কোটি টাকা;

(গ) কোন কোম্পানীর হিসাব বৎসরের শেষ দিনে উহার স্থায়ী সম্পদের মূল্য অন্যূন দুই কোটি টাকা।"

As the company fulfills all the above criteria, the management of the company felt it necessary to maintain the Workers' Profit Participation Fund. For maintaining and administering the said fund the company has formed a Trustee Board. However, while examining the calculation of the WPPF amount we have come across that the company has made over provision of Tk.204,394 and Tk.191,494 for the periods from 01 July 2010 to 31 December 2010 and from 01 July 2009 to 30 June 2010 respectively. As the provision amount is in excess of the required amount we did not raise questions on the management assurance that the over provision amount will be spent for the welfare of the workers.

## 06. Information regarding revaluation of fixed assets on 30.06.2008

Information regarding revaluation of fixed assets of the company on 30 June 2008 was not inadvertently disclosed in the accounts. On 30 June 2008 only the land & land development of the company was revalued by M/s. AMAL & LEENA, Chartered Accountants and the revalued amount was incorporated in the accounts for the year ended 30 June 2009. Due to this revaluation the value of the land & land development of the company as on 30 June 2008 had increased as under:

| Name of assets | Original Cost Taka | Revalued Amount Taka | Value Increased Taka |
|---|---|---|---|
| Land & Land Development | 43,607,488 | 524,245,700 | 480,638,212 |

## 07. Managing Director's Remuneration

Managing Director's remuneration and benefit of Tk.327,600 as paid by the company during the period under audit has been shown in note # 26.1 to the financial statements. According to this note, Tk.117,600 as remuneration and Tk.210,000 as house rent benefit (perquisite) were paid to the Managing Director. No other benefits or perquisites except the said two were paid to the Managing Director by the company.

## 08. Production Capacity

In the audited accounts production capacity of the company has been mentioned whereas machine capacity was mentioned by the company in the documents submitted to the Board of Investment (BoI). So there occurs a difference between these two.

Dhaka,
19 May 2011

ACNABIN
Chartered Accountants

**ACNABIN**
*Chartered Accountants*

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# Additional disclosures relating to the financial statements of Zahintex Industries Ltd.

## For the period from 01 July 2010 to 31 December 2010

With reference to letter # SEC/CI/IPO-149/2011/329 of Mr. Kamrul Anam Khan, Director, Securities & Exchange Commission dated 27 April 2011 we are pleased to provide hereunder the additional disclosures relating to the audited financial statements of Zahintex Industries Ltd. for the period from 01 July 2010 to 31 December 2010:

### 01. Investment in shares of Givensee Group of Industries Ltd.

Investment in shares in Givensee Group of Industries Ltd. of Tk.100,000 by Zahintex Industries Ltd. has been disclosed in note # 6 to the financial statements. Under this note it has been clearly mentioned that the said investment was made in the year 2007 and Givensee Group of Industries Ltd. is a sister concern of Zahintex Industries Ltd.

In note # 32.9 to the financial statements, related party transactions during the period under audit have been disclosed. As investment made by the company during 2007 in the shares of Givensee Group of Industries Ltd. and relationship there with have been disclosed in note # 6, it has not been disclosed in note # 32.9. But under note # 32.9(ii) it has been disclosed that Mr. Khatib Abdul Zahid Mukul, Chairman & Managing Director and Mrs. Masuma Khatun Lipa, Director of Zahintex Industries Ltd. have interest in Givensee Group of Industries Ltd. However, further disclosures under note # 32.9 relating to investment in shares in related company may be made as under:

| Name of Party | Nature of Transaction | Nature of Relationship | Amount (Taka) as on | |
|---|---|---|---|---|
| | | | 31.12.2010 | 30.06.2010 |
| Givensee Group of Industries Ltd. | Investment in Shares | Sister Concern | 100,000 | 100,000 |

### 02. 99 years leased land

10 decimals of land was taken as lease by the company for 99 years in 1989 from BSCIC, Gazipur. As the lease is for a long time, it falls under finance lease according to Bangladesh Accounting Standard (BAS) - 17 and the company has shown it under freehold assets on the ground that the title and risk associated with this asset are transferable at any time by the company against adequate consideration. This asset was revalued by a professional firm of valuer and shown as a freehold asset.

### 03. Leasehold vehicles of Tk.4,100,000

Under note # 4 to the financial statements leasehold assets of Tk.4,100,000 was reported. This actually represents the value of vehicles acquired under finance lease facility. This lease facility was taken from Premier Bank Limited. Up to October 2010 the entire lease amount of Tk.4,100,000 was repaid to the bank. As there was no lease obligation on the said vehicles since October 2010 the said assets was transferred to freehold assets.

### 04. Schedule showing calculation of Workers' Profit Participation Fund

The schedule of calculation of Workers' Profit Participation Fund (WPPF) is given below:

| | |
|---|---|
| Operating profit from 01 July 2010 to 31 December 2010 (Tk.) | 152,029,637 |
| Less: Financial expenses for the period (Tk.) | 66,183,973 |
| Net profit before tax and WPPF | 85,845,664 |
| Provision for WPPF @ 5% on the above amount | **4,292,283** |

**Additional Disclosures in respect of the audited accounts of Zahintex Industries Ltd.**
**For the period from 01 July 2010 to 31 December 2010:**

### 01. Advance against Rent

| Sl.# | Particulars | Address | Balance As on | Amount (Tk) |
|---|---|---|---|---|
| 01 | Mr. Mohammad Ali Hossain | Soydana, Board Bazar, Joydebpur, Gazipur | 30.06.2009 | 625,810 |
| | | | 30.06.2010 | 1,217,000 |
| | | | 31.12.2010 | 1,022,000 |

### 02. Advance against Others

| Sl. # | Particulars | Party & Address/Designation | Balance (Taka) as on | | |
|---|---|---|---|---|---|
| | | | 30.06.2009 | 30.06.2010 | 31.12.2010 |
| 01 | Mr. Mohammad Ali Hossain | Soydana, Board Bazar, Joydebpur, Gazipur | 981,190 | - | - |
| 02 | Mr. Khandaker Shafiul Alam | Asstt. Manager, Procurement | 290,570 | 560,327 | 465,987 |
| 03 | Mr. Md. Tohidur Rahman | Sr. Officer, Procurement | 260,927 | 430,258 | 465,907 |
| 04 | Mr. Sk. Younus Ali | Sr. Officer, Procurement | - | 345,690 | 395,687 |
| 05 | Mr. Montasir | Officer, Procurement | - | 316,257 | 410,258 |
| 06 | Mr. Shafiqul Islam Roton | Officer, Procurement | - | 359,818 | 325,648 |
| 07 | Mr. Md. Mukbul Hossain | Officer, Procurement | - | - | 393,486 |
| | **Total** | | **1,532,687** | **2,012,350** | **2,456,973** |

### 03. Related Party Transaction

| Sl. # | Party | Nature of Transaction | Nature of Relationship | Transaction Value | |
|---|---|---|---|---|---|
| | | | | 01.07.2010 to 31.12.2010 | 01.07.09 to 31.12.09 |
| 01 | Givensee Garments Accessories Ltd. | Space Rent | Sister Concern | 340,272 | 340,272 |

### 04. Machine Capacity

| Particulars | July 2010 to December 2010 | July 2009 to December 2009 |
|---|---|---|
| Licence Capacity in Pcs (Half Yearly) | 5,208,000 | 5,208,000 |
| Production Capacity in Pcs (Half Yearly) | 4,800,000 | 4,800,000 |
| Capacity Utilization in Pcs (Half Yearly) | 3,979,973 | 3,956,754 |
| Capacity Utilization % | 82.92 | 82.43 |

Sd/-
Dhaka,
31 July 2011

**ACNABIN**
**Chartered Accountants**

# Zahintex Industries Ltd. (ZIL)

| Particulars | Ratings | Remarks |
|---|---|---|
| Zahintex Industries Ltd. | $A_1$ | Please see Appendix – 1 for details |
| BDT 307.71 million aggregate Long Term Outstanding (LTO) | $A_1$(*Lr*) | |
| BDT 685.00 million aggregate fund based limits | ST-3 | |
| BDT 995.00 million aggregate non fund based limits | ST-3 | |

*Lr* - Loan rating; ST – Short Term

**Date of Rating:** 28 December 2010

**Methodology:** CRAB's Corporate Rating Methodology (www.crab.com.bd)

**Validity:** The Long Term ratings are valid up to 31 December 2011 and the Short Term ratings are valid up to limit expiry date of respective credit facilities or 30 June 2011 whichever is earlier.

**Analysts:**

**Md. Osman**
osman@crab.com.bd

**Sheikh Abdul Ahad Md. Sadeki**
sadeki@crab.com.bd

## Financial Highlights

| (Months) | FY10 (12) | FY09 (12) |
|---|---|---|
| Net Sales (BDT Million) | 1802.52 | 1229.57 |
| EBITDA (BDT Million) | 278.43 | 142.10 |
| EBITDA Margin (%) | 15.45% | 11.56% |
| Net Profit Margin | 3.99% | 2.25% |
| Return on Asset | 3.14% | 1.98% |
| Quick Ratio (x) | 0.14 | 0.26 |
| Cash Conversation Cycle (Days) | 136 | 68 |
| Debt to Equity (x) | 0.79 | 0.81 |
| Debt to Equity (x) * | 2.97 | 2.94 |
| Borrowed Fund to EBITDA (x) | 3.06 | 3.77 |
| Cash Flow from Operation (CFO) BDT Million | -192.95 | 55.46 |
| Free Cash Flow (FCF) BDT Million | -666.33 | -589.00 |
| EBIT/Interest (x) | 1.81 | 1.52 |

* Without Revaluation Reserve

**The Company follows July-June business year for its financial statements and audits. FY10 denotes to 01 July 2009- 30 June 2010 and so on.**

## ■ RATIONALE

Credit Rating Agency of Bangladesh Ltd (CRAB) has assigned **$A_1$** (pronounced Single A One) rating in the long term to Zahintex Industries Ltd (hereinafter also referred to as Zahintex, ZIL or the Company. CRAB has also assigned **$A_1$** (Lr) rating to BDT 307.71 million aggregate Long Term Outstanding; and **ST-3** rating to BDT 685.00 million aggregate fund based limits and BDT 995.00 million aggregate non fund based limits in the Short Term. CRAB has performed the present rating assignment based on audited financial statements of 30 June 2010 and other relevant information.

Zahintex Industries Ltd (ZIL), incorporated in 2002, is the flagship Company of Givensee Group of Industries Ltd, which has diversified entity engaged in garments, textile, spinning, and foods & allied. As of FY10, after tax profit of the group reached at BDT 1,926.25 million from BDT 1,017.92 million in FY09, registering a growth of 89%, with a debt to net worth of 0.89x, improved from 0.95x in FY09. The Group started business back in 1987; however, CRAB observes that the group is yet to strengthen its backward linkage industry. The ratings are supported by the groups established operations and its presence in textile and apparel industries in Bangladesh as well as the group's strong relationship with many global buyers.

Zahintex exports sweater directly toward foreign buyers. The Company's ratings are also supported by its increased revenues, EBITDA Margin, Net Profit Margin and capacity expansion in recent years.

Within 12 months of operation as of FY10, the Company achieved 80% capacity utilization, therefore, sales value and volume improved significantly (sales FY10: BDT 1,802.52 million, FY09: BDT 1,229.57 million, Vis a Vis sales volume FY10: 5.18 million Pcs, FY09: 5.01 million Pcs) resulted increase of EBITDA margin to 15.45% in FY10 from 11.56% in FY09. ZIL expects to increase turnover in upcoming years through expanding its operation with equity led CAPEX.

Although there is no equity infusion unless retained earnings; revaluation of assets contributed to build capital base to tune of BDT 1,074.20 million in FY10, but, debt/equity (without revaluation reserve) status unchanged (FY10: 2.97x; FY09: 2.94x) due to parallel shift of debt.

ZIL's liquidity was on pressure because of negative cash flow from operation in FY10, which was positive in FY09. Along with it, increased trend of net cash accruals reflects liquidity pressure.

**Rating Outlook: *Stable***

The stable outlook is based on expectations that ZIL's equity led capital expenditure program will strengthen its business position and that the cash generated will be used to meet repayments.

**Key Rating Drivers**

- A sustained improvement in profitability - resulting in debt/EBITDA declining to below 1.0x and sustained over the years would be considered a positive rating trigger.
- A sustained decline in EBITDA margins - resulting in deterioration in interest cover below 2.0x and an increase in Debt/EBITDA and Debt/Equity above 3.5x and 1.5x respectively would be considered as negative rating triggers.

**Positive Rating Factors**

- Improvement in long-term debt protection measure (Debt Ratio).
- Improved equity base.
- Proposed integrated facilities to stable earnings.

**Negative Rating Factors**

- Negative Cash flow.
- Working capital-intensive nature of the business may affect liquidity.
- Debt-led capacity expansion eroding short-term debt-protection measures.

## COMPANY PROFILE

Zahintex Industries Ltd, one of the associates of Givensee Group of Industries, was incorporated in year 2002 under The Companies Act 1994 as a private Limited company. They started formal operation in 11th June of the same year to produce 100% export quality sweater. Mr. Khatib Abdul Zahid Mukul is the founder of this firm, who owns major portion (60%) of equity share. Zahintex mainly uses its fully owned productive capacity located in four different factory buildings in Gazipur area. Starting its operation with a very limited capacity, over the period of time Zahintex expanded productive capacity hugely to tap the opportunity of growing foreign demand for quality Bangladeshi sweater. Besides expanding its own productive capacity, Zahintex gets the increasing support from group that ensures easier and faster availability of basic raw materials. Its corporate head office is located in Uttara, Dhaka.

## ■ ASSOCIATED COMPANIES

Zahintex Industries Ltd belongs to Givensee Group of Industries that pioneered formal textile production in Gazipur area and contributed substantially behind the infrastructure and standard of living development of respective area. This group has total seven (7) incorporated entities under its belt, most of which are operating in different production phases of textile sector. Here is the aggregate profile of the group except Zahintex Industries Ltd that will provide more meaningful insight about the sister concerns' strength.

**Exhibit: Aggregate Group Performance[1]**

| | Masuma Khatun Textile Ind. Ltd. | | | Ginvensee Garments Accessories Ltd. | | | Hotapara Garments Ltd. | | |
|---|---|---|---|---|---|---|---|---|---|
| **Fiscal Year** | **FY10** | **FY09** | **FY08** | **FY10** | **FY09** | **FY08** | **FY10** | **FY09** | **FY08** |
| Business Activity | Yarn Dyeing | Yarn Dyeing | Yarn Dyeing | Garments Accessories | Garments Accessories | Garments Accessories | Knit Garments | Knit Garments | Knit Garments |
| Total Operating Income | 201.07 | 98.95 | 63.29 | 112.03 | 70.05 | 52.67 | 173.04 | 145.10 | 124.40 |
| PAT | 12.02 | (75.17) | (120.11) | 43.06 | 22.24 | 16.23 | 47.08 | 33.38 | 29.55 |
| Total Debt | 645.58 | 618.46 | 352.44 | 171.85 | 182.12 | 241.31 | 471.92 | 446.26 | 374.89 |
| Net Worth | 580.23 | 560.77 | 835.60 | 300.65 | 257.59 | 222.14 | 453.06 | 411.41 | 492.07 |
| Total Asset | 1247.38 | 1179.23 | 1118.05 | 516.41 | 439.71 | 463.45 | 978.27 | 857.67 | 866.97 |

| | Ginvensee Spinning Mills Ltd | | | Givensee Garments Ltd. | | | Givensee Foods & Essentials Ltd. | |
|---|---|---|---|---|---|---|---|---|
| **Fiscal Year** | **FY10** | **FY09** | **FY08** | **FY10** | **FY09** | **FY08** | **FY10** | **FY09** |
| Business Activity | Yarn | Yarn | Yarn | Woven Garments | Woven Garments | Woven Garments | Bakery & Soya Milk | Bakery & Soya Milk |
| Total Operating Income | 123.08 | (72.56) | 151.14 | 54.74 | 16.09 | 14.03 | 6.03 | 1.87 |
| PAT | 12.03 | (166.13) | 96.19 | 5.12 | (27.09) | (21.63) | 4.43 | 1.13 |
| Total Debt | 555.41 | 626.62 | 496.88 | 248.68 | 170.71 | 165.40 | 60.00 | 35.15 |
| Net Worth | 697.03 | 669.59 | 958.95 | 250.43 | 158.33 | 347.53 | 36.04 | 31.53 |
| Total Asset | 1423.07 | 1296.21 | 1455.83 | 885.13 | 642.46 | 512.93 | 72.57 | 41.03 |

***Masuma Khatun Textile Industries Ltd:*** Mainly operating as prime yarn supplier of Zahintex Industries Ltd that meets most of the yarn demand of Zahintex over last five years. Masuma Khatun Textile imports raw yarn from China, India & Pakistan that are processed by in house dyeing facilities and deliver to Zahintex as raw materials. Its 52% of total assets are financed by debt, that creates substantial periodic in time debt servicing obligation. Therefore, its profit after tax (PAT) was negative for FY08 and FY09 but in FY10 reflects BDT 12 million profits with substantial operating earnings stream.

***Givensee Garments Accessories Ltd:*** This technically sophisticated accessories unit divided into nine operating units, each of which consists modern equipments to facilitate easy and in time access of accessories raw materials by other sister concerns. Forty percent (40%) of its total production is supplied to outside buyers that contributed its positive profit after tax over last three years. Despite operating profit for year FY10 was BDT 112.03 million, after periodic servicing of debt it reduced to 43.06 million that reflects 33% debt in financing its total assets.

***Hotapara Garments Ltd:*** This firm operates profitably throughout last three years and operating profit was BDT 173.03 million in FY10. Despite this operating profitability, profit

[1] As per information provided by Givensee Group of Industries Ltd.

after tax was decreasing because of high debt level, which was almost 50% of total asset in year FY10.

***Givensee Spinning Mills Ltd:*** This firm has experienced increased operating profit of BDT 123.08 million in FY10 against BDT 72.56 million operating loss in FY09. However, as a 39% levered firm, its profit after tax was reduced to only BDT 12.03 million in FY10 against BDT 123.08 million of operating profit.

***Givensee Garments Ltd:*** This firm has maintained sound operating profitability throughout FY08 to FY10. In FY10 after tax profit of the firm stood at BDT 5.12 million, which was a turnaround from BDT 29.09 million operating loss from previous year.

***Givensee Foods & Essentials Ltd:*** This firm mainly produces bakery goods and soya milk. Givensee Foods & Essentials Ltd maintained satisfactory EBIT in FY10 relative to previous year. In FY10, this firm has reported BDT 4.43 million net profits against BDT 1.13 million in FY09 and 86% Debt ratio.

## ■ THE BOARD AND MANAGEMENT

Authorized capital of the company is BDT 1,200 million divided into 120 million ordinary shares of BDT 10 each. Total paid up capital is BDT 100 million. Of the total equity shares of Zahintex Industries Ltd, majority are held by Mr. Khatib Abdul Zahid Mukul and Ms. Masuma Khatun Lipa, both of whom possess managerial position in the respective firm. This closely held ownership pattern certainly creates some payoff to the firm in the form of reducing agency cost. Besides that, owners' direct involvement in management ensures sound monitoring of operational environment from part of them. Total share holding composition is mentioned below.

**Exhibit: Shareholding Pattern of ZIL.**

| SL. No. | Name | Designation | Holding (%) |
|---|---|---|---|
| 1 | Mr. Khatib Abdul Zahid Mukul | Chairman & Managing Director | 60.00% |
| 2 | Ms. Masuma Khatun Lipa | Director | 37.00% |
| 3 | Mr. Khatib Mahboob Akhter Rubel | Director | 2.00% |
| 4 | Mr. Aminul Islam | Director | 0.25% |
| 5 | Mr. Kazi Mushahidur Rahman | Director | 0.25% |
| 6 | Mr. Mamunur Rashid | Shareholder | 0.25% |
| 7 | Mr. Khatib Md. Abue Saleh | Shareholder | 0.25% |
| | | **Total** | 100.00% |

Under the experienced leadership of Mr. Khatib Abdul Zahid Mukul, ZIL top Management comprises people with vision and appropriate know how in respective area. Every functional area has respective directors with sound background and experience, besides academic track record. In factory level management, ZIL hired personnel with experience and years long reputation. Most importantly, the Company culture possesses both delegation of authority and accountability with respective responsibility in all managerial level of hierarchy. All factory level managers with the presence of that of central administration meet once a week to set production target for next week and rectify any sort of production schedule mismanagement. This managerial integration and regular communication certainly stem better production plan and efficiency.

ZIL has 40% permanent production workers in their regular payroll and residual 60% are hired on contractual basis as per seasonal production pattern. However, most of the contact workers are working on renewal basis, that is to say composition of contact worker remains more or less same over years. As the nature of work deserves sufficient technical knowhow, most machine operators are highly skilled and experienced. Labor compensation is tied with the actual quantity produced, that acts as strong persuasion behind quality bulk production.

***Zahintex 1 & 2:*** Total 691 permanent and 1,664 contractual workers.
***Zahintex 3 & 4:*** Total 960 permanent and 3,457 contractual workers.
***Zahintex 5, 6, 7 & 8*:** Total 1,560 permanent and 2,340 contractual workers.

## BUSINESS OVERVIEW

### Product Profile

**Exhibit: Performance of the Business**

| | FY10 | FY09 |
|---|---|---|
| **(Months)** | (12) | (12) |
| Sales (BDT Million) | 1,802.52 | 1,229.57 |
| Export Sales (%) | 100% | 100% |
| EBITDA (BDT Million) | 278.43 | 142.10 |
| EBITDA Margin (%) | 15.4% | 11.6% |
| **Sales Volume** | | |
| Installed Capacity (Pcs) | 8,200,000 | 6,800,000 |
| Total Production (Pcs) | 6,560,000 | 5,440,000 |
| Total Sales (Pcs) | 5,186,451 | 5,018,639 |
| Capacity Utilization (%) | 80% | 80% |

Zahintex Industries Ltd is a 100% export oriented sweater-manufacturing firm that exports non-branded products to European Union and Turkey. The management has plan to inaugurate their own in house brand, named 'Givensee' in European market, which is expected to come into market within year 2011. Dependency on a single product for overall revenue generation creates some product non-diversification risk, but its widely diversified customer base and sound relationship maintenance make them a successful player in the relevant market. Most importantly, their buyer composition remains more or less same over last three years. Their prime buyers are Teddy from Italy; Temma from Turkey; CHTX, Klingel, SRG, C&A, Baerbel etc of Germany, all of which are renowned brand seller in their respective market. Recently Marks & Spencer have entered in ZIL's customer portfolio.

The Company has further market penetration plans to Japan, South Africa and Russia. They sell their product directly to the buyers without any sort of intermediary presence in the supply chain. Most of these customers are their strategic partners under signed long-term contracts/ MOU. Generally form March to September of every year is the peak time for their products which become little bit sluggish in the remaining part of the year.

### Raw material

Basic raw materials used for production process are yarn and accessories, which procured from both domestic and foreign sources. Among domestic suppliers Masuma Khatun Textile Industries Ltd (Sister Concern), Givensee Garments Accessories Ltd (Sister Concern), Prime Textile, Dody Printing & Packaging etc and foreign suppliers like Fullwise (China), Hanghouse (China), Jiansu (China) are mentionable here. Dependency on outside suppliers in regards to accessories supply reduced substantially over last three years. Givensee Garments Accessories Ltd (Sister Concern) meets most of the accessories demand in the same time which was 85.88% in FY09 that eliminates most of the previous accessories suppliers from Zahintex supply chain. Basically raw yarn are imported from China, Pakistan and India, then it is processed in Masuma Khatun Textile Industries Ltd that supplied averagely 74.03% and Fullwise (China) supplied averagely 23.59% of total yarn demand in last five years. All these findings indicate that Zahintex gradually developing backward linkages, especially accessories within group that explains relatively less dependency, thus threat from supply side as well as exposure of foreign exchange risk in terms of raw materials procurement is reducing.

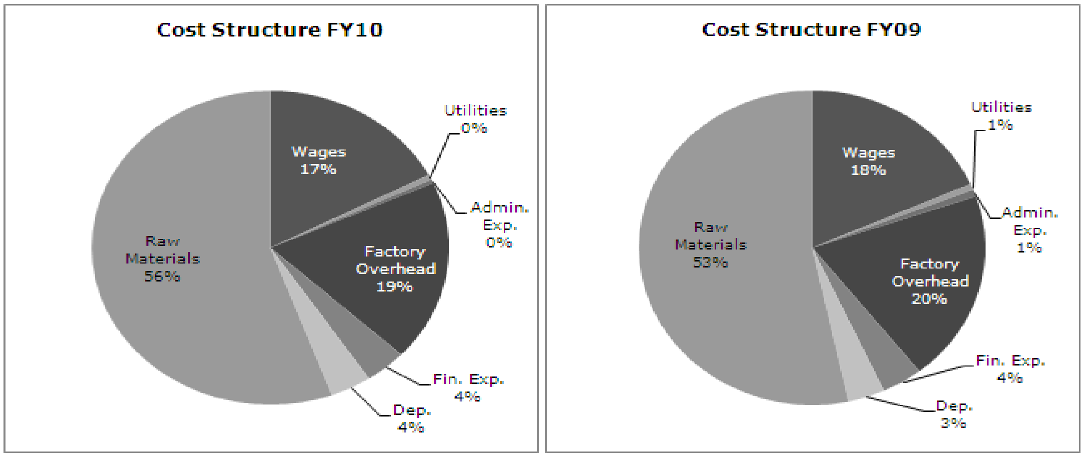
**Exhibit: Major raw material price shift in FY10**

| Raw Material | Price in FY10 (BDT)/lbs | Price in FY09 (BDT)/lbs | % Change in Price |
|---|---|---|---|
| Yarn | 151.50 | 146.00 | 3.77% |

The main raw material of sweater production is yarn. It constitutes 88% of total raw material cost. The major raw material (yarn) sourcing cost of Zahintex had increased from BDT 146.00/lbs in FY09 to BDT 151.50/lbs in FY10 resulting almost 4% increase.

- **Cost Structure**

**Exhibit: ZIL's Cost Structure**




Raw materials cost consists 56% of total expenses in FY10, which was 53% in FY09 reflecting stable raw material consumption cost in total cost structure. Other cost drivers (wages, Utilities, Administrative expenses, Financial Expenses and Depreciation) were also stable in FY10 relative to FY09.

- **Technology**

Initially, the Company started factory operations with only 300 machines imported from China with brand name 'Flying Tiger'. Existing productive facilities are divided into 8 knitting floor and 1 jacquard unit in four distinctive factory buildings. Knitting capacity is gradually added over time. All the machineries are in utilizable condition with usage of modernized technology that is expected to serve for another 10 years without sudden major impairment and interruption in operations. Additional two (2) knitting units with 1,200 knitting machines and over locking machines will be added with the existing capacity in FY11. Existing capacity of Zahintex is mentioned below:

***Zahintex 1 & 2:*** Total five (5) production floor with 1,017 knitting machines and 421 linking machines and other supporting tools and equipments.

***Zahintex 3 & 4:*** Total five (5) production floor total 2,081 knitting machines and 692 dial linking machines with other supportive facilities.

***Zahintex 5, 6, 7 & 8:*** Total four (4) production floor with 600 knitting machines in each floor.

**Exhibit: Production Capacity as per product category**

12- 14 gaze: 5-6 pieces/machine/day
7 gaze: 6-7 pieces/ machine/day
5 gaze: 7-8 pieces/ machine/day
3 gaze: 8-10 pieces/ machine/day

Overall production capacity: 8.2 million pieces/year
Average utilization is 86.69%.
Average Process loss: 4.5%-5%.

***Jacquard Unit:*** Machinery imported from Germany, China and Japan. These 31 automated designing machineries are used for producing items that are non-conventional and not possible to produce in conventional knitting machines.

- **Quality control system**

Quality Control team is led by ten Quality managers. Each manager has quality staffs who work at every end of production line to monitor quality standard of the production. The Quality control team directly reports to the board of directors to ensure that their activities are given highest priority in the floor.

ZIL follows multi phase stringent and rigid process to ensure buyers' specified quality. The whole process is divided into eight steps that start from yarn checking to final audit just before shipment for export. They have in house quality checking facilities that comprises Labdip checking, appearance checking, knitting inspection, Linking inspection, Light Check, Style check, Measurement check, Packing Check and final auditing.

- **Research & Development and Industrial Engineering**

A key distinctive feature of Zahintex is their effort to align Research & Development (R & D) to new product category development and alter existing categories. In this process their respective key managerial persons collect new product samples from different countries and then throughout continual R & D try to mimic it that is still unfamiliar to maximum domestic competitors. This critical strength certainly keeps them steps ahead to become distinctive producer of new products that make their future revenue stream relatively certain than those of current competitors.

Besides securing future revenue stream, the Company also continually tries to achieve cost leadership in its category by Industrial Engineering. In this process they have already employed a group of Sri Lankan experts to restructure the whole factory of one of its sister concerns that is expected to reduce at least 30% production cost by introducing Lean Production System and Just in Time Inventory management. Gradually these restructuring will be implemented in other group concerns also.

- **Utilities**

***Zahintex 1 & 2:*** Total two gas generators in Zahintex 1 and another two generators in Zahintex 2 with capacity of 150KVA and 10KVA respectively.

***Zahintex 3 & 4:*** Gas generator imported from USA. Brand name General Electronics (GE). Capacity 1064kw, whereas utilization 900kw. Like others, currently this firm is suffering from relatively scarce gas pressure that might hamper production efficiency.

***Zahintex 5, 6, 7 & 8***: Diesel generator imported from Switzerland. Total two (2) diesel based generators having capacity of 500kw and 300kw each. Current utilization is total 900amp. They have necessary stabilizer to minimize any sort of unexpected occurrence stem from voltage up down.

- **Management Information System**

Management information system (MIS) is maintained in Zahintex corporate head office. They have already employed dedicated personnel to oversee the MIS. All sorts of factory and central administrative information are recorded in the central data base that facilitates informative decision taking of management. Weekly production, export, procurement etc. data is forwarded to head office from factories, where it is inputted and recorded for assessing whether there exists any discrepancy of actual output from target level. But they have yet to develop solely factory based MIS, that certainly stimulate more productivity by taking instant corrective action in factory level management.

- **Marketing Strategy**

Over last two years, ZIL deliver their product directly to customers without the assistance of intermediate buying house in forward supply chain. Just before two years, they had to expend substantial amount for arranging sales delivery through domestic and foreign buying houses. However, over time they have developed their own supply line that eliminates intermediaries from supply chain, which simultaneously save commendable amounts and reduce dependency on external parties. Basically, 'Director-Marketing' himself maintains communication with buyers and it produces result in the form of buyer reliability.

## FINANCIAL ANALYSIS

- **Earnings & Stability**

**Exhibit: Financial Performance**

| | | FY10 | FY09 | FY08 | FY07 |
|---|---|---|---|---|---|
| **(Months)** | | (12) | (12) | (12) | (12) |
| Sales (BDT Million) | | 1,802.52 | 1,229.57 | 1,286.36 | 861.36 |
| Sales Growth | | 46.60% | -4.41% | 49.34% | 88.44% |
| CoGS as % of Net Sales | | 87.41% | 89.09% | 80.90% | 76.11% |
| EBITDA (BDT Million) | | 278.43 | 142.10 | 176.92 | 172.07 |
| EBITDA Growth | | 95.94% | -19.68% | 2.82% | 101.17% |
| EBITDA Margin | | 15.45% | 11.56% | 13.75% | 19.98% |
| Net Profit after tax (BDT Million) | | 71.90 | 27.62 | 84.59 | 97.75 |
| Net profit after tax growth | | 160% | -67% | -13% | 92% |
| CAGR of Sales (FY07 to FY10) | 40.92% | | | | |
| CAGR of EBITDA (FY07 to FY10) | 34.32% | | | | |
| CAGR of Net Profit (FY07 to FY10) | 9.01% | | | | |

The revenue sources of ZIL are the export of sweaters. The Company manufactures 100% export oriented sweaters. In FY10, it sold 5.19 million Pcs sweater, which was 5.02 million Pcs in FY09 increased by almost 3%. In FY10, sales revenue was BDT 1,802.52 million which was BDT 1,229.57 million in FY09 resulting almost 47% growth. The sales growth was supported by the capacity expansion and increased unit prices in FY10 and FY09.

Although CoGs is increased in FY10 from FY09, it has decreasing trend relative to sales due to production efficiency. Around 93% of CoGS contributed to purchase of raw materials. Increase in EBIT and non-cash adjustments (depreciation, amortization) results 96% increase in EBITDA in FY10 from previous year (FY09: BDT 142.10 million). Profit after tax of the Company increased 160% from FY09 (BDT 27.62 million) to FY10 (BDT 71.90 million) due to stable operating expenses and increased gross profit. In FY10, the financial expense was 6% of sales (BDT 99.18 million) results from interest obligations against imported machineries and other loans for capital expenses.

**Exhibit: Profitability Ratios**

| | FY10 | FY09 |
|---|---|---|
| **(Months)** | (12) | (12) |
| Gross Profit Margin | 12.6% | 10.9% |
| Operating Profit Margin | 10.0% | 7.3% |
| Net Profit Margin | 4.0% | 2.2% |
| Return on Asset | 3.1% | 2.0% |
| Return on Equity | 6.7% | 4.2% |

Overall profitability ratios of Zahintex for FY10 have improved from FY09. Company's profitability parameters (gross profit margin, operating profit margin, and net profit margin) show increment in FY10 from FY09. Total gross profit of the Company in FY10 was BDT 227 million, accounting 12.6% of total sales revenue. Financial expense of the company was lower in FY10 and FY09 relative to sales. Return on Average Assets and Return on Equity shows upward trends indicating that profit after tax is increasing at the same pace of increasing assets and equity of the firm.

- **Liquidity**

**Exhibit: Liquidity Ratios**

| | FY10 | FY09 |
|---|---|---|
| **(Months)** | (12) | (12) |
| Current Ratio | 0.91 | 1.08 |
| Quick Ratio | 0.14 | 0.26 |
| Inventory to NWC | -8.72 | 10.58 |
| Accounts Receivable Turnover Ratio | 18.29 | 39.54 |
| Average Receivable Collection Period | 20 | 9 |
| Inventory Turnover Ratio | 1.93 | 3.18 |
| Average Inventory Processing Period | 189 | 115 |
| Accounts Payable Turnover Ratio | 5.06 | 6.53 |
| Average Payable Payment Period | 72 | 56 |
| Cash Conversation Cycle (Days) | 136 | 68 |

As of June 2010, total current assets of the Company stood at BDT 963.88 million, which was BDT 452.66 million in June 2008. Current ratio of the Company decreased from FY09 (1.08×) to FY10 (0.91×) due to increase in current liabilities (increase in current portion of term loan and lease obligations). Along with it, the quick ratio slightly decreased in FY10. Cash Conversion Cycle of the Company deteriorated in FY10 (136 days) from FY09 (68 days) because of Company's increased inventory processing period (FY10: 189 days; FY09: 115 days) relative to previous year. Such increase reflects that firm's inefficiency to convert its inventory to sales. The receivable collection period also degenerated in FY10 from FY09.

- **Leverage & Capital Structure:**

**Exhibit: Leverage Position**

| | FY10 | FY09 |
|---|---|---|
| **(Months)** | (12) | (12) |
| Equity (BDT Million) | 1,074.20 | 662.98 |
| Adjusted Equity (without revaluation reserve) | 286.97 | 182.34 |
| Borrowed Fund (BDT Million) | 850.98 | 535.85 |
| EBITDA (BDT Million) | 278.43 | 142.10 |
| Fund Flow from Operation (FFO) | 174.75 | 80.51 |
| Cash Flow from Operation (CFO) | -192.95 | 55.46 |
| Retained Cash Flow (RCF) | -192.95 | 55.46 |
| Free Cash Flow (FCF) | -666.33 | -589.00 |
| **Ratios** | | |
| Debt to Equity (x) | 0.79 | 0.81 |
| Debt to Equity (x) * | 2.97 | 2.94 |
| Borrowed Fund to EBITDA (x) | 3.06 | 3.77 |
| FFO/Debt | 20.53% | 15.03% |
| CFO/Debt | -22.67% | 10.35% |
| RCF/Debt | -22.67% | 10.35% |
| FCF/Debt | -78.30% | -109.92% |

* Without Revaluation Reserve

ZIL's capital structure has improved in FY10 compared to FY09. The equity base reached BDT 286.97 million as of FY10 from BDT 182.34 million in FY09 due to increase in retained earnings. In the same period, the Company revalued its assets, and added BDT 787.23 million in its equity as capital reserve. However, CRAB excludes the reserve in case of calculating leverage ratios. Company's Debt to equity (FY10: 2.97x; FY09: 2.94x) and borrowed fund to EBITDA (FY10: 3.06x; FY09: 3.77x) ratios almost remained same due to parallel growth of borrowed fund with equity and EBITDA. Borrowed Fund (Bank loans) increased from BDT 535.85 million to BDT 850.98 million due to loan against imported machineries and other capital expenditure.

Although the firm generates funds from its operation, it is not enough to meet its working capital requirement, and such gap (FFO to CFO) is increasing. In addition, firm's negative Free Cash Flow reflects that firm has to rely on external or internal financing to capital expansion or taking new project.

- **Coverage:**

**Exhibit: Coverage Ratios**

| | FY10 | FY09 |
|---|---|---|
| **(Months)** | (12) | (12) |
| EBIT/Interest (x) | 1.81 | 1.52 |
| FCF/Interest (x) | -6.72 | -10.43 |
| (EBITDA-CAPEX)/Interest (x) | -1.97 | -8.59 |

Zahintex has satisfactory interest coverage ratio throughout FY10, indicating Company's ability to generate funds from operations to meet its interest obligations. During FY10 the Company maintained EBIT almost 2 (two) times of its interest expense. Due to heavy capital expenditure in recent years, (EBITDA-CAPEX) to Interest expenses ratio were negative in FY09, and improved afterwards.

## BANK FACILITIES AND CREDIT HISTORY

The banker of Zahintex Industries Ltd. is AB Bank Limited, and One Bank Ltd. The Company has been a client of AB Bank Limited and One Bank Ltd for last three (3) & seven (7) years respectively. Dealings of ZIL with both the Banks have been reported as satisfactory. The interest and principal payments were made also timely. There has been no rescheduling or default history and there is no instance of cheque return of the Company. It is also found from the information provided by AB Bank and One Bank Ltd that the financial relationship of the Company with its suppliers and customers is amiable. As per Zahintex Industries Ltd., loan particulars of them are as follows:

| Bank | Nature of Facility | Limit | Outstanding |
|---|---|---|---|
| **Fund Based Long Term** | | | |
| AB Bank Limited | | | |
| | Term Loan-1 | 67.50 | 52.21 |
| | Term Loan-2 | 10.00 | 7.76 |
| | Term Loan-3 | 32.50 | 27.32 |
| | Term Loan-4 | 70.00 | 71.55 |
| | Term Loan-5 | 71.00 | 71.39 |
| | Term Loan-6 | 23.00 | 1.88 |
| One Bank Limited | | | |
| | Term Loan-1 | 66.80 | 38.76 |
| | Term Loan-2 | 48.30 | 29.07 |
| | Term Loan-3 | 10.00 | 7.78 |
| **Subtotal** | | **399.10** | **307.71** |
| **Fund Based Short Term** | | | |
| AB Bank Limited | | | |
| | Time Loan | 150.00 | 144.85 |
| | Overdraft | 25.00 | 24.84 |
| One Bank Limited | | | |
| | Time Loan | 500.00 | 399.92 |
| | Overdraft | 10.00 | 9.97 |
| **Subtotal** | | **685.00** | **579.58** |
| **Non-Fund Based Short Term** | | | |
| AB Bank Limited | | | |
| | B2B L/C | 340.00 | 250.00 |
| One Bank Limited | | | |
| | B2B L/C | 650.00 | 550.00 |
| | Bank Guarantee | 5.00 | 2.50 |
| **Subtotal** | | **995.00** | **802.50** |
| **Grand Total:** | | **2079.10** | **1689.79** |

## ■ CAPITAL EXPENDITURE PLAN

ZIL's long-term plan is to establish/increase production facility through import new machineries and buildings.

**Exhibit: ZIL's Long Term Capital Expenditure Planning**

| Capital Expenditure Plans | Estimated Proceed from IPO (BDT million) |
|---|---|
| Payoff Term Loans/Project Loans of financiers | 300 |
| Construction of new buildings to expand manufacturing facility | 50 |
| Import/purchase new machineries | 250 |
| **Total** | **600** |

In order to go with its business expansion plan, the primary concern for ZIL is fund requirement to back these extensive plans for business expansion in upcoming periods. In this respect, the Company estimates to generate BDT 600 million through Initial Public Offering (IPO) for modernization of existing plant and employ other plans in near future.

## Appendix -1

**Details Bank Liability Status Zahintex Industries Ltd. (as of 30 November 2010)**

BDT in Million

| Bank | Nature of Facility | Limit | Outstanding | Limit Expiry / Renewal date |
|---|---|---|---|---|
| **Fund Based Long Term** | | | | |
| AB Bank Limited | | | | |
| | Term Loan-1 | 67.50 | 52.21 | 31-Jul-2014 |
| | Term Loan-2 | 10.00 | 7.76 | 31-Mar-2014 |
| | Term Loan-3 | 32.50 | 27.32 | 30-Jun-2013 |
| | Term Loan-4 | 70.00 | 71.55 | 30-Jun-2014 |
| | Term Loan-5 | 71.00 | 71.39 | 30-Jun-2015 |
| | Term Loan-6 | 23.00 | 1.88 | 30-Jun-2015 |
| One Bank Limited | | | | |
| | Term Loan-1 | 66.80 | 38.76 | 30-Sep-2011 |
| | Term Loan-2 | 48.30 | 29.07 | 6-Apr-2012 |
| | Term Loan-3 | 10.00 | 7.78 | 30-Jun-2011 |
| **Subtotal** | | **399.10** | **307.71** | |
| **Fund Based Short Term** | | | | |
| AB Bank Limited | | | | |
| | Time Loan | 150.00 | 144.85 | 30-Jun-11 |
| | Overdraft | 25.00 | 24.84 | 31-Dec-10 |
| One Bank Limited | | | | |
| | Time Loan | 500.00 | 399.92 | 31-Mar-11 |
| | Overdraft | 10.00 | 9.97 | 31-Mar-11 |
| **Subtotal** | | **685.00** | **579.58** | |
| **Non-Fund Based Short Term** | | | | |
| AB Bank Limited | | | | |
| | B2B L/C | 340.00 | 250.00 | 31-Mar-11 |
| One Bank Limited | | | | |
| | B2B L/C | 650.00 | 550.00 | 31-Mar-11 |
| | Bank Guarantee | 5.00 | 2.50 | 31-Dec-10 |
| **Subtotal** | | **995.00** | **802.50** | |
| **Grand Total:** | | **2,079.10** | **1,689.79** | |

**CRAB RATING SCALES AND DEFINITIONS –Long Term (Corporate)**

| Long Term Rating | Definition |
|---|---|
| **AAA** Triple A | Companies rated in this category have extremely strong capacity to meet financial commitments. These companies are judged to be of the highest quality, with minimal credit risk. |
| **$AA_1$, $AA_2$, $AA_3$*** Double A | Companies rated in this category have very strong capacity to meet financial commitments. These companies are judged to be of very high quality, subject to very low credit risk. |
| **$A_1$, $A_2$, $A_3$** Single A | Companies rated in this category have strong capacity to meet financial commitments, but are susceptible to the adverse effects of changes in circumstances and economic conditions. These companies are judged to be of high quality, subject to low credit risk. |
| **$BBB_1$, $BBB_2$, $BBB_3$** Triple B | Companies rated in this category have adequate capacity to meet financial commitments but more susceptible to adverse economic conditions or changing circumstances. These companies are subject to moderate credit risk. Such companies possess certain speculative characteristics. |
| **$BB_1$, $BB_2$, $BB_3$** Double B | Companies rated in this category have inadequate capacity to meet financial commitments. Have major ongoing uncertainties and exposure to adverse business, financial, or economic conditions. These companies have speculative elements, subject to substantial credit risk. |
| **$B_1$, $B_2$, $B_3$** Single B | Companies rated in this category have weak capacity to meet financial commitments. These companies have speculative elements, subject to high credit risk. |
| **$CCC_1$, $CCC_2$, $CCC_3$** Triple C | Companies rated in this category have very weak capacity to meet financial obligations. These companies have very weak standing and are subject to very high credit risk. |
| **CC** Double C | Companies rated in this category have extremely weak capacity to meet financial obligations. These companies are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest. |
| **C** Single C | Companies rated in this category are highly vulnerable to non-payment, have payment arrearages allowed by the terms of the documents, or subject of bankruptcy petition, but have not experienced a payment default. Payments may have been suspended in accordance with the instrument's terms. These companies are typically in default, with little prospect for recovery of principal or interest. |
| **D** (Default) | D rating will also be used upon the filing of a bankruptcy petition or similar action if payments on an obligation are jeopardized. |

***Note:** CRAB appends numerical modifiers 1, 2, and 3 to each generic rating classification from AA through CCC. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.*

## CRAB RATING SCALES AND DEFINITIONS
## LONG-TERM RATING: LOANS/FACILITIES FROM BANKS/FIS

*(All loans/facilities with original maturity exceeding one year)*

| RATINGS | DEFINITION |
|---|---|
| **AAA (Lr)**<br>**(Triple A) Highest Safety** | Loans/facilities rated **AAA (Lr)** are judged to offer the highest degree of safety, with regard to timely payment of financial obligations. Any adverse changes in circumstances are unlikely to affect the payments on the loan facility. |
| **AA (Lr)***<br>**(Double A) High Safety** | Loans/facilities rated **AA (Lr)** are judged to offer a high degree of safety, with regard to timely payment of financial obligations. They differ only marginally in safety from AAA (Lr) rated facilities. |
| **A (Lr)**<br>**Adequate Safety** | Loan/facilities rated **A (Lr)** are judged to offer an adequate degree of safety, with regard to timely payment of financial obligations. However, changes in circumstances can adversely affect such issues more than those in the higher rating categories. |
| **BBB (Lr)**<br>**(Triple B)**<br>**Moderate Safety** | Loans/facilities rated **BBB (Lr)** are judged to offer moderate safety, with regard to timely payment of financial obligations for the present; however, changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal than for issues in higher rating categories. |
| **BB (Lr)**<br>**(Double B)**<br>**Inadequate Safety** | Loans/facilities rated **BB (Lr)** are judged to carry inadequate safety, with regard to timely payment of financial obligations; they are less likely to default in the immediate future than instruments in lower rating categories, but an adverse change in circumstances could lead to inadequate capacity to make payment on financial obligations. |
| **B (Lr)**<br>**High Risk** | Loans/facilities rated **B (Lr)** are judged to have high risk of default; while currently financial obligations are met, adverse business or economic conditions would lead to lack of ability or willingness to pay interest or principal. |
| **CCC (Lr)**<br>**Very High Risk** | Loans/facilities rated **CCC (Lr)** are judged to have factors present that make them very highly vulnerable to default; timely payment of financial obligations is possible only if favourable circumstances continue. |
| **CC (Lr)**<br>**Extremely High Risk** | Loans/facilities rated **CC (Lr)** are judged to be extremely vulnerable to default; timely payment of financial obligations is possible only through external support. |
| **C (Lr)**<br>**Near to Default** | Loans/facilities rated **C (Lr)** are currently highly vulnerable to non-payment, having obligations with payment arrearages allowed by the terms of the documents, or obligations that are subject of a bankruptcy petition or similar action but have not experienced a payment default. C is typically in default, with little prospect for recovery of principal or interest. C (Lr) are typically in default, with little prospect for recovery of principal or interest. |
| **D (Lr)**<br>**Default** | Loans/facilities rated **D (Lr)** are in default or are expected to default on scheduled payment dates. |

***Note:** CRAB appends numerical modifiers 1, 2, and 3 to each generic rating classification from AA through CCC. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.*

## SHORT-TERM CREDIT RATING: LOANS/FACILITIES OF BANKS/FIS

*(All loans/facilities with original maturity within one year)*

| RATING | DEFINITION |
|---|---|
| **ST-1** Highest Grade | This rating indicates that the degree of safety regarding timely payment on the loans/facilities is very strong. |
| **ST-2** High Grade | This rating indicates that the degree of safety regarding timely payment on the loans/facilities is strong; however, the relative degree of safety is lower than that for issues rated higher. |
| **ST-3** Adequate Grade | This rating indicates that the degree of safety regarding timely payment on the loans/facilities is adequate; however, the issues are more vulnerable to the adverse effects of changing circumstances than issues rated in the two higher categories. |
| **ST-4** Marginal | This rating indicates that the degree of safety regarding timely payment on the loans/facilities is marginal; and the issues are quite vulnerable to the adverse effects of changing circumstances. |
| **ST-5** Inadequate Grade | This rating indicates that the degree of safety regarding timely payment on the loans/facilities is minimal, and it is likely to be adversely affected by short-term adversity or less favorable conditions. |
| **ST-6** Lowest Grade | This rating indicates that the loans/facilities are expected to be in default on maturity or is in default. |

**"INTERESTED PERSONS ARE ENTITLED TO A PROSPECTUS, IF THEY SO DESIRE, AND COPIES OF PROSPECTUS MAY BE OBTAINED FROM THE ISSUER AND THE ISSUE MANAGER"**

# ZAHINTEX INDUSTRIES LTD.

## APPLICATION FORM

### APPLICATION FOR SHARES BY INVESTORS OTHER THAN NON-RESIDENT BANGLADESHI(S)

**Warning:** Please read the instructions on the back of this form. Incorrectly filled Applications may be rejected.

| **Banker's Sl. No.** |
|---|

**The Managing Director & Director**
Zahintex Industries Ltd.
House#06, Road#13, Sector#03, Uttara Model Town, Uttara, Dhaka-1230

Dear Sir,

I/we apply for and request you to allot me/us the........................number of Shares and I/we agree to accept the same or any smaller number that may be allotted to me/us upon terms of the Company's approved Prospectus and subject to the Memorandum and Articles of Association of the Company. Further, I/we authorize you to place my/our name(s) on the Register of Member(s) of the Company and deposit the said shares to my/our Depository (BO) Account and/or a crossed (A/C Payee Only) cheque in respect of any Application money refundable by post/courier at my/our risk to the first applicant's address stated below:

1 Number of Ordinary Shares ...........................of Tk.25.00 each including a premium of Tk.15.00 per share

2 Amount Tk. (in figure)...........................Taka (in words)....................................................only deposited vide Cash/Cheque/Draft/Pay Order No.....................Date......................on..............................Bank...................Branch

3 Beneficiary Owner (BO) Account Number

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

**{If you do not mention your valid Depository (BO) account number, your application will be treated as invalid.}**

4 I/we agree to fully abide by the instructions given herein.

5 **Particulars of Applicant(s)** :

**a) Sole/First Applicant**:

| | | |
|---|---|---|
| **Name: Mr./Mrs./Ms.** | | |
| **Father's/Husband's Name :** | | |
| **Mothers Name:** | | |
| **Postal Address :** | | |
| | | |
| **Occupation :** | **Nationality:** | **Tel No. (if any)** |
| **For refund warrant (Application will not be treated as valid if any one uses a non-scheduled bank. To avoid this complication, investors are requested not to use the name of any non-scheduled bank) Please write the correct and full name of bank and branch** | | |
| **For refund purpose:** I/we want refund through □ Bank Account □ Hand Delivery/Courier (Please put tick mark in which refund will be made) **The applicant shall provide with the same bank account number in the application form as it is in the BO Account of the applicant. Otherwise the application will be considered invalid and the subscription money may be forfeited.** | | |
| **Applicant's Bank A/C No:** | | |
| **Name of the Bank :** | **Branch :** | |

**b) Second Applicant**:

| | | |
|---|---|---|
| **Name: Mr./Mrs./Ms.** | | |
| **Father's/Husband's Name :** | | |
| **Mothers Name:** | | |
| **Postal Address :** | | |
| **Occupation:** | **Nationality:** | **Tel No. (if any)** |

6. I/we hereby declare that I/we have read the Prospectus of **ZAHINTEX INDUSTRIES LTD.** and have willingly subscribed for ……………………. no. of Shares of Tk.25.00 each including a premium of Tk.15.00 per share on this form.

7. **Specimen Signature(s) :**

| | |
|---|---|
| **1st Applicants Name (in Block Letters)** | **Signature:** |
| **2nd Applicants name(in Block Letters)** | **Signature:** |

* in case of deposit into the applicant's bank account, the applicant will bear the applicable charge, if any, of the applicant's banker, and the issuer shall simultaneously issue a letter of intimation to the applicant consisting, among others, the date and amount remitted with details of the bank through and to which bank such remittance has been effected.

…………………………………………………………………………………………………………………………

## BANKER'S ACKNOWLEDGMENT

Certified that this Bank has received Tk (in figure).................(in word).....................................................) only from Mr./Mrs./Ms./ .................................................... being the Application money for........... nos. of Ordinary Shares of **ZAHINTEX INDUSTRIES LTD.**

**Banker's Sl. No.** **Seal & Date** **Authorized Signature**
(Name & Designation)

## INSTRUCTIONS

1. As per provision of the Depository Act, 1999 and regulations made there under shares will only be issued in dematerialized condition. Please mention your BO (Beneficiary Owner) account number in the Application Form. If you do not mention your valid BO (Beneficiary Owner) Account, your application will be treated as invalid.

2. All information must be typed or written in full (in block letters) in English or in Bengali and must not be abbreviated.

3. Application must be made on the Company's printed form/photocopy or on typed copy/hand written form thereof.

4. Application must not be for less than **500** ordinary shares and must be for a multiple of **500** ordinary shares. Any application not meeting these criterions will not be considered for allotment purpose.

5. Remittance for the full amount of the shares must accompany each application and must be forwarded to any of the Bankers' to the Issue. Remittance should be in the form of cash/cheque/bank draft/pay order payable to one of the Bankers' to the Issue favoring **"ZAHINTEX INDUSTRIES LTD."** and crossed **"A/C Payee only"** and must be drawn on a bank in the same town as the bank to which the application form has been sent.

6. In the case of a joint application form, the Allotment letter will be dispatched to the person whose name appears first on this application form and where any amount each refundable in whole or in part the same will be refunded by Account Payee Cheque by post/courier service to the person named first on this application form in the manner prescribed in the prospectus.

7. Joint application form for more than two persons will not be accepted. In case of joint application, each party must sign the application form.

8. Applications must be in the full name of individuals or companies or societies or trusts and not in the name of firms, minors or persons of unsound mind. Application from financial and market intermediary companies must be accompanied by Memorandum of Association and Articles of Associations and Certificate of Incorporation.

9. **An applicant cannot submit more than two applications, one in his/her own name and another jointly with another person. In case an applicant makes more than two applications, all applications will be treated as invalid and will not be considered for allotment purpose. In addition, whole or part of application money may be forfeited by the Commission.**

10. No receipt will be issued for the payment made with application, but the bankers will issue a provisional acknowledgement to the issue for application lodged with them.

11. In the case of non-allotment of securities, if the applicants' bank accounts as mentioned in their IPO Application Forms are maintained with the Bankers to the Issue, refund amount of those applicants will be directly credited into the respective bank accounts as mentioned in their IPO Application Forms. Otherwise, refund will be made only through "Account Payee" cheque(s) showing bank account number and name of bank and branch as mentioned in the application payable at Dhaka or Chittagong, as the case may be.

12. Allotment shall be made solely in accordance with the instructions of the Securities and Exchange Commission.

13. Making of any false statement in the application or supplying of incorrect information therein or suppressing any relevant information shall make the application liable to rejection and subject to forfeiture of application money and / or forfeiture of share (unit) before or after issuance of the same by the issuer. The said forfeited Application money or share (unit) will be deposited in account specified by the Securities and Exchange Commission (SEC). This may be in addition to any other penalties as may be provided for by the law.

14. Applications which do not meet the above requirements, or applications, which are incomplete, shall not be considered for allotment purpose.

15. The Bankers' to the Issue shall be obliged to receive the A/C Payee Cheque(s) on the closing day of the subscription.

16. **No sale of securities shall be made nor shall any money be taken from any person, in connection with such sale until twenty five days after the prospectus have been published.**

## BANKERS TO THE ISSUE

### National Bank Ltd.

1. Agrabad Br., Chittagong
2. Anderkilla Br., Chittagong
3. Bangsal Road Br., Dhaka
4. Banani Branch., Dhaka
5. Babubazar Br., Dhaka
6. Bogra Br., Bogra
7. Barisal Br., Barisal
8. Elephant Road Br., Dhaka
9. Foreign Ex. Br., Dhaka
10. Gulshan Br., Dhaka
11. Imamgonj Br., Dhaka
12. Islampur Br., Dhaka
13. Jatrabari Br., Dhaka
14. Kawran Bazar Br., Dhaka
15. Khulna Br., Khulna
16. Sylhet Br., Sylhet
17. Feni Br., Feni
18. S.K. Mujib Road Br., Chittagong
19. Z. H. Sikder M.C. Br., Dhaka
20. Malibagh Br., Dhaka
21. Khatungonj Br., Chittagong
22. Lake Circus Br., Dhaka
23. Tongi Br., Tongi
24. Rifles Square Br., Dhaka
25. Pagla Bazar Br., Narayanganj
26. CDA Avenue Br., Chittagong
27. Muradpur Br., Chittagong
28. Zindabazar Br., Sylhet
29. Mirpur Br., Dhaka
30. Mohakhali Br., Dhaka
31. Mohammadpur Br., Dhaka
32. Motijheel Br., Dhaka
33. Dhanmondi Br., Dhaka
34. Dilkusha Br., Dhaka
35. New Eskaton Br., Dhaka
36. North brookHall Br., Dhaka
37. Pragati Sarani Br., Dhaka
38. Rokeya Sarani Br., Dhaka
39. Savar Bazar Br., Savar
40. Uttara Br., Dhaka
41. Chwak Bazar Br., Chittagong
42. Chowmohoni Br., Noakhali
43. Pahartoli Br., Chittagong
44. Halishahar Br., Chittagong
45. Jubilee Road Br., Chittagong
46. Tangail Br., Tangail
47. Comilla Br., Comilla
48. Rangpur Br., Rangpur
49. Rajshahi Br., Rajshahi
50. Narayangonj Br.,Narayangonj
51. Netaigonj Br., Narayangonj
52. Narshingdi Br., Narshingdi
53. Faridpur Br., Faridpur
54. Moulvibazar Br., Moulvibazar
55. Mymenshing Br. Mymenshingh
56. Bandura Br., Dhaka

### Trust Bank Limited

1. Principal Branch, Dhaka
2. Dilkusha Corporate Br., Dhaka
3. Kafrul Branch., Dhaka
4. Radisson Water Garden Br Dhaka
5. Mirpur Br., Dhaka
6. Karwanbazar Br., Dhaka
7. Uttara Br., Dhaka
8. Narayangonj Br., Narayangonj
9. Elephant Road Br., Dhaka
10. Dhanmondi Br., Dhaka
11. Narshingdi Br., Narshingdi
12. Tongi Br., Gazipur
13. Joudebpur Br., Gazipur
14. Ashulia Br., Dhaka
15. Momenshahi Br., Mymenshingh
16. Savar Cantonment Br., Dhaka
17. S.S. Cantonment Br., Tangail
18. Naval Base Br., Chittagong
19. Halishahar Br., Chittagong
20. Kadamtala Br., Chittagong
21. Comilla Cantt. Br., Comilla
22. Feni Br., Feni
23. Chowmohoni Br., Noakhali
24. Comilla Br., Comilla
25. Ashuganj Br., Brahamanbaria
26. Khulna Br., Khulna
27. Jalalabad Cantt. Br., Sylhet
28. Rangpur Br., Rangpur
29. Bogra Br., Bogra
30. Khwaja Younus Ali Medical College & Hospital Br.,Sirajganj
31. Jessore Cantt. Br., Jessore
32. Shahjalal Uposhahar Br., Sylhet
33. Rajshahi Br., Rajshahi
34. Barisal Br., Barisal

### Social Islami Bank Ltd.

1. Principal Br., Dhaka
2. Agrabad Br., Chittagong
3. Khulna Br., Khulna
4. Gulshan Br., Dhaka
5. Babu Bazar Br., Dhaka
6. Begum Rokeya Sarani Br., Dhaka
7. Foreign Exchange Br., Dhaka
8. Dhanmondi Br., Dhaka
9. Uttara Br., Dhaka
10. Mirpur Br., Dhaka
11. Banani Br., Dhaka
12. Islampur Br., Dhaka
13. Rampura Br., Dhaka
14. New Eskaton Br., Dhaka
15. Rasulpur Br., Dhaka
16. Sylhet Br., Sylhet
17. South Surma Br., Sylhet
18. Sonargaon Br., Sonargaon
19. Narayangonj Br.,Narayangonj
20. Comilla Br., Comilla

### NCC Bank Limited

1. Motijheel Br., Dhaka
2. Dilkusha Br., Dhaka
3. Kawranbazar Br., Dhaka
4. Mirpur Br., Dhaka
5. Dhanmondi Br., Dhaka
6. Mitford Br., Dhaka
7. Nawabpur Br., Dhaka
8. Foreign Exchange Br., Dhaka
9. Tangail Br., Tangail
10. Malibagh Br., Dhaka
11. Uttara Br., Dhaka
12. Mogbazar Br., Dhaka
13. Babubazar Br., Dhaka
14. Bangsal Br., Dhaka
15. Elephant Road Br., Dhaka
16. Pragoti Sarani Br., Dhaka
17. Jatrabari Br., Dhaka
18. Halishahar Br., Chittagong
19. Gulshan Br., Dhaka
20. Shymoli Br., Dhaka
21. Banani Br., Dhaka
22. Bijoynagar Br., Dhaka
23. Savar Br., Savar
24. Islampur Br., Dhaka
25. Narayanganj Br.,Narayanganj
26. Madaripur Br., Madaripur
27. Chowhatta Br., Sylhet
28. Agrabad Br., Chittagong
29. Khatungonj Br., Chittagong
30. O.R. Nizam Road Br., Chittagong
31. Jubilee road Br., Chittagong
32. Cox'sbazar Br., Cox'sbazar
33. CEPZ Br., Chittagong
34. Anderkilla Br., Chittagong
35. Joydevpur Br. Gazipur
36. Kadamtali Br., Chittagong
37. Majhirghat Br., Chittagong
38. Feni Br., Feni
39. Laxmipur Br., Laxmipur
40. Chowmuhani Br., Noakhali
41. Comilla Br., Comilla
42. Laldighirpar Br., Chittagong
43. Mymenshingh Br., Mymenshingh
44. Moulvibazar Br., Moulvibazar
45. Rangpur Br., Rangpur
46. Rajshahi Br., Rajshahi
47. Bogra Br., Bogra
48. Naogaon Br., Naogaon
49. Khulna Br., Khulna
50. Jessore Br., Jessore
51. Maijdee Br., Noakhali

### Southeast Bank Limited

1. Principal Br., Dhaka
2. Corporate Br., Dhaka
3. Imamgonj Br., Dhaka
4. Dhanmondi Br., Dhaka
5. Uttara Br., Dhaka
6. New Elephant Road Br., Dhaka
7. Gulshan Br., Dhaka
8. Kakrail Br., Dhaka
9. Banani Br., Dhaka
10. Bangsal Road Br.,Dhaka
11. New Eskaton Road Br., Dhaka
12. Mohammadpur Br., Dhaka
13. Sat Mashjid Road Br., Dhaka
14. Shaymoli Br., Dhaka
15. Aganagar Br., Dhaka
16. Pragati Sarani Br., Dhaka
17. Madhabdi Br., (Rural), Narshingdi
18. Ashulia Br. (Rural), Dhaka
19. Narayanganj Br., Narayanganj
20. Joypara Br. ( Rural), Dhaka
21. Savar Br., Savar
22. Mouchak Br., Dhaka
23. Konabari Br., (Rural), Gazipur
24. Tongi Br. Gazipur
25. Bashundhara Br., Dhaka
26. Rokeya Sarani Br., Dhaka
27. Fatikchari Br., Chitttagong
28. Comilla Br. Comilla
29. Bandar Bazar Br., Sylhet
30. Moulvibazar Br., Moulvibazar
31. Pahartali Br.,Chittagong
32. Chouhatta Br. Sylhet
33. Laldighirpaar Br., Sylhet
34. Shahjalal Uposhahar Br., Sylhet
35. Kolaura Br (Rural), Moulavibazar
36. Pathantula Br. Sylhet
37. Agrabad Br. Chittagong
38. Khatungonj Br., Chittagong
39. Jubilee Road Br., Chittagong
40. Halishahar Br., Chittagong
41. Chowmohani Br., Noakhali
42. CDA Avenue Br., Chittagong
43. Cox's Bazar Br., Cox's Bazar
44. Chhagalnaiya Br., Feni
45. Feni Br., Feni
46. Chapainawabganj Br., Chapainawabganj
47. Bashurhat Br. Noakhali
48. Momin Road Br. Chittagong
49. Rangpur Br., Rangpur
50. Bogra Br., Bogra
51. Khulna Br., Khulna
52. Barisal Br., Barisal
53. Rajshahi Br., Rajshahi
54. Naogaon Br. Naogaon
55. Madambibir Hat Br., Chitttagong

## One Bank Limited

1. Principal Br., Dhaka
2. Motijheel Br., Dhaka
3. Kawranbazar Br., Dhaka
4. Gulshan Br., Dhaka
5. Mirpur Br., Dhaka
6. Uttara Br.,Dhaka
7. Dhanmondi Br., Dhaka
8. Banani Br., Dhaka
9. Kakrail Br., Dhaka
10. Pragoti Sarani Br., Dhaka
11. Elephant Road Br., Dhaka
12. Jatrabari Br., Dhaka
13. Nawabgonj Br., Dhaka
14. Bangsal Br., Dhaka
15. Ganakbari EPZ Br., Dhaka
16. Imamgonj Br., Dhaka
17. Narayangonj Br., Narayangonj
18. Joypara Br., Dhaka
19. Agrabad Br., Chittagong
20. Khatungonj Br., Chittagong
21. CDA Avenue Br., Chittagong
22. Nanupur Bazar Br., Chittagong
23. Cox'sbazar Br., Cox'sbazar
24. Jubilee road Br., Chittagong
25. Chowmuhani Br., Noakhali
26. Chandragonj Br., Lakshmipur
27. Feni Br., Feni
28. Raipur Br., Lakshmipur
29. Dagon Bhuiyan Br., Feni
30. Sylhet Br., Sylhet
31. Sherpur Br., Moulvibazar
32. Islampur Br., Sylhet
33. Jessore Br., Jessore
34. Bogra Br., Bogra
35. Sirajganj Br., Sirajganj
36. Laksham Br., comilla
37. Ramganj Br., Laxmipur
38. Maijdee Court Br., Noakhali
39. Banasree Br., Dhaka
40. Rajshahi Br., Rajshahi
41. Shahjadpur Br., Sirajganj
42. Jagonnathpur Br., Nadda, Dhaka
43. Tongi Br., Tongi
44. Comilla Br., Comilla
45. Bashaboo Br., Dhaka
46. Satkhira Br., Satkhira
47. Madhabdi Br., Narsingdi
48. Rangamati Br., Rangamati
49. Sitakunda Br., Chittagong
50. Mogbazar Br., Dhaka

## AB Bank Limited

1. Motijheel Br., Dhaka
2. New Elephant Road Br., Dhaka
3. Dhanmondi Br., Dhaka
4. Islampur Br., Dhaka
5. Kawranbazar Br., Dhaka
6. Pragoti Sarani Br., Dhaka
7. Rokeya Sarani Br., Dhaka
8. Mirpur Br., Dhaka
9. Kakrail Br., Dhaka
10. Khulna Br., Khulna
11. Modhuban Br., Sylhet
12. Agrabad Br., Chittagong
13. Rajshahi Br., Rajshahi
14. Rangpur Br., Rangpur

## Dhaka Bank Limited

1. Local Office Br., Dhaka
2. Uttara Br., Dhaka
3. Khilgaon Br., Dhaka
4. Mirpur Br., Dhaka
5. Narayangonj Br., Narayangonj
6. CDA Avenue Br., Chittagong
7. Uposhahar Br., Sylhet
8. Comilla Br., Comilla
9. Barishal Br., Barishal.
10. Rajshahi Br., Rajshahi

## Investment Corporation of Bangladesh (ICB)

1. Head Office, Dhaka
2. Chittagong Br., Chittagong
3. Rajshahi Br., Rajshahi
4. Khulna Br., Khulna
5. Barishal Br., Barishal
6. Sylhet Br., Sylhet
7. Bogra Br., Bogra
8. Local Office, Dhaka

## Mercantile Bank Limited

1. Main Br., Dhaka
2. Dhanmondi Br., Dhaka
3. Kawran Bazar Br. Dhaka
4. Agrabad Br., Chittagong
5. Banani Br. Dhaka
6. Rajshahi Br., Rajshahi
7. Naogaon Br. Naogaon
8. Sylhet Br., Sylhet
9. Board Bazar Br., Gazipur
10. Naya Bazar Br., Dhaka
11. Khatungonj Br., Chittagong
12. Mohakhali Br., Dhaka
13. Mirpur Br., Dhaka
14. Uttara Br.,Dhaka
15. Jubilee road Br., Chittagong
16. Elephant Road Br. Dhaka
17. Motijheel Br. Dhaka
18. Madam Bibir Hat Br.Chittagong
19. Khulna Br., Khulna
20. Rangpur Br., Rangpur
21. Sat Mashjid Road Br., Dhaka
22. O.R. Nizam Road Br., Chittagong
23. Bogra Br., Bogra
24. Gulshan Br. Dhaka
25. Feni Br., Feni
26. Moulvibazar Br., Moulvibazar
27. Bijoy Nagar Br., Dhaka
28. Mogbazar Br., Dhaka
29. Beani Bazar Br., Sylhet
30. Barishal Br., Barishal.
31. Comilla Br., Comilla
32. Green Road Br., Dhaka
33. Sheikh Mujib Road Br., Chittagong
34. Engineer's institution Road Br., Dhaka
35. Mazar Road Br., Mirpur, Dhaka
36. Dinajpur Br., Dinajpur
37. Jessore Br., Jessore
38. Pragoti Sarani Br. Dhaka
39. Chittagong EPZ Br., Chittagong
40. Narayangonj Br.,Narayangonj

"INTERESTED PERSONS ARE ENTITLED TO A PROSPECTUS, IF THEY SO DESIRE, AND COPIES OF PROSPECTUS MAY BE OBTAINED FROM THE ISSUER AND THE ISSUE MANAGER"

# ZAHINTEX INDUSTRIES LTD.

## Application Form

**APPLICATION FOR SHARES BY NON-RESIDENT BANGLADESHIS**

(To be sent to the Company's Corporate Office)

**WARNING:** Please read the instructions at the back of this form. Incorrectly filled Applications may be rejected.

**The Managing Director & Director**
Zahintex Industries Ltd.
House#06, Road#13, Sector#03, Uttara Model Town, Uttara, Dhaka-1230

Dear Sir,

I/We apply for and request you to allot me/us the …………………..number of Shares and I/we agree to accept the same or any smaller number that may be allotted to me/us upon terms of the Company's approved Prospectus and subject to the Memorandum and Articles of Association of the Company. Further, I/we authorize you to place my/our name(s) on the Register of Members of the Company and deposit the said shares to my/our Depository (BO) Account and/or a crossed (A/C Payee only) Cheque in respect of any Application money refundable by post/courier at my/our risk to the first applicant's address stated below:

1. No. of ordinary Shares ............................... of Tk.25.00 each including a premium of Tk.15 per share
2. Amount of Tk. (in figure)……………………(in words)……………………………………only convertible into US Dollar 1=Tk.……………, UK Pound Sterling 1 =Tk.…………………and EURO 1=Tk.…………………drawn on………………………………Bank………………………………Branc
3. Payment by cheque /draft no. ………………………………………dated ……………………. For US Dollar or UK Pound Sterling or Euro or Tk. ………………………………………………………… drawn on ………………………………………Bank……………………………………………………Branch
4. Depository (BO) Account Number

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | | |

**(If you do not mention your valid BO (Beneficiary Owner) Account number, your application will be treated as invalid.)**

5. I/we agree to fully abide by the instructions given herein.
6. Particulars of Applicant(s):

**A) Sole / First Applicant:**

| | |
|---|---|
| Name: | |
| Father's/Husband's Name : | |
| Mother's Name: | |
| Mailing Address : | |
| | |
| Occupation : | Nationality : |
| Passport No. : | Valid up to: |
| Date of Birth : | Telephone (if any): |
| **For refund warrant (Application will not be treated as valid if anyone uses a non-scheduled Bank. To avoid this complication, investors are requested not to use the name of any non-scheduled Bank) Please write the correct and full name of branch.** | |
| Applicant's Bank A/C No: | |
| Name of the Bank : | Branch : |

**The applicant shall provide with the same bank account number in the application form as it is in the BO Account of the applicant. Otherwise the application will be considered invalid and the subscription money may be forfeited.**

| **B) Second Applicant :** | |
|---|---|
| Name: | |
| Father's/Husband's Name : | |
| Mother's Name: | |
| Mailing Address : | |
| Occupation : | Nationality : |
| Passport No. : | Valid up to : |
| Date of Birth : | Telephone (if any): |

**Nominee**

| | |
|---|---|
| Name: | |
| Mailing Address : | |

7. I/ We hereby declare that I/we have read the Prospectus of **ZAHINTEX INDUSTRIES LTD.** and have willingly subscribed for …………………Nos. of Ordinary Shares of Tk.25.00 each including a premium of Tk.15.00 per share on this form.

8. **Specimen Signature(s):**

| | Name In Block Letters | Signature |
|---|---|---|
| **Sole / First Applicant** | | |
| **Second Applicant** | | |
| **Nominee** | | |

## INSTRUCTIONS

1. As per provision of the Depository Act, 1999 and regulations made there under shares will only be issued in dematerialized condition. Please mention your BO (Beneficiary Owner) account number in the Application Form. If you do not mention your valid BO (Beneficiary Owner) account, your application will be treated as invalid.

2. All information must be written or typed in block letters in English and must not be abbreviated.

3. An application must not be for less than **500** Ordinary Shares and must be for a multiple of **500** ordinary shares. Any application not meeting this criterion will not be considered for allotment purpose.

4. An application must be accompanied by a foreign demand draft drawn on a bank payable at Dhaka or cheque drawn out of foreign currency deposit account maintained in Bangladesh for the full value of shares favoring **"ZAHINTEX INDUSTRIES LTD."** and crossed **"Account Payee only".**

5. An application shall be sent by the applicant directly to the Company by **18.09.2011** so as to reach the Company by **01.10.2011**. Applications sent after **18.09.2011** or received by the Company after **01.10.2011**will not be considered for allotment purpose.

6. Refund against over-subscription shall be made in the currency in which the value of shares was paid for by the applicant at the same rate as stated on the application form through Account Payee cheque payable at Dhaka with bank account number, Bank's name and Branch as indicated in the securities application form.

7. In case of over-subscription, allotment shall be made by lottery solely in accordance with the instructions by SEC.

8. Money receipt on clearance of draft or cheque, as the case may be, shall be sent by post to the applicant by the Company.

9. Joint application by two persons will be acceptable. In such a case, allotment or refund shall be made by post to the first applicant.

10. Application must be made by an individual, a corporation or company, a trust or a society and not by a firm, minor or persons of unsound mind.

11. Making of any false statement in the application or supplying of incorrect information therein or suppressing any relevant information in the application shall make the Application liable to rejection and subject to forfeiture of application money and / or forfeiture of share (unit) before or after issuance of the same by the issuer. The said forfeited application money or share (unit) will be deposited in account specified by the Securities and Exchange Commission (SEC). This may be in addition to any other penalties as may be provided for by the law.

12. The intending NRB applicants shall deposit share money by US Dollar/UK Pound Sterling/EURO draft drawn on any Bank and payable in Dhaka, Bangladesh, or through a nominee by paying out of foreign currency deposit account maintained in Bangladesh or in Taka, supported by foreign currency encashment certificate issued by the concerned bank, for the value of securities applied for through crossed bank cheque marking "Account Payee only". So that the issuer's collecting bank can clear the proceeds and deposit the same into issuer Company's account in time.

13. The spot buying rate (TT Clean) in US Dollar, UK Pound Sterling and EURO of Sonali Bank at the day of subscription opening will be applicable for the Non Resident Bangladeshi (NRB) applicants.

14. **The applicant shall furnish photocopies of relevant pages of valid passports in support of his being a NRB, dual citizenship or of the foreign passport bearing an endorsement from the concerned Bangladeshi Embassy to the effect that no visa is required for him to travel to Bangladesh.**

15. In case of joint NRB application joint applicant shall also submit supporting papers /documents in support of their being a NRB as mentioned in para-15 (above).

16. **An applicant cannot submit more than two applications, one in his/her own name and another jointly with another person. In case an applicant makes more than two applications, all applications will be treated as invalid and will not be considered for allotment purpose. In addition, whole or part of application money may be forfeited by the Commission.**

17. **No sale of securities shall be made nor shall any money be taken from any person, in connection with such sale until twenty five days after the prospectus have been published.**

18. In the case of non-allotment of securities, if the applicants' bank accounts as mentioned in their IPO Application Forms are maintained with the Bankers to the Issue, refund amount of those applicants will be directly credited into the respective bank accounts as mentioned in their IPO Application Forms. Otherwise, refund will be made only through "Account Payee" cheque(s) with bank account number and name of bank branch as mentioned in the application payable at Dhaka or Chittagong, as the case may be.

**THE NRB APPLICATION ALONG WITH THE FOREIGN CURRENCY DRAFT, AS ABOVE, IS TO BE SUBMITTED TO THE COMPANY'S HEAD OFFICE DIRECTLY WITHIN THE STIPULATED TIME MENTIONED IN PARA 5.**