

## **Dividend Policy of Daffodil Computers Ltd.**

### ***Introduction***

Bangladesh Securities and Exchange Commission (BSEC) through a Directive, made it mandatory for a listed company to formulate its Dividend Distribution Policy and disclose the policy in the company's annual report and official website. In compliance to this directive, Daffodil Computers publishes this statement as a guiding framework for the shareholders with regards to the Company's Dividend Policy.

This statement provides a brief outline of the legal and regulatory provisions relating to dividend, key issues in dividend considerations and the procedure for the declaration, approval and payment of dividend.

### ***Relevant Laws and Regulations***

Different legal and regulatory provisions have boldness on dividend decisions of the Company. The paragraphs below provide a brief overview of the provisions relating to dividend:

#### ***Companies Act***

The Companies Act 1994, the primary law regulating the affairs of a company, gives power to the directors to recommend the dividend to be declared by the company which is to be approved by the shareholders in the Annual General Meeting. The shareholders however, cannot approve any dividend more than what has been recommended by the directors. It also authorizes the directors to pay from time to time, interim dividends to the shareholders if so appears to be justified by the profits of the company. The directors may, before recommending any dividend, set aside out of the profits of the company, such sums as they deem appropriate, as reserve or reserves which shall at the discretion of the directors, be applied for meeting emergencies, or for equalizing dividends or for any other purpose of the company appropriate for utilization of such profits or may employ such profits in the business of the company or otherwise as they think fit.

The law further provides that dividends are to be paid out of profits of the year or any other undistributed profits.

#### ***Listing Regulations of Stock Exchanges***

There has been a number of listing regulations that have direct or indirect impact on dividend decisions of the company. Shares of a company is traded under different trading categories depending on payment or non-payment of dividend by a company. According to the regulations, a company shall be traded in the "Z Category" (a category with a longer trading settlement time and other restrictive conditions) if it fails to declare cash dividend for two consecutive years. Moreover, a company may among other reasons, be de-listed from the stock exchange if it fails to

pay cash/stock dividend for a consecutive period of five years. The listing regulations also require a company to declare in its annual general meeting the reasons, if any for partial or non-distribution of profits as dividend and the plan for utilization of the undistributed profits if there be any.

### ***Income Tax Law***

Bangladesh Income Tax law, provides for additional tax charges to a listed company that retains more than 70% of its net after-tax profit earned in any year. According to the said provision if a company retains or transfers more than 70% of its after-tax profit to reserve or any other fund, an additional 10% tax shall be payable on such retained or transferred fund. Moreover, in order to encourage cash dividend, the tax law requires that if in any income year, the stock dividend declared by a company exceeds the cash dividend, an additional 10% tax shall be imposed on the whole amount of stock dividend declared or distributed.

### ***Key Considerations in dividend decisions***

The company shall effort to maintain a steady dividend over the year with appropriate consideration of factors relevant to such decisions. It is the Company's practice to declare dividend on annual basis based on annual financial performance. However, the Board may also declare interim dividend based on periodic financial results. Historically the Company declared dividend in either cash or stock or in thoughtful combination of cash and stock. The company intends to pursue the same policy in future depending on the operating and financial context prevailing at that time.

Multiple internal and external factors might affect Company's dividend decisions. While recommending dividend the Board of directors shall consider among others:

- Company's current net earnings, accumulated distributable reserves/surplus and availability of free cash flow
- Potential growth opportunities and investment requirements; assessment of benefits of retention vs pay-out
- Legal and Regulatory compulsion and tax implication of retention and payout
- Any debt/loan covenants restricting dividend announcements
- Persuasion of a target capital structure
- Cost of external finance
- Policy on consistency of the dividend over reasonable and foreseeable future years

Additionally, the Board may consider other factors or circumstances to decide on distribution of dividend for a particular year.

### ***Eligibility of shareholders for dividend***

Dividend is declared on the face value of each Equity Share. Unless otherwise stated, all holders of Equity Share whose names appear on the registrar of the Company on the Record Date declared by the Company for entitlement of dividend, are eligible to get the dividend.

### ***Timing of Dividend Announcement and Payment***

Annual dividend decision is taken in the Board meeting to be held within 120 days from the date of closing of the financial year. Such decisions are based on the results of the audited financial statements. The dividend recommendations made by the directors are notified to the shareholders through stock exchanges, website and public announcements.

Dividend recommended by the Directors are to be placed in the Annual General meeting of the Company for the Shareholders' approval. Dividend are transferred to the respective shareholders' account within 30 days from the date of its approval. Interim Dividend if any declared by the Company, are paid within 30 days from the Record Date fixed by the Company for the entitlement of such dividend.

### ***Policy Review and Amendment***

Apart from mandatory revision, modification or amendment as required by the legal and regulatory requirements, the company shall review this policy on periodic basis and make necessary revision or amendment to keep the policy relevant and up to date. The Board of Directors of the company shall approve the revision and/or amendment as it deems fit.

### ***Disclaimer***

The above Policy Statement neither gives a guarantee of dividend to be declared by the Company nor does it constitute a commitment for any future dividend and thus be read as a general guidance on different dividend related issues. The policy upholds the Board's absolute/complete liberty to recommend any dividend in deviation of the policy.

### ***Policy Approval and effective date***

This policy was approved by the Company's Board of Directors in its meeting held on 26th June, 2021 and became effective since date.