

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, 2017 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 financial year was one of the quietest in respect to local political uncertainties. However, global turmoil with the US Election outcome, post Brexit situation, the demonetization of India policy all had its effect on the Global apparels trade. Moreover, the extended monsoon had its toll on the communication sector with the inventory cost going up. In spite of all this obstacles the company generated a net revenue of 1529 million which even though is 6.72% lower compared to last year yet through minute product selection and marketing strategy the company has been able to come out with better profit generation in the recent past. This trend we believe is to continue as the managements has been able to convert the Unit 1, which was older of the units into a 100% export oriented unit. With the new change in production planning process and the recent development of product selection, we believe the company will be able to enhance its market share even further. However, the demonetization policy of India had its effect on the income statements as a portion of the raw material is being sourced from India which was hampered greatly due to the unseen policy shift.

Financial Result and Appropriation of Profit:

Particulars	2017	2016
Net Profit for the year (after tax)	9,23,81,746	76,829,256
Add: Previous year's surplus	37,25,88,025	381,680,776
Add: Adjustment of revaluation of P.P.E.	247,79,196	265,77,993
Profit available for appropriation	48,97,48,967	485,088,025
Recommended for appropriations:		
Cash dividend @ 5%	(4,31,25,000)	-
Stock Dividend @ 5%	(4,31,25,000)	(112,500,000)
Total	40,34,98,967	37,25,88,025

Segment-wise or product-wise performance

Mentioned in section 26 of the notes to the financial statements.

Industry outlook and possible future developments in the industry

According to the latest world economic outlook of IMF, Bangladesh become the fastest growing large economy in the world.

Bangladesh growth is expected to be at least 8 percent in the current financial year on account of initiative taken by the government to boost investment and growth. With Bangladesh economy mostly domestic driven, internal risks far outweigh external risks.

The Bangladesh economy is showing signs of turnaround. The Bangladesh economy is coming out of some tough times in recent years with a steep decline in growth, stubbornly high inflation and a wide current account deficit, but the situation is now improving.

Key reforms in the business environment, to labour market and to infrastructure will bring economic growth back to the higher levels seen in the recent past, create good jobs and improve well-being for all Bangladeshies.

Saiham Textile Mills Ltd.

Polyester markets faced challenges during the year because of raw material price volatility and over-capacity situation in the industry. Steep decline in raw material prices during the year, put pressure on the margins.

The outlook of the industry for the coming year looks positive as the demand growth is expected to slowly catch-up with the supply.

Risk and concerns

The textile industry is very competitive with players ranging from large vertically integrated players with very low variable costs to small flexible players who can rapidly respond to market changes in terms of both price and product mix.

An economic slowdown both domestic and global may have adverse effect on the growth of the Textile industry. Raw material prices fluctuate in line with international prices and will continue to have an impact on the company's performance as raw materials constitute about 75 percent of the Company's cost of production. Increased differentiated products as well as a reduced working capital facility will help reduce risks.

Large capacity addition by new and existing players may out-pace demand growth which will lead to price instability and pressure on profit margins. Yet, as demand growth resumes its historical trajectory it is a matter of time before healthy margins are restored.

Our company, like any other enterprise, is exposed to business risk which can be an internal as well as external risk. One of the key risks faced by the company in present scenario is the wide and frequent fluctuations in the prices of its raw materials. Major raw materials remain highly volatile whole year on account of various international political and economical reasons which are beyond our control.

Inflationary tendency in the economy and deterioration of macroeconomic indicators, coupled with below normal rain can impact the spending power of the consumer which can affect the volume of business as well as the operating performance of the Company.

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

Particulars	June 30, 2017	June 30, 2016
Cost of goods sold	129,79,95,301 (84.86%)	144,29,17,395 (87.99%)
Gross profit	23,16,39,684 (15.14%)	19,69,80,424 (12.01%)
Net profit for the year	9,23,81,746 (6.04%)	7,68,29,256 (4.69%)

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. 76,27,68,254 has been paid till June 30, 2017. Details have been disclosed in note nos. 16 & 20 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. 32 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.

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.

Internal Control System and their Adequacy

The Internal Control System provides for well documented policies/guidelines, authorizations and approval procedures. Considering the nature of its business and size of operations, Saiham Textile Mills Ltd. through Auditors carries out periodic audit based on the plan approved by the Audit Committee. The summary of the Audit observations and status of implementation are submitted to the Audit Committee. The status of implementation of the recommendations is reviewed by the Audit Committee on a regular basis and desired actions are initiated to strengthen the control and effectiveness of the system.

DIRECTORS

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

Mr. S. M. Faisal and Mrs. Rio Aziza Salim, Directors retire by rotation from the Board in the 36th 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.

S. M. Faisal, Director

Mr. S. M. Faisal M.A.L.L.B from Dhaka University set up one of the most sophisticated textile mill Saiham Textile Mills Ltd. in the early 1980s in one of the remotest and most non-developed areas in Bangladesh i.e. Noyapara, Hobiganj. Within 35 years the same area has been transformed into an industrial region and more than tk. 50,000 million of investment and employment generation of over 20,000 people. He is ex-Director of Bangladesh Textile Mills Association (BTMA), the apex body of textile sector in Bangladesh and also an ex-Director of National Tea Company Limited he was the Chairman of Saiham Cement Industries Limited, a cement manufacturing plant in Mongla. He is well renowned for his philanthropic work in the locality.

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

Mrs. Rio Aziza Salim, Director

Mrs. Rio Aziza Salim did her BSS (honors) and Masters in Sociology from Dhaka University. She lived and worked in U.K. and U.S.A for a long time and acquired vast experience in social work. She also has long experience in marketing, financial and product development. She has traveled India, U.S.A, U.K, France, Germany, Singapore and many other countries. She is associated with a number of social and cultural organizations in Bangladesh.

Names of companies in which Mrs. Rio Aziza Salim holds the directorship:

Interest in other Company:	Designation
Saiham Textile Mills Ltd.	Director
Saiham Knit Composite Ltd.	Director

Saiham Textile Mills Ltd.

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 fees.

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 30.06.2017	Number of Board Meeting attended	Remarks
S. F.A. M. Shahjahan	7	7	
S. M. Faisal	7	7	
Mrs. Yasmin Faisal	7	4	
Engr. Syed Ishtiaq Ahmed	7	7	
Syed Shafqat Ahmed, MBA	7	7	
Mrs. Rio Aziza Salim	7	7	
Mr. Mostafa Moin	7	7	
Syed Nasir Uddin Haider	7	7	

DIVIDEND

The Board of Directors has recommended 12% cash dividend for the year ended June 30, 2017 (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 16, 2017.

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 2016-2017 the company contributed 22.48 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
Syed Shafqat Ahmed MBA, Director	: Member
Mrs. Rio Aziza Salim, 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, 2017 and placed its recommendation to the Board of Directors.

External Audit

Rahman Mostafa Alam & Co. 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 2016-17 to carry out the following tasks:

- The Audit Committee reviewed the financial statements for the year ended June 30, 2017;
- Reviewed and discussed the Management Letter, by external auditor Rahman Mostafa Alam & Co. for the year ended June 30, 2017 on the annual audit on financial statements of 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, 2018;
- 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.

Saiham Textile Mills Ltd.

Report from the Audit Committee

Dated: October 18, 2017.

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 June 30, 2017. 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/-
(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 2016-2017 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 2016-2017. They were appointed in the last 35th AGM held on December 19, 2016 for the Second year audit and the firm is eligible for re-appointment and have also expresses their willingness for reappointment for the year 2017-2018.

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 2017-2018. Therefore the board of directors has proposed Rahman Mostafa Alam & Co. Chartered Accountants to engage as statutory auditors (subject to approval at the 36th 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 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	18,21,513
Mr. S.M. Faisal - Managing Director	30,82,747
Engr. Syed Ishtiaq Ahmed - Director	78,43,920
Mr. Syed Shafqat Ahmed, MBA - Director	74,93,503
Mrs. Rio Aziza Salim - Director	76,15,219
Mrs. Yasmin Faisal - Director	18,27,000
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 18, 2017