

### **Audit Committee Report to the Shareholders For the year ended 30th June 2018**

I have the pleasure to report before the shareholders as the Chairman of the Audit Committee of your esteemed company. I am one of the independent Directors in the board and the Board appointed me as the Chairman of the Committee. H.R. Textile Mills Limited is a public limited company having quite large number of shareholders and stakeholders.

The Audit Committee of H. R. Textile Mills Limited, as one of its prime board sub-committee, assists the Board in discharging its governance responsibilities. A brief of the Audit Committee and its roles, responsibilities and functions are as follows:

#### **Compositing and Meeting**

The Audit Committee of H. R. Textile Mills Limited of 02 (two) Independent Directors and 02 (two) Directors, All Members possess adequate qualifications as determined in the Corporate governance Guidelines Promulgated by the Bangladesh Securities and Exchange Commission (BSEC). The Committee Includes:

Names	Designation
Professor Mushtaque Ahmed	Chairman (Independent Director)
Mr. Mohammad Kabiruzzaman	Member (Independent Director)
Professor Dr. Muhamamd Abdul Moyeen	Member
Professor Mohammad Abdul Momen	Member

The Independent Director Professor Mushtaque Ahmed acts as Chairman of the Committee. As per regulatory guidelines, the Company Secretary Mr. Md. Wali Ullah acts as Secretary to the Committee.

The committee has emphasis to see that the financial transactions of the company are taking place for the purpose of the company and for its smooth and effective operation, funds are appropriately deployed, internal audit is carried out periodically. The meeting also reviewed the pre-audit reports, system procedures and also reviewed the compliance requirement of the company of guided the board in some cases for further necessary action as and when needed.

#### **Major Responsibilities of the Audit Committee**

The purpose, authority, composition, duties and responsibilities of the Audit Committee are delineated in its Charter. Some of the major responsibilities of the Audit Committee are as follows:

- a) Review the annual, half yearly and quarterly financial statements and other financial result, and upon its satisfaction of the review, recommend the same to the Board for approval.
- b) Review the adequacy and effectiveness of financial reporting process, internal control system, risk management auditing matters, and the Company's process for monitoring compliance with laws and regulations and the code of conduct.
- c) Recommend appointment, termination and determination of audit fees for statutory auditor's considering the scope of work, and oversees and evaluates the works performed by statutory auditors. Review permitted non-audit services performed by statutory auditors.

- d) Exercise its oversight of the work of H. R. Textile Mills Limited Internal audit, review of the effectiveness of internal audit function including performance, structure, and adequacy of resources, and complementation with professional standards, Examine audit findings and material weakness and monitor implementation of audit action plans.

**Major Activities of the Audit Committee during the reporting period**

- a) Reviewed and recommended the quarterly and annual Financial Statements for the year ended 30 June 2018;
- b) Approved the Internal Audit Plan, monitored the progress and effected revision when necessary;
- c) Monitored the status of implementation of audit action plans and provided guidance to ensure timely completion of action plans;
- d) Reviewed and recommended related party transactions;
- e) Reviewed compliance of Code of Conduct of the Company;
- f) Reviewed Management Letter issued by the External Auditors;
- g) Reviewed and received report on the matters as per requirement from the Bangladesh Securities and Exchange Commission (BSEC);
- h) Reviewed other matter and incident of Significance as Audit Committee Charter.

For and behalf of the Audit Committee of H. R. Textile Mills Limited



Professor Mushtaque Ahmed  
Chairman, Audit Committee  
Date: October 24, 2018

Annexure - A  
[As per condition No. 1(5)(xxvi)]

### Declaration of CEO and CFO to the Board of Directors

Dated: 22nd October 2018

[Issued under Condition 1(5)(xxvi) of Corporate Governance Code of BSEC's Notification No. SEC/CMRRC-D/2006-158/207/Admin/80: dated 3rd June 2018]

The Board of Directors  
H.R. Textile Mills Limited  
House # 3, Road # 5, Block # J  
Baridhara, Dhaka-1212

Subject: Declaration on Financial Statements for the year ended on 30th June 2018

Dear Sirs,

Pursuant to the condition No. 1(5)(xxvi) imposed vide the Commission's Notification No. SEC/CMRRC-D/2006-158/207/Admin/80: dated 3rd June 2018 under section 2CC of the Securities and Exchange Ordinance, 1969, we do hereby declare that:

- 1) The Financial Statements of H.R. Textile Mills Limited for the year ended on 30th June 2018 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure three from has been adequately disclosed;
- 2) The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
- 3) The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
- 4) To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of according records;
- 5) Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
- 6) The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that:

- i) We have reviewed the financial statements for the year ended on 30th June 2018 and that to the best of our knowledge and belief:
  - a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b) these statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting statements and applicable laws;
- ii) There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.

  
Mohammad Abdul Moyeed  
Chief Executive Officer

  
Md. Abu Amur Naheel  
Chief Financial Officer

N.M Tareque and Associates  
Cost and Management Accountants  
Nakshi Homes (1st Floor)  
6/1/A, Segunbagicha, Dhaka-1000

### **Report to the Shareholders of H.R. Textile Mills Limited on compliance of Corporate Governance Code**

[Issued under Condition No. 1(5)(xxvii) of Corporate Governance Code of BSEC's Notification No. SEC/CMRRC-D/2006-158/207/Admin/80: dated 3rd June 2018]

We have examined the compliance status to the Corporate Governance Code for the year ended on 30th June 2018. This Code relates to the Notification No. BSEC/CMRRC-D-2016-158/207/Admin/80, dated 3rd June 2018 of the Bangladesh Securities and Exchange Commission.

Such compliance with the Corporate Governance Code is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the condition of the Corporate Governance Code.

This is a scrutiny and verification and as independent audit on compliance of the conditions of the Corporate Governance Code as well as the provision of relevant Bangladesh Secretarial Standards (BSS) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations which we have required, and after due scrutiny and verification thereof, we report that, in our opinion:

- (a) The Company has complied with the conditions of the Corporate Governance Code issued by the Commission;
- (b) The Company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;
- (c) Proper books and records have been kept by the company as required under the Companies Act, 1994. The securities laws and other relevant laws; and
- (d) The Governance of the company is satisfactory.

Dated: October 29, 2018

*N.M. Tareque & Associates*  
For N.M Tareque & Associates  
Cost and Management Accountants

**Compliance Report of Corporate Governance**

Status of compliance with conditions imposed by the Bangladesh Securities and Exchange Commission's, Notification No. SEC/CMRRCD/ 2006-158/207/Admin/80, dated 3rd June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

**Report under Condition No. 9.00**

Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Non-complied	
<b>1</b>	<b>Board of Directors:</b>			
1.1	Board Size: Board members should not be less than 5 and more than 20	✓		
1.2 (a)	<b>Independent Directors:</b> Independent Director at least 1/5th of the total number of directors	✓		
1.2 (b) (i)	Does not hold any share or holds less than 1% shares of the paid-up	✓		
1.2 (b) (ii)	Not connected with any sponsor/director/shareholders who holds or	✓		
1.2 (b) (iii)	Not an executive of the company in immediately preceding two financial years	✓		
1.2 (b) (iv)	Does not have any relationship, whether pecuniary or otherwise,	✓		
1.2 (b) (v)	Not a member or TREC holder, director or officer of any stock exchange	✓		
1.2 (b) (vi)	Not a shareholder, director or officer of any member of stock exchange	✓		
1.2 (b) (vii)	Not a partner or an executive or was not a partner or an executive	✓		
1.2 (b) (viii)	Not be an independent director in more than 5 (three) listed companies	✓		
1.2 (b) (ix)	Not been convicted by a court of competent jurisdiction as a defaulter	✓		
1.2 (b) (x)	Not been convicted for a criminal offence involving moral turpitude	✓		
1.2 (c)	Independent Directors has been appointed by the board and approved by the shareholders	✓		
1.2 (d)	Not remain vacant for more than 90 (ninety) days	✓		
1.2 (e)	Tenure of office of an independent director shall be for a period of 3 (three) year's, which may be extended for 1 (one) term only	✓		
1.3 (a)	Independent Directors Knowledgeable individual with integrity to ensure compliance	✓		
1.3 (b) (i)	Business Leader who is or was a promoter or director of an unlisted company		N/A	
1.3 (b) (ii)	Higher position in an unlisted company having minimum paid-up capital of TK. 100.00 million		N/A	
1.3 (b) (iii)	Former official of government or statutory ...		N/A	
1.3 (b) (iv)	University Teacher with educational background in Commerce or Business Studies or Law.	✓		
1.3 (b) (v)	Professional who is or was an advocate practicing at least		N/A	
1.3 (c)	The independent director shall have at least 10 years of experiences ...	✓		
1.3 (d)	Special cases, the above qualification or experience ...		N/A	
1.4 (a)	Individual Chairman of the Board and Chief Executive Officer (CEO)	✓		
1.4 (b)	Not hold the same position in another listed company of MD/CEO	✓		
1.4 (c)	The Chairperson of the Board shall be elected from among the ...	✓		
1.4 (d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and	✓		
1.4 (e)	In the absence of the Chairperson of the Board, the remaining members may elect one		N/A	
1.5 (i)	Industry outlook and possible future developments in the industry	✓		
1.5 (ii)	Segment-wise or product-wise performances	✓		
1.5 (iii)	Risks and concerns including internal and external risk	✓		
1.5 (iv)	Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	✓		
1.5 (v)	Discussion on continuity of any Extra-ordinary gain or loss	✓		
1.5 (vi)	A detailed discussion on related party transactions	✓		
1.5 (vii)	Utilization of proceeds from public issues, rights issues and or through any others		N/A	
1.5 (viii)	Explanation if the financial results deteriorate after the company goes for IPO, RPO etc.		N/A	
1.5 (ix)	Explanation about significant variance occurs between Quarterly Financial		N/A	
1.5 (x)	Remuneration to the directors including independent directors	✓		
1.5 (xi)	The financial statements present fairly its state of affairs, result of its operation	✓		
1.5 (xii)	Maintenance of proper books of accounts	✓		
1.5 (xiii)	Appropriate Accounting Policies and estimates have been applied	✓		
1.5 (xiv)	Followed IAS/IFRS in preparation of Financial Reporting Statements	✓		
1.5 (xv)	Internal Control System has been effectively implemented and monitored	✓		
1.5 (xvi)	Minority shareholders have been protected from abusive action	✓		
1.5 (xvii)	Ability to continue as a going concern	✓		
1.5 (xviii)	Significant deviations from last year's in operation results		N/A	
1.5 (xix)	Key operation and financial summarized data of at last preceding five year's	✓		
1.5 (xx)	Reasons for not declared dividend		N/A	
1.5 (xxi)	Declaration of no bonus share or stock dividend as interim dividend		N/A	

Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Non-complied	
1.5 (xxii)	Number of Board Meetings held during the year and attendance by the Directors	✓		
1.5 (xxiii)(a)	Parent or Subsidiary or Associated Companies and other related parties	✓		
1.5 (xxiii)(b)	Directors, CEO, CS, CFO, HIA&C and their spouses and minor children	✓		
1.5 (xxiii)(c)	Executives	✓		
1.5 (xxiii)(d)	Shareholders holding ten percent or more voting interest	✓		
1.5 (xxiv)(a)	Resume of the director	✓		
1.5 (xxiv)(b)	Expertise in specific functional areas	✓		
1.5 (xxiv)(c)	Name of companies in which the person also holds the directorship		N/A	
1.5 (xxv)(a)	Accounting policies and estimation for preparation of financial statements	✓		
1.5 (xxv)(b)	Changes in accounting policies and estimation, if any, clearly describing		N/A	
1.5 (xxv)(c)	Comparative analysis of financial performance	✓		
1.5 (xxv)(d)	Compare such financial performance	✓		
1.5 (xxv)(e)	Explain the financial and economic scenario of the country	✓		
1.5 (xxv)(f)	Risks and concerns issues related to the financial statements	✓		
1.5 (xxv)(g)	Future plan or projection or forecast for company's operation	✓		
1.5 (xxvi)	Declaration or certification by the CEO and the CFO	✓		
1.5 (xxvii)	Disclosing the report and as well as certificate as per Annexure-A & B	✓		
1.6	Meeting of the Board of Directors	✓		
1.7 (a)	Code of conduct based on recommendation of the NRC	✓		
1.7 (b)	Position code of conduct on the website determined by the NRC	✓		
<b>2</b>	<b>The Board of Directors of all condition of subsidiary Company</b>		N/A	
<b>3</b>	<b>MD/CEO, CFO, HIAC and CS:</b>			
3.1(a)	Appointment of MD/CEO, CS, CFO and HIAC	✓		
3.1(b)	Individuals filled of MD or CEO, CS, CFO and HIAC	✓		
3.1(c)	don't hold any executive position in any other company	✓		
3.1(d)	The Board shall clearly define respective roles of the CFO, HIAC and CS	✓		
3.1(e)	Rules of removing from their position without approval of the Board	✓		
3.2	MD or CEO, CS, CFO and HIAC shall attend the meeting of the Board of Directors	✓		
3.3(a)(i)	Reviewed the materially untrue statement	✓		
3.3(a)(ii)	Reviewed about compliance of the accounting standards	✓		
3.3(b)	The MD or CEO and CFO shall also certify	✓		
3.3(c)	Disclosed the certificate of the MD or CEO and CFO	✓		
<b>4</b>	<b>Board of Directors' Committee</b>			
4(i)	Audit Committee	✓		
4(ii)	Nomination and Remuneration Committee	✓		
<b>5</b>	<b>Audit Committee</b>			
5.1(a)	Audit committee as a sub-committee of the Board	✓		
5.1(b)	The Audit Committee shall assist the Board in ensured	✓		
5.1(c)	The Audit Committee shall responsible of the Board	✓		
5.2 (a)	Audit Committee composed of at least 3 (Three) members	✓		
5.2 (b)	Members of the audit committee have been appointed by the Board of Directors	✓		
5.2 (c)	Qualified members in audit committee	✓		
5.2 (d)	Term and conditions of service of audit committee members	✓		
5.2 (e)	Secretary of the audit committee	✓		
5.2 (f)	Quorum of the audit committee	✓		
5.3 (a)	The Chairman has been selected by the Board of Directors	✓		
5.3(b)	Absence of the Chairperson of the Audit Committee	✓		
5.3 (c)	The Chairman of the audit committee present in the AGM	✓		
5.4(a)	The Audit Committee shall conduct at least four meeting	✓		
5.4(b)	The quorum of the Audit Committee meeting	✓		
5.5(a)	Oversee the financial reporting process	✓		
5.5 (b)	Monitor choice of the accounting policy and principals	✓		
5.5 (c)	Monitor Internal Audit and Compliance Process	✓		
5.5 (d)	Oversee hiring and performance of external auditors	✓		
5.5(e)	The external auditors and Review the annual financial statements	✓		
5.5 (f)	Review the annual financial statements before submission to the board for approval	✓		
5.5 (g)	Review of quarterly and half yearly financial statements before submission	✓		
5.5 (h)	Review of adequacy of internal audit function	✓		
5.5(i)	Review the discussion and analysis	✓		
5.5 (j)	Review statement of significant related party transaction	✓		
5.5 (k)	Review Management letters/Letter of internal control weakness		N/A	
5.5 (l)	Oversee the determination of audit fees based	✓		

## Annexure - C (Contd..)

Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Non-complied	
5.5 (m)	Disclosure about the uses/applications of funds raised by IPO/RPO/Right issue		N/A	
5.6(a)(i)	Activities of Audit Committee shall be reported to the Board	✓		
5.6(a)(ii) (a)	Conflicts of interests		N/A	
5.6(a)(ii)(b)	Suspected or presumed fraud of irregularity or material defect in the internal control system		N/A	
5.6(a)(ii)(c)	Infringement of laws, rules and regulations		N/A	
5.6(a)(ii)(d)	Any other matter disclosed to the Board of Directors		N/A	
5.6(b)	Reporting to the Authorities		N/A	
5.7	Reporting to the Shareholders and General Investors	✓		
	<b>6 Responsibility of Nomination and Remuneration Committee to the Board:</b>			
6.1(a)	The NRC as sub-committee of the Board	✓		
6.1(b)	The NRC assist the Board in formulation of the nomination criteria	✓		
6.1(c)	The NRC Recommendation to the Board	✓		
6.2	Constitution of the NRC:			
6.2(a)	The Committee size with at least 3 (three) members	✓		
6.2(b)	Non-executive directors would be the members of the committee	✓		
6.2(c)	Members of the Committee would be nominated and appointed by the Board	✓		
6.2(d)	Board would be authority to remove and appoint any member of the Committee	✓		
6.2(e)	Any vacancy in the committee should be filled within 180 days by the Board		N/A	
6.2(f)	External expert or member can be included in the committee by the Chairman if necessary		N/A	
6.2(g)	CS shall act as the secretary of the Committee	✓		
6.2(h)	The quorum of the NRC meeting shall not constitute without attendance of at least an ID	✓		
6.2(i)	Fee or remuneration is not applicable for any member of NRC	✓		
6.3	Chairperson of the NRC:			
6.3(a)	Selection of the chairperson of the committee by the board	✓		
6.3(b)	In absence of the Chairperson of the NRC		N/A	
6.3(c)	Presence of the chairman in the AGM		N/A	
6.4(a)	At least one meeting in a financial year	✓		
6.4(b)	Convening any emergency meeting if necessary		N/A	
6.4(c)	Constitution of the quorum of the meeting in presence of two or two third members	✓		
6.4(d)	Recording the proceedings of each meeting in the minutes	✓		
6.5(a)	Independence and responsibility or accountability of NRC	✓		
6.5(b)(i)(a)	Overseeing the level and composition of remuneration and reporting with recommendation to the Board	✓		
6.5(b)(i)(b)	Overseeing the relationship between remuneration to performance	✓		
6.5(b)(i)(c)	Balance of remuneration of directors and top level executive	✓		
6.5(b)(ii)	Devising a policy on Board's diversity	✓		
6.5(b)(iii)	Identifying the qualified persons and recommend them to the board	✓		
6.5(b)(iv)	Formulating the criteria for evaluation of performance of I.Directors and the Board	✓		
6.5(b)(v)	Identifying the needs for employees and determine their selection	✓		
6.5(b)(vi)	Developing, recommendation and reviewing annually human resources and	✓		
6.5(c)	Disclosing the nomination and remuneration policy and	✓		
	<b>7 External/Statutory Auditor:</b>			
7(1)(i)	Appraisal/valuation services or fairness opinions	✓		
7(1)(ii)	Financial information system design and implementation	✓		
7(1)(iii)	Book-keeping or other services related to the accounting and financial statements	✓		
7(1)(iv)	Broker-dealer services	✓		
7(1)(v)	Actuarial services	✓		
7(1)(vi)	Internal Audit Services	✓		
7(1)(vii)	Services that the Audit Committee determines	✓		
7(1)(viii)	Audit/certification services	✓		
7(1)(ix)	Service that creates conflict or interest	✓		
7(2)	Audit firm could not hold any share of the company they audit	✓		
7(3)	Presence of representative of the auditors in the AGM	✓		
	<b>8 Maintaining a website the Company:</b>			
8(1)	An official website linked with the website of the stock exchange	✓		
8(2)	Keeping the website functional from the date of listing	✓		
8(3)	Detailed disclosures on the company's website	✓		
	<b>9 Reporting and Compliance of Corporate Governance:</b>			
9(1)	Obtain certificate regarding compliance of conditions of Corporate Governance Guidelines	✓		
9(2)	Appointment of certificate provider regarding compliance of conditions of Corporate Governance Code	✓		
9(3)	Annexure attached in the Director's Report	✓		

