

শফিক বসাক এন্ড কোং
SHAFIQ BASAK & CO.

CHARTERED ACCOUNTANTS

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CERTIFICATE OF COMPLIANCE TO THE SHAREHOLDERS OF HAKKANI PULP & PAPER MILLS LIMITED.

(Issued under Condition # 7(i) of corporate Governance Guidelines of BSEC vide Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012)

We have examined the compliance of conditions of Corporate Governance by HAKKANI PULP & PAPER MILLS LIMITED for the year ended 30th June, 2014 as per the guidelines set by Bangladesh Securities and Exchange Commission (BSEC) by the notification SEC/CMRRCD/2006-158/134/Admin/44 dated 7th August, 2012 issued under section 2CC of the securities and exchange Ordinance, 1969.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company have complied with the conditions of corporate Governance as stipulated in the above mentioned Notification.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

Chittagong: October 25, 2014


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CORPORATE GOVERNANCE COMPLIANCE REPORT

Internal Control

The Company has an adequate system of internal control and a documented procedure covering all the financial and operating functions. This has been designed to provide proper accounting control, monitoring the financial transactions, protecting assets from unauthorized use and losses and ensuring the reliability of financial and operational information. As a result, the Company is in a suitable position to detect any fraud and irregularity. The internal control system is designed to ensure that financial and other records are reliable for preparing financial statements.

Audit Committee

Board of Directors has constituted an Audit Committee with the following directors

- 1) Mr. Md. Amirul Islam, FCS, FCA - Chairman
- 2) Mr. Golam Kibria - Member
- 3) Mr. Md. Golam Sarwar - Member

ANNEXURE-I

Name of Directors	Number of meeting held	Number of Attendance
Mr. M.A. Kader	6	3
Mr. Md. Abdullah	6	6
Mr. Md. Golam Mostafa	6	6
Mr. Md. Golam Kibria	6	5
Mr. Md. Golam Sarwar	6	2
Mr. Md. Golam Haider	6	6
Mr. Md. Amirul Islam, FCS, FCA	6	6
Mr. Monoranjan Chakma	6	6
Mrs. Hosne Ara Begum	6	6
Mrs. Ferdous Ara Begum	6	2

- Pattern of Shareholding has been mentioned in the Annexure-II.
- Bangladesh Securities and Exchange Commission's compliance report is enclosed herewith as Annexure-III.
- Key operating and financial data of last four years have been summarized in Annexure-IV.



ANNEXURE-II

Pattern of Share holding of the company as on 30 th June 2014

Shares held by	Number of Shares held	Percentage of Share	Remarks
Parent Company	Nil	-	The Company is not subsidiary of any Company
Subsidiary / Associated Companies	Nil	-	The Company has no subsidiary Company
Other Related Parties	Nil	-	
Directors:			
Mr. M.A. Kader	7,90,000	4.16%	
Mr. Md. Abdullah	3,80,000	2.00%	
Mr. Md. Golam Mostafa	13,65,000	7.18%	
Mr. Md. Golam Kibria	13,65,000	7.18%	
Mr. Md. Golam Sarwar	12,40,000	6.52%	
Mr. Md. Golam Haider	13,65,000	7.18%	
Bangladesh Development Bank Ltd.(Previous BSRS)	15,80,800	8.32%	
Investment Corporation of Bangladesh Represented by Mr. Monoranjan Chakma	36,500	0.19%	
Mrs. Hosne Ara Begum	5,50,000	2.90%	
Mrs. Ferdous Ara Begum	11,00,000	5.79%	
Other than Director :			
Mr. Golam Morshed	13,65,000	7.18%	
Mr. Golam Rasul Muktadir	13,66,000	7.19%	
Chief Executive officer and his spouse and minor children:	Nil	-	as shown in Md Golam Mostafa
Company Secretary and Chief Financial Officer & his spouse and minor children	Nil	-	
Head of Internal Audit and his spouse and minor children	Nil	-	
Executives	Nil	-	
Shareholders holding ten percent (10%) or more voting interest in the company	Nil	-	
General Public & other Institution	64,96,700	34.19%	
Total	19,000,000	100%	



ANNEXURE-III

Status of Compliance with the condition imposed by the Bangladesh Securities and Exchange Commissions Notification No. SEC/CMRRCD/2006-158//134/Admn/44 dated 7 th August 2012. Issued under section 2CC of the Securities and Exchange Ordinance, 1969 :

Condition	Title	Compliance Status		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.	Board of Directors			
1.1	Board's size : Board members should not be less than 5(five) and more than 20(twenty)	Complied		
1.2	Independent directors			
1.2(i)	Minimum Number of Independent Directors: At least 1/5 th	Complied		
1.2(ii)	Appointment of Independent Directors by the elected Directors	Complied		
1.2(iii)	Appointment and Approval of Independent Director(s) by BOD and AGM	Complied		
1.2(iv)	Vaccancy of Post of Independent Director(s) for not more than 90 days	N/A		
1.3	Qualification of Independent Director (ID)			
1.3(i)	Knowlodge and integrity of Independent Director(s)	Complied		
1.3(ii)	Academic background and experiences of Independent Director(s)	Complied		
1.4	Chairman of the Board and Chief Executive and their responsibilities	Complied		
1.5	The Directors' Report to Shareholders			
1.5(i)	Industry Outlook and possible future developments in the industry	Complied		
1.5(ii)	Risk and Concers	Complied		
1.5(iii)	A discussion on cost of goods sold gross profit margin and net profit margin	Complied		
1.5(iv)	A discussion on continuity of any Extra –ordinary gain or loss	Complied		
1.5(v)	Fairness of financial statement	Complied		
1.5(vi)	Maintenance of proper books of accounts	Complied		
1.5(vii)	Adoption of appropriate accounting policies and estimates	Complied		
1.5(viii)	Compliance with IAS/BAS/IFRS/BFRS	Complied		
1.5 (ix)	Soundness of internal control system	Complied		
1.5(x)	Ability to continue as a going concern	Complied		
1.5(xi)	Significant deviations from last year	Complied		Available in the Annual Report
1.5(xii)	Key operating and financial data	Complied		Available in the Annual Report
1.5(xiii)	Dividend declaration	Complied		The Board of Directors recommended cash dividend @5% (Five Percent) on other than sponsors share(Public Share) and @3%(three percent) on Sponsor share
1.5(xiv)	Details of board meeting	Complied		
1.5(xv)	Pattern of shareholding	Complied		
2.	Appointment of CFO			
2.1(i)	Appointment of CFO and Company Secretary & defining their respective roles, responsibilities and duties	Complied		
2.1(ii)	Attendance of Company Secretary, CFO at Board of Director's Meeting	Complied		



Condition	Title	Compliance Status		Explanation for non-compliance with the condition
		Complied	Not Complied	
3.	Audit Committee			
3.(i)	Audit Committee as a sub committee of the Board of Directors	Complied		
3.(ii)	Function of Audit Committee	Complied		
3.(iii)	Reporting to the Board of Directors	Complied		
3.1	Constitution of Audit Committee			
3.1 (i)	Composition of the Audit Committee	Complied		
3.1(ii)	Constitution of Committee with board members inclusion of Independent Director as member.	Complied		
3.1(iii)	Professional Qualification and Experiences of Chairman of the Committee	Complied		
3.1(iv)	Quorum of Meeting of the Audit Committee	Complied		
3.2	Chairman of the Audit Committee			
3.2(i)	Selection of Chairman of Audit Committee	Complied		
3.3	Role of Audit Committee			
3.3(i)	Oversee the Financial Reporting Process	Complied		
3.3(ii)	Monitor Choice of Accounting Polices and Principles	Complied		
3.3(iii)	Monitor Internal Control Risk Managment Process	Complied		
3.3(iv)	Oversee hiring and performance of the external auditors	Complied		
3.3(v)	Review the Annual Financial Statements	Complied		
	Review the Quarterly and half yearly Financial Statement	Complied		
3.4	Reporting to the Board of Directors	Complied		
4.	External / Statutory Auditors			
4 (i)	Non-engagement appraisal or valuation	Complied		
	Non-engagement in designing of financial information system	Complied		
	Non-engagement in book-keeping	Complied		
	Non-engagement in broker -dealer services	Complied		
	Non-engagement in actuarial services	Complied		
	Non-engagement in internal audit	Complied		
	Non-engagement in any other services	Complied		
4.(iv)	Audit / Certification Services on compliance of Corporate Governance	Complied		
5.	Reporting and Compliance of Corporate Governance			
5.(i)	Certification on compliance of Corporate Governance	Complied		
5.(ii)	Directors' statement on the compliance of the above conditions in the Directors' Report	Complied		



ANNEXURE-IV

Key operating and financial data of last four years.

(Tk. in lac)

Particulars	2013-2014	2012-2013	2011-2012	2010-2011
Production (Metric Ton)	5092 M.T	4,671 M.T.	5,558 M.T.	5,817 M.T.
Turnover	Tk. 2822.56	Tk. 2,006.27	Tk. 2,079.10	Tk. 2,657.27
Gross Profit	322.22	297.60	331.89	354.16
Operating Profit	134.59	142.13	201.20	268.81
Profit Before Tax	128.20	152.52	196.70	295.64
Profit After Tax	76.30	56.61	75.14	183.11
Fixed Assets net of depreciation	6491.16	6,434.66	6,619.53	6,675.56
Current Assets	2151.05	1,680.55	1,440.91	1,303.14
Current Liability	1766.76	1,105.94	877.11	563.39
Net Current Assets	384.29	574.60	563.81	739.76
Current Ratio	1.22:1	1.52:1	1.64:1	2.31:1
Earning per share of Tk	0.40	0.51	0.64	0.96
Dividend (Cash)	5% & 3%	5%	5%	5%

