

DIRECTOR'S REPORT TO THE SHAREHOLDERS

Dear Shareholders

Assalamu Alaikum,

I, on behalf of the Board of Directors, have the pleasure to present before you the report for the year ended June 30, 2019 along with the audited financial statements and auditors' report thereon.

BACKGROUND

Saiham Textile Mills Limited was incorporated on March 27, 1981 as a Public Limited Company vide incorporation No.C-8864/703. The Authorized capital of the company is Tk. 1,500 million and paid up capital is Tk. 905.62 million the company was listed with the Dhaka Stock Exchange Ltd. in the month of August 1988 and Chittagong Stock Exchange Ltd. in the month of March 1999.

REVENUE

The year 2018-19 was a year of consolidation of the Company. Facing the global challenge, assessing its impact on the local apparel industry and finding a profitable was the main challenge throughout the by gone year. During the year under review, Company showcased its operational excellence along with consistent financial performance on the top line. Against the backdrop of challenging market environment, Company's business continues to track ahead satisfactorily on the back of dynamic response to market trends, enduring buyer satisfaction with strong product portfolio.

In Spite of rough market condition as narrated in industry scenario, the company is able to overcome the challenges posed by competitive forces during the year. Thus during the year under review, Company's turnover increased to Tk. 2,599 million as against Tk. 2,178 million recorded in the previous year. Company's performance was much better in turnover but unfortunately a havoc fire accident changed the profit scenario. On December 11, 2018 a destructive fire accident had burned 90,21,179 Lbs of raw cotton and factory godown etc. the value of which stood at Tk. 78,15,97,112. As we were insured with one of the top if not the top Insurance company in Bangladesh, Green Delta Insurance Company Ltd. we succeeded to realize a claim of Tk. 54,92,62,130 against our above claim, result of which Tk.23,47,27,317 had been sustained losses causing reduction of profit. As such the net profit after tax had stood at Tk. (87.71) million as compare to the previous year of Tk. 109.17 million. In spite of the incident which is an one off affair otherwise the overall financial performance was an admirable one and will give us great courage to move forward in our coming days.

Financial Result and Appropriation of Profit:

Particulars	2019	2018
Net Profit for the year (after tax)	(8,77,19,640)	109,175,886
Add: Previous year's surplus	42,98,70,671	403,498,967
Add: Adjustment of revaluation of P.P.E	3,32,88,770	23,106,228
Add: Adjustment with Retained Earnings	-	2,764,589
Add: Adjustment for tax refund (2015-2016)	8,41,284	-
Profit available for appropriation	37,62,81,085	53,85,45,670
Recommended for appropriations:		
Cash Dividend	(13,58,43,750)	(108,675,000)
Total	24,04,37,335	42,98,70,670

Segment-wise or product-wise performance

Mentioned in section 20 of the notes to the financial statements.

Industry outlook and possible future developments in the industry

The Bangladesh economy will grow at 8 percent this fiscal year, which would be the highest in Asia, as per the latest forecast of the Asian Development Bank. The forecast is close to the government target of 8.2 percent growth in fiscal 2019-20. Last fiscal year, Bangladesh pulled off 8.13 percent GDP growth. Buoyant exports, robust private consumption, higher remittance, accommodative monetary policy and ongoing reform to improve business climate and high infrastructure spending helped Bangladesh attain high growth.

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The year 2018-19 was a challenging year in fluctuations of raw material prices and weak market sentiments. Despite this, our emphasis on increased products differentiation along with improved operational efficiencies and careful working capital management helped us to remain competitive.

The downstream industries in the man made fibre textile value chain spinning and weaving the largest employment generator in the value chain are facing acute stress because of high prices of staple fibre compared to imported material. This affects the export competitiveness of the domestic downstream textile industry. Higher input costs, falling demand from consumers, and competitive pressures are expected to impact the profitability of the Company. Continued slowdown in overall textile industry and slowdown in economic growth in recent months can impact sale growth for current year.

Risks and concerns

The Company is experiencing pressure on margins due to competition from other low cost countries like China. Textiles being a labour intensive industry, rising labour and skilled human resources costs can put pressure on margins. Besides this competitive pressure has increased, driven by low priced yarn from China and India. The export market is not very encouraging either. Further any unforeseen slowdowns affecting the growth of the Bangladesh economy, may adversely affect the investments in the textile sector. With all our competitors enjoying almost 10%-15% depreciated value against their inwards foreign earnings, it is very challenging for Bangladeshi product to compete, specially Pakistan suddenly interfering with their ever record low currency and taking advantage of the low price for its depreciated Rupee.

The Company reviews its policies and practices to adjust the inventory levels of both raw materials and finished goods in line with changing demand to reduce the impact of volatility in raw material prices while ensuring availability of enough stocks for optimum production plans and supply of finished goods. The Company is exposed to risks attached to various statutes and regulations including the Competition Act, 1994. The Company is mitigating these risks through regular reviews of legal compliances, through internal as well as external compliance audits.

Any change in government policies related to cotton and yarn, higher raw material cost, competition from peer group, power cost, seasonal fluctuations, non-availability of skilled manpower have impact on spinning industry and are perceived as threats.

A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.

Particulars	June 30, 2019	June 30, 2018
Cost of goods sold	226,50,27,513 (87.14%)	191,18,88,879 (87.77%)
Gross profit	3341,60,018 (12.86%)	26,62,30,828 (12.22%)
Net profit for the year	877,19,640 (3.37%)	1091,75,887 (5.01%)

Discussion on continuity of any Extra-Ordinary gain or loss

On December 11, 2018 a fire incident happened in one of the factory godown, the fire burned 90,21,179 LBS of raw cotton, the godown structure etc. Several unit of fire brigades took five days to control the fire. The fire completely came under control on 25th December 2018. The godown was fully insured by Green Delta Insurance Company Limited. Claim for total raw cotton burned value stands for tk. 7,81,59,712 and insurance claim against the fire loss is Tk. 54,92,62,130 as a result Tk. 23,47,27,317 has been sustained loss disclosed in Note 7.00 "Sundry Receivable".

Related party transactions

The Company has transactions with its Associate Companies which have been disclosed in related party transaction in note nos. 28 of the notes to the financial statements.

Variance within the financial year

There was no event of significant variance between quarterly financial performances during the year under reporting.

Fairness of financial statements

The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act 1994 and Securities and Exchange Rules 1987. These statements present fairly the Companies state of affairs, the results of its operations, cash flow and changes in equity.

In compliance with the requirement of the Bangladesh Securities and Exchange Commission (BSEC) notification dated August 7, 2012 Chief officer has given the declaration which is shown on page 39 of the report.

Books of Accounts

Proper books of accounts of the company were maintained.

Accounting Policies

Appropriate accounting policies have been consistently applied in preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment.

Application of IAS and IFRS

International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as applicable in Bangladesh have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.

Internal control systems and their adequacy

Our Company maintains adequate internal control system and procedures commensurate with its size and nature of operations. The internal control systems are designed to provide a reasonable assurance over reliability in financial reporting, ensure appropriate authorization of transactions, safeguarding the assets of the Company and prevent misuse/ losses and legal compliances.

The internal control system includes a well-defined delegation of authority and a comprehensive Management Information System coupled with quarterly reviews of operational and financial performance, a well-structured budgeting process and Internal Audit. The Internal Audit reports are periodically reviewed by the management and the Audit Committee and necessary improvements are undertaken, if required.

Environment Protection, Health and Safety

Environment Protection, Health and Safety Environment Protection, Health and Safety continues to receive highest priority in all operational and functional areas. Adequate safety measures are taken at plant for prevention of any untoward incidents. Various processes required for pollution control and environmental protection are strictly adhered to.

Going Concern

The Board, through appropriate enquiries and analysis, ensures that the resources are adequate to support the operation and that sufficient business opportunities exist to qualify the organization as a going concern and the Directors analyse the financial statements to ensure. Accordingly financial statements are prepared on a going concern basis.

Board of Directors

i. Composition and size of the Board

On the 30th June 2019, there were 8 members on the Board; The Board comprises Chairman, Managing Director, four Directors and two Independent directors.

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ii. Board meeting and attendance:

The Board met 9 times during the period from July 01, 2018 to June 30, 2019. Following table shows the attendance of directors in the meeting.

Name of Directors	Number of Board Meeting held during the financial year ended 30.06.2019	Number of Board Meeting attended	Remarks
Mr. S. F.A. M. Shahjahan	9	9	
Mr. S. M. Faisal	9	9	
Mrs. Yasmin Faisal	9	9	
Engr. Syed Ishtiaq Ahmed	9	9	
Syed Shafqat Ahmed, MBA	9	9	
Mrs. Rio Aziza Salim	9	9	
Mr. Mostafa Moin, Independent Director	3	3	
Mohammad Nazmul Hasan, FCA, Independent Director	6	6	

DIRECTORS

In terms of Article 115 of the Articles of Association of the Company,

Syed Shafqat Ahmed and Mrs. Yasmin Faisal, Director retire by rotation from the Board in the 38th Annual General Meeting. Being eligible under Article 117 of the Articles of Association of the Company, the retiring Directors have offered themselves for re-election.

Disclosure of information of the directors who are willing to be re-elected.

Syed Shafqat Ahmed, MBA, Director

Mr. Syed Shafqat Ahmed graduated in Economics from Michigan State University and completed MBA from University of Texas at Arlington. He specializes in financial management and structuring/restructuring of organizations. He worked as a financial analyst at Salomon Smith Barney, an investment bank and as a pricing analyst in Bowne of Dallas. His expertise in workflow designing was the key behind Saiham Cotton Mills Limited's winning the "Best It Use Award" in 2005 awarded by BASIS Bangladesh. He is currently acting as the Managing Director of Saiham Knit Composite Ltd. a sister Concern of Saiham Textile Mills Ltd a 100% export oriented knit factory.

Names of companies in which Syed Shafqat Ahmed holds the directorship:

Interest in other Company	Designation
Saiham Cotton Mills Ltd.	Director
Saiham Textile Mills Ltd.	Director
Faisal Spinning Mills Ltd.	Director
Saiham Knit Composite Ltd.	Managing Director

Mrs. Yasmin Faisal, Director

Mrs. Yasmin Faisal wife of Mr. Syed Md. Faisal completed her Masters in History from the Gordon College under Lahore University. She has long experience in marketing, financial and product development & administration. She traveled more than 30 countries including USA, Europe, Australia, Japan, German and Far-East Asia for business purposes. She is also associated with a member of social and cultural organizations.

Names of the companies in which Mrs. Yasmin Faisal holds the directorship:

Interest in other Company	Designation
Faisal Spinning Mills Ltd.	Managing Director
Saiham Textile Mills Ltd.	Director

Role of the Chairman

The Chairman serves as the primary link between the board and management and works with the Managing Director and Company Secretary to set the agenda of the Board meetings. He provides leadership to the Board and ensures that the Board works effectively and discharges its responsibilities.

Role of the Managing Director

The Managing Director is the key person and is responsible for running the business of the company. He is also responsible for formulating as well as implementing Board strategy and policy. The Managing Director is responsible for establishing and executing the Company's operating plan that is necessary to achieve the company's objectives. He has the overall control on the company's day to day affairs and is accountable to the Board for the financial and operational performance of the company.

Role of the Company Secretary

Company Secretary is responsible for advising the Board through the chairman on all governance matters. He is also responsible for ensuring proper information flow with the Board and its committees and between the management and the non-executive directors. He is also acting as bridge between the regulators/stakeholders and the company.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, as a sub-committee of the Board of Director has been constituted with Four board of directors with one Independent director as a chairman. The Company Secretary acts as Secretary to the Committee. The Nomination and Remuneration Committee assists the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive of the company. NRC is responsible to the Board of Directors and its roles and responsibilities are clearly set forth. We have been taking necessary steps to comply with the corporate governance code has been adopted on 03, June 2018.

External Statutory Auditors

The BSEC guidelines are being strictly followed in engaging statutory Auditors for the Company.

Website

The company has been maintaining an official website www.saihamtextile.com which is linked with website of the stock exchange.

DIVIDEND

The Board of Directors has recommended 10% cash dividend for the year ended June 30, 2019 (subject to the approval in the forthcoming AGM) whose names will appear in the share register of the Company and/or Depository Register of CDBL as on Record Date, i.e., November 21, 2019.

Contribution to the national exchequer

To contribute the economic development of the country and building up the revenues Saiham Textile Mills Ltd. deducts Income Tax, VAT at source from the employees, suppliers, turnover and deposits the same to the National Exchequer regularly. During the year 2018-2019 the company contributed 1.54 million to the National Exchequer in the form of corporate tax, custom duty, and Value added Tax (VAT).

Report of the Audit Committee

The Audit committee consists of the following members:

Mr. Nazmul Hasan, FCA Independent Director	: Chairman
Syed Shafqat Ahmed, MBA, Director	: Member
Mrs. Rio Aziza Salim, Director	: Member
Md. Neyamat Ullah, Company Secretary	: Member

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Scope of work of Audit Committee

The Committee is authorised to investigate any matter within its terms of reference, access all documents and information of the company, seek information from any director or employee of the Group and co-opt any resources (including external professional assistance) it sees fit in order to fulfill its duties. However, the Committee has no executive function and its primary objective is to review and challenge, rather than assume responsibility for any matters within its remit. The Committee presents a summary of its activities to shareholders and other interested parties by means of this report, and the committee Chairman attends all general meetings of the Company's shareholders to answer any questions on the committee's activities.

Review of financial statements by the Audit Committee

Audit Committee reviewed the annual financial statements for the year June 30, 2019 and placed its recommendation to the Board of Directors.

External audit

Malek Siddiqui Wali a Chartered Accountant firm registered in Bangladesh acted as the external auditors to the company throughout the year. The external auditors are not engaged on any material non-audit work such as:

- Appraisal or valuation services or fairness opinions;
- Financial information systems design and implementation;
- Book-keeping or other services related to the accounting records or financial statements;
- Broker-dealer services;
- Actuarial services; and
- Internal audit services;

Independence of External Auditor

As a policy, the Committee would not allow the external auditors to perform any work that they may subsequently need to audit, or which might otherwise create a conflict of interests. The Committee also monitors the balance between audit and non-audit related functions to ensure that auditor independence can be shown to be maintained. The Chief Financial Officer is permitted to engage the external auditors on matters that do not create such conflicts.

The Audit Committee appraised the expertise, resources, independence and objectivity of external auditor and also reviewed their effectiveness as external auditors before reaching the recommendation to the Board that their re-election should be proposed to shareholders.

Resolutions of the Audit Committee meeting:

The Committee met three times during last financial year 2018-19 to carry out the following tasks:

- The Audit Committee reviewed the financial statements for the year ended June 30, 2019;
- Reviewed and discussed the Management Letter, by external auditor Malek Siddiqui Wali for the year ended June 30, 2019 on the annual audit on financial statements of Saiham Textile Mills Ltd.;
- Reviewed various reports of Internal Control & Compliance Department on operational, financial procedures and branch activities;

Based on the review and above discussions, the Audit Committee is of the view that the internal control and compliance procedures are adequate to present a true and fair view of the activities and financial status of the company and to ensure that its assets are safeguarded properly.

Report from the Audit Committee

Dated: October 17, 2019.

The Board of Directors

Saiham Textile Mills Ltd.

House 34, Road # 136

Gulshan-1, Dhaka

Audit Committee Report

The Committee reviewed and discussed the procedure and task of the internal audit, financial report preparation and the external auditors' observations in their reports on the draft financial statements of the Company initiated by the auditors for the year ended 30 June 2019. The Committee found the statements adequate arrangement to present a true and fair view of the financial status of the Company; and did not find any material deviation, discrepancies or any adverse finding/observation in the areas of reporting and disclosures.

Sd/-

(Md. Nazmul Hasan, FCA)

Chairman

Audit Committee

Saiham Textile Mills Ltd.

Environmental Role

The company is committed to maintain high standard of pollution free environment at mill area. Accordingly tree plantation activities is implementing every year at mill premises.

Corporate Social Responsibilities

Saiham Textile Mills Ltd. always acknowledges its responsibilities for the well-being of the society and takes part in such activities whenever it becomes necessary. The company provides financial support to different social & cultural organizations and to the distressed people of the society. Contribution to CSR programs have been always supported and encouraged by the Board of Directors of the Company. During the year 2018-2019 the company has contributed to the welfare of the community such as donation to Mosque, Madrasha, School, free eye treatment given by setting up eye camp also distributed blanket among the poor people in winter season.

Code of conduct

All the employees are bound by our written code of business conduct which is an agreement signed as part of their written contract of employment. The signatory is responsible to comply with the code and also ensure employees reporting to him also comply with the code.

APPOINTMENT OF INDEPENDENT DIRECTOR

The Board of Directors has approved the retirement of Mr. Nasir Uddin Haider from the position of Independent Directors of the company and appointed Mr. Tariquzzaman Khan, FCA, FCS, as an Independent director of the company on August 13, 2019 subject to approval of shareholders in 38th Annual General Meeting of the company.

Qualification of New Independent Director

Tariquzzaman Khan, FCA, FCS, is a professional accountant and has vast experienced in corporate industry. He completed B.Com (Hon's) in Accounting and M.Com from the University of Dhaka. He is fellow member of the Institute of Chartered Accountants of Bangladesh (ICAB) and Institute of Chartered Secretary of Bangladesh (ICSB).

APPOINTMENT OF AUDITORS

The Auditors of the company Khan Wahab Shafique Rahman & Co. Chartered Accountants have audited the financial statements of the company for the year 2018-2019. It is mentioned here that Malek Siddiqui Wali, Chartered Accountants, 9-G Motijheel C/A, Dhaka -1000 was appointed as the auditors of the company for the year 2018-2019 in the last (37th) Annual General Meeting held on December 18, 2018. Malek Siddiqui Wali, Chartered Accountants resigned

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from the statutory auditor of the company for the year 2018-2019 due to continuous deterioration of health condition. In this circumstances, the Board of Directors appointed Khan Wahab Shafique Rahman & Co. Chartered Accountants as the statutory auditors for the year 2018-2019.

It is mentioned that, Khan Wahab Shafique Rahman & Co. Chartered Accountants offered themselves for re-appointment in accordance with the provision of BSEC Order No. BSEC/CMRRCD/2006-158/208/Admin/81 dated 20 June, 2018, and Regulation Number 15(3) of Stock Exchange (Listing) Regulations 2015. The Audit Committee reviewed the proposal for re-appointment and recommended to the Board for re-appointment of Khan Wahab Shafique Rahman & Co. Chartered Accountants as the auditors of the company for the year 2019-2020 to hold office for the period until conclusion of the next (38th) Annual General Meeting of the company for auditing the accounts for the year ended June 30, 2020.

The appointment of auditor to be placed before 38th Annual General Meeting for shareholder's approval.

Appointment of Professional (Chartered Accountants/Chartered Secretaries) firm for the certificate on compliance with the Corporate Governance Code BSEC

As per notification number BSEC/CMRRCD/2006-158/Admin/80 dated June 03, 2018 the company shall obtain certificate from Professional Accountant/ Chartered Secretary (Chartered Accountants/Cost and Management Accountant/Chartered Secretary) regarding compliance with the condition of Corporate Governance Code of the commission and such certificate shall be disclosed in the Annual Report.

In this regard, Kazi Zahir Khan & Co. Chartered Accountants offered themselves for appointment to issue "Corporate Governance Compliance Certificate". The Board recommended the proposal for appointment of Kazi Zahir Khan & Co. Chartered Accountants to issue "Corporate Governance Compliance Certificate" of Saiham Textile Mills Limited for the year June 30, 2020 subject to approval of the Shareholders of the company in the 38th Annual General Meeting.

CORPORATE & FINANCIAL REPORTING:

The Company is determined to ensure good governance by complying with all the applicable rules and regulations of Corporate Governance Guidelines of Bangladesh Securities & Exchange Commission. It has complied with all the requirements of Corporate Governance and the Directors are pleased to confirm the following:

The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act, 1994 and Securities and Exchange Rules 1987. These statements present fairly the Company's state of affairs, the result of its operations, cash flow and changes in equity.

Proper books of accounts of the Company have been maintained.

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.

The International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements.

The systems of internal control are sound and have been effectively implemented and monitored.

There are no significant doubts upon the Company's ability to continue as a going concern.

There are no significant deviations in operating result of the business of the company compared to last year.

Pattern of Shareholding

Name wise details	No. of Shares held
Parent/Subsidiary/Associated Companies and other related parties	Nil
Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouse and minor children:	
Mr. S.F.A.M.Shahjahan Chairman	23,21,513
Mr. S.M.Faisal Managing Director	30,82,747
Mrs. Yasmin Faisal Director	20,27,000
Engr. Syed Ishtiaq Ahmed, Director	78,43,920
Mr. Shafqat Ahmed, MBA Director	74,93,503
Mrs. Rio Aziza Salim Director	76,15,219
Chief Financial Officer, Company Secretary and Head of Internal Audit and their spouse and minor children:	
Executives	Nil
Shareholders holding ten percent (10%) or more voting interest in the Company: ICB	90,97,924

Professionals for Compliance of Corporate Governance Code

The Board has appointed Kazi Zair Khan & Co. Chartered Accountants Shamsunnahar complex 8th floor (2nd lift) Flat- 9B, 31/C/1, Topkhana Road, Segunbagicha, Dhaka 1000 as professional for Report of Compliance Governance Code for the year 2018-2019.


Key operating and financial data

The summarized key operating financial data of five years is annexed (Annexure : 1)

Corporate Governance Compliance Report

In accordance with the requirement of the Bangladesh Securities and Exchange Commission, "Corporate Governance Compliance Report" is annexed (Annexure : 2)

On behalf of the Board of Directors



(S.M.Faisal)

Managing Director

October 17, 2019