



# The Peninsula Chittagong Limited

(Best Business Hotel in Town)

## **DIRECTORS' REPORT** **FOR THE YEAR ENDED JUNE 30, 2019**

### **Welcoming Shareholders,**

Assalamu Alaikum

The Directors have pleasure in presenting the 17<sup>th</sup> Annual General Meeting of our company together with its Audited financial statement for the financial year ended June 30, 2019. It is a great pleasure and privilege on the part of the Board of Directors of The Peninsula Chittagong Limited to welcome you all to this august occasion of the 17<sup>th</sup> Annual General Meeting of the Company and to place before you the Annual Report together with the Audited Financial Statements and the Auditors' Report thereon for the year ended 30 June 2019.

### **Industry outlook & possible future developments:**

Peninsula commenced operation on 17 February, 2006 and is the only four- star luxury business Hotel in Chittagong, Bangladesh. It is located in the heart of prestigious GEC circle of the port city. The Peninsula Chittagong provides the highest benchmark for the Hotels of Chittagong & Bangladesh, combining western sophistication and Chittagonian hospitality in a scenic but convenient location. We The TPCL have always tried to maintain a certain quality in our fast service for the last 14years. We are committed to our guest to provide the best possible service at the bottom probable price. During this financial year, the increase in the revenue, our package as well as a change in our marketing leadership, affected our revenue growth Right now, we are focusing on maintaining a positive cash flow and minimizing wastage to allow us to compete on a bigger scale in the coming years. During this year, we have tried to maintain a progressive growth from other sources of revenue by managing the finances more effectively to set us up for proper investment in the future.

### **Segment-wise or Product wise performance**

<b>Particulars</b>	<b>Taka (2018-2019)</b>	<b>Taka (2017-2018)</b>
Rooms	152,773,587	108,012,456
Food & Beverages	141,928,715	136,052,775
Minor Operating Departments	19,275,025	18,425,664
Space Rental	2,165,274	1,794,350
<b>Total</b>	<b>316,142,601</b>	<b>264,285,245</b>





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## **Risks and concerns**

The detail of risks and concerns of the Company is discussed in Managing Risks in this annual report.

The company has established an effective compliance mechanism to mitigate the risk and will be reviewed by the Board. The company has identified various risks and also has mitigation plans for each risk identified and reviewed. Risk management at TPCL is concerned with earning competitive returns from the company's various business activities at acceptable risk level. It support company's competitiveness by developing a culture, practice and structure that systematically recognizes and addresses future opportunities whilst managing adverse effects (i.e. threats) through recognizing risk and acting appropriately upon it. The Company has well defined risk management manual and processes to mitigate strategic and enterprise level risks.

Business risks refer to the impact that the country's industrial policy can have on the performance of a specific industry. Increased competition from foreign and domestic sources can lead to lower prices, revenues, profit margins, market share etc. which can adversely affect the business.

## **Discussion on Cost of Sales, Gross Profit Margin and Net Profit Margin**

Particulars	Taka (2018-2019)	Taka (2017-2018)
Revenue	<b>316142,601</b>	<b>264,285,245</b>
Cost of Sales	(184,132,085)	(189,133,140)
Gross Profit/ (Loss)	<b>132,010,516</b>	<b>75,152,105</b>
Operating Profit	<b>71,537,546</b>	<b>20,007,286</b>
Net Profit after Tax	<b>103,556,509</b>	<b>66,592,676</b>
<b>Gross Profit ratio</b>	<b>41.76%</b>	<b>28.44%</b>
<b>Net Operating Profit ratio</b>	<b>22.63%</b>	<b>7.57%</b>
<b>Net Profit ratio</b>	<b>32.76%</b>	<b>*25.20%</b>

\*comparative figures have been restated to give the effected in deferred tax due to change in tax base of property, plant and equipment.

## **Continuity of Extra-Ordinary Gain or Loss:**

During the year, the company earned Tk. 81,153,288/- as interest income by depositing into bank.

## **Basis for related party transactions**

The detail list of the related parties with whom transactions have been taken place and their relationship as identified and certified by management is disclosed in related party disclosures under BAS-24 this annual report.





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## **Statement of Utilization of Proceed**

The Peninsula Chittagong Limited issue 55,000,000 number of shares by IPO in the year 2014. Hence, total 55,000,000 numbers of ordinary shares of Taka 10 each at a offer price taka 30/- including premium of Tk.20/- per share was increased in the paid up capital due to IPO. Total IPO proceeds of Taka 1,650,000,000. Balance IPO proceeds amounting to Taka 707,719,041/- remain unutilized as on 30 June 2019.

## **Significant variance between Quarterly Report and Audited Financial Statement**

That, the Company prepared and submitted quarterly report as per applicable rules and regulations and there were no significant differences between quarterly report and annual audited financial statements.

## **Director Remuneration**

During the year under review, Total remuneration of Director Taka 6,720,000/- Managing Director, Chairman and Executive director are entitle for the remuneration. The company has not paid remuneration to them in excess of the limit from previous year. The Director of The Company were paid taka 2500/- per meeting as fee for attending board meetings during the year. Details of Director Remuneration paid during the period are as follows:

Name	Designation	Remunerati on	Board Meeting	Gross Remuneration
Mr. Mahboob Ur Rahman	Chairman	2,400,000	12,500	2,421,500
Mr. Mustafa Tahseen Arshad	Managing Director	4,020,000	15,000	4,035,000
Mrs. Ayesha Sultana	Director	300,000	7,500	307,500
Mrs. Bilkis Arshad	Director	-	10,000	10,500
Dr. Md. Fashiul Alam	Independent Director	-	15,000	15,000
Dr. Sheikh Md. Shafiul Azam	Independent Director	-	15,000	15,000
Mr. Kazi Sanaul Hoq	Nominated Director	-	10,000	10,000
Total		6,720,000	85,000	6,805,000





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## **Financial reporting standards/ Directors Declaration as to Statutory Information**

In connection with preparation and presentation of the financial statements, the Directors also report that:

- a. The financial statements prepared by the management of Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- b. Proper books of accounts of the Company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- d. international Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure therefrom has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts of the Company's ability to continue as a going Concern.
- g. The significant Deviations from the last year's operating results of the Company have been highlighted in the report and reasons thereof have been explained.

## **A statement that minority shareholders have been protected from abusive actions By, or in the interest of, controlling shareholders acting either directly or indirectly And have effective means of redress:**

As a Public Limited Company, it does have to comply with the Corporate Governance Code guided by Bangladesh Securities and Exchange Commission. In this respect, our aim to meet best practice and the highest standards of Corporate Governance; the board is committed to complying with this Code and applicable provisions of the laws.

We are fully committed to the fair and equal treatment to all kind of shareholders we deal with it, is because we see diversity as an asset that helps deliver our vision of a service that meets the needs of all our customers and stakeholders. Throughout our visionary and missionary process, we make every effort to ensure that minority shareholders are fairly treated focusing their influence and interest for the company. We are always active to create a culture so that the minority shareholders shall have the right to propose items in the agenda of the General Meeting, provided that the items in the agenda are for genuine business purposes. The minority shareholders have access to any and all information relating to matters for which the management is accountable for and should disclose to the shareholders. All these activities are taken for ensuring the lawful interest of minority shareholders along with ensuring their compensation as per the requirement.





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## Key Operating and Financial data of preceding Five years

Particulars	Taka (2018-2019)	Taka (2017-2018)	Taka (2016-2017)	Taka (2015-2016)	Taka (2014-2015)
Authorized Capital	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Paid Up Capital	1,186,668,000	1,186,668,000	1,186,668,000	1,186,668,000	1,130,160,000
Total Shareholders' Equity	3,753,635,837	*3,709,412,728	3,640,884,829	3,697,225,992	3,711,981,384
Net Asset Value Per Share	31.63	*31.26	30.68	31.16	32.84
Earnings per Share	0.87	*0.56	0.53	0.83	1.27
Operating Cash Flow Per Share	0.69	0.85	0.74	0.56	0.17

Particulars	Taka (2018-2019)	Taka (2017-2018)	Taka (2016-2017)	Taka (2015-2016)	Taka (2014-2015)
Revenue	<b>316,142,601</b>	<b>264,285,245</b>	<b>268,789,109</b>	<b>300,264,617</b>	<b>343,075,646</b>
Vat Expense	-	-	(30,652,108)	-	-
Cost of Sales	(184,132,085)	(189,133,140)	(172,253,226)	(175,215,269)	(178,565,653)
Gross Profit/ (Loss)	<b>132,010,516</b>	<b>75,152,105</b>	<b>65,883,775</b>	<b>125,049,348</b>	<b>164,509,993</b>
Administrative Expenses	(59,652,112)	(54,204,699)	(50,912,458)	(53,970,449)	(53,446,327)
Selling & Distribution Expenses	(820,858)	(940,120)	(1,130,026)	(1,495,216)	(5,307,151)
Operating Profit	<b>71,537,546</b>	<b>20,007,286</b>	<b>13,841,291</b>	<b>69,583,683</b>	<b>105,756,515</b>
Financial Expenses	(15,042,044)	(7,028,997)	(16,661,887)	(20,877,291)	(19,269,900)
Other Income	<b>82,046,886</b>	<b>93,641,248</b>	<b>92,514,147</b>	<b>112,567,587</b>	<b>132,120,137</b>
Non-Operating Income/(loss)	1,225,778	(1,780,082)	1,729,404	(1,058,313)	218,606,752
Workers Profit Participation Fund (WPPF)	6,988,408	(5,241,973)	(4,571,148)	(8,090,308)	(10,930,338)
Net Profit before Tax	<b>132,779,756</b>	<b>99,597,482</b>	<b>86,851,807</b>	<b>152,125,358</b>	<b>207,676,414</b>
Provision for Tax	(29,223,427)	*(33,004,806)	(24,526,170)	(53,864,750)	(63,638,667)
Net Profit after Tax	<b>103,556,509</b>	<b>*66,592,676</b>	<b>62,325,637</b>	<b>98,260,608</b>	<b>144,037,747</b>

## Financial results and appropriations

The Directors are pleased to report the financial results for the year 2018-2019 and recommend the following appropriations:

Particulars	Taka (2018-2019)	Taka (2017-2018)
Net Profit before Tax	<b>132,779,758</b>	99,597,482
Net Profit after Tax	<b>103,556,509</b>	<b>*66,592,676</b>





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Add: Un-appropriated profit brought forward	243,372,602	*236,113,326
Profit available for distribution	<b>346,929,111</b>	<b>*302,706,002</b>
Less: Appropriation of Dividend	59,333,400	59,333,400
Un-appropriated profit	<b>287,595,711</b>	<b>*243,372,602</b>
Earnings per Share	0.87	*0.56
Operating Cash Flow Per Share	0.69	0.85

\*comparative figures have been restated to give the effected in deferred tax due to change in tax base of property, plant and equipment.

### **Dividend**

The Board of Directors of the Company is pleased to recommend dividend @5 percent in cash for the year 2017-2018. The Company paid dividend @ 7.50 percent in cash for the year 2018-2019 also. History of dividend payment for the last Five years is as follows:

Years	Dividend Payout (%)
2014-2015	10% Cash and 5% Stock
2015-2016	10% Cash
2016-2017	5% Cash
2017-2018	5% Cash
2018-2019	7.50% Cash

### **Attendance status of Directors in Board Meetings**

During the year ended 30 June 2019, Six (06) board meetings were held. The attendance status of all the meetings are as follows:

Name of the Director	Position	Meetings Held	Attendance
Mr. Mahboob Ur Rahman	Chairman	06	05
Mr. Mustafa Tahseen Arshad	Managing Director	06	06
Mrs. Ayesha Sultana	Director	06	03
Mrs. Bilkis Arshad	Director	06	04
Dr. Md. Fashiul Alam	Independent Director	06	06
Dr. Sheikh Md. Shafiul Azam	Independent Director	06	06
Mr. Kazi Sanaul Hoq	Nominated Director	06	04





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## **Pattern of Shareholding**

Name of Shareholder	Designation	2018-2019		2017-2018	
		No. of Share	%	No. of Share	%
Mr. Mustafa Tahseen Arshad	Managing Director	14,620,032	12.32	14,620,032	12.32
Mr. Mahboob- Ur- Rahman	Chairman	3,545,840	2.98	3,045,840	2.57
Mrs. Ayesha Sultana	Director	5,673,344	4.78	5,573,344	4.70
Mrs. Bilkis Arshad	Director	9,137,520	7.70	9,137,520	7.70
Engineer Mosharraf Hossain	Sponsor	7,960,016	6.71	7,860,016	6.62
Mr. Aminur Rahman	Sponsor	3,045,840	2.57	3,045,840	2.57
Mrs. Mirka Rahman	Sponsor	3,045,840	2.57	3,045,840	2.57
ICB(Mr. Kazi Sanaul Hoq)	Director (ICB Nominated)	6,449,447	5.43	7,758,686	6.54
Professor Dr. Md. Fashiul Alam	Independent Director	Nil		Nil	
Dr. Sheikh Mohammed Shafiul Azam	Independent Director	Nil		Nil	

## **Shareholding Ten Percent (10%) or more voting interest**

Name of Shareholders who hold 10% or more shares is Mr. Mustafa Tahseen Arshad; Managing Director of the company holds number of shares 14,620,032/- and percentage of share is 12.32%.

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

As per the Company's Articles of Association in the BoD of the meeting decided about the retired & re-appointed of Mr. Mahboob- Ur- Rahman, and Mrs. Bilkis Arshad from the post of Managing Director and Director respectively as per Article & Association will retire by rotation from the directors and being eligible for re-elected unanimously at 17<sup>th</sup> AGM. Their brief resume and other information are appended in the Director Profile of the report.





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### **Shares held by Director ,Chief Executive Officer, Company Secretary ,Head of Internal Audit and Their Spouse:**

Name of Shareholder	Designation	2018-2019		2017-2018	
		No. of Share	%	No. of Share	%
Mr. Mustafa Tahseen Arshad	Managing Director	14,620,032	12.32	14,620,032	12.32
Mr. Mahboob- Ur- Rahman	Chairman	3,545,840	2.98	3,045,840	2.57
Mrs. Ayesha Sultana	Director	5,673,344	4.78	5,573,344	4.70
Mrs. Bilkis Arshad	Director	9,137,520	7.70	9,137,520	7.70
ICB (Mr. Kazi Sanaul Hoq)	Director (ICB Nominated)	6,449,447	5.43	7,758,686	6.54
Professor Dr. Md. Fashiul Alam	Independent Director	Nil		Nil	
Dr. Sheikh Mohammed Shafiul Azam	Independent Director	Nil		Nil	
Mohammed Nurul Azim	Company Secretary	Nil		Nil	
Mohammad Nurul Haider	Head of Internal Audit	Nil		Nil	
Mr. Md.Shamsul Arefin Maruf	CFO	Nil		Nil	

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

In compliance with the Corporate Governance Code, the Board of Directors of the Company in its meeting held on 06 September 2018 has constituted a Nomination and Remuneration Committee as a sub-committee of the Board with the following Non-executives Directors:

- Dr. Sheikh Mohammed Shafiul Azam- Chairman (Independent Director)
- Mrs. Bilkis Arshad -Member, Member (Director)
- Mr. Professor Dr. Md. Fashiul Alam - Member, (Independent Director)
- Mr. Mohammed Nurul Azim- Member Secretary (Company Secretary)





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Professor Dr. Md. Fashiul Alam reputed HR Specialist will act as the 'Advisor' to the NRC and Mr. Mohammed Nurul Azim, the Company Secretary will act as the 'Secretary' of the NRC. A detailed Terms of Reference (ToR) of the NRC has also been approved by the Board. However, NRC policy, evaluation criteria and activities will be disclosed in the next annual report.

## **Share Capital**

Authorized capital and paid up capital of the Company stood at Tk.300.00 crore and Tk. 118.66 crore respectively in 2019.

## **Fixed assets additions**

During the year 2018-2019 total additions to the fixed assets was Taka 2,464,778,629/- and additional Taka 150,089,395/-.

## **Reserve and surplus**

Retained earnings of the Company in 2018-2019 stood at Taka 287,595,713/- against Taka \*243,372,602/- in 2017-2018. Revaluation Surplus Taka 1,228,413,842.

## **Statutory Auditors**

M/S. Hussain Farhad & Co, Chartered Accountants shall retire in 17<sup>th</sup> AGM, being eligible, M/S. Hoda Vasi Chowdhury & Co, Chartered Accountants offered themselves for appointment and the Board also recommended to appointing M/S. Hoda Vasi Chowdhury & Co, Chartered Accountants for the year 2019-2020. Remuneration of the auditor will be fixed by the shareholders at this Annual General Meeting.

## **Internal control**

The Board has the ultimate responsibility of establishing effective systems of internal control. To ensure the internal control regarding risk management, financial control and compliance legislation, the Company follows the principle of decentralization. It has been designed to manage the risk of failure to achieve the objectives of the Company. The Company has established internal audit department and appointed Head of internal Audit to ensure internal control and compliances in place.

The scope of Internal Control over Financial Reporting (ICFR) includes Company Level Control (CLC-Policies & Manuals) along with General Computer Control (GCC) and Transactional Controls to ascertain operational efficacy, consistent and dependable financial reporting, information security and legal compliance. This reasonable assurance has become even more crucial after being a listed company in the country's Stock Exchanges.





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## **Post balance sheet events**

There is no material events occurred after the balance sheet/reporting date, non disclosure of which could affect the ability of the users of these financial statements to make an appropriate evaluation.

## **Appreciation**

The Directors express their deep sense of appreciation for the contribution made by the employee to the significant improvement in the operation of the company. The Board also tanks all the stakeholders including Members, customers, lenders, vendors, investors, governments of Bangladesh for their continued co-operation and support.

The Board would like to take this opportunity to thank the Government bodies, its shareholders, investors, bankers and employees for their continuous commitment, cooperation, confidence and support in achieving the Company's objectives.

**Mahboob-Ur-Rahman**  
**Chairman**  
**The Peninsula Chittagong Limited**

