

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, 2015 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. 750 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 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. In spite of the unforeseen political instability and stalemate, the company revenue maintained its growth. The sale proceeds from cotton yarn stood at 1741 million a growth of almost 10% compared to last financial year. Though the growth is not as per our desire, considering almost quarter of the financial year in political disruption and business slow down, yet we believe the efficient management of process control has enabled the company to avoid financial catastrophe and earn substantial profit instead.

Financial Result and Appropriation of Profit:

Particulars	2015	2014
Net Profit for the year (after tax)	7,97,35,695	21,07,37,408
Add: Adjustment for revaluation of P.P.E and deferred tax	2,85,12,433	3,05,93,130
Add: Previous year's surplus	40,87,62,839	25,74,32,301
Profit available for appropriation	51,70,10,967	49,87,62,839
Recommended for appropriations:		
Cash Dividend @ 15%	11,25,00,000	9,00,00,000
Total	40,45,10,967	40,87,62,839

Segment-wise or product-wise performance

Mentioned in notes 27 of the note to the financial statements.

Industry outlook and possible future developments in the industry

The experience of the last few years has only taught us not to make any predictions, as the predictions turned out the other way around. Yet, textile being a basic commodity should always have its demand. The outlook for the global Apparel economy is positive, but there are still great macroeconomic risks. In spite of the EU struggling both economically and politically, China phasing out of the textile value chain gradually, we believe the outlook for the Bangladesh Textile Apparels on a long-term basis is very bright. Even though there might be some jitter in short term however, we believe that Company like Saiham with a long business track and financial background is well equipped to sustain this initial turbulent situation. Also the biggest flexibility of Saiham is that it caters both the local and export market with its two units and Bangladesh economy moving forward robustly ensures the local market will enhance, resulting much better performance in the coming days.

The Global economy except USA is in recessionary mode with the price of commodities coming down every day. We believe this will have a direct impact on our Revenue. However discussions and planning are underway to overcome this downtrend and maintain the growth of the company. The best part is, with the raw materials price now in bearish mode the volatility risk is minimized, which in return we believe will contribute towards the profitability of the company.

Saiham Textile Mills Ltd.

Saiham has track record to upkeep with technology investment, which has proven them as trendsetters. Also 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

Saiham operating in the Global arena by producing the export quality yarn is always in the risk of global challenges. Any fiscal or political policy change by the competitive country i.e. China, India, Turkey, Vietnam, Pakistan, Indonesia does have an impact on the business activity. However, this has been the case all through and 34 years of experience has only taught us to be prudent and stronger in this situation. The interest rate and financial monetary policy of Bangladesh have direct impact on business. However, Saiham gradually moving into foreign-based fund and also, the interest rate gradually coming towards single digit, we do not see any short-term financial risk.

The raw materials of Yarn is raw cotton and traded in exchange is extremely volatile. Any changes in policy, weather, political and the volatility can be very expensive as has been the case in the past. However, prudent decision-making and long-term relationship with the supply chain management also timely and accurate feedback has enabled Saiham to overcome the calamity to a great extent and expect to keep it under control.

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, 2015	June 30, 2014
Cost of goods sold	157,67,90,902 (90.54%)	131,18,26,459 (82.79%)
Gross profit	16,46,74,083 (9.46%)	27,26,08,003 (17.21%)
Net profit for the year	7,97,35,695 (4.58%)	21,07,37,408 (13.30%)

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. 33,30,20,783 has been paid till June 30, 2015. 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. 33 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 about the which is shown on page 26 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/BAS/IFRS/BFRS

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 that. Accordingly, Financial statements are prepared on a going concern basis.

DIRECTORS

In terms of Article 115 of the Articles of Association of the Company, S.F.A.M. Shahjahan and Mrs. Rio Aziza Salim, Directors retire by rotation from the Board in the 34th Annual General Meeting. Being eligible under Article 116 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.F.A.M. Shahjahan

Mr. S.F.A.M. Shahjahan son of Late Syed Sayed Uddin Ahmed is one of the Director of Saiham Textile Mills Ltd. He is also the Director of Saiham Cotton Mills Ltd. and has more than 30 years of experience in textile business. His expertise is in the field of Marketing and Administration. He is also associated with different socio-cultural and philanthropic organization.

Names of companies in which Mr. S.F.A.M. Shahjahan holds the directorship:

Interest in the Company:	Designation
Saiham Textile Mills Ltd.	Chairman
Saiham Cotton Mills Ltd.	Director
Saiham Knit Composite Ltd	Director

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 the Company:	Designation
Saiham Textile Mills Ltd.	Director
Saiham Knit Composite Ltd.	Director

Re – appointment of Managing Director

The appointment of Mr. S.M. Faisal as Managing Director of the company expired on 24.03.2015. 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 25.03.2015 His appointment as Managing Director has been placed for the approval by the shareholders in this 34th Annual General Meeting.

Re – appointment of Independent Director

The Board in its meeting has extended the tenure of Mr. Mostafa Moin as Independent Directors of the Company for three years with effect from September 23, 2015 In terms of the provision of BSEC guidelines.

Saiham Textile Mills Ltd.

Mr. Mostafa Moin, B.B.A California State University, USA having over 17 years of experience in Bangladesh and in USA. Currently he holds the Directorship of Doreen Power Generations and Systems Ltd. It is expected that his expertise would help to contribute the Company 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, 8 (Eight) 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 30.06.2015	Number of Board Meeting attended	Remarks
Mr. S. F.A. M. Shahjahan	8	8	
Mr. S. M. Faisal	8	8	
Syed Ishtiaq Ahmed	8	8	
Syed Shafqat Ahmed	8	8	
Mrs. Rio Aziza Salim	8	6	
Mr. Mostafa Moin	8	8	
Syed Nasir Uddin Haider	8	8	

DIVIDEND

The Board of Directors has recommended 15% stock dividend for the year ended June 30, 2015 (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 19, 2015.

Contribution to the national exchequer

Saiham Textile Mills Ltd. is paying and facilitating collection of government revenue. During the year 2014-2015 the company contributed 22 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, 2015 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 3 (three) times during last financial year 2014-15 to carry out the following tasks:

- The Audit Committee reviewed the financial statements for the year ended June 30, 2015;
- Reviewed and discussed the Management Letter, by external auditor Malek Siddiqui Wali. for the year ended June 30, 2015 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 Rahaman Mostafa Alam & Co. Chartered Accountants, as auditor of the Company for the year to be ended June 30, 2016;
- 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 14, 2015.

The Board of Directors
Saiham Textile Mills Ltd
House # 2, Road # 55
Gulshan-2, Dhaka

Saiham Textile Mills Ltd.

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 2015. 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. All efforts are taken to produce yarn in an environment friendly manner. As such special cares are taken in recycling of wastages and proper maintenance of machine. Moreover tree plantation activities is implementing every year at mill premises.

Corporate Social Responsibilities

Saiham Textile Mills Ltd is committed to connect business decisions to ethical, social and environmental concerns remain to be one of the strongest foundations of the company. During the year 2014-2015 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

Malek Siddiqui Wali Chartered Accountants will retire at the 34th Annual General Meeting as auditors of the Company. As per Bangladesh Securities and Exchange Commission (BSEC) Notification no. SEC/CMRRCD/2009-193/104/Admin dated July 27, 2011 the retiring Auditors Malek Siddiqui Wali Chartered Accountant are not eligible for reappointment as Statutory Auditors for 2016. The Audit Committee recommends appointment of Rahaman Mostafa Alam & Co. Chartered Accountants as the auditors of the Company for the year 2015-2016. Rahman Mostafa Alam & Co. Chartered Accountant have expressed their willingness to accept appointment as statutory auditors. Therefore the board of directors has proposed Rahman Mostafa Alam & Co. Chartered Accountants to engage as statutory auditors (subject to approval at the 34th 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 Securities & Exchange Commission. It has complied with all the requirements of Corporate Governance and the Directors are pleased to confirm the following:

- a. 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.
- b. Proper books of accounts of the Company have been maintained.
- c. 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.
- d. The International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements.
- e. The systems of internal control are sound and have been effectively implemented and monitored.
- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. There are no significant deviations in operating result of the business of the company compared to last year.

Saiham Textile Mills Ltd.

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	15,08,500
Mr. S.M.Faisal - Managing Director	25,53,000
Engr. Syed Ishtiaq Ahmed Director	74,16,000
Mr. Shafqat Ahmed - Director	71,02,200
Mrs. Rio Aziza Salim - Director	63,06,600
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:	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 14, 2015