

Report of the Board of Directors

For the 9 (nine) months period 1st October 2015 to 30th June 2016

“Bismillah Hir Rahmanir Rahim”

Distinguished Shareholders

Assalamu Alaikum,
Alhamdu Lillahe Rabbil Aalamin

I have the pleasure to welcome you to the 32nd Annual General Meeting of your company and place before you the Directors Report for the 9 (nine) months period 1st October 2015 to 30th June 2016 for your consideration.

Business Operations

The summary result of business operation compared with the previous period may be stated as follows:

Particulars	Taka in million		
	2015-16	2014-15	Increase (decrease) %
Fabrics Sale	540.05	555.78	(2.83)
Garments sale	580.36	370.98	56.44
Cash incentive	15.80	14.38	9.87
Total Revenue	1,136.21	941.15	20.73
Cost of goods sold	970.98	812.04	19.57
Gross Profit	165.23	129.11	27.98
Administrative, Selling and General Expenses	128.57	109.03	17.92
Net profit before tax	35.17	19.12	84.00
Net profit after tax	31.63	16.25	94.65
Earnings per share	1.25	0.64	95.31

Compliance Issues

As stated in the report of the Chairman, the compliance issues in all aspects of production, human resource management, eco-friendly environment, are getting more and more priority from buyers as well as from others regulatory agencies. H.R. Textile Mills Limited, being a company having 31 years of its operation, is complying with all requirements. However, the new compliance requirements warrant major changes in the building structure and the company needs to invest substantial amount in the coming years to improve production facilities and to upgrade compliance standards.

Board of Directors

There was no change in the Board of Directors of the company during the year. The two re-elected Directors, such as Professor Dr. Muhammad Abdul Moyeen and Ms. Ruhey Rawa, have continued as Directors of the company during the year. The Board consisted of 8 members including two independent Directors. During the year, the board organized five meetings. The attendance was as follows:

Sl No	Name of the Directors	No of meetings held	No of meetings attended	Fee Paid Taka
1	Professor M.A Momen	5	5	25,000
2	Mr. M.A Moyeed	5	5	25,000
3	Professor Dr. M.A Moyeen	5	4	20,000
4	Professor Mushtaque Ahmed	5	5	25,000
5	Mr. Md. Kabiruzzaman	5	5	25,000
6	Ms. Ruhey Rawa	5	5	25,000
7	Ms. Sumbal Azwad Momen	5	5	25,000
8	Ms. Sana Kainat Moyeen	5	2	10,000

In addition to the board members, Mr. Md. Abu Amur Naheel, Chief Financial Officer, Mr. Sumnoon Moheb, Head of Internal Audit and Mr. Md. Wali Ullah, Company Secretary attended the Board Meetings on regular basis.

The Board normally deals with the policy issues, however, in some important issues, the board members directly assists the senior management in resolving the issues. The Board members keeps eye on the business trend of the industry, policy issues, and actions need to be taken. The Board members participate at the international exhibitions to review the business developments, procure orders and thus to keep the company in line with the trend of development. The Board members deal and negotiates issues related to availing financial assistance from banks and leasing companies, review of the cost reduction programs, expansion of facilities, review of compliance related issues etc. The Independent Directors are also contributing significantly by taking part in the policy issues and guiding the management in order to keep the company on track.

Change in the Financial Year of the company

The Financial Year of the company, since the beginning, was from 1st October to 30th of September. The BSEC through a Directive (Directive No. SEC/SRMIC/2011/ 1240/445 dated 27th April 2016) directed all corporate other than Banks, Insurance company and financial institutions to follow a financial year starting from 1st July and to close the same on 30th June. Based on the above, the company has closed this year on 30th June 2016, with nine months operation instead of 30th September 2016. Therefore, these years' financial statements are based on 9 months operational results and financial position as on 30th June 2016. Henceforth, the Financial year will be closed on 30th June each year.

Board Audit Committee

The Audit Committee of the company held four meetings during the year under report. All the

committee members attended the above meetings. The Audit Committee has been playing a significant role in guiding the internal management. The Committee reviewed the draft Financial Statements of the company, and report of the Auditors from time to time. A separate Report of the Audit Committee to the shareholders is enclosed at Annexure-B.

Election of Directors

Pursuant to Article 102, 103 and 104 of the company, Ms. Sumbal Azwad Momen and Ms. Sana Kainat Moyeen, Directors of the company, will retire and being eligible, offer themselves for re-election.

Directors Remuneration

The Managing Director is paid his monthly remuneration as shown in the Financial Statements. Other than the Managing Director, all are non-executive directors are not paid any remuneration except the meeting attendance fee of Tk. 5,000 per attendance. Non-executive directors, including the independent director(s), does not receive benefits of any other kind from the organization.

Corporate and Financial Reporting

The Board of Directors is pleased to confirm that

- The Financial statements together with the notes thereon have been drawn up in conformity with the companies Act 1994 and Bangladesh Securities and Exchange Rules 1987. These statements fairly present the company's statement of affairs, the results of its operations, cash flow and changes in equity.
- That proper books of account of the company have been maintained.
- That, 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.
- That, the International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.

- e) That, the system of internal control is sound in design and has been effectively implemented and monitored.
- f) That, there are no significant doubts upon the company's ability to continue as a going concern.
- g) That, there are no significant deviations from last year in operating results.

Directors also report that the Managing Director (Chief Executive Officer) and the Chief Financial Officer have certified to the Board that they have reviewed the Financial Statements for the 9 (nine) months period 1st October 2015 to 30th June 2016 and to the best of their knowledge and belief:

- a. The Financial Statements present a true and fair view of the affairs of the company and are in compliance with existing accounting standards and applicable laws;
- b. There is no statement which is materially untrue or misleading and there is no omission of facts in such statements; and
- c. No transaction has been entered into by the company which are fraudulent, illegal or in violation of the Company's code of conduct.

Report of Chief Executive Officer and Chief Financial Officer

The Managing Director (Chief Executive Officer) and the Chief Financial Officer have performed their duties as per the rules, responsibilities and duties as detailed by the Board. Their report is placed in Annexure-D

Financial Performance

The summarized financial results of the company are as follows:

Particulars	Amount in Taka (million)		
	For the period 1 Oct'15 to 30 June'16	1 Oct'14 to 30 June'15	For the year ended 30 Sept'15
Net Profit before Tax	35.17	19.12	36.34
Less: Provision for Income Tax	(3.54)	(2.87)	(5.45)
Net Profit after Tax	31.63	16.25	30.89
Add: Profit brought forward from previous year	35.96	45.01	30.37
Profit Available for Appropriation	67.59	61.26	61.26
Recommended for Appropriations:			
Proposed Dividend (Cash)	(25.30)	(25.30)	(25.30)
Un-appropriated Profit carried forward	42.29	35.96	35.96

Summary of key operating and financial data of preceding five years.

The summary of the current year's key financial data, along with the same, for proceeding five years, are furnished below:

Financial Details

Particulars	For the year (Tk. in '000)				
	2015-16	2014-15	2013-14	2012-13	2011-12
Total Assets	1,541,977	1,350,984	1,273,244	1,233,793	1,203,178
Fixed Assets	622,435	528,012	506,239	489,057	392,857
Reserve and Surplus	106,928	100,597	156,786	144,762	124,403
Working Capital	(180)	30,919	(7,824)	14,862	35,300
Authorised Capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Shareholders' Equity	359,929	353,597	409,787	397,762	377,403
Paid up Capital	253,000	253,000	253,000	253,000	253,000
Long Term Loan	199,048	140,763	79,512	97,041	44,727

Business Risk Perception

Political Risk

Although hartal and other political programs have declined substantially, but terrorist attack in the country have posed another serious threat to the foreign buyers and they are hesitant to visit Bangladesh. In many instances, we require to go to neighboring countries to meet the buyers. The above risk has substantial impact on the operation of the company.

Going Concern Risk

H.R. Textile Mills Ltd has been operating as a sustainable organization since 1984. The sponsors always decide on operational and financial issues from the perspective of going concern. Having its own land, building and infrastructure, the company has been operating in such an industry, which is a basic requirement of human beings that the management does not see any risk of continuance of the company as a going concern.

Operational Risk

Operational risk arises from internal management, systems failure, maintenance product of quality etc. The company, over a period of time, has developed human resources, systems and procedures, equipped with production facilities with modern technology. With the above facilities, the company is now operating as a quality producer with high franchise value. It has developed a pool of quality human resources who are capable in undertaking any type of export orders relating to knit garments. Therefore, the management does not foresee any significant operational risk.

Foreign Exchange Fluctuation Risk

As an exporter H.R. Textile Mills Limited, earns its revenue in US dollars, and imports its major raw materials using the same dollars, as a result there is no foreign exchange fluctuation risk. But, it must be mentioned here that, Bangladesh Taka has become stronger against US dollars, we are getting less

Bangladesh Taka while enmeshing the dollars, to meet our every day needs. Bangladesh Taka has been constantly becoming strong against dollars; as such we are losing revenue in terms of taka, in the last few years.

Market Risk

RMG export market is still volatile. Since the export market of the company is mainly in Europe, our exports are the low cost essential products and with the increasing trend of labour cost in the Chinese market, Bangladesh is the direct beneficiary. However, the wage cost in Bangladesh is also increasing. In order to keep the cost at minimum, the company has been trying to increase the efficiency of the workers. Therefore, although there are market risks, to some extent, the management does not consider it to be very significant.

Compliance Risk

The compliance requirement is becoming more strict nowadays and more compliance requirements are forthcoming. The management of the company has been constantly keeping eye to remain compliant always and taking required measures to comply with the buyer's requirements.

Interest rate risk

The interest rate of the banks and financial institutions are still quite high at present. The company management has been trying to use low cost funding to keep the financial service cost as low as possible.

Dividend

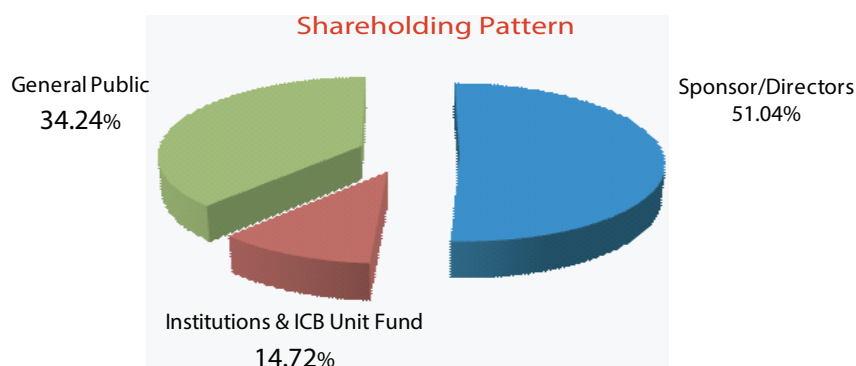
During the year under report, the company earned profit after tax of Tk. 31,631,567. Out of the above the Board recommended a cash dividend of Tk. 1.00 (i.e. 10%) per share of Tk. 10 against 10% cash dividend per share of Tk. 10 in the last year. The above would require a cash outflow of Tk. 25.30 million. The balance amount of Tk. 6.33 million of un-appropriated profits will be used to meet the working capital requirement of the company as well to finance the developmental works.

Annexure - A

Shareholding Pattern

The shareholding of the sponsors remained at 51.04% without any change during the year. Out of the balance shares, the institutions are holding 14.72%, which was 15.27% in the previous year. The shareholding of the general public has increased to 34.24% compared to 33.69% in the previous year, on the date of year closing. The above change was mainly due to the sale of shares by some institutions. The shareholding pattern of the company for the year closing on 30th June 2016 has been shown at page 30 of this Annual Report.

Name of Shareholders	No. of Shares	Percentage
1.5) (xii) a) Parent Company/Subsidiary/Associated Companies/ Other Related Parties:	Nil	-
1.5) (xii) b) Directors, Chief Executive Officer, Company Secretary Chief Financial Officer, Head of Internal Audit, their Spouse and Minor Children:		
Mr. Mohammad Abdul Moyeed	3,762,256	14.87
Professor Dr. M.A Moyeen	3,762,254	14.87
Professor M.A Momen	3,762,254	14.87
Ms. Ruhey Rawa	507,285	2.01
Ms. Sumbal Azwad Momen	507,285	2.01
Ms. Sana Kainat Moyeen	507,285	2.01
Professor Mushtaque Ahmed	Nil	-
Mr. Md. Kabiruzzaman	Nil	-
Mrs. Rokeya Sultana	40,320	0.15
Mrs. Umbrin Moyeed	15,812	0.06
Dr. Shaheen Afroze	15,812	0.06
Mrs. Shirly Momen	15,812	0.06
Mrs. Rukhsana Sultana	3,870	0.02
Mrs. Umme Saleha	3,870	0.02
Mrs. Umme Salma	3,870	0.02
Ms. Sayma Rahman	3,870	0.02
Chief Financial Officer	Nil	-
Company Secretary	Nil	-
Head of Internal Auditor	Nil	-
Minor Children	Nil	-
Total Shares	12,911,855	51.04



- c) Non of the top executives of the company other than Mr. Mohammad Ali Chowdhury, Asstt. Manager, and Taxes hold 1,000 shares each which was issued to them at the time of IPO from employee's quota.
- d) Shareholders holding ten percent (10%) or more votes' interest in the company (name wise details):

Name	No. of shares
Mr. Mohammad A. Moyeed	3,762,256
Professor (Dr.) Muhammad A. Moyeen	3,762,254
Professor Mohammad A. Momen	3,762,254

Subsidiary Company

H.R. Textile Mills Limited does not have any subsidiary company.

Extra-Ordinary Gain or Loss

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

Related Party Transactions

H.R. Textile Mills Limited exports garments and also fabric as "Deemed Export" to one concern, namely Fashion Knit Garments Limited. The Fashion Knit Garments Limited is owned by three sponsor Directors of the company. The transactions between H.R. Textile Mills Limited and Fashion Knit Garments Limited are being transacted on Arm's Length Basis and at market price.

Report on the compliance of the conditions of BSEC's notification

In accordance with the BSEC's Notification dated 7th August 2012, the Board of Directors is required to report on the compliance of certain conditions. The notification was issued for the purpose of establishing a framework for ensuring good governance practices in the listed companies for the interest of the investors and the capital market. The overall shareholding pattern of the company and a statement on the compliance with the BSEC's conditions is given on Annexure-A and Annexure-C on page 13 and page 16 respectively of this Annual Report.

Corporate Governance Compliance Audit

In accordance with the requirement of the Bangladesh Securities and Exchange Commission, Notification No. SEC/CMRRCD/2006-158/134/ Admin/44 dated 7th August 2012, the company appointed M/s. N.M Tareque and Associates, a firm of Cost and Management Accountants, to conduct audit as per the requirement of the BSEC Rules. The Report of the company is enclosed as Annexure-E.

Appointment of Auditors

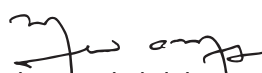
The existing Auditor M/s. Rahman Mostafa Alam & Co, Chartered Accountants have been carrying out the audit of the company for the last two years. They are now retiring and being eligible for re-appointment have shown their interest to continue as auditors of the company. On the recommendation of the Board Audit Committee, the Directors of the Company is proposing their appointment and fixing remuneration at the 32nd Annual General Meeting.

Conclusion

The Board of Directors of the company takes the opportunity to express its sincere thanks and appreciation to its valued shareholders, the Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange, Chittagong Stock Exchange, Government Agencies, Banks, Financial Institutions, Contractors, Suppliers and Auditors for their co-operation and support. We offer our heartfelt thanks to our valued international buyers and local buying houses who have contributed significantly as our strategic partners.

In conclusion, the Board offers its sincere thanks to the workers, professionals, whom the management considers as the most valuable asset of the company and hopes that they will continue to keep the spirit of teamwork in the coming years for the smooth growth of the company.

For and on behalf of the Board of Directors


 Mohammad Abdul Moyeed
 Managing Director & CEO
 Dated: October 26, 2016