

Report of the Board of Directors For the year ended on 30th June 2018

“Bismillah Hir Rahmanir Rahim”

Distinguished Shareholders

Assalamu Alaikum,
Alhamdu Lillahe Rabbil Aalamin

While inviting you to this 34th Annual General Meeting of your company I have the pleasure to welcome you and to place before you the Directors Report for the year ended 30th June 2018 for your consideration.

Business Operations

The summary result of business operation along with comparison with the previous year appears as follows:

Particulars	Taka in million		
	2017-18	2016-17	Increase (decrease) %
Fabric Sale	951.29	809.96	17.45
Garments Sale	1,073.11	830.69	29.18
Export Incentive	22.09	17.59	25.58
Total Revenue	2,046.49	1,658.25	23.41
Cost of goods sold	1,759.51	1,417.03	24.17
Gross Profit	286.98	241.22	18.97
Administrative, Selling and General Expenses	220.43	184.71	19.34
Net profit before tax	64.89	54.17	19.79
Net profit after tax	43.09	36.29	18.74
Earnings per share	1.70	1.43	18.88

Compliance Issues

The compliance issues in all aspects of production, human resource management, eco-friendly environment, are getting more and more challenging. The company is complying with all these requirements. However, the new compliance requirements warrant major change in the building structure and the company need to invest substantial amount 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.

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

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

The Board deals with policy issues of the company, however in some important issues, the board members assist the operating management in resolving those issues that might hinder operation. The Board members broadly look after the business trend of the industry; policy issues, and suggest actions need to be taken. The Board members maintain liaison with the buyers, reviews the business developments nationally and internationally, and attunes the projection accordingly. The members of the Board identify the needs for various equipments, and respond quickly to the buyers' requirement. It also deals with availing financial assistance from banks and leasing companies, reviews 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.

Board Audit Committee

The Audit Committee held five meetings during the year under report. All the committee members attended the above meetings. The Audit Committee has been playing significant role in guiding the internal management. The Committee reviewed the draft financial statements, financial position of the company, and report of the Auditors and the operational results of the company from time to time. A separate Report of the Audit Committee to the shareholders is enclosed at Annexure-2

Election of Directors

In 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.

Independent Director

The existing Independent Director Professor Mushtaque Ahmed has completed six years (i.e. two tenure) as per BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated 3rd June 2018, under condition No. 1.2(e), Professor Mushtaque Ahmed is not eligible for another tenure. The Board and the management of the company offered heartfelt thanks to Professor Mushtaque Ahmed for his significant contribution as Independent Director during his tenure.

As per regulation, the Board approved the appointment of Professor Dr. Habibur Rahman, having over 48 years of teaching and business

experience who meets all the requirements to be appointed as Independent Director. It is expected that his expertise will help the company to protect the interest of all investors in general and smaller investor in particular. His appointment needs to be approved in the 34th AGM.

Nomination and Remuneration Committee (NRC)

With reference to the condition 6 of the Corporate Governance Code of BSEC, the Board formed the Nomination and Remuneration Committee as follows:

Names	Designation
Mr. Mohammad Kabiruzzaman	Chairman
Professor Dr. Muhammad Abdul Moyeen	Member
Professor Mohammad Abdul Momen	Member

The Committee held one meeting during the year. The Company Secretary is also working as the Secretary of this Committee.

Directors Remuneration

The Managing Director is paid his monthly remuneration as shown in the Financial Statements. Other than the Managing Director, none of the non-executive directors are paid any remuneration except the meeting attendance fee of Tk. 5,000 per attendance. The non-executive directors, including the independent directors do 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 of 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 Statement for the year ended 30th June 2018 and to the best of their knowledge and belief:

- a. That 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. That there is no statement which is materially untrue or misleading and there is no omission of facts in such statements; and
- c. That 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-A

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	Amount in Taka (million) for the year ended 30th June				
	2018	2017	2016	2015	2014
Total Assets	1,624.21	1,508.26	1,541.98	1,350.98	1,273.24
Fixed Assets	742.81	654.96	622.44	528.01	506.24
Reserve and Surplus	135.71	117.92	106.93	156.05	156.79
Working Capital	(159.07)	(37.36)	(0.18)	30.92	(7.82)
Authorised Capital	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Shareholders' Equity	388.71	370.92	359.93	353.60	409.79
Paid up Capital	253.00	253.00	253.00	253.00	253.00
Long Term Loans	128.04	181.75	199.05	140.76	79.51

Financial Performance

The summarized financial results of the company are as follows:

Particulars	Amount in Taka (million) for the year ended 30th June	
	2018	2017
Net Profit before Tax	64.88	54.17
Less: Provision for Income Tax	(21.79)	(17.88)
Net Profit after Tax	43.09	36.29
Add: Profit brought forward from previous year	53.27	42.28
Profit Available for Appropriation	96.36	78.57
Recommended for Appropriations:		
Proposed Dividend (Cash)	(25.30)	(25.30)
Un-appropriated Profit carried forward	71.06	53.27

Future Programs

As you are aware, Bangladesh is the second largest exporter of garments in the global market where knit garments are playing a vital and significant role. Your company, with long years of experience in the field, has created a franchise value in the global market as a quality exporter. The director, with their experience and acumen, has worked hard to create this value. The Board has the program to expand both horizontally and vertically but cautiously, so that the history created by the company with the support of general shareholders can be continued with confidence.

Business Risk Perception

H.R. Textile Mills Limited, over the last three has gained significant franchise value in the market. The buyers, suppliers and the financial institutions have been showing substantial interest and offering comparatively low interest rate and interested to offer financial assistance if required. Although H.R. Textiles is company established long before, it has been updating its system equipment and procedures every year. Technologically H.R. Textile is one of the most advanced composite knit manufacturing company and maintaining close liaison with the buyers. Therefore there is no significant business risk in running 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 being 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 to undertake 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 United States Dollars, and imports its major raw materials using the same dollars resulting no foreign exchange fluctuation risk. But, it must be mentioned here that, Bangladesh Taka has been

maintaining a constant rate with USD for the last few years and as such there is no significant foreign exchange fluctuation risk.

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 labor cost, in the Chinese market, Bangladesh is likely to be a 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 now a days and more compliance requirements are forthcoming. The compliance 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 source 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. 43,094,895. 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. 17.80 million of un-appropriated profits will be used to meet the working capital requirement of the company as well to finance the developmental works.

Interim Dividend

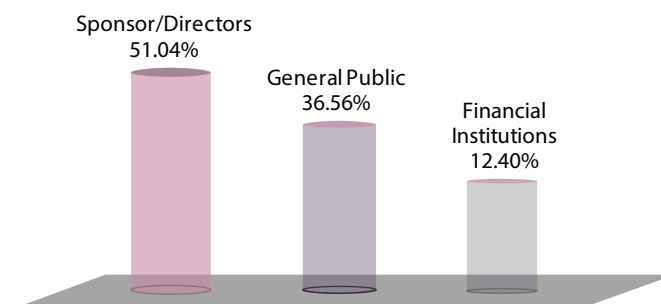
No interim dividend was declared by the Boad of Directors during the year 2017-18.

Annexure - 1

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 12.40%, which was 13.80% in the previous year. The shareholding of the general public has increased to 36.56% compared to 35.16% in the previous year, on the date of year closing. The above change was mainly due to sale of shares by some institutions. The shareholding pattern of the company for the year closing on 30th June 2018 stands as follows:

Name of Shareholders	No. of Shares	Percentage
1.5) (xxiii) a) Parent Company/Subsidiary/Associated Companies/ Other Related Parties:	Nil	-
1.5) (xxiii) b) Directors, Chief Executive Officer, Chief Financial Officer, Head of Finance & Accounts, Company Secretary their Spouse and Minor Children:		
Mr. Mohammad Abdul Moyeed	3,762,256	14.87
Professor Dr. Muhammad Abdul Moyeen	3,762,254	14.87
Professor Mohammad Abdul 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. Mohammad Kabiruzzaman	Nil	-
Mrs. Rokeya Sultana	40,320	0.15
Mrs. Umbirin 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
Mr. Md. Abu Amur Naheel, Chief Financial Officer	Nil	-
Mr. Sumnoon Moheb, Head of Internal Audit and Compliance	Nil	-
Mr. Md. Wali Ullah, Company Secretary	Nil	-
Minor Children	Nil	-
Total Shares	12,911,855	51.04

Shareholding Pattern

- 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 3rd June 2018, the Board of Director's are 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 is given on Annexure-1.

Corporate Governance Compliance Report

In accordance with the requirement of the Bangladesh Securities and Exchange Commission, Notification No: BSEC/CMRRCD/2006-158/207/Admin/80 dated 3rd June 2018, the Certificate on Compliance of Corporate Governance Code and Directors Report on Compliance of Corporate Governance Code are placed in Annexure-B and Annexure-C respectively.

Appointment of Auditors

The existing Auditors M/s. Ata Khan & Co, Chartered Accountants has been carrying out the audit of the company for the last one year. 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 34th Annual General Meeting.

Appointment of Auditor for Audit of Corporate Governance Code

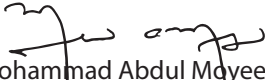
As per the Bangladesh Securities and Exchange Commission, Notification No: BSEC/CMRRCD/2006-158/207/Admin/80 dated 3rd June 2018, the company received proposal from M/s. N.M Tareque and Associates, Cost and Management Accountants, 6/1/A, Segunbagicha, Dhaka-1000, as the Corporate Governance Auditor, which was placed in the board meeting. The Board of Directors recommended M/s. N.M Tareque and Associates, Cost and Management Accountants, appointment for audit on compliance of condition of Corporate Governance Code of BSEC. The matter is placed for the approval of the honorable shareholders in the AGM..

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.

Finally, 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