

DIRECTORS' 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, 2016 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. 862.5 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

Politics, the major driving force of Bangladesh economy was almost stable over the year 2015-2016. However the business sentiment and outlook did not seem completely free from uncertainty of another round of seasonal political chaos and instability. Saiham Textile Mills Ltd. able to overcome all the formidable obstacles and delivered consistency as a result the company successfully ensured a trajectory of sustainable growth. The Company being a yarn manufacturer in both Local and Export market enjoys a very rare balancing factor as far as product mix and marketing is concerned. The sale proceeds from cotton yarn stood at 1,639 million decreases of almost 5.85 % compared to last financial year. Even though the decreases of sale, profit have been increased due to the efficient management of process control that has enabled the company to avoid financial catastrophe and earn substantial profit instead.

Particulars		2016	2015
Net Profit for the year (after tax)		76,829,256	79,735,695
Add: Previous year's surplus		381,680,776	408,762,839
Restated Balance as on July 01, 2014		-	(22,830,191)
Add: Adjustment of revaluation of P. P. E.		26,577,993	28,512,433
Profit available for appropriation		485,088,025	494,180,776
Recommended for appropriations:			
Stock Dividend @ 15%		(112,500,000)	(112,500,000)
Total		372,588,025	381,680,776

SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

Mentioned in section 25 of the notes to the financial statements.

INDUSTRY OUTLOOK AND POSSIBLE FUTURE DEVELOPMENTS IN THE INDUSTRY

Bangladesh is a developing country that is classified as a Next Eleven emerging market and one of the Frontier Five. According to recent opinion, Bangladesh has the second most pro-capitalist population in developing world. Between 2005 and 2016 Bangladesh averaged a GDP growth rate of around 6%. The year under review was much less politically active than the previous year. Most macroeconomic indicators, such as GDP growth, inflation, exchange rate and foreign exchange reserve were favorable. Sustained growth was also prevailed in exports and remittance inflows that led to the phenomenal rise in foreign exchange reserve. The economy is increasingly led by export oriented industrialization.

Bangladesh textile industry is the second largest in the world. Textile Industry has to look forward for robust growth in the years ahead taking advantage of the availability of raw materials, competent technical, managerial personnel and vast domestic market besides export potential. Bangladesh Textile Mills Association is trying to attract large investment for the development and growth of textile industry as the industry has vast potential for employment generation. We therefore need to take stock of these situations and chalk out a plan of action for the development and growth of our company in the years ahead.

Saiham Textile Mills Ltd.

Textile industry is a very important industry in our country providing employment to millions of people both directly and indirectly. It has to grow continuously. Hence long term approach for its development is the need of the hour.

Saiham has track record to upkeep with technology investment, which has proven them as trendsetters. Also due to its superior quality and competitive pricing, Saiham Textile Mills Limited has been able to capture a dominant position in the market. The Company is continuously working on product development through research and development being the market leader with the best quality product, operational efficiency, organized marketing and distribution network.

RISKS AND CONCERNS

The management structure of the Company has been restructured over the year with the combination of Senior Management and young recruits to tackle any unforeseen risks and finding ways to mitigate them. The Company's well experienced Management team has been applying robust and integrated Risk, Management Policies to ensure that the risks and uncertainties assumed by it e.g. Industry Risks, Regulatory Risks, Market Risks, Operational Risks, Legal Risks, Interest Rate Risks, Exchange Rate Risks and potential changes in Global policies etc. are within the defined risk appetites and are properly addressed. Periodic Monitoring is carried out on regular basis to address any risk related issued upcoming and that it might affect the profitability. The company believes that increased competition enhances team responsiveness and the risk can be mitigated by ensuring impeccable quality, timely delivery and superior services.

Moreover, risks and concern of the industry solely depends on the upcoming Government policy as well. However Garments being the major foreign currency earner has always enjoyed special consideration from all the successive Governments and expectation is that it will continue in the future.

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

Particulars	June 30, 2016	June 30, 2015
Cost of goods sold	144,29,17,395 (87.99%)	157,67,90,902 (90.54%)
Gross profit	19,69,80,424 (12.01%)	16,46,74,083 (9.46%)
Net profit for the year	7,68,29,256 (4.69%)	7,97,35,695 (4.58%)

Foreign Loan

The foreign loan against capital machinery for Tk. 88,83,74,380 has been converted into term loan for US Dollar 1,18,18,364.99 among which Tk. 52,95,70,384 has been paid till June 30, 2016. Details have been disclosed in note nos. 15 of the notes to the financial statements.

Discussion on continuity of any Extra-Ordinary gain or loss

There is no significant extra-ordinary gain or loss during the financial year.

Utilization of Right Share Fund

With the Right Share Fund the company has set up a brand new 100% export oriented Spinning Unit. This unit went into production on July 16, 2013.

Related party transactions

The Company has transactions with its Associate Companies which have been disclosed in related party transaction in note nos. 31 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 24 of the report.

Saiham Textile Mills Ltd.

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 BAS 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.

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.

DIRECTORS

In terms of Article 127 of the Articles of Association of the Company, Engr. Syed Ishtiaq Ahmed and Syed Shafqat Ahmed, Director retire by rotation from the Board in the 35th Annual General Meeting. Being eligible under Article 128 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.

Engr. Syed Ishtiaq Ahmed, Director

Engineer Syed Ishtiaq Ahmed son of Mr. Syed Md. Faisal, is the Managing Director of Saiham Cotton Mills. He has graduated in Engineering from Michigan, USA and is also an MBA with a major in Finance from Institution of Business Administration (IBA) University of Dhaka. He has participated in training on "Industry and Management" in Prato, Italy sponsored by Ministry of Foreign trade, Italy. He is one of the members of the Board of Directors of BTMA. He has represented BTMA on a high level mission of Garment Technology and Textile Processing to IMB cologne in Germany and also visited the London College of Fashion under University of the Arts London sponsored by United Nations Industrial Development Organizations (UNIDO). He has vast experience in technical marketing and financial aspects of business.

Names of companies in which Engr. Syed Ishtiaq Ahmed holds the directorship:

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

Syed Shafqat Ahmed, 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 pricing analyst in Bowne of Dallas. He expertise's in workflow deigning 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

Saiham Textile Mills Ltd.

Appointment of Director

Mrs. Yasmin Faisal

Mrs. Yasmin Faisal M.A. wife of Mr. S.M. Faisal is Managing Director of Faisal Spinning Mills Ltd. She was Sponsor Director of Saiham Textile Mills Ltd. After obtaining 2% Share she expressed her intension to be Director and the Board of Directors of the company in its meeting held on May 15, 2016 appointed her as Director. Her appointment as a Director has been placed for the approval by the shareholders in this 35th Annual General Meeting. 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.

Re-appointment of Independent Director

The Board in its meeting has extended the tenure of Syed Nasir Uddin Haider as Independent Directors of the Company for further period of three years with effect from May 15, 2016.

Syed Nasir Uddin Haider B.Com having more than 27 years of experience as a business leader in various sectors. He is able to ensure compliance with financial regulatory and corporate law and can make meaningful contribution to business in Bangladesh. Currently he is involved in agro based business. It is expected that his expertise would help to contribute the affairs as well as to protect the interest of all investors in general and smaller investors in particular.

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.

BOARD MEETINGS

In accordance with directives of the regulatory authorities, the Board supervises, study and review the activities of the Company and make businesses decisions, etc. During the year, 7 (Seven) board meetings were held.

Remuneration to directors including independent directors

The Director of the Company is receiving a sum of Taka 7,500/- (Seven thousand and five hundred) as board meeting fee.

Number of Board meetings held during the year and attendance by each director

Name of Directors	Number of Board Meeting held during the financial year ended 30.06.2016	Number of Board Meeting attended	Remarks
Mr. S. F.A. M. Shahjahan	7	7	
Mr. S. M. Faisal	7	7	
Engr. Syed Ishtiaq Ahmed	7	7	
Syed Shafqat Ahmed	7	7	
Mrs. Rio Aziza Salim	7	4	
Mr. Mostafa Moin	7	7	
Syed Nasir Uddin Haider	7	7	

DIVIDEND

The Board of Directors has recommended 5% cash and 5% stock dividend for the year ended June 30, 2016 (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, 2016.

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 2015-2016 the company contributed 19.92 million to the National Exchequer in the form of corporate tax, custom duty, and Value added Tax (VAT).

Saiham Textile Mills Ltd. is paying and facilitating collection of government revenue. During the year 2015-2016 the company contributed 19.92 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. Mostafa Moin, Independent Director	: Chairman
Mrs. Rio Aziza Salim, Director	: Member
Syed Shafqat Ahmed, Director	: Member

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, 2016 and placed its recommendation to the Board of Directors.

External Audit

Rahman Mostafa Alam & Co. a Chartered Accountants 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 2015-16 to carry out the following tasks:

- The Audit Committee reviewed the financial statements for the year ended June 30, 2016;
- Reviewed and discussed the Management Letter, by external auditor Rahman Mostafa Alam & Co. for the year ended June 30, 2016 on the annual audit on financial statements of Saiham Textile Mills Ltd;

Saiham Textile Mills Ltd.

- The expression of interest sent by the audit firm was reviewed by the Audit Committee and recommended Rahman Mostafa Alam & Co. Chartered Accountants, as auditor of the Company for the year to be ended June 30, 2017;
- 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 16, 2016.

The Board of Directors
Saiham Textile Mills Ltd.
House # 2, Road # 55
Gulshan-2, 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 2016. 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. Mostafa Moin)
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 2015-2016 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 AUDITORS

The Auditors of the Company Rahman Mostafa Alam & Co. Chartered Accountants, Paramount Heights, Box Culvert Road, 65/2/1, Purana Paltan Dhaka-1000 have audited the financial statements of the company for the year 2015-2016. They were appointed in the last 34th AGM Held on December 20, 2015 for the first year audit and the firm is eligible for re-appointment and have also expresses their willingness for reappointment for the year 2016-2017.

The Audit Committee reviewed the proposal for re-appointment and recommended to the Board for appointment of Rahman Mostafa Alam & Co. Chartered Accountants as the auditors of the Company for the year 2016-2017. Therefore the board of directors has proposed Rahman Mostafa Alam & Co. Chartered Accountants to engage as statutory auditors (subject to approval at the 35th Annual General Meeting).

Saiham Textile Mills Ltd.

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 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	17,34,775
Mr. S.M.Faisal-Managing Director	29,35,950
Engr. Syed Ishtiaq Ahmed -Director	74,70,400
Mr. Shafqat Ahmed - Director	71,36,670
Mrs. Rio Aziza Salim - Director	72,52,590
Mrs. Yasmin Faisal - Director	17,40,000
Chief Financial Officer, Company Secretary and Head of Internal Audit and their spouse and minor children:	Nil
Executives	Nil
Shareholders holding ten percent (10%) or more voting interest in the Company:	Nil

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 16, 2016