

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, 2020 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

Financial Year 2019-20 has been a challenging year with weakening macro-economic conditions, slowing market growths in Textile sector and finally, COVID-19 outbreak and containment measures towards the end of the year. Our underlying sales growth was driven by an overall resilient performance in the first three quarters; In the March quarter, our performance at an aggregate level continued to be competitive with steady growth before the outbreak of COVID-19. The second half of March saw an exacerbated slowdown due to the virus outbreak, resultant containment measures by the government finally, a nation-wide lockdown. This had an adverse impact on our operations with breakage in supply lines, shortage of manpower and disruptions in procurement/transport, offsetting the resilient growth levels achieved hitherto. During the year under review our companies turnover stood at 1,642,383,390 as against 2,599,187,531 recorded in the previous year. Turnover of the company fall drastically due to adverse effect of COVID-19. On the other hand Cost of goods sold and operating expenses have been increased on sales proportionately in compare of last year.

We manage our business with agility and resilience to deliver consistent, competitive. We continue to focus on strengthening the core, accelerating premiumisation and driving market development. our Company has a large portfolio of strong brands that straddles the price-benefit pyramid.

Financial Result and Appropriation of Profit:

| Particulars | 2020 | 2019 |
|--|---------------------|---------------------|
| Net Profit for the year (after tax) | (7,82,98,678) | (8,77,19,640) |
| Add: Previous year's surplus | 24,04,37,335 | 42,98,70,671 |
| Add: Adjustment of revaluation of P.P.E | 8,97,99,808 | 3,32,88,770 |
| Add: Adjustment for tax refund (2015-2016) | - | 8,41,284 |
| Profit available for appropriation | 25,19,38,465 | 37,62,81,085 |
| Recommended for appropriations: | | |
| Cash Dividend | (9,05,62,500) | (13,58,43,750) |
| Total | 16,13,75,965 | 24,04,37,335 |

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 outlook for industry and the Company in the near term can be viewed with cautious optimism. Fiscal FY 2020 began with a lockdown, with downtrend economic activity in Bangladesh, which took strict measures to contain the spread and intensity of the pandemic. Global trade dynamics, volatile commodity cycles and climate concerns continue to increase the uncertainty further. Market sentiments remained volatile since the start of the financial year due to escalating trade tensions between US and China, fears of disruptions to supply chains, prolonged uncertainty on Brexit and geopolitical tensions in Middle East. The world markets are uncertain at present and majority countries are facing economic issues affecting their growth. Continued slowdown in overall textile industry and slowdown in economic growth in recent months may impact sale growth for current year. The export market is not very encouraging either. However, the outlook is heavily contingent upon the intensity, spread and duration of the pandemic. Conditions like these create challenges for companies and categories across the spectrum.

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In these times, as the economy, consumer and channel landscape rapidly evolve, we continue to be agile and responsive to leverage market opportunities and navigate through the challenges. By staying close to buyers and their needs, we ensure that our business continues to grow, while having a positive impact on people and the planet. Our strategy is constantly evolving to adapt to the trends and forces shaping our markets and impacting our multi stakeholders.

Risks and concerns

Risk management is embedded in the Company's operating framework. Company believes that managing risks helps in maximizing returns. The Company's approach to addressing business risks is comprehensive and includes periodic review of such risks and a framework for mitigating controls and reporting mechanism of such risks. The risk management framework is reviewed periodically by the Board and the Audit Committee.

This year the rampant spread of COVID-19 outbreak, across borders and geographies, has severely impacted almost the whole world and triggered significant downside risks to the overall global economic outlook. The lockdowns and restrictions imposed on various activities due to the pandemic have posed challenges to all the businesses of our Company. The textile industry has been facing severe challenges in the aftermath of demonetization, global economic slowdown, US-China trade war and recently, the Coronavirus outbreak in China. Besides some of the risks that the Company is exposed to are:

Financial risks

The Company's policy is to actively manage its foreign exchange risk within the framework laid down by the Company. Given the interest rate fluctuations, the Company has adopted a prudent and conservative risk mitigation strategy to minimize financial and interest cost risks.

Commodity price risks

Uncertain availability and volatility in prices of key raw materials is the major concern. The Company proactively manages these risks through forward booking, inventory management and proactive vendor development practices. The Company's reputation for quality, product differentiation and service, coupled with the existence of powerful brand image with a robust marketing network mitigates the impact of price risk.

Regulatory risks

The Company is exposed to risks attached to various statutes, laws and regulations including the Competition Act. The Company is mitigating these risks through regular review of legal compliances carried out through internal as well as external compliance audits.

Strategic risks

Emerging businesses, capital expenditure for capacity expansion etc, are normal strategic risks of the Company. However, the Company has well-defined processes and procedures for obtaining approvals for investments in new businesses and capacity expansions.

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, 2020 | June 30, 2019 |
|------------------------------|-------------------------|-------------------------|
| Cost of goods sold | 1,54,73,94,066 (94.22%) | 2,26,50,27,513 (87.14%) |
| Gross profit | 9,49,89,324 (5.78%) | 33,41,60,018 (12.86%) |
| Net profit/loss for the year | (7,82,98,678) (4.77%) | (8,77,19,640) (3.37%) |

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 Managing Director & CFO's have 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 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.

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.

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Board of Directors

i. Composition and size of the Board

On the 30th June 2020, there were 7 members on the Board; The Board comprises Chairman, Managing Director, three directors and two Independent directors.

ii. Board meeting and attendance:

The Board met 6 times during the period from July 01, 2019 to June 30, 2020. Following table shows the attendance of directors in the meeting.

| Name of Directors | Number of Board Meeting held during the financial year ended 30.06.2020 | Number of Board Meeting attended | Remarks |
|---|---|----------------------------------|-------------------------|
| Mr. S. F.A. M. Shahjahan | 6 | 4 | Resigned on 12.01.2020 |
| Mr. S. M. Faisal | 6 | 6 | |
| Engr. Syed Ishtiaq Ahmed | 6 | 6 | |
| Syed Shafqat Ahmed M.B.A | 6 | 6 | |
| Mrs. Yasmin Faisal | 6 | 6 | |
| Mrs. Rio Aziza Salim | 6 | 6 | |
| Mohammad Nazmul Hossain, FCA, (Independent Director) | 6 | 6 | |
| Mr. Tariquzzaman Khan, FCA, FCS, (Independent Director) | 6 | 5 | Appointed on 12.01.2019 |

DIRECTORS

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

S. M. Faisal and Mrs. Rio Aziza Salim, Director retire by rotation from the Board in the 39th 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

Mr. S. M. Faisal M.A.L.L.B from Dhaka University set up one of the most sophisticated textile Mills - 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 20 years the same area has been transformed into an industrial region and now boasts more than Tk. 60,000 million of investment and employment generation of over 8000 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.

Names of companies in which S. M. Faisal holds the directorship:

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

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Mrs. Rio Aziza Salim

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 Bangladesh, 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 the Company: | Designation |
|----------------------------|-------------|
| Saiham Textile Mills Ltd. | Director |
| Saiham Knit Composite Ltd. | Director |

Re – appointment of Managing Director

The appointment of S.M. Faisal as Managing Director of the company expired on 23.03.2020. He has been re-appointed as Managing Director of the Company for a further period of 5 (five) years by the Board of Directors of the company in its meeting held on 25.03.2020. His appointment as Managing Director has been placed for the approval by the shareholders in this 39th Annual General Meeting.

Changes in the Board of Directors during the year 2019-20:

Mr. S.F.A.M. Shahjahan resigned from Director of the Company effective from January 12, 2020 due to personal reasons and work constraints. The Board places on record its sincere and deep appreciation for the services rendered by Mr. S.F.A.M. Shahjahan during his tenure as Chairman of the Company.

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.

Remuneration to directors including independent directors

The Director of the Company is receiving a sum of Taka 5,500/-(Five thousand and five hundred) as board meeting fee.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, as a sub-committee of the Board of Director formed as per notification no.BSEC/CMRECD/2006-158/207/ADMIN/80DATED 3 June, 2018.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises Three Directors including one Independent Director.

Chairman of Nomination and Remuneration Committee(NRC)

Mohammad Nazmul Hossain, FCA Independent Director is the Chairman of the Nomination and Remuneration Committee.

The Company Secretary acts as the Secretary of the Nomination and Remuneration Committee (NRC).

The Nomination and Remuneration Committee is responsible for evaluating the balance of skills, experience, independence, diversity and knowledge on the Board and for drawing up selection criteria, ongoing succession planning and appointment procedures for both internal and external appointments. The role of Nomination and Remuneration Committee, inter-alia, includes:

Determine / recommend the criteria for appointment of Executive, Non-Executive and Independent Directors to the Board;

Determine / recommend the criteria for qualifications, positive attributes and independence of Director;

Review and determine all elements of remuneration package of all the Executive Directors, i.e. salary, benefits, bonuses, stock options, pension etc;

Formulate criteria and carry out evaluation of each Director's performance and performance of the Board as a whole. Recommend to the Board, all remunerations, in whatever form, payable to Senior Management.

The detailed terms of reference of the Nomination and Remuneration Committee is contained in the 'Corporate Governance Code'

Meeting of the Nomination and Remuneration Committee (NRC)

The Nomination and Remuneration Committee met 1 time during the financial year 2019-2020.

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. All Corporate information's are posted on the investor Relations section of the Company's website.

DIVIDEND

Due to adverse effect of Covid-19, turnover has been decreased significantly on the other hand financial expenses and percentage of Cost of goods sold increased; as a result the company incurred loss during the year 2019-2020. Considering the above situation The Board of Directors did not recommend any dividend for the year ended June 30, 2020 (subject to the approval in the forthcoming AGM).

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 2019-2020 the company contributed 20.65 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:

| | |
|---|------------|
| Mohammad Nazmul Hossain, FCA Independent Director | : Chairman |
| Syed Shafqat Ahmed, 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, 2020 and placed its recommendation to the Board of Directors.

External audit

Khan Wahab Shafique Rahman & 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 2019-20 to carry out the following tasks:

- The Audit Committee reviewed the financial statements for the year ended June 30, 2020;
- Reviewed and discussed the Management Letter, by external auditor Khan Wahab Shafique Rahman & Co. for the year ended June 30, 2020 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 Khan Wahab Shafique Rahman & Co, as auditor of the Company for the year to be ended June 30, 2021;
- Reviewed various reports of Internal Control & Compliance Department on operational and financial procedures

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 18, 2020.
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 2020. 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/-
(Mohammad Nazmul Hossain, 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 2019-2020 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. The company took up one of the largest Food Distribution program in the district in distributing free essential food items among thousands of low income families during the COVID 19 Pandemic period. The company also distributed health kits, including PPE and Face masks within the factory premises and educate the workers about social distancing to avoid the transmission of Covid 19.

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 Khan Wahab Shafique Rahman & Co. Chartered Accountants, 7 Rajuk Avenue, Motijheel, Dhaka have audited the financial statements of the company for the year 2019-2020. They were appointed in the last 38th AGM held on December 12, 2019. For the second year audit the firm is eligible for re-appointment and have also express their willingness for reappointment for the year 2020-2021.

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 2020-2021. Therefore the board of Directors has proposed Khan Wahab Shafique Rahman & Co. Chartered Accountants to engage as statutory auditors (subject to approval at the 39th Annual General Meeting)

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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/2006-158/207/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, 2021 subject to approval of the Shareholders of the company in the 39th 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. M. Faisal-Managing Director | 30,82,747 |
| Engr. Syed Ishtiaq Ahmed -Chairman | 78,43,920 |
| Mr. Shafqat Ahmed - Director | 74,93,503 |
| Mrs. Yasmin Faisal – Director | 20,27,000 |
| 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 | 30,61,967 |

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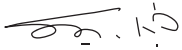
Key operating and financial data

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

Corporate Governance Compliance Report

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

On behalf of the Board of Directors



(S. M. Faisal)
Managing Director

October 18, 2020