



Report of the Board of Directors to the Shareholders for the Year 2017-18

Bismillahir Rahmanir Rahim

Dear Valued Shareholders,
Assalamualaikum Warahmatullahi Wabarakatuh,

I, on behalf of the Board of Directors of CVO Petrochemical Refinery Limited I would like to very warm welcome you all to the 33rd Annual General Meeting (AGM) of the Company. At the same time, I would also like to express my heartfelt thanks and gratitude to all of you for your continuous support and trust reposed on us. I take this occasion to share with you the pleasure of success as well as highlight the business performance of the Company.

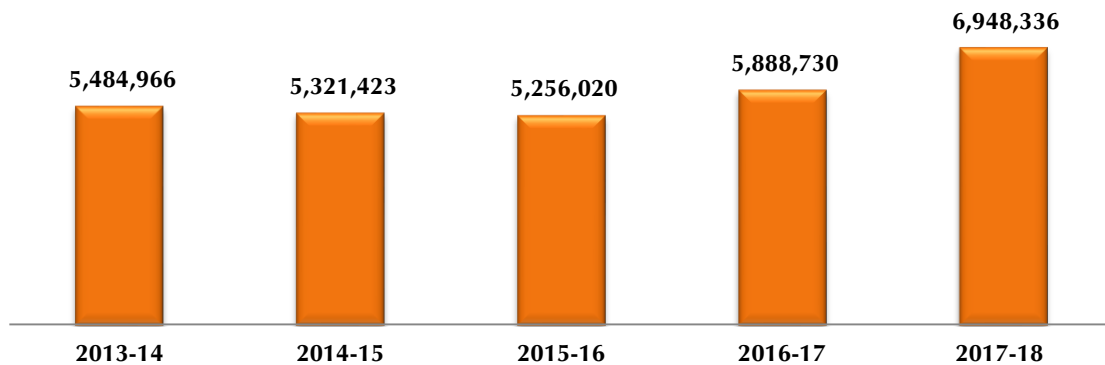
It is an honor for the Board of Directors to present the Directors' Report together with the Audited Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year ended on June 30, 2018.

Petroleum Product Market in Bangladesh

The petroleum product market has been growing very rapidly in recent years driven by strong demand from industrial sector, agro division and increase of automobile for vehicular transport. This is evident from the under mentioned graph showing the rise of year wise sales of petroleum products of BPC from the last 05 (five) years:

BPC SALES LAST 05 YEARS

■ TOTAL (in MT)



This growth in economy has led to increase in vehicle for personal as well as commercial use. The fast-growing industrial sector which includes the power, energy, agro, manufacturing & processing sector is accelerating the demand for Petroleum Products.



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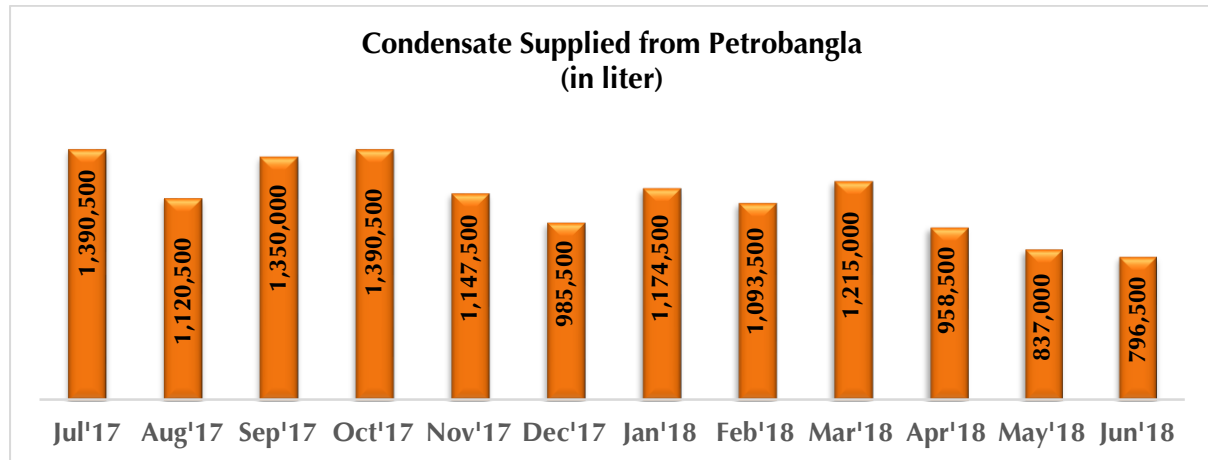
Industrial Outlook & Possible Future Developments

CVO Petrochemical Refinery Limited is the only public limited company among the other 14 (fourteen) private condensate fractionation plants in Bangladesh. The company is potential because the raw materials (Condensate) used by the Company are procured locally from various Gas fields of Bangladesh Oil, Gas & Mineral Corporation (Petrobangla) and also the finished products are sold to Bangladesh Petroleum Corporation (BPC) through Padma Oil Company Limited, Meghna Petroleum Limited and Jamuna Oil Company Limited. Company is producing Motor Spirit (MS), High Speed Diesel (HSD) and Mineral Turpentine (MTT).

As per agreement, CVO Petrochemical Refinery Limited (CVOPRL) is procuring raw materials from Sylhet Gas Fields Limited (SGFL) & Bangladesh Gas Fields Company Limited who are the only Condensate supplier. They have enough stock of Condensate and Bangladesh Petroleum Exploration and Production Company Limited (BAPEX) is looking for new wells. As per report of BAPEX there will be no scarcity of Condensate for the next 15 to 20 years.

Product wise Performance

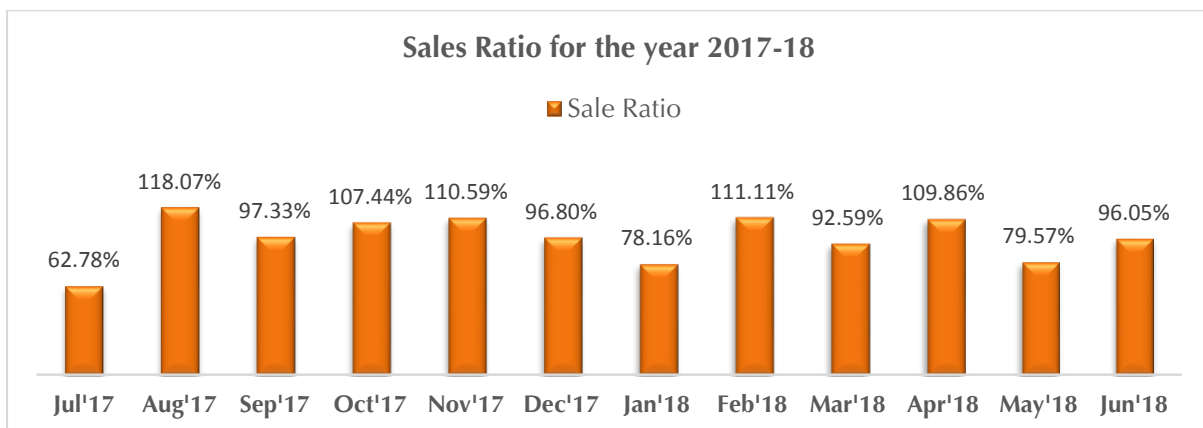
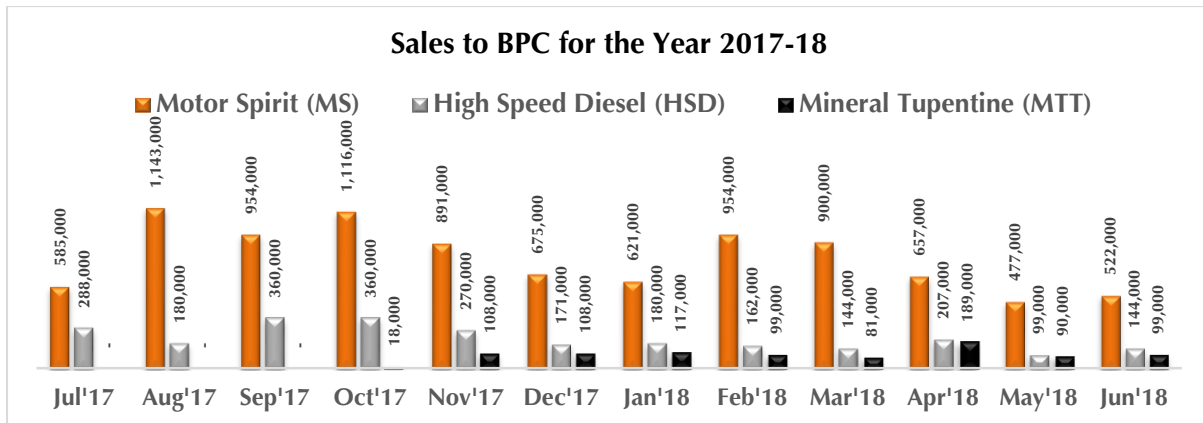
Supply of Condensate from Petrobangla, Sales of finished products to BPC and Sales Ratio during the financial year 2017-18 of CVOPRL has been shown in the under mentioned graph:





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In Bangladesh, annual domestic demand of petroleum products is around 70 (seventy) Lac MT (apprx.). Out of this demand, Eastern Refinery Limited the only state-owned Refinery in Bangladesh is producing only 15 (fifteen) Lac MT (apprx.) per year and other government & private condensate fractionation plants are producing approximately 05 (five) Lac MT of Petro Products. Remaining gap has been filled up through import by BPC. In this regards government is spending a huge amount of foreign currency for import of Petro Products.

CVO Petrochemical Refinery Limited is that kind of Company which is producing petroleum products as import substitute for local consumption and the Company is saving a huge amount of foreign currency and contributing a lot to national exchequer.

Risks & Concerns

Details are discussed in **Note No. 4.0** of Financial Statements.



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Business Performance

As per the last order of Energy and Mineral Resources Division (EMRD), our Company has been allotted for the time being 275 barrels of Condensate per day by Sylhet Gas Fields Limited (SGFL) & Bangladesh Gas Fields Company Limited (BGFCL) up to 31st December 2018 which will be renewable for the next period. Ministry will finalize the allotment of all condensate fractionation plants very soon.

Agreement has been signed between Bangladesh Petroleum Corporation (BPC) and CVO Petrochemical Refinery Limited on October 10, 2017 for the next 03 (three) years from the date of signing for sale of finished products to BPC through the marketing company (Meghna Petroleum Limited, Padma & Jamuna Oil Company Limited).

The Board of Directors expressed disappointment to observe that the financial position of the Company shows unsatisfactory result during the financial year 2017-18 due to insufficient supply of raw materials (Condensate) by the SGFL & BGFL, the Company has utilized only 21.54% of its total production capacity. In view of the above prospective trading agreement the Board of Directors expects a bright business activity of the Company for the coming years.

It is also mentionable that the Company has been awarded Tax Holiday for 05 (five) years from April 02, 2014 to April 01, 2019.

Discussion on Cost of Goods Sold, Gross Profit Margin & Net Profit Margin

Particulars	2017-18 (Tk.)	2016-17 (Tk.)	Growth %
Cost of Goods Sold	610,903,592	95,701,501	538.34%
Gross Profit	49,890,099	(40,080,228)	224.48%
Net Profit	6,550,769	(84,704,276)	107.73%

Cost of Goods Sold (COGS)

Cost of Goods Sold is the expense of a Company incurred in order to manufacture and sell a product. It includes the purchase price of the raw materials as well as the expenses of turning it into a finished product. COGS vary directly with sales and production; the more finished goods we produce, the more stock or components we need to buy.

During the financial year 2017-18 Cost of Goods Sold has been increased by 538.34% compared to the financial year 2016-17 due to re-started the supply of raw materials (Condensate) by Sylhet Gas Fields Limited from 19.06.2017.

Gross Profit Margin Ratio

Gross Profit is the difference between Net Turnover and the Cost of Goods Sold.



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Gross Profit = Net Turnover - Cost of Goods Sold.

The gross profit margin is one of indicator of the financial health of a business. Larger gross profit margins are better for business, the higher the percentage, the more the business retains of each Taka of sales for other expenses and net profit.

Gross Profit Margin % = (Gross Profit / Net Turnover) X 100

During the financial year 2017-18, Gross Profit Margin has been increased by 224.48% compared to the last financial year 2016-17 due to re-started the supply of raw materials (Condensate) by Sylhet Gas Fields Limited from 19.06.2017.

Net Profit Margin Ratio

Net profit is calculated by subtracting expenses, including tax and WPPF from the gross profit, showing what the business has earned (or lost) in a given period of time.

Net Profit = Gross Profit - Expenses with Tax & WPPF

Net Profit of the Company during the financial year 2017-18 has increased by 107.73% compared to the last financial year 2016-17 due to re-started the supply of raw materials (Condensate) from Sylhet Gas Fields Limited from 19.06.2017.

Extra-Ordinary Gain/Loss

There was no extra-ordinary gain/loss occurred during the reporting year.

Related Party Transactions

The related party's transaction is given below during this financial year:

Related Party Name	Opening Balance	Received/Adj. during the year	Payment/Adj. during the year	Closing Balance	Nature of Transaction
M/S. Alhaj Md. Younus & Co.	101,794,061	-	(63,587,520)	38,206,541	Short term loan
M/S. Alhaj Md. Younus & Co.	574,331	7,672,443	(7,964,918)	281,856	Day to day transaction
Mr. Shamsul Alam Shamim, Chairman of the Board of Directors	65,392,656	144,607,344	(20,000,000)	190,000,000	Temporary loan
Mr. Shamsul Alam Shamim, Chairman of the Board of Directors	80,000	150,000	(80,000)	150,000	Office Rent/Security money of Dhaka Office



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Internal Control System

The internal audit team monitors & evaluates the efficacy & adequacy of internal control systems in the company on regular basis. Based on the report of the internal audit team the management undertakes necessary action in their respective functions.

Directors' Remuneration

The details of the remuneration paid to the Directors during the financial year 2017-18 are given in **Note No. 21.1** of Financial Statements.

Protection of Minority Shareholders Interest

The Board of Directors of the Company always gives the highest level of priority to protect the interest of the minority shareholders. Considering the greater interest of the minority shareholders, the Board proposed the decision and the shareholders approved the proposal by their voting power. They reserve the right to give their vote, dividend, collect information and review of any kind of changes in Memorandum and Articles.

Significant Variance between Quarterly & Annual Financial Statements

Particulars	1 st Quarter	2 nd Quarter	3 rd Quarter	Annual
Net Revenue	179,606,327	189,153,058	169,769,863	660,793,691
Gross Profit	12,332,120	11,739,102	19,053,535	49,890,099
Net Profit/(Loss)	(1,668,574)	(2,574,181)	6,874,568	6,550,769
Gross Profit Ratio	6.87%	6.21%	11.22%	7.55%
Net Profit Ratio	-0.93%	-1.36%	4.05%	0.99%
EPS	(0.07)	(0.10)	0.27	0.26
NAV	14.49	14.10	14.32	14.58
NOCFPS	(4.53)	(1.24)	(2.73)	(1.58)

Corporate & Financial Reporting Frame Work

The Board of Directors comply with the Bangladesh Securities & Exchange Commission's notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated: 03 June 2018 and confirm compliance with the financial reporting frame work for the following:

- The financial statements prepared by the management of CVO Petrochemical Refinery Limited present fairly its state of affairs, the result of operations, cash flows & changes in equity.
- Company have been maintaining proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements.



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- iv) International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) as applicable in Bangladesh have been applied in preparation of financial statements and disclosures have been given properly.
- v) There is no significant doubt upon the issue of the company's ability to continue as a going concern.

Going Concern

The Directors are of the opinion that the Company is a going concern and there is no significant doubt upon the Company's ability to continue as a going concern. Accordingly, Financial Statements of the Company have been prepared on a going concern basis.

Significant Deviation in Operating Results Compare to Previous Year

Details are discussed in **Note No. 19.2** of Financial Statements.

Dividend

The Board of Directors is continuously making efforts to uphold and protect the interest of the valued shareholders. Keeping this in mind the Board of Directors decided to recommend 02% cash dividend (Per share of Tk. 10 each) only to the ordinary shareholders except the Sponsors and Directors for the financial year 2017-18 subject to approval by the shareholders in the 33rd AGM.

Rotation of Directors

The Board of Directors of the Company now consists of 06 (six) members including 01 (one) Independent Director. As per Article 119 of the Articles of Association of the Company one-third (1/3) of the number of directors retire by rotation from the Board every year in AGM.

Accordingly, the 02 (two) retiring directors from the Board this year in 33rd Annual General Meeting are Mr. Md. Amin & Mr. Md. Emranul Hoq who have been longest in office since their last election and being eligible offer themselves for re-election. Their short resume is stated in **Annexure-D**.

Management Discussion & Analysis

Details are discussed in **Annexure-E**.

Key Operating and Financial Data of Last 05 (five) years

Particulars	Financial Year				
	2017-18	2016-17	2015-16	2014-15	2013-14
Authorized Capital	1,500,000,000	1,500,000,000	1,500,000,000	1,500,000,000	1,500,000,000
Paid up Capital	252,450,000	247,500,000	247,500,000	198,000,000	198,000,000



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Net Turnover	660,793,691	55,621,273	1,262,371,356	566,432,003	109,794,674
Gross Profit/(Loss)	49,890,099	(40,080,227)	221,233,687	172,115,203	(17,103,021)
Operating Profit/(Loss)	18,086,989	(70,226,356)	189,606,953	153,284,135	(63,810,863)
Profit Before Tax	20,886,581	(68,211,722)	195,780,167	182,388,391	(65,952,230)
Net Profit/(Loss) after Tax	6,550,769	(84,704,276)	183,154,279	181,523,132	(65,952,230)
Non-Current Assets	471,862,346	499,553,402	535,126,946	554,058,016	599,887,569
Current Assets	173,456,749	62,573,551	158,269,636	270,889,612	83,433,479
Current Liabilities	247,843,396	183,164,068	183,430,612	463,876,613	498,823,165
Shareholders' Equity	368,141,901	360,649,159	507,470,661	361,071,015	184,497,883
Dividend	02% Cash	02% Stock	25% Cash	25% Stock & 15% Cash	05% Cash
EPS	0.26	(3.42)	7.40	9.17	(3.33)
Net Asset Value Per Share	14.58	14.57	20.50	18.24	9.32
Net Operating Cash Flow Per Share	(1.58)	(0.64)	9.92	7.26	(5.18)
Number of Shares	25,245,000	24,750,000	24,750,000	19,800,000	19,800,000
Market Price Per Share (At end of the year):					
DSE	207.40	263.90	256.80	338.40	663.90
CSE	206.10	264.80	256.90	340.00	663.30
Position of Share Holdings:					
Sponsors'/Directors'	50%	50%	50%	50%	50%
General public, Institutions & NRB	50%	50%	50%	50%	50%

Board Meeting & Attendance

Name of Directors	Position	No. of Board Meeting	
		Held	Present
Mr. Shamsul Alam Shamim	Chairman	09	09
Mr. A.H.M. Habib Ullah	MD & CEO		08
Mr. Md. Amin	Director		09
Mr. Md. Emranul Hoq	Director		09
Mr. Mohammad Mohsin Saky	Director		09
Mr. Morshedul Alam Quaderi	Independent Director		09

Shareholders Pattern

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The Shareholders pattern of the Company at the year ended on June 30, 2018 is shown as follows:

Name of the Shareholders	Status	Share Held	% of Shareholding
A) Sponsors & Directors			
Mr. Shamsul Alam Shamim	Chairman	2,335,163	9.25
Mr. A.H.M. Habib Ullah	MD & CEO	1,767,151	7.00
Mr. Md. Amin	Director	1,199,136	4.75
Mr. Md. Emranul Hoq	Director	1,199,136	4.75
Mr. Mohammad Mohsin Saky	Director	1,199,137	4.75
Mr. Md. Mansur Alam	Sponsor	1,199,136	4.75
Mr. Md. Ali Mortuza	Sponsor	1,199,136	4.75
Mr. Md. Nure Habib Noman	Sponsor	1,199,138	4.75
Mrs. Jubeda Khanam Safi	Sponsor	536,456	2.12
Mrs. Joynab Rifat	Sponsor	536,456	2.12
Mrs. Fazilatun Nahar	Sponsor	252,450	1.00
Mr. Morshedul Alam Quaderi	Independent Director	-	-
Total Sponsors & Directors (A)		12,622,495	50.00
B) Others			
General Public		7,164,067	28.38
Institutions		5,293,191	20.97
Foreign (NRB)		165,247	0.65
Total Others (B)		12,622,505	50.00
Total Shareholdings (A+B)		25,245,000	100.00

Name of the Shareholders	Status	Share Held	% of Shareholding
i) Parent/Subsidiary/Associated Companies & Other Related Parties			
NOT APPLICABLE			
ii) Sponsors & Directors	Details are mentioned at above table	12,622,495	50.00
iii) Chief Financial Officer, Head of Internal Audit & Company Secretary			
Mr. Nizam Uddin Mahmood Hossain	DMD & Acting CFO	0	0
Mr. Ahmadul Haq Hasan	ED & Chief Auditor	0	0
Mr. Mowin Hossain	Company Secretary	0	0
iv) Executives (Top Five Employees other than CFO, HIA & CS)			
Mr. Md. Abdus Samad	DGM - Shares	0	0
Mr. Md. Idrish Meah Talukder	Sr. AGM - O&P	0	0
Mr. Mohammad Abu Taleb	AGM - Tax & Legal & Corporate Affairs	0	0
Mr. Mohammed Faruk	Manager - F&A	0	0
Mr. Mohammed Saiful Islam	Manager - QC	0	0



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v) Shareholders holding 10% or more

NOT APPLICABLE

Audit Committee

The Audit Committee has been constituted by the Board of Directors of the Company with the following members:

Mr. Morshedul Alam Quaderi, Independent Director	- Chairman
Mr. A.H.M. Habib Ullah, Managing Director	- Member
Mr. Md. Emranul Hoq, Director	- Member
Mr. Mowin Hossain, Company Secretary	- Member Secretary

The detail roles & responsibilities, activities carried out and number of meeting of the Audit Committee have been provided in the Report of Audit Committee enclosed in **Annexure-G**.

Nomination & Remuneration Committee (NRC)

The Board of Directors have decided that the NRC will be formed as per latest Corporate Governance Guidelines issued by the BSEC within 31st December 2018.

Appointment of Statutory Auditors

The existing Statutory Auditors of the Company **M/S. K.M. Hasan & Co., Chartered Accountants** shall retire at 33rd AGM on completion of consecutive period of 03 (three) years. They are not however eligible for reappointment as per condition no. 2(2) of BSEC's notification No. BSEC/CMRRCD/2006-158/208/Admin/81, dated: 20 June 2018. In this regard, **M/S. M.M. Rahman & Co., Chartered Accountants** has expressed their interest for rendering service as Statutory Auditors for the financial year 2018-19. Being eligible the Board of Directors of the Company recommended their appointment for the financial year 2018-19 subject to approval by the shareholders in the 33rd AGM.

Appointment of Compliance Auditors

On the expression of interest to be appointed as Compliance Auditors to certify on the compliance of Corporate Governance as issued by the BSEC, the Board of Directors of the Company recommended the appointment of **M/S. Ahmad & Akhtar, Chartered Accountants** for the financial year 2018-19 subject to approval by the shareholders in the 33rd AGM.

Status of Compliance

The directors hereby report that the conditions imposed by the BSEC notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated: 03 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969 have been duly complied with as per status of Compliance set forth in **Annexure-C**.



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Website

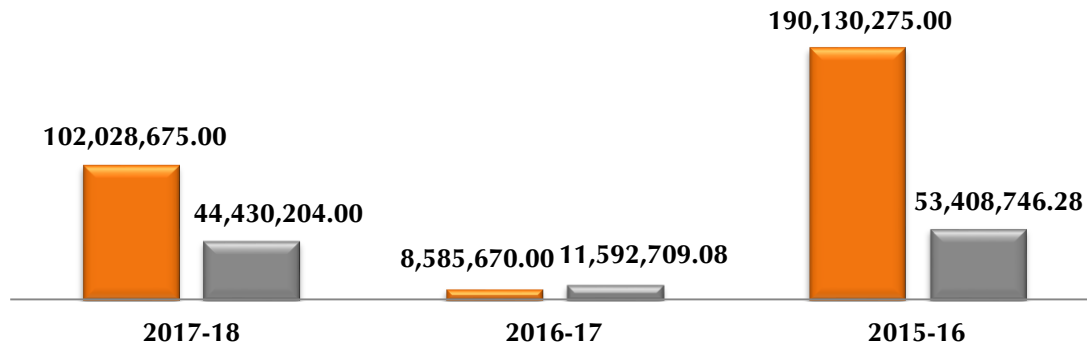
The company maintains an official website namely www.cvopetro.com which is linked with the websites of the stock exchanges and the Company keeps its website functional from the date of listing. All detailed disclosures of the Company are available on its website in pursuant to the listing regulations of the concerned stock exchanges.

Contribution to National Exchequer

The Company is regularly paying VAT and Tax on time. The deposit of VAT and Tax to National Exchequer for the last 03 (three) years are shown below:

Particulars	Financial Year		
	2017-18	2016-17	2015-16
VAT	Tk. 102,028,675.00	Tk. 8,585,670.00	Tk. 190,130,275.00
Tax	Tk. 44,430,204.00	Tk. 11,592,709.08	Tk. 53,408,746.28

■ VAT ■ Tax



The Company could not make remarkable contribution to national exchequer during the financial year 2016-17 for closure of production from 21.07.2016 to 20.06.2017 due to suspension of supply of Condensate by the Sylhet Gas Fields Limited. Contribution to national exchequer has been increased during the financial year 2017-18 as the Company resumed its production on 21.06.2017 since the Sylhet Gas Fields Limited re-started the supply of Condensate from 19.06.2017.

Appreciation

The Board of Directors of the Company express their deepest gratitude to the respected shareholders and all stakeholders of the Company for continuing their support which has paved the way for success of the Company. The Board is grateful to the Government of Bangladesh, Ministry of Power, Energy & Mineral Resources, Board of Investment (BOI), National Board of Revenue (NBR), Bangladesh Oil, Gas & Mineral Corporation (Petrobangla), Sylhet Gas Fields Limited (SGFL), Bangladesh Gas Fields Company Limited (BGFCL),

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Bangladesh Petroleum Corporation (BPC), Padma Oil Company Limited (POCL), Meghna Petroleum Limited (MPL), Jamuna Oil Company Limited (JOCL), Department of Environment (DOE), Department of Explosive, Bangladesh Fire Service & Civil Defense, Department of Inspection for Factories and Establishments (DIFE), Bangladesh University of Engineering & Technology (BUET), Eastern Refinery Limited (ERL), Bangladesh Energy Regulatory Commission (BERC), Bangladesh Standard and Testing Institute (BSTI), Bangladesh Securities & Exchange Commission (BSEC), Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange Limited (CSE), Central Depository Bangladesh Limited (CDBL), The Registrar of Joint Stock Companies & Firms (RJSC), our bankers, auditors and legal advisors and many more.

On behalf of The Board of Directors

Shamsul Alam Shamim

Chairman

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