

ANNUAL REPORT
2017-18



SPINNING TOWARDS A VIBRANT TOMORROW





SPINNING TOWARDS
A VIBRANT TOMORROW



Matin Spinning Mills Limited



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LETTER OF TRANSMITTAL

The Shareholders,
Registrar of Joint Stock Companies & Firms,
Bangladesh Securities and Exchange Commission,
Dhaka Stock Exchange Limited and
Chittagong Stock Exchange Limited

Dear Sir(s)

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE, 2018

Please find enclosed a copy of the Annual Report together with the Audited Financial Statements including Statement of Financial Position as at 30 June, 2018 and Statement of Profit or Loss, Statement of Other Comprehensive Income, Statements of Changes in Equity and Statement of Cash Flows for the year ended 30 June, 2018 along with notes thereon of Matin Spinning Mills Limited for your kind information and record.

Yours sincerely,



Md. Shah Alam Miah FCS
Company Secretary



NOTICE OF THE 16TH ANNUAL GENERAL MEETING

Notice is hereby given to all the Shareholders of Matin Spinning Mills Limited (MSML) that the 16th Annual General Meeting of the Company will be held on Thursday the 13 December, 2018 at 11.00 A.M at the Factory Premises of the Company at Sardaganj, Kashimpur, Gazipur to transact the following business:

AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended 30 June, 2018 together with the Report of the Directors' and the Auditors' thereon.
2. To declare dividend for the year ended 30 June, 2018.
3. To elect Directors in place of those who shall retire by rotation in accordance with the provisions of Articles of Association of the Company.
4. To appoint Auditors for the year 2018-19 and to fix their remuneration.
5. To appoint professional for issuance of certificate on compliance of corporate governance code for the year 2018-19 and to fix their remuneration.
6. To approve re-appointment of Independent Director.
7. To transact any other business with the permission of the chair.

The shareholders of the company are requested to attend the meeting in time.

By Order of the Board



(Md. Shah Alam Miah FCS)
Company Secretary

Dated: Dhaka
20 November, 2018

Notes:

1. The "Record Date" is Thursday, 29 November, 2018. The shareholders whose names would appear in the Register of Members of the Company and / or in the Depository Register on the 'Record Date' will be eligible to attend at the 16th AGM and be entitled to receive dividend.
2. A Shareholder entitled to attend and vote at the Annual General Meeting may appoint any person as his/ her proxy to attend & vote in his /her place and the proxy form, duly completed and duly stamped must be deposited at the Corporate Office not later than 48 hours before the time scheduled for holding the meeting. Annual Report and proxy form is available on the website www.matinspinning.com
3. The shareholders are requested to notify the changes of address, if any, well in time. For BO A/C holders, the same is to be notified through their respective Depository Participants.
4. Entrance into the Meeting Venue is restricted only to the eligible Shareholders and/or Proxy/Attorney holder. At the time of entrance into the Meeting Venue, attendance Slip /Proxy Form (duly signed) has to be deposited to the registration counter.

বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশনের নির্দেশনা অনুযায়ী আসন্ন বার্ষিক সাধারণ সভায় কোন প্রকার উপহার/খাবার/কোন ধরনের কুপন প্রদানের ব্যবস্থা থাকবে না।



MSML AT A GLANCE

Matin Spinning Mills Limited (MSML), the brainchild of a cluster of dynamic visionaries set out to widening the horizon of Bangladesh with regard to its commendable contribution to the global trade of Textile and Garments manufacturing. Tiptoeing into the growing RMG sector of Bangladesh as a garments unit of DBL Group in 2002, the sponsors of the company have since steered the enterprise to exponential growth, establishing several other concerns within the same industry. To date, the authorized capital of the Company stands at BDT 1,500 million and paid up capital is BDT 974.90 million.

MSML is an export oriented company engaged in manufacturing and sale of combed, carded cotton, mélange and synthetic yarn from raw cotton, polyester and viscose fiber. Since its inception on September 15, 2002, MSML endeavored into arranging necessary financing, procure land, import machinery and set up the production facility. Following a four-year preparation period, the Company launched commercial operation on October 01, 2006. Eventually, MSML was converted into a Public Limited Company on November 04, 2010.

Essentially, MSML provides backward linkage to the Garment units under the DBL Group. It is equipped with state-of-the-art machineries mostly of US, German, Japan and Swiss origins. The Company is proficient in producing yarn of many different specifications and providing tailor-made service to a myriad of clientele. By virtue of contemporary machineries, affluent management team and efficient workforce, the Company has earned commendable reputation within the local spinning sector for its production and quality.

The Company's production facility is located at Sardaganj of Kashimpur Upazila in the district of Gazipur. MSML was enlisted in Chittagong Stock Exchange Limited on 27 March, 2014 and in Dhaka Stock Exchange Limited on 02 April, 2014. It started trading of shares in both bourses from 08 April 2014.

MSML has received license from Cotton U.S.A. issued by Cotton Council International, Washington DC, U.S.A. Currently, the total production capacity of the Company is 51 tons per day including Mélange unit and Synthetic unit with a capacity of 10 tons and 16 tons respectively.



VISION

To be the leading quality yarn manufacturer at competitive price and have a sustainable contribution to all stakeholders to strengthen the community at large.



MISSION

To provide the best quality products through its competent workforce, innovation, state-of-the-art technology and zero adverse impact on the environment.



CORE VALUES

- + Integrity
- + Trustworthiness
- + Commitment
- + Passion
- + Innovation

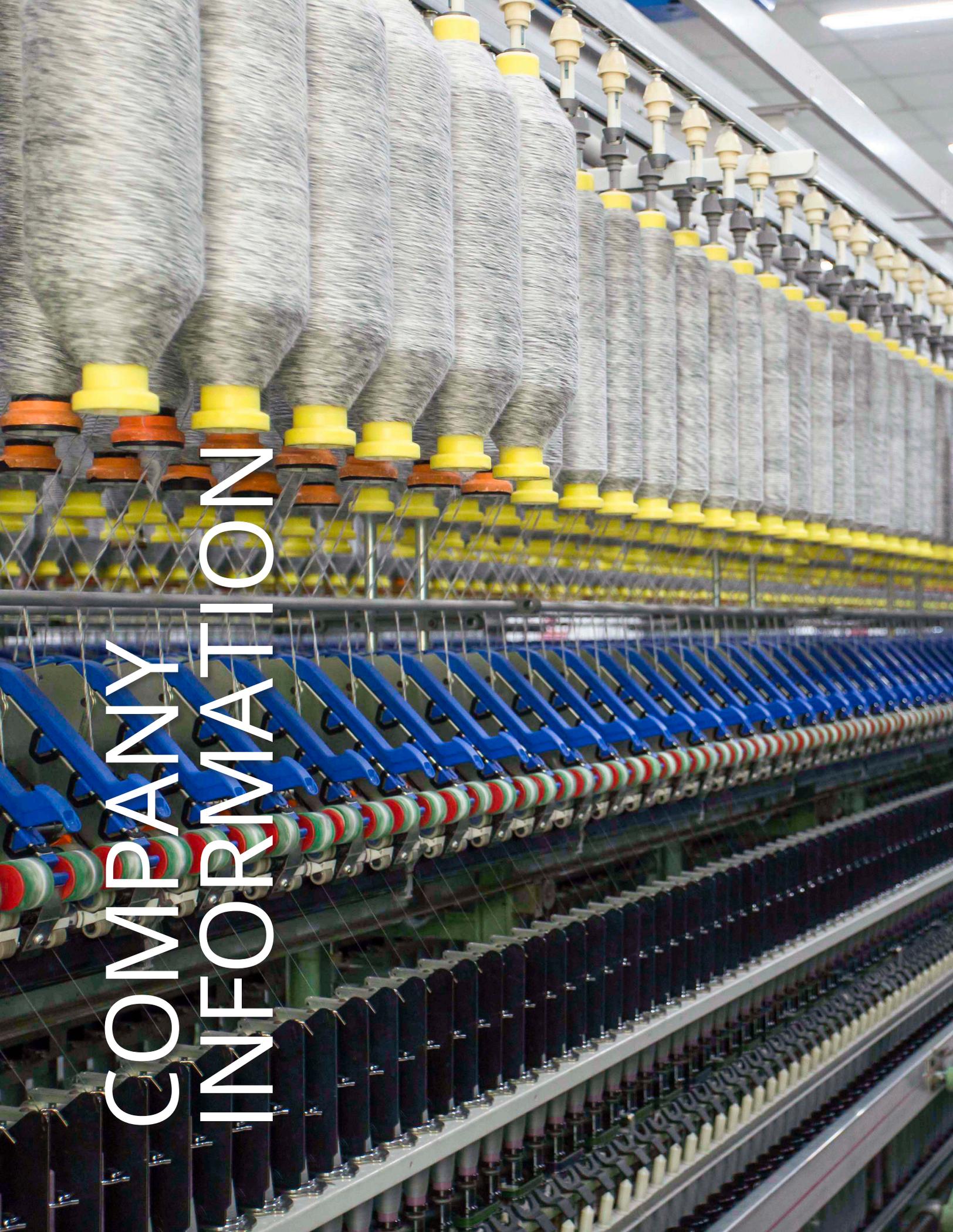


STRATEGIC OBJECTIVES

- + Responding to digressive and distinctive global trends in garments manufacturing and shuffle priorities for sustainable trading
- + Consolidating service processes and improve lead time for attaining superior performance in order processing and customer satisfaction
- + Concentrating on a reward composition that commemorates equitable performance and complements the organizational structure
- + Leveraging financial functions to harness optimal efficiency and maximize resource mobilization to accomplish accurate inference of monetary participation
- + Exploring capacity development options aided by innovative and contemporary techniques to tap new markets as well as to tackle new entrants
- + Ensuring sustainable development and ethical practices at every sphere of operation, opt for value principles that upholds industry best practices and replicates global standards.
- + Pursuing a policy of competitive pricing and categorical quality standard to sustain competitive advantage over the market







COMPANY
INFORMATION



Entity Name: **MATIN SPINNING MILLS LIMITED**

LEGAL FORM

A Private Limited Company incorporated in Bangladesh on September 15, 2002 under the Companies Act, 1994, converted into Public Limited Company on November 04, 2010 and listed with Chittagong Stock Exchange Limited and Dhaka Stock Exchange Limited on March 27, 2014 and April 02, 2014 respectively.

CORPORATE OFFICE

BGMEA Complex (12th Floor),
23/1 Panthapath Link Road,
Karwan Bazar, Dhaka-1215.
Tel: 02-55028040-47, 02-55028048-55
Fax: + 880-2-55028054

REGISTERED & FACTORY OFFICE

Sardaganj, Kashimpur, Gazipur

INSTALLED CAPACITY

73,184 spindles

AUTHORIZED CAPITAL

BDT 1,500 million

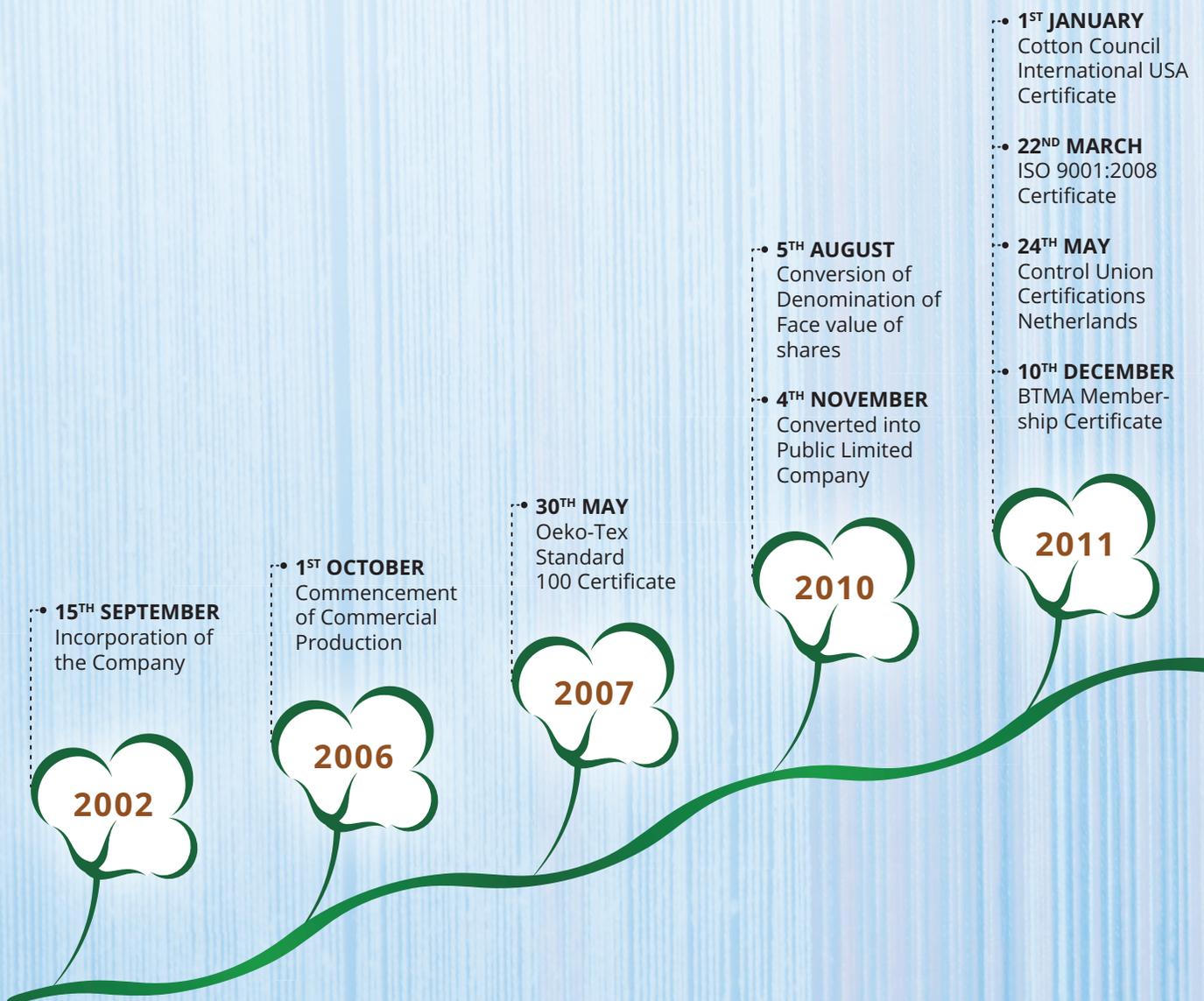
PAID UP CAPITAL

BDT 974.90 million

| | |
|---|---|
| Company Registration Number. | C-47083(3562)/2002 |
| Tax Identification Number (E-TIN) | 479848138721 |
| VAT registration Number | 18071013976 Area Code: 180202 |
| Nature of Business | Manufacturing of Combed, Carded, Cotton, Mélange & Synthetic yarn |
| Statutory Auditor | ACNABIN, Chartered Accountants BDBL Bhaban (Level 13 & 14) 12, Karwan Bazar, Dhaka-1215 |
| Corporate Governance Code Compliance Professional | K.M. Alam & Co., Chartered Accountants, 80 Motijheel C/A (4th Floor), Dhaka-1000 |
| Principal Bankers | Hong Kong and Shanghai Banking Corporation Ltd., Dhaka, Bangladesh |
| Legal Advisor | Tanjib Alam & Associates, BSEC Bhaban (Level-11), 102, Kazi Nazrul Islam Avenue, Karwan Bazar, Dhaka-1215 |
| Credit Rating Agency | Credit Rating Information and Services Limited Nakshi Homes (4th Floor), 6/1A Segunbagicha, Dhaka-1000 |
| Number of Employee | 1,841 |
| Insurer | Pioneer Insurance Company Limited Symphony (5th Floor), Plot # SE (F) 9, Road # 142, South Avenue Gulshan, Dhaka-1212 Green Delta Insurance Company Limited Green Delta AIMS Tower (6th Floor), 51-52, Mohakhali C/A, Dhaka-1212 |
| Company Website | www.matinspinning.com |



KEY MILESTONES



- **1ST FEBRUARY**
Supima Cotton Textile Products Certificate
- **5TH JUNE**
Organic Exchange Blended Standard Textile Certificate

- **27TH MARCH**
Listed with Chittagong Stock Exchange Limited
- **2ND APRIL**
Listed with Dhaka Stock Exchange Limited
- **8TH APRIL**
Trading of Shares at Dhaka and Chittagong Stock Exchanges
- **27TH APRIL**
Foundation Laying Ceremony of Mélange Unit

- **20TH JANUARY**
The Institute of Cost and Management Accountants of Bangladesh (ICMAB) Best Corporate Awards 2014
- **31ST JANUARY**
Japan-Bangladesh Chamber of Commerce and Industry (JBCCI) Business Excellence Award 2014

- **28TH MARCH**
Start of Commercial Operation of Mélange Unit
- **24TH DECEMBER**
The Institute of Chartered Secretaries of Bangladesh (ICSB) for Corporate Governance Excellence Award 2015

- **10TH NOVEMBER**
The Institute of Chartered Secretaries of Bangladesh (ICSB) for Corporate Governance Excellence Award 2017



EVENT HIGHLIGHTS



15th Annual General Meeting of Matin Spinning Mills Limited



Cheque hand over by the Chief Financial Officer Ranjit Shil, FCA, CPA, CMA & Company Secretary Md. Shah Alam Miah FCS to Dr. A.M.M. Anisul Awwal, PhD, Director General , Bangladesh Labour Welfare Foundation as a contribution to Bangladesh Sramik Kallan Foundation.



OUR RECENT ACHIEVEMENT



Matin Spinning Mills Limited (MSML) won gold in the Textiles & RMG category at the 5th ICSB National Award 2017 for excellence in Corporate Governance. M. A. Jabbar, Managing Director and Md. Shah Alam Miah FCS, Company Secretary received the award from the hands of the Chief Guest of the ceremony the honorable Finance Minister, Abul Maal A. Muhith, Ministry of Finance, Government of the People's Republic of Bangladesh on 10 November 2018.





ICSB

ICSB National Award 2017
for Corporate Governance Excellence

Gold Award

Matin Spinning Mills Ltd.

Textiles and RMG Companies Category

ICSB

Institute of Chartered Secretaries of Bangladesh

MANAGEMENT APPARATUS

BOARD OF DIRECTORS

| | |
|---------------------------------------|----------------------|
| ● Mr. Abdul Wahed | Chairman |
| ● Mr. M. A. Jabbar | Managing Director |
| ● Mr. M. A. Rahim | Director |
| ● Mr. M.A. Quader | Director |
| ● Ms. Selina Perveen | Director |
| ● Ms. Tanzeen Rahim | Director |
| ● Ms. Taslima Begum | Director |
| ● Mr. Md. Hassan Imam | Director |
| ● Mr. M. Farhad Hussain FCA | Independent Director |
| ● Mr. M. Naser Alam, Barrister-at-law | Independent Director |

AUDIT COMMITTEE

| | |
|---|----------|
| ● Mr. M. Farhad Hussain FCA Independent Director | Chairman |
| ● Mr. M.A. Rahim Director | Member |
| ● Mr. M.A. Quader Director | Member |
| ● Ms. Selina Perveen Director | Member |
| ● Mr. Md. Hassan Imam Director | Member |

NOMINATION AND REMUNERATION COMMITTEE

| | |
|---|----------|
| ● Mr. M. Naser Alam, Barrister-at-Law Independent Director | Chairman |
| ● Mr. M.A. Rahim Director | Member |
| ● Mr. M.A. Quader Director | Member |
| ● Ms. Selina Perveen Director | Member |
| ● Mr. Md. Hassan Imam Director | Member |

● **Chief Financial Officer**
Mr. Ranjit Shil, FCA, CPA, CMA

● **Company Secretary**
Mr. Md. Shah Alam Miah FCS



INTEGRATED REPORTING

2017-18 Annual Report has been presented as an 'Integrated Report' with the aim of articulating how Matin Spinning Mills Limited, as an organization, has effectively managed its business to deliver consistent value to its stakeholders. It encompasses the efforts the company has undertaken towards contributing to economic prosperity, environmental sustainability and social well-being for a brighter and more optimistic future.

Scope and Report Boundary

As a forward-looking enterprise, in presenting the Integrated Report, we have referred to the guidelines issued by the Institute of Chartered Accountants of Bangladesh (ICAB) in the form of 'Integrated Reporting Checklist', which is in congruence with the integrated reporting framework prototype issued by the International Integrated Reporting Council (IIRC).

In explaining the Company's operations and financial performance, financial information so disclosed has been extracted from the Audited Financial Statements for the financial year ended 30 June 2018 with relevant comparative information. The financial statements consistently complying with the requirements of:

- ✦ Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs)
- ✦ Companies Act 1994;
- ✦ The Securities & Exchange Commission Rules 1987;
- ✦ The Income Tax Ordinance 1984;
- ✦ The Income Tax Rules 1984;
- ✦ The Value Added Tax Act 1991;
- ✦ The Value Added Tax Rules 1991;
- ✦ And any other applicable law and regulations of the land

The disclosure of non-financial information has been extracted from internally-maintained records reported for the statement of financial position, unless otherwise stated that it has been extracted from a reliable source.

The Sustainability requirements, as elaborated separately in our Sustainability Report, adhere to the guidelines issued by the Global Reporting Initiative (GRI)-G4 Framework.

To report our Corporate Governance Practices, we have drawn reference from the revised Corporate Governance Guidelines (CGG) issued by Bangladesh Securities and Exchange Commission (BSEC).

The scope of our Annual Report comprises of activities that have been carried out within the geographical boundaries of Bangladesh, as Matin Spinning Mills Limited does not have operation or subsidiary in any other country. Further, there have not been any significant change to the scope, boundary and reporting basis since the last reporting date as on 30 June 2017.

External Assurance

The Company has obtained external assurance on the following reports in the reporting period under consideration:

| SL No. | Description of report | External Assurance |
|--------|--|---|
| 1 | Financial Statements Audit Report | ACNABIN, Chartered Accountants, an Independent member of Baker Tilly International |
| 2 | Corporate Governance | K.M.Alam & Co., Chartered Accountants, a Correspondent member of Praxity Global Alliance of Independent Firms |
| 3 | Provident Fund | A. Qasem & Co., Chartered Accountants, a member firm of Ernst & Young Global Limited |
| 4 | Workers' Profit Participation and Welfare Fund | M. M. Rahman & Co., Chartered Accountants |
| 5 | IPO Proceeds Utilization Report | MABS & J Partners, Chartered Accountants, an Independent member firm of Nexia International, UK |



Comparability

All the information presented in this report is on the same basis as the 2016-17 report in terms of the entities covered, the measurement methods applied and time frames used. The information provided covers all material matters relating to business strategy, risk and areas of critical importance to our stakeholders. The structure of the report has been further developed as part of our continuous focus on improving communication to our stakeholders.

Availability of the Annual Report

The hard copy of the Annual Report has been sent to all shareholders, prior to holding the Annual General Meeting, giving due period of notice. Separately, for the benefit of all stakeholders, the report has been made available in the website ://www.matinspinning.com

Responsibility over the Integrity of the Integrated Report

I acknowledge the responsibility to ensure the integrity of the disclosure contained in the Integrated Report presented herewith which comprise the discussion and analysis, disclosures pertaining to stewardship, which should be read in conjunction with the audited financial statements.

In the opinion, the integrated report, incorporated in this annual report has been prepared in accordance with the IIRC's international integrated reporting framework and addresses the material matter pertaining to the long term sustainability of the Company and present fairly the integrated performance of Matin Spinning Mills Limited and the impacts thereof.



M.A. Jabbar
Managing Director





BRIEF PROFILE
OF THE DIRECTORS



Mr. Abdul Wahed
Chairman

Mr. Abdul Wahed is a renowned business personality in the Textile and RMG Sector of Bangladesh. After completion of Bachelor of Science, he started his professional life with construction business in the year 1982. Later in the year 1991, he along with his other three brothers ventured into Ready-Made Garments export business by setting up a factory named Dulal Brothers Ltd. His expertise in Textile technicality inspired Dulal Brothers Ltd. to invest in backward linkage industries of fabric knitting and dyeing which finally culminates into Matin Spinning Mills Ltd., a state-of-the-art spinning mill which is not only one of the best in Bangladesh but worth comparing with spinning mills across the world.

Mr. Wahed is a freedom fighter. He is a proactive member of different social organizations working in the fields of education, health, orphanage, etc. He is also an eloquent speaker being able to enthral the audience in the various seminars he is participating on the social and business front. He was selected as Commercially Important Person (Export) by the Government of the People's Republic of Bangladesh, Ministry of Commerce for the year 2011, 2013 & 2015.



Mr. M.A. Jabbar
Managing Director

Mr. M.A. Jabbar is a distinguished personality in the RMG sector of Bangladesh. He is the main architect of DBL Group. He completed his graduation in Computer Science from U.S.A. Then he returned back to Bangladesh with a vision to make valuable contribution in the economy of the country. He has been instrumental in developing a good reputation of the company.

Accordingly, he joined Dulal Brothers Ltd. as a Marketing Director and was able to achieve increasing export orders for garments, in particular from buyers in UK. His dynamic leadership brought in growth opportunities for the company resulting in setting up of more industries for Dulal Brothers Ltd. and the birth of the acronym DBL Group. His vision's first accomplishment came in the form of DBL Group getting the HSBC Export Excellence Award 2009 in category A for business having export volume above USD 50 million. His passion for excelling and cultivating innovation has roped in professionals from different fields to join DBL Group and explore their hidden talents. He is the chief architect of Vision 2020 through which DBL Group has to achieve a visible contribution to the GDP of Bangladesh before it steps into 2021, the Golden Jubilee celebration year of the country independence. He has been selected as Commercially Important Person (Export) by the Government of the People's Republic of Bangladesh, Ministry of Commerce for the year 2014.





Mr. M.A. Rahim
Director

Mr. M.A. Rahim obtained his Masters Degree in Management and began his professional career as a banker. His work experience in bank greatly helped in gaining insight into the commercial and finance aspect of businesses. He is the Head of Finance and Commercial operations of DBL Group. By virtue of his academic background and passionate mindset, he has put the financial & commercial management of the Group on sound footings. Under his dynamic leadership guidance, all the liability and term loan of DBL Group are being paid well ahead of schedule resulting in finance as being one of the key strengths for the group.

Mr. M.A. Rahim is a well known person in the RMG sector in Bangladesh. Mr. Rahim was director of Bangladesh Textiles Mills Association (BTMA) for the period of 2009-2010. He has been director of Bangladesh Garments Manufacturer and Exporters Association (BGMEA) for 2007-2008 and has been re-elected director of the same association for 2013-2014 & 2015-2016. He was selected as Commercially Important Person (Export) by the Government of the People's Republic of Bangladesh, Ministry of Commerce for the year 2010. Mr. Rahim is a philanthropist and actively involved in social development with various organizations throughout the country.



Mr. M.A. Quader
Director

Mr. M.A. Quader joined Dulal Brothers Limited after completing Bachelor of Commerce and worked in garments production department. With sincere efforts, he was able to quickly learn the garments manufacturing operations. This led him to become a Director of Production in the garments division of DBL Group. Among his many achievements in the production department, he is credited with reduction in lead time of garments manufacturing. At present, he is the Group CEO of DBL. He maintains a close & cordial relation with the buyers for furtherance of business. He regularly attends business seminars and workshops in Asia, Europe and USA. He has been selected as Commercially Important Person (Export) by the Government of the People's Republic of Bangladesh, Ministry of Commerce for the year 2015.





Ms. Selina Perveen
Director

Ms. Selina Perveen has obtained her graduation as a Bachelor of Arts. She is wife of Mr. M.A. Jabbar, Managing Director of the company. She is the Director of Matin Spinning Mills Ltd.



Ms. Tanzeen Rahim
Director

Ms. Tanzeen Rahim is wife of Mr. M.A. Rahim, Director of the company. She is the Director of Matin Spinning Mills Ltd. and also shareholder of Hamza Textiles Limited. She has completed graduation as a Bachelor of Arts.



Ms. Taslima Begum
Director

Ms. Taslima Begum is wife of Mr. M.A. Quader, Director of the company. She is the Director of Matin Spinning Mills Ltd. and also a shareholder of Hamza Textiles Limited.





Mr. Md. Hassan Imam
Director

Mr. Md. Hassan Imam joined in the company as a Director on June 17, 2010. He is elder son of Mr. Abdul Wahed, Chairman of the company. He has done his graduation from Ireland. Immediately after completing his studies he joined DBL Group as a trainee in merchandising department and later got trained in garments production and industrial engineering department. Presently, he is working on the Sustainability Development Programs of the company. He has been selected as Commercially Important Person (Export) by the Government of the People's Republic of Bangladesh, Ministry of Commerce for the year 2014.



Mr. M. Farhad Hussain FCA
Independent Director

Mr. M. Farhad Hussain FCA is the Senior Partner of Hussain Farhad & Co. Chartered Accountants. He is a Fellow and Council member of the Institute of Chartered Accountants of Bangladesh with thirty-eight years of experience in key positions of Finance and Accounts with multi-disciplinary business organizations. He is also Independent Director of Alhaj Textile Mills Ltd. and Prime Bank Ltd. Mr. M. Farhad Hussain is the former President of the Institute of Chartered Accountants of Bangladesh (2007). He is also former Director of WASA, Shadharan Bima Corporation, Dhaka Stock Exchange (DSE), Agrani Bank Limited and former Board Member of South Asian Federation of Accountants (SAFA), Confederation of Asia Pacific Accountants (CAPA) and former Advisor of Bangladesh Securities and Exchange Commission & Financial Consultant of Oriental Bank Ltd.



Mr. M. Naser Alam Barrister-at-law
Independent Director

Mr. M. Naser Alam is an Advocate of the Supreme Court of Bangladesh since 1995 and a Barrister at the Bar of England and Wales since 1999. He is currently the Head of Chambers of MNA, Barristers & Advocates. He is an international arbitrator and mediator with specialization in corporate commercial, cross-border complex mergers and acquisition, telecommunication, aviation, oil and gas, electricity, intellectual property, shipping, mediation, and international commercial and investment arbitration. He previously worked with Huq & Co, a prestigious Bangladeshi corporate law firm; the Permanent Court of Arbitration, The Hague; international arbitration group of Fresh fields Bruckhaus Deringer in their Paris office; and taught and supervised distance learning students of LL.M. in International Petroleum Law and Policy at the Centre for Energy, Petroleum and Mineral Law and Policy (CEPMLP), University of Dundee, UK. He acted as consultant for International Finance Corporation (IFC) and Department for International Development (DFID). He was the National Commissioner of International Chamber of Commerce Bangladesh. He provided legal advice and assistance towards establishing the Bangladesh International Arbitration Centre. Mr. Naser holds bachelor degrees in law from University of Dhaka and University of London; LL.M. from Queens' College, Cambridge and LL.M. in Energy Law and Policy, Centre for Energy, Petroleum and Mineral Law and Policy, University of Dundee. He regularly speaks nationally and internationally on mediation, arbitration, legal rights and other socio-political issues. He has special interests in disability rights, environmental issues, political economy and self-governance. He is currently the Chief Advisor of Physically Challenged Development Foundation (PDF), a charity working for the rights of physically challenged people. He is an Advisor of Bangladesh Youth Environmental Initiative (BEYI). He is also Independent Director of Trust Bank Ltd.





STATEMENT ON CORPORATE GOVERNANCE

GUIDING PHILOSOPHY AND GOVERNANCE PRACTICES

The Board of Directors of Matin Spinning Mills Limited believes that good Corporate Governance is vital to strengthen the Company's sustainability, organizational effectiveness and foster a high-performance culture within the organization. Corporate Governance is a term that refers broadly to the rules, procedure and laws by which businesses are operated, regulated and controlled in order to ensure the interest of the stakeholders of a corporate body.

In accomplishment of the affairs of the company, the Board is guided by Corporate Governance Principles as stipulated by BSEC and in compliance with the rules and regulations of the Companies Act 1994, Memorandum and Articles of Association of the Company and the service rules of the Company and other relevant applicable laws and regulations. The Board also remains responsible for efficient and effective implementation of the policies and strategies adopted from time to time.

Board of Directors

In line with the concept of good corporate management practice and the provisions of Articles of Association, The Board of Directors holds the supreme authority of the Company. The Board is collectively responsible to the Company's shareholders for the success of the Company. The Board of Directors is reconstituted every year by the shareholders through retirement / re- election/ election by one third of its members.

Composition of the Board

The Board of Matin Spinning Mills Limited consists of 10 (ten) Directors, comprising of seven Non-Executive Directors, two Independent Directors, and one Managing Director having versatile knowledge, professional acumen and adequate skills and expertise.

Procedure of the Board

The Board is responsible for formulation of overall planning, policies and strategies and guidelines of the activities and implementation thereof in

attaining the goals and objectives of the company and ultimately remains accountable to the shareholders.

To follow transparency, the Board follows the practice of advance planning on matters requiring discussion and decision. The Board appraise the presentation on finance, sales, marketing, major business segments and operations of the Company and other matters, as the members want. The Managing Director along with the Company Secretary finalizes the agenda papers for the Board meeting in consultation with the other persons concerned. The minutes of the proceedings of each Board meeting are maintained in terms of statutory provisions.

The Board of Directors of Matin Spinning Mills Limited has laid down a Code of Conduct of all Board members and annual compliances of the code have been recorded.

Distinctive roles of the Chairman and the Managing Director

The position of the Chairman of the Board and the Managing Director of the Company are filled by the different individuals who are members of the Board. The respective roles and the responsibilities of the Chairman and the Managing Director are explicitly defined by the Board of Directors of Matin Spinning Mills Limited to enable them in discharging their responsibilities aptly and effectively.

Committees of the Board

In accordance with the requirement of corporate governance code of BSEC, Matin Spinning Mills Limited has an Audit Committee and a Nomination and Remuneration Committee as sub-committee of the Board of Directors.

Audit Committee

The Board has formed an Audit Committee comprising of 5(Five) members having adequate versatile and financial competence as specified in



the Terms of Reference (TOR) prescribed by the BSEC duly approved by the Board. The Committee is empowered, among other things, to examine any matter relating to the financial affairs of the company and to review all audit and inspection programs, internal policies and adherence to compliance requirements.

Members of the Audit Committee

| | |
|---------------------------|----------|
| Mr. M. Farhad Hussain FCA | Chairman |
| Mr. M.A. Rahim | Member |
| Mr. M.A. Quader | Member |
| Mrs. Selina Perveen | Member |
| Mr. Md. Hassan Imam | Member |

Md. Shah Alam Miah FCS, Company Secretary is the Secretary to the Audit Committee.

The detail about Audit Committee including background, composition, responsibilities, meetings reporting and activities carried out by the Audit committee is disclosed in this annual report in "Report to the Audit Committee."

Nomination and Remuneration Committee

The Board has formed a Nomination and Remuneration Committee (NRC) comprising of 5 (five) members and approved Terms of Reference of the NRC as per condition no.6 (5) (b) of Corporate Governance Code, 2018 by BSEC. The Committee shall assist the Board in formulating of the nomination criteria or policy for determining qualification, positive attributes, experiences and independence of directors and top level executives of the Company.

Member of the NRC

| | |
|-------------------------------------|----------|
| Mr. M. Naser Alam, Barrister at law | Chairman |
| Mr. M.A. Rahim | Member |
| Mr. M.A. Quader | Member |
| Mrs. Selina Perveen | Member |
| Mr. Md. Hassan Imam | Member |

Md. Shah Alam Miah FCS, Company Secretary is the Secretary to the NRC.

Chief Financial Officer

Matin Spinning Mills Limited has a Chief Financial Officer (CFO). He is a Chartered Accountant and a Certified Management Accountant. He is a fellow member of the Institute of Chartered Accountants of Bangladesh (ICAB) and Certified Management Accountants (CMA) of Ontario, Canada. He is responsible for accounting and financial activities of the Company. The Board of Directors clearly defined the roles, responsibilities and duties of the CFO. In compliance with the corporate governance code of the BSEC, the CFO attends meetings of the Board of Directors.

Company Secretary

As part of statutory requirement the Board of Directors of Matin Spinning Mills Limited has appointed a qualified Company Secretary. He is a Fellow Member of the Institute of Chartered Secretaries of Bangladesh (ICSB). He is responsible for dealing with various corporate matters of the MSML and acts as officer of the Board, bridge in between Board and other Stakeholders, custodian of the Shareholders and also conducts the statutory functions pursuant to the applicable laws and regulations. The Board of Directors clearly defined the roles, responsibilities and duties of the Company Secretary.

Head of Internal Audit & Compliance

Matin Spinning Mills Limited has a Head of Internal Audit and Compliance. He has completed his MBA in Finance and Banking from International Islamic University of Chittagong. He has also completed CA Course (Article ship) under the Institute of Chartered Accountant of Bangladesh (ICAB). He is responsible for internal control and internal audit of the Company. The Board of Directors clearly defined respective roles, responsibilities and duties of the Head of Internal Audit & Compliance. In compliance with the corporate governance code of the BSEC, he attends meetings of the Board of Directors.



Statutory Auditors

ACNABIN, Chartered Accountants is the statutory auditor of the Company. They have conducted the audit in accordance with Bangladesh Standards on Auditing. In order to comply with the corporate governance, the Company did not involve its statutory auditors to perform the services other than statutory services as appointed for.

Internal Audit and Control

Matin Spinning Mills Limited considers that internal audit is one of the important regular functions of the Company. The Company has an independent internal audit department under control of the

Audit Committee of the Board. This department gives effort to bring a methodical and disciplined approach to evaluate and improve the effectiveness of the organization's risk management process, system of internal control and governance.

Compliance

In order to ensure the effective functioning of the corporate governance for enhancing the confidence of investors, regulators, financiers and other stakeholders, the MSML is committed to comply with all the requirements of the Corporate Governance Code as required by the Bangladesh Securities and Exchange Commission (BSEC).



CODE OF CONDUCT

Purpose

The purpose of this code of conduct of Matin Spinning Mills Limited (hereafter referred to as the “Company”) is to:

- ✦ Demonstrate the company's commitment to the highest standards of ethical behaviour
- ✦ Encourage proper ethical conduct and sanction misconduct within the company
- ✦ Develop an ethical culture based on such standards and conduct, led by the company's shareholders, directors and management, and followed by all employees

By adopting, following and updating this code of conduct on a regular basis, together with the company's corporate governance code and charters, the company confirms its desire to demonstrably lead and promote good ethical behaviour and corporate governance. In order to foster the confidence of its shareholders, employees, investors and the general public, this code of conduct goes beyond the legal and regulatory framework prevalent in Bangladesh today, and embraces both national and internationally recognized principles and practices.

The company's governing bodies and employees understand this code of conduct as their obligation and set forth to ensure that its spirit and provisions are respected and acted upon throughout the company [and its subsidiaries and dependent companies] and its business partners.

This code of conduct is reviewed and updated on an annual basis and published internally.

The Company's Values

In all internal and external relationships, the company demonstrates its commitment to:

- ✦ Integrity
- ✦ Commitment
- ✦ Passion

- ✦ Innovation
- ✦ Trustworthiness

The Company's Ethical Principles

The company is committed to act ethically in all aspects of its business. The company's ethical standards are based on the following principles:

- ✦ Honesty
- ✦ Integrity
- ✦ Fairness
- ✦ Transparency

Similarly, the company expects the same in its relationships with all those with whom it does business. The company's ethical standards focus on the following areas: employees, customers, relations with its business partners, government, society and the wider community. These ethical standards shall also apply to all business areas.

All of the company's ethical standards are based on

- ✦ Respecting the rule of law, Bangladesh laws and regulations, and showing respect for human rights;
- ✦ Managing the company's financial and operational performance to maximize the long-term value for its shareholders;
- ✦ Conducting business with integrity and fairness, renouncing bribery and corruption or similar unacceptable business practices, and not giving or accepting gifts and entertainment unless they fall under business custom, are immaterial and infrequent;
- ✦ Creating mutual advantage in all the company's relationships to build and foster trust; and
- ✦ Demonstrating respect for the community the company operates in, as well as for the natural environment.

The company's business plan will include specific, measurable targets for improving ethical behaviour.



Ethical Standards for the company's Relationship with its Stakeholders

1. Employees and Officers

The company values its employees as the keystone to success. The company is thus committed to treating all employees with dignity, trust and respect, and to build a long-term relationship based on Bangladesh labour law and the respect of human rights. The company will not employ child labour.

The company fosters teamwork, believing that diversity in talent, perspectives and opinions stimulate new and creative business opportunities and innovation. Similarly, the company renounces all forms of bureaucracy and excessive hierarchical structures that impede operational efficiency.

It is the company's policy to provide for and regularly improve upon a healthy, safe and secure working environment for its employees.

Conflict of interests can, or appear to, compromise the judgment or objectivity of the company's employees and officers. An appropriate policy and disclosure thereof has been developed to this extent.

The company is an equal opportunity employer. Its recruitment, promotion and compensation policy is based on merit and free of discrimination. Clear and transparent policies to this extent have been developed and put into practice.

Any kind of discrimination or harassment at the workplace will not be tolerated and contrary behaviour properly investigated and dealt with through the company's officer designated for this purpose by the company's board of directors.

Employees are recognized and rewarded for their performance, based on performance objectives, and constructive and regular feedback through face-to-face meetings. Rewards are given both at the team and individual level. The company has in place a training program, accessible to all employees, which encourages individuals to formulate personal development plans and

provides for coaching, mentoring and formal skill-enhancing trainings.

Under the authority of this code, it is incumbent upon Employees to 'speak up' or report any breaches identified or witnessed per the procedure under this code. The company sanctions the illegal use of confidential and insider information by all officers and employees, and has developed a detailed procedure to effectively deal with this matter.

A regular consultation process between the company's employees and managers has been put in place to effectively deal with employment conditions and other issues that affect the employees work environment.

These principles do not limit the right of the company to enforce discipline or to terminate workers in accordance with Bangladesh legislation.

2. Customers

Customer satisfaction is tantamount to the company. Safe and quality products and services, fair pricing and appropriate after-sales service shall define the company's relations with its customers. The company always seeks to deliver what it promises.

3. Relations with its Business Partners

The company believes that a long-term relationship with its business partners (suppliers, contractors

and participants in joint ventures if any) founded on respect, trust, honesty and fairness is vital to its success. The company will put forth its best effort to only cooperate with those business partners that share the company's ethical standards.

The company will respect the sanctity of contracts and business relations.

- ✚ Contractual negotiations shall be conducted on the basis of mutual advantage.
- ✚ Business relations shall be based on high performance standards, delivering in a timely and qualitative manner, and prompt settlement of bills.



- ✦ In case of a commercial dispute, the company will strive to negotiate and compromise in good faith in order to reach an amicable solution.

The company is committed to complying fully with the Bangladesh law on anti-money laundering and only conducts business with reputable suppliers, business customers and other partners who are involved in legitimate business activities and whose funds are derived from legitimate sources.

4. Government

The company will pay all taxes that are owed and due, fully and in a timely manner.

The company abides by all federal and local regulations, including voluntary codes and guidelines, in both spirit as well as letter.

The company has also legally obtained all licenses required to do business.

The company seeks to build and manage a sound relationship with governmental authorities on an arm's length basis. No attempts to improperly influence governmental decisions shall be made, and the company will not offer, pay, solicit or accept bribes in any form or shape, either directly or indirectly, in its dealings with the government, administration or courts. Transparent procedures regarding transactions engaged in by the company with any government agency or official, or in dealings with any company owned or controlled by a government agency or official, shall be established to this end.

5. Society, environment and the wider community

The company views itself as an integral part of the community in which it operates and is committed to a sound relationship built on respect, trust, honesty and fairness.

The company is committed to creating jobs and developing local talent when this is economically sustainable.

The preservation of the environment is of the

utmost importance to the company. The company thus strives to minimize any disruption to the environment arising from its activities by reducing waste, emissions and discharges, and by using energy efficiently. All operations and activities will be carried-out according to the highest standards of care and in line with internationally recognized principles.

Company employees are encouraged to engage and commit part of their time to help the local community through a variety of charities and foundations, educational organizations and similar institutions.

Non-governmental organizations (NGOs) are a key element to any society and the company seeks to build constructive relationships with such organizations in building a better society and environment in an economically sustainable manner.

The company promise to engage and consider the specific developmental needs of communities in which it operates, through a process of regular and open dialogue.

Implementation

1. Means to obtain advice

Many business decisions involve ethical dilemmas and require complex judgments to make the right choice. In cases of uncertainty, all officers and employees are expected to act responsibly and raise the ethical dilemma with their managers. Should this not lead to a satisfactory solution, the ethical issue is to be raised with a designated officer to obtain clarification.

All officers and employees have the right to make confidential reports directly to the designated officer who in turn shall decide whether to report the matter to the audit committee to recommend appropriate action against any director or employee who acts in a manner inconsistent with this code of conduct.

2. Processes and responsibility

Each individual is responsible for his or her ethical



behaviour. Adherence to this Code is further made obligatory as it is referenced in all employee contracts and linked to disciplinary procedures.

Department heads are accountable to the CEO and/ or executives for implementing this code of conduct within their departments, ensuring that all officers and employees understand it, and for providing assurance on compliance. The CEO and/ or executives are in turn accountable to the board.

The principles and provisions in this code of conduct have been integrated into the company's system of internal control. Rigorous and objective processes to measure performance, identify gaps and implement measures to address ethical gaps are regularly reviewed and modified.

Wilful or careless breach or neglect of this code of conduct will be treated as a serious disciplinary matter and can lead to the termination of employment.

The board's audit committee periodically reviews and updates compliance with these principles, and formulates proposals for the board's approval.

3. Training program

Periodic and specialized training courses are offered to the company's officers and employees, as well as to the company's other stakeholders as part of the company's continuous professional education program.



RISKS AND RISK MANAGEMENT

Effective risk management is crucial to the success and at the core of sustainable performance of an organization. Like all organizations, Matin Spinning Mills Limited is also exposed to risks – especially systemic risks that are beyond the Company's control. While in 2017-18 the macroeconomic trend of local market promised sustainable growth, we perceive that proactive management of the risks associated is of fundamental significance to ensure our business growth. Over the years, we have put in place a strong framework through which we regularly identify and assess risks and take necessary measures to minimize their impact.

Risk Types

(a) Interest rate risks

As of 30 June 2018, Matin Spinning Mills Limited had outstanding short term and long term bank borrowing with banks to the tune of BDT 1,996.24 million. Interest rates on such loan is 4.50% plus LIBOR. LIBOR component of the interest rate is exposed to volatility of market-wide interest rates of bank loans. Due to several macroeconomic and market driven factors, interest rates on short term and long term bank loans may fluctuate over time. Inflationary pressure, increased demand for bank loan, increased volatility in money market, restrictive monetary policy, increased Government borrowing from banking sector, etc. may compel the company's loan giving institutions to increase their interest rates. If the interest rates are increased beyond what the company expects, then its cash flow and profitability will be affected adversely. This would also affect its value of shares. In addition, if the company has investment in tradable fixed income securities, then volatility of interest rates would affect the value of such investments. This would also affect the NAV per share of the company.

As of 30 June 2018, the company did not have any tradable fixed income securities other than some short term deposit accounts with several banks. Such short term instruments are not tradable and are not exposed to volatility of market-wide interest rates. As a result, market-wide volatility would not have any significant impact on the company's balance sheet.

(b) Exchange rate risks

The major raw material the company uses is raw cotton, which the company procures entirely from foreign sources. Conversely, it sells most of its end

products to export oriented garment manufacturing companies. It pays for its raw material in foreign currency, usually in US Dollars and also receives its sales proceeds in US Dollars. Hence, the company is directly exposed to the risks associated with exchange rate fluctuation of Taka against US Dollar. Any significant volatility in the exchange rates of Taka will increase the volatility of the company's cash flow and profitability. For a given depreciation of Taka against US Dollar, the company's import payment will increase. On the other hand, for a given appreciation of Taka against US Dollar, its export receipts will be lower in terms of Taka. Once the company finalizes a contract for purchases of raw materials at prevailing exchange rates, it would incur foreign currency losses if Taka depreciates against Dollar.

For a given depreciation of Taka against a particular foreign currency like US Dollar, the company's both import payments and export proceeds will be higher in terms of Taka. In case of an appreciation of Taka against the same currency, the opposite will occur. Hence, the company has a natural hedge against exchange rate and is largely immune to fluctuation of exchange rates of Taka against US Dollar.

(c) Technology related risk

The company's operation is highly capital intensive. The manufacturing process is mostly mechanized and requires negligible human involvement. The quality of the finished products is directly dependent on the sophistication of the machinery in place. Any fault in the technology of the machinery can result in significant overhauling cost and loss of production. In such cases, delivery deadlines would be missed and revenues will be lost. This would, in turn, affect the value of the company shares.

All the major machineries of the company are state-of-the-art and of Swiss and Japanese origin.



Major machineries are of Swiss Reiter and Japanese Toyota and Murata Brands. Both Reiter and Toyota are regarded as owning the best technology of textile machineries in the world. Compared to other machineries of Chinese and Indian origins, Reiter and Toyota machineries are costlier but last longer and require significantly lower maintenance costs. Till date, the machineries at the factory have been running smoothly. Since inception, there has not been any instance of serious breakdown or stoppage of production due to technical failure at the factory.

(d) Operational risk

The company's operation can be hampered by human error, sudden breakdown of machinery, and incidents of natural calamity.

Operation of the factory is mostly automated and involves minimal manual input. The overall process adhere to highest international standards. The plant is run by experienced and professional personnel.

The workers and officers of the company are trained properly. Besides, the machineries are properly maintained and overhauled whenever necessary. The factory building is well constructed and has adequate fire control measures to minimize risk and hazard.



OUR HUMAN CAPITAL

Human capital is a measure of the economic value of an employee's skill set. This measure builds on the basic production input of labor measure where all labor is thought to be equal. The concept of human capital recognizes that not all labor is equal and that the quality of employees can be improved by investing in them; the education, experience and abilities of employees have economic value for employers and for the economy as a whole.

MSML believes that its human resources are critical in building and running the company. Effective human resources have also been linked to superior company performances. MSML's Human Resource Department continuously works toward attaining the goal of attracting, retaining, growing and inspiring talent.

Human Resource Management & Development

HR Department plays a pivotal role in the development of any organization. It is considered as the strategic business partner of the organization. MSML believes that, by utilizing the enormous potential within the people working for the organization, it is possible to achieve strategic business goal. Currently, HR Department of MSML is led by professional HR and Employee Relations practitioners. They are efficiently coordinating the entire HR and Administration activities. Their effective HR practice has brought significant development in the different areas of HR, Employee Relations and Welfare.

Members of HR department of MSML are continuously developing new ideas and adding valuable contribution to the organization. At MSML the basic HR approaches are very much in compliance with the guidelines of Bangladesh Labor Law (BLL) in the respective purpose particularly in:

- ✦ **Employment Conditions:** Matin Spinning Mills Ltd. is always committed to ensure a positive work environment for its valuable employees. The company believes that a healthy working environment is indispensable for its employees' mental and physical well-being. MSML

ensures that its employees are operating in a comfortable, safe and hazard free working condition with convenient workload, latest state of the art technology, highly efficient coaches and a wonderful communication flow.

- ✦ **Restriction on engagement of Child Labor:** MSML strictly follows the rules against engaging of child labor. No employee under the legal age of employment, as per the Bangladesh Labor Law 2006, is recruited in this company. Age confirmation is done during the interview by different physical and psychological test. Supporting document is received by the HR Department and preserved in the employee's personal file as evidence.
- ✦ **Maternity Benefit Provisions:** MSML respects a woman's motherhood. That is why all regular confirmed female employees of MSML are entitled for maternity benefits. They can enjoy a leave with pay of 112 calendar days in a year as Maternity Benefit
- ✦ **Health & Safety Compliances:** MSML ensures employees health and safety. The safety precautions are strictly followed here to stay away from any accident which may occur during work. MSML carries out the health and safety related to fire safety, electrical safety, building safety, chemical safety and others.
- ✦ **Employee Welfare Measures:** MSML firmly believes that by ensuring measures for well being of its employees' is actually demonstrating that the company values its employees. A happy employee takes the ownership and tends to work with passion. By ensuring different welfare measures for employees of the company, it has improved the productivity of its employees & organization and also developed a healthy industrial relations.
- ✦ **Working Hour & Leave facilities:** All the employees of MSML are working 8 productive working hours in a operating day. The condition is very comfortable for its employees to work and they can also enjoy leave when needed. A confirmed employee of MSML is eligible for



Casual Leave, Sick Leave, Annual Leave and Maternity Leave.

- + Minimum Wage Compliance and Wage Payments: MSML ensures the timely payment of salary and wages for its employees and workers. No discrimination is allowed in reference to Race, Locality, Gender, Religion and Disability. The salary and wage structure well complies with the rules which has been determined by the Government of Bangladesh for the Cotton Industry.
- + Workers' Participation in Company's Profit: Matin Spinning Mills Ltd ensures Workers' Participation in Company's Profit. It distributes 5% of its net profit among all the employees of Matin Spinning Mills Ltd as per labor law.

Moreover, the Human Resources Department of MSML is guided by some important HR Policies incorporated by Group HR Such as:

- + Recruitment & Selection Policy: MSML has structured and methodical recruitment & selection process. After proper manpower planning and job analysis, recruitment & selection process is done here. Through competency based recruitment system, the MSML authority ensures that right people are coming to the right places
- + Pre-Employment Medical Check Policy: Before giving appointment letter to anyone, MSML Authority checks his/her medical fitness in Group's own medical center. MSML Has its own set of physicians who are registered Doctors.
- + Code of Conduct and Ethical Business Practices Policy: Code of Conduct company policy refers to company expectations regarding employees' behavior towards their colleagues, supervisors and overall organization. Although MSML promotes freedom of expression and open communication practices, all employees are still obliged to follow a code of conduct. It is essential to avoid offence, participating in serious disputes and disrupting the workplace. It is also important to be a well-organized, respectful and collaborative environment. All employees are expected to avoid any personal, financial or other interests that might hinder

their capability or willingness to perform their job duties or be damaging to the company. Any situation voluntary or involuntary that might be perceived as conflict of interest must be reported to the appropriate manager.

- + Employee Learning & Development Policy: Different trainings are provided to MSML employees every month which consist of both soft skill/ generalized and specific trainings. The soft skill/generalized trainings are time management, induction, code of conducts, personal protective equipments and so on. The technical/specific trainings are Machine Operations, Quality Control, and Chemical Handling etc
- + Whistle Blower Policy: MSML whistle-blower policy encourages staff and volunteers to come forward with credible information on illegal practices or violations of adopted policies of the organization, specifies that the organization will protect the individual from retaliation, and identifies those staff or board members or outside parties to whom such information can be reported
- + Promotion & Increment Policy: Every year, MSML give an increment to each staffs. Increment may vary from person to person depending upon their performance and other criteria. Some of the employees get promotion due to extra ordinary performance.
- + Performance Management & Appraisal Policy: In MSML performance is really important and for that it is well managed by the concerned line managers. At the beginning of a performance period, concerned line manager and employee sits together to review the employee's current role profile and their action plan. For existing employees performance is reviewed yearly and for new joiners, performance is reviewed twice in the first year and yearly in the following years. Based on the performance, employees go through different course of actions for continuous improvement.
- + Zero Tolerance Policy on Sexual Harassment: MSML follows a Zero Tolerance Policy on Sexual Harassment. If an employee is convicted for such offence or is considered guilty, his



employment with the company is terminated.

- ✦ Grievance Handling Policy: Grievances of all employees regarding any topic are taken into account by the management. This includes violations and rights of indigenous people. MSML's grievance procedure addresses labor practices issues as well as human rights and societal topics. The top management has an open door policy and grievance boxes are provided to assist employees.

Employee Engagement Program

For boosting up the performance level of the employees measures like "Employee of the Month Award" and "Improvement through Quality Circle" have also been introduced since 4th Quarter of 2014. The HR Department of MSML considers the employees of the organization as asset. Continuous development of the employees can make them

familiar with the global trend of business HR department of MSML has successfully initiated some appreciable employee/ social development and awareness activities as followings:

- ✦ Handing over of Crest and Cheque to the GPA-5 holder children of the employees,
- ✦ Financial assistance to the deceased worker's family,
- ✦ HIV Awareness Campaign,
- ✦ Children Education Support Program
- ✦ Career Counseling Program for the children of the employees,
- ✦ Medical Service,
- ✦ Introduction of Bandhan Fair Price Shop,







MESSAGE FROM THE CHAIRMAN

Dear Shareholders

Ladies and Gentlemen

Assalamu Alaikum,

We have the pleasure to welcome you at the 16th Annual General Meeting of your Company Matin Spinning Mills Limited. It also gives me immense pleasure to place before you the Annual Report along with the Audited Financial Statements, Auditors' Report and Directors' Report thereon for the year ended on 30 June 2018.

We delightfully inform you that despite challenging local and international market and a highly competitive industry, during the year 2017-2018 the company achieved satisfactory level of sales revenue of Tk.4,051 million which is 29.1% higher than 2016-2017 (Tk. 3,001 million). Net profit after tax increased by 15.8%, from Tk.261 million in 2016-2017 to Tk. 303 million in 2017-2018, due to the combined effect of higher sales volume and higher sales price and lower depreciation charges.

It is my pleasure to inform you that all new projects undertaken in the last couple of years were run in full-fledge in the year 2017-18.

I would also like to take this opportunity to thank all our valued customers for their confidence in our products, to the employees for their tireless efforts, to the suppliers for their quality cotton, to our honorable shareholders for their continuous support and interest for the welfare of the Company, to the Regulatory Bodies including Bangladesh Securities and Exchange Commission, to the Stock Exchanges, to the Central Depository Bangladesh Limited, to the Bankers, to the Insurers for their cooperation and support to our Company. We hope that the same support from all stakeholders would continue in the coming years.

With best wishes.



Abdul Wahed

Chairman of the Board





MESSAGE FROM THE MANAGING DIRECTOR

Dear Shareholders

Ladies and Gentlemen,

It is my great pleasure that I welcome you on behalf of the Board of Directors to the 16th Annual General Meeting of your Company and present before you the Annual Report for the year 2017-18 containing the Directors' Report and Audited Financial Statements for your kind perusal.

Our Business Performance

I am also pleased to inform you that 2017-18 marks the highest yearly volume of production in MSML's history. Fully functional Melange and Synthetic units throughout the year have made it possible. We strongly believe that with no power interruption, we could achieve even more. Equipped with new units, MSML could now offer wide range of products to fulfill the increasing demand of RMG sector. Production of yarn during the year increased by 22.1% and sales volume increased by 29.1% compared to year 2016-2017.

Bringing operational excellence through cost saving is now our top priority. To reduce cost of power, the Board of Directors has recently approved purchase of three new gas generators for increasing captive power generation using the expected additional gas supply. Total investment is estimated Tk. 23 crore (approx.) and is expected to save power cost Tk. 7.5 crore (approx.) per year

Production Capacity

The Company's total installed production capacity is 51 tons per day with 73,184 spindles.

Awards

I am delighted to inform you that MSML has achieved award from The Institute of Chartered Secretaries of Bangladesh (ICSB) "5th ICSB national Award for Corporate Governance Excellence, 2017" as Gold winner under the Textile and Garment Sector.

Our Gratitude

While concluding, I offer my gratitude to all the Employees, Shareholders, Stakeholders, Government Agencies, Banks & Financial Institutions, Customers, Consumers, Suppliers and other Services Agencies for their cooperation and support.

Thanking you all.



M.A. Jabbar
Managing Director



CORPORATE OPERATIONAL RESULTS

| No. | Description | 2017-2018 | 2016-2017 | 2015-2016 | 2014-2015 | 2013-2014 |
|-----|--|------------|------------|------------|------------|------------|
| 1 | Turnover | 4,051 | 3,001 | 2,005 | 2,024 | 2,334 |
| 2 | Gross Profit | 609 | 447 | 375 | 391 | 455 |
| 3 | Net Profit before tax | 356 | 320 | 374 | 518 | 414 |
| 4 | Net Profit after tax | 303 | 261 | 294 | 437 | 317 |
| 5 | Shareholders' equity | 4,253 | 4,093 | 4,060 | 4,024 | 3,840 |
| 6 | Total Assets | 6,722 | 7,076 | 6,092 | 5,718 | 4,959 |
| 7 | Total Current Assets | 2,488 | 2,672 | 1,783 | 3,040 | 2,944 |
| 8 | Total Current Liabilities | 1,906 | 2,262 | 1,214 | 1,454 | 792 |
| 9 | Current Ratio | 1.31 | 1.18 | 1.47 | 2.09 | 3.74 |
| 10 | Ordinary Shares Outstanding | 97,490,000 | 97,490,000 | 97,490,000 | 97,490,000 | 97,490,000 |
| 11 | Face Value per Share | 10 | 10 | 10 | 10 | 10 |
| 12 | Shareholders' Equity per Share | 43.63 | 41.99 | 41.64 | 41.27 | 39.38 |
| 13 | Earnings per Share (EPS) weighted Avg. | 3.10 | 2.68 | 3.02 | 4.49 | 4.21 |
| 14 | Quoted Price per Share (DSE) | 38.1 | 41.20 | 39.3 | 43.00 | 42.20 |
| 15 | Quoted Price per Share (CSE) | 36.10 | 40.30 | 38.5 | 42.6 | 42.10 |
| 16 | Price Earnings Ratio-DSE (Times) | 12.29 | 13.64 | 13.02 | 9.58 | 9.95 |
| 17 | Price Earnings Ratio-CSE (Times) | 11.65 | 19.38 | 13.34 | 9.49 | 9.93 |
| 18 | Cash Dividend Declared per share | 1.7 | 1.5 | 2.3 | 2.7 | 2.50 |
| 19 | Stock Dividend Declared | Nil | Nil | Nil | Nil | nil |
| 20 | Total Dividend Declared (%) | 17% | 15% | 23% | 27% | 25% |
| 21 | Number of Shareholders | 5747 | 7,288 | 9,019 | 13,384 | 88,297 |
| 22 | Human Resources (Person) | | | | | |
| | Executives | 108 | 133 | 91 | 56 | 58 |
| | Non-Executives | 257 | 225 | 200 | 164 | 161 |
| | Workers | 1476 | 1,647 | 1,201 | 764 | 750 |

Note: Item No. 1-8 in million Taka



DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

In terms of provisions of section 184 of the Companies Act 1994, Rule 12 (and the schedule thereunder) of the Securities and Exchange Rules 1987 and IAS – 1 (International Accounting Standards – 1) as adopted by the ICAB (The Institute of Chartered Accountants of Bangladesh), it is a pleasure of the Board of Directors to submit its report to the Shareholders for the year ended 30 June 2018 in the following paragraphs:

Company Operations

(1) Capacity/Production

Below table represents last five years production capacity and capacity utilization ratios:

| Particulars | 2017-2018 | 2016-2017 | 2015-2016 | 2014-2015 | 2013-2014 |
|---------------------------------------|------------|------------|-----------|-----------|-----------|
| (1.1) Spindles | | | | | |
| a) No of Spindles installed | 73,184 | 73,184 | 57,840 | 39,600 | 39,600 |
| b) No. of Spindles in operation | 67,539 | 67,411 | 51,759 | 38,744 | 38,914 |
| (1.2) Production Capacity (Kg) | | | | | |
| At Equivalent 28s Count (Ring Yarn) | 17,937,450 | 15,235,552 | 9,360,000 | 8,640,000 | 8,640,000 |
| (1.3) Actual Production (Kg) | | | | | |
| At Equivalent 28s Count (Ring Yarn) | 14,432,116 | 11,819,472 | 7,851,331 | 7,545,680 | 7,555,835 |
| (1.4) Capacity Utilization (%) | | | | | |
| | 80.46% | 77.58% | 83.88% | 87.33% | 87.45% |

(2) Cost of Production

The cost of production varied during the past years primarily due to wide price fluctuations of raw materials, packing materials, fuel & power, and spare parts. Price fluctuation being an external factor was beyond the control of Management. The level of costs and their incidences for last five years are given below:

| Particulars | 2017-2018 | 2016-2017 | 2015-2016 | 2014-2015 | 2013-2014 |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| (a) Output of Yarn(Kg) | 14,555,869 | 12,118,266 | 7,731,885 | 7,444,818 | 7,268,020 |
| (b) Cost of Major items (Tk): | | | | | |
| Raw Materials | 2,451,816,408 | 1,915,204,897 | 1,142,200,784 | 1,274,710,763 | 1,445,038,574 |
| Packing Materials | 26,982,946 | 20,619,357 | 13,792,747 | 13,486,110 | 15,029,098 |
| Fuel/Power | 421,455,210 | 363,863,101 | 192,184,103 | 102,436,701 | 140,654,344 |
| Spare Parts | 37,310,871 | 20,625,350 | 27,625,350 | 27,430,710 | 30,766,504 |
| Other Overhead | 448,428,047 | 394,365,813 | 255,392,578 | 207,741,357 | 156,323,843 |
| Total Cost | 3,385,993,483 | 2,714,678,518 | 1,631,195,562 | 1,625,805,642 | 1,787,812,363 |

| Unit Cost/Kg (TK) | 2017-2018 | 2016-2017 | 2015-2016 | 2014-2015 | 2013-2014 |
|--|---------------|---------------|---------------|---------------|---------------|
| Raw Materials | 168.44 | 158.04 | 147.73 | 171.22 | 198.82 |
| Packing Materials | 1.85 | 1.70 | 1.78 | 1.81 | 2.07 |
| Fuel/Power | 28.95 | 30.03 | 24.86 | 13.76 | 19.35 |
| Spare Parts | 2.56 | 1.70 | 3.57 | 3.68 | 4.23 |
| Other Overhead | 30.81 | 32.54 | 33.03 | 27.90 | 21.51 |
| Unit Cost | 232.62 | 224.02 | 210.97 | 218.38 | 245.98 |
| Raw Material Cost as % of Total | 72.41% | 70.55% | 70.02% | 78.40% | 80.83% |





The above chart reveals that overall unit cost increased by 3.84% in 2017-2018 over 2016-2017. Raw Material, Packing Material, and spare parts increased by 6.58%, 8.95%, and 50.60% respectively. On the other hand, Fuel/Power cost and other overhead decreased by 3.57% and 5.33% respectively.

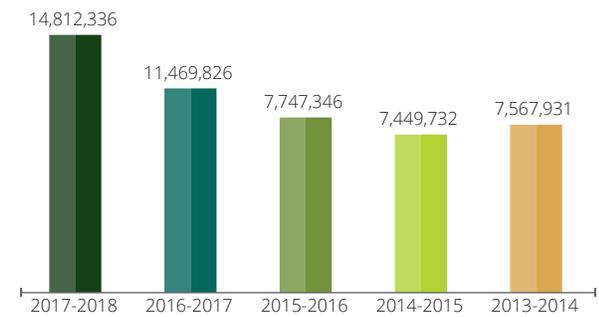
Marketing Operations

(i) Market Exposure

The Company's marketing operations continued its emphasis on export sales over the years as depicted below:

| Details | 2017-2018 | 2016-2017 | 2015-2016 | 2014-2015 | 2013-2014 |
|------------------------|---------------|---------------|---------------|---------------|---------------|
| (a) Sales Volume (Kg) | 14,812,336 | 11,469,826 | 7,747,346 | 7,449,732 | 7,567,931 |
| (b) Sales Revenue (Tk) | 4,050,914,298 | 3,001,195,559 | 2,005,184,987 | 2,023,663,281 | 2,334,384,001 |

Sales Volume Kg



Sales Revenue Taka



The above figures show that compared to prior year, 2017-2018 sales volume increased by 29.04% and sales revenue increased by 34.97%. Sales volume has gone up due to full-fledge operation of Mélange and Synthetic unit. The Company's production facilities run on "made to order" basis, therefore, additional production volume from new units has mainly driven the higher sales revenue.

(ii) Selling Prices

| Particulars | 2017-2018 | 2016-2017 | 2015-2016 | 2014-2015 | 2013-2014 |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|
| Average Selling Prices (Taka/Kg) | 273.48 | 261.66 | 258.82 | 271.64 | 308.46 |
| % Change- compare to prior year | 5% up | 1% up | 5% down | 12% down | 10% down |

It indicates that average selling price has been maintaining an upward trend since last two years.



Development Activities

During the year 2017-2018 the Company has implemented comprehensive Oracle ERP system. This cutting-edge technology enables quick access to information and faster decision making.

Details of capital expenditure for development activities are shown below.

Capital Expenditures

Out of total Capital Expenditure of Tk. 85,781,528 during the year 2017-2018, Tk. 37,241,881 was spent for Civil Construction of the existing unit and Synthetic Project in phase-2.

| Particulars | 2017-2018 | 2016-2017 | 2015-2016 | 2014-2015 | 2013-2014 |
|----------------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Land | 1,849,000 | 4,282,000 | - | - | 71,958,964 |
| Civil construction | | | | | |
| Existing | 29,002,128 | 34,803,999 | 31,303,966 | 10,318,279 | 12,968,787 |
| Mélange Project | - | - | - | 128,447,412 | 28,592,384 |
| Synthetic Project | 8,239,753 | 124,439,777 | 146,700,294 | - | - |
| Plant and Machinery | | | | | |
| Existing | - | 53,109,867 | 176,942,531 | 12,134,279 | 16,823,865 |
| Mélange Project | - | - | 587,869,268 | 590,898,720 | - |
| Synthetic Project | 25,407,830 | 214,184,330 | 810,887,909 | - | - |
| Other Fixed Assets | 21,282,816 | 8,438,712 | 57,750,382 | 3,746,894 | 3,999,237 |
| Total | 85,781,528 | 439,258,685 | 1,811,454,350 | 745,545,583 | 134,343,237 |

Contribution

1. Contribution to National Exchequer

The Company contributed Tk. 56.09 million during 2017-2018 to the National Exchequer. Last five years comparative data are as follows:

| Particulars | 2017-2018 | 2016-2017 | 2015-2016 | 2014-2015 | 2013-2014 |
|-------------------------------|--------------|--------------|--------------|---------------|--------------|
| Corporate Tax | 53.14 | 59.57 | 79.94 | 106.25 | 96.54 |
| Excise/VAT/Import Duties etc. | 1.21 | 0.79 | 1.21 | 2.46 | 0.19 |
| Duties/License Fees | 1.54 | 1.73 | 1.47 | 1.59 | 0.99 |
| Total | 56.09 | 62.09 | 82.62 | 110.30 | 97.72 |

Contribution to National Exchequer



2. Foreign Exchange Earned/Saved

The Company contributed Tk. 1597 million to the Foreign Exchange Reserve of the Country during the FY 2017-2018 through its export marketing operation. Last five years data are shown below:

(Taka in Million)

| Particulars | 2017-2018 | 2016-2017 | 2015-2016 | 2014-2015 | 2013-2014 |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|
| Total Export Earnings | 4,051 | 3,001 | 2,005 | 2,024 | 2,825 |
| Less: Import Expenses | | | | | |
| Raw Cotton/Staple Fiber | (2,355) | (2,219) | (1,346) | (1,205) | (1,447) |
| Spare Parts | (99) | (54) | (34) | (23) | (38) |
| Net Foreign Exchange Earned | 1,597 | 728 | 625 | 797 | 1,340 |

3. Value Added Statement

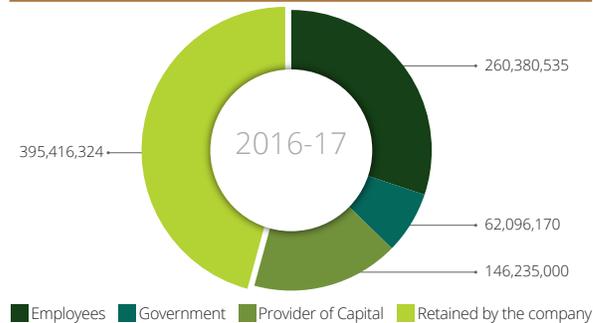
| Particulars | 2017-2018 | 2016-2017 |
|--|--------------------|--------------------|
| Source of Funds | | |
| Net Turnover | 4,050,914,298 | 3,001,195,559 |
| Less: Bought in Material and Services | (3,147,967,926) | (2,273,024,013) |
| Add: Other Income | 85,155,064 | 135,956,483 |
| Value Added | 988,101,436 | 864,128,029 |
| Applied in the following ways | | |
| Employees | | |
| Salaries, Wages, Provident Fund & Other Benefits | 285,103,861 | 244,335,570 |
| Contribution to Workers' Profit Participation & Welfare Fund | 17,787,407 | 16,044,965 |
| Government | 66,755,433 | 62,096,170 |
| Corporate Tax | 53,142,894 | 59,566,069 |
| Other Government Dues | 13,612,538 | 2,530,101 |
| Provider of Capital | 165,733,000 | 146,235,000 |
| Dividend | 165,733,000 | 146,235,000 |
| Retained by the company | 452,721,735 | 395,416,324 |
| Depreciation | 315,849,487 | 280,318,096 |
| Retained Earnings | 136,872,248 | 115,098,229 |
| | 988,101,436 | 864,128,029 |



2017-2018 Taka



2016-2017 Taka



Appropriation

The net profit after tax of Tk.302,605,247 earned during the year 2017-2018 has been apportioned in the following manner:

Cash dividend is recommended by the Board of Directors at 17 % (Tk 1.70 per share) for 2017-2018, total Tk.165,733,000.

Auditors

According to Dhaka Stock Exchange (Listing) Regulations 2015, the issuer of listed securities shall not appoint any firm of Chartered Accountants as its statutory auditors for a consecutive period exceeding three years.

As ACNABIN & Co. have completed the statutory audit of the Company for a consecutive period of three years, they are not eligible for performing the auditing of financial statements for the year 2018-19.

A. Qasem & Co., Chartered Accountants, have offered their willingness to be appointed as statutory auditor of the Company. The Board recommends their appointment for the year 2018-2019.

Management Appreciation

The Board of Directors record with deep appreciation the performance of management, the officers, staff and workers whose efforts helped to maintain the desired level of productivity as well as net profit despite the natural and unnatural adverse factors of production and marketing throughout the country. It is expected that employees and management will continue to improve the results in the interest of shareholders whose unswerving trust in management has always been an inspiration to the Board of Directors. The Directors express their gratitude and acknowledge with keen interest the cooperation and unflinching support received from various agencies including Bangladesh Securities and Exchange Commission, Stock Exchanges, CDBL, RJSC, National Board of Revenue and other agencies of the public and private sector.

For and on behalf of Board of Directors

Abdul Wahed
Chairman



ANNEXURE TO DIRECTORS' REPORT

Additional statements by the Board of Directors as per notification dated 03 June 2018 from the Bangladesh Securities and Exchange Commission:

(i) Industry Outlook and possible future developments in the industry

The Company is operating as a backward linkage industry to the RMG exporting Companies largely within DBL Group. Along with continuing growth of RMG sector in the Country DBL Group is also in the continuing process of expansion of its capacity of RMG. Keeping in view of future growth potential of RMG sector in the country the Company has increased production capacity through establishment of Mélange and Synthetic unit to meet the requirement of RMG. Currently total production capacity of the Company is 51 tons of yarn in a day which covers nearly 50% of DBL Group's total demand.

(ii) Segment-wise or product-wise performance

The Company is domiciled in Bangladesh. The Company does not have any non-current assets that are located outside Bangladesh. There are also no revenue arising from transactions with a single external customer that comprises 10% or more of the Group's revenue for the years ended 30 June 2018

The Company is primarily engaged in the manufacturing and sale of single product of yarn in Bangladesh and this forms the focus of the Company's internal reporting system. While the Company has clearly differentiated brands, segmentation within a wide portfolio of brands is not part of the regular internally reported financial information to the Chief Operating decision maker. Therefore, it is not possible to segment the Company's results by brand without a high degree of estimation. However, yarn type and export sales has been provided in Note 23

(iii) Risk and Concerns

The company as other spinning sector in the country is confronted with the supply/price risk of raw cotton and staple fiber which are entirely imported from abroad. Beside the company is facing irregular supply of Gas. Price of gas is increasing continuously. To augment low pressure of Gas supply, the company have to maintain Diesel Generator as standby using high priced Diesel.

The Company Management perceives investment risk within the national and international economic perspectives in relation to legal and moral requirements involving, inter alia, intellectual property right, scientific intervention, WTO Regulation and monetary and fiscal investment policies and has prepared its production & marketing strategies to meet the challenges from these risks.

(iv) Discussion on Cost of goods sold, Gross Profit Margin & Net Profit Margin.

Cost of goods sold, compared to last year, increased proportionately to the sales volume. Beside volume impact, price of raw material and new units (Mélange & Synthetic) depreciation cost also drives higher cost of goods sold. Gross Profit margin in 2017-2018 increased by 0.12% [Gross Profit margin 2017-2018: 15.03%, 2016-2017: 14.91%].

Net Profit [before tax] margin in 2017-2018 is 8.78% compared to 10.69% in 2016-2017. Margin decreased mainly due to increase in finance and administrative expenses.

(v) Discussion on continuity of any Extraordinary gain or loss

There was no extraordinary gain or loss in the financial statements under report.

(vi) Basis of related party transactions

Related party transactions are depicted in Note-40 in the notes to the Financial Statements.



(VII) Current Status and Utilization of proceeds from Public Issue

| | |
|--|----------------------|
| Proceeds from Public Issue | 1,261,700,000 |
| Interest income on IPO Fund | 293,954,748 |
| Total Fund | 1,555,654,748 |
| Less: Issue related and other expenses | (31,442,730) |
| Import of machinery | (1,230,257,270) |
| Working capital | (293,954,748) |
| Balance at 30 June, 2018 | Nil |

(VIII) Explanation if the financial results deteriorate after the company goes for IPO

The Company's financial performance slightly deteriorated after IPO listing due to external factors, however, recent past years performances are quite consistent

(IX) Explanation on significant variance occurs between Quarterly financial performance and Annual Financial Statements

Significant variance between Quarterly financial performances and annual financial statement are stated below:

Finance charge increase Tk.10,736,357 for repayment of short term loan. Depreciation charge increased by Tk.2,365,107 in 4th quarter compared to 3rd quarter due to capitalization of fixed assets.

(X) Remuneration to Directors including Independent Directors

Remuneration of Directors has been shown in Note-37 in the notes to the financial statements. No such remuneration is given to the Independent Directors.

(XI) Fairness of Financial Statement

The financial statements prepared by the management of the Company present fairly its state of affairs, result of its operations, cash flows, and changes in equity.

(XII) Maintenance of proper books of account

Proper books of account of the Company have been maintained.

(XIII) Adoption of appropriate accounting policies and estimates

Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

(XIV) Compliance with IAS, BAS, IFRS and BFRS in preparation of Financial Statements

International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.

(XV) Soundness of Internal Control System

The Board of Directors assures the shareholders that the Company has a robust risk management process to ensure that the system of internal control is sound in design and has been effectively implemented and monitored. Although it is possible that all risks to the business are not known at present, the Company takes reasonable steps to identify material risks that may hamper business results and systematically reviews these risks in light of the changing internal and external environment in order to assess that the controls in place are adequate to address these risks.



(XVI) Minority shareholders interest

Not applicable

(XVII) Ability to continue as a going concern

There are no significant doubts upon the Company's ability to continue as a going concern.

(XVIII) Significant deviations in Operating Results compared to last year

Operating result showing increase in net profit after tax to Tk. 302,605,247 during 2017-18 from Tk. 261,333,229 for the year 2016-17 are mainly due to the following:

1. Increase of sales volume by 29%
2. Increase of average selling price by 4%

(XIX) Past 5 (five) years key operating and financial data

The Company's operating financial results as compared to the previous years are summarized below

| Particulars | 2017-2018 | 2016-2017 | 2015-2016 | 2014-2015 | 2013-2014 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue | 4,050,914,298 | 3,001,195,559 | 2,005,184,987 | 2,023,663,281 | 2,334,384,001 |
| Cost of sales | (3,441,942,189) | (2,553,849,138) | (1,630,537,415) | (1,632,998,934) | (1,880,133,607) |
| Gross Profit | 608,972,110 | 447,346,421 | 374,647,572 | 390,664,347 | 454,250,395 |
| Operating Expenses | (232,882,728) | (189,789,330) | (144,703,935) | (95,082,477) | (136,713,941) |
| Finance Cost | (87,708,897) | (56,569,312) | (32,940,067) | (28,158,251) | (50,911,440) |
| Operating Income | 288,380,485 | 200,987,779 | 197,003,570 | 267,423,619 | 266,625,014 |
| Other Income | 85,155,064 | 135,956,483 | 196,135,347 | 276,995,469 | 168,088,956 |
| Net Profit before WPPF | 373,535,550 | 336,944,262 | 393,138,916 | 544,419,087 | 434,713,970 |
| Workers' profit participation and Welfare funds | (17,787,407) | (16,044,965) | (18,720,901) | (25,924,718) | (20,700,665) |
| Net Profit before Tax | 355,748,142 | 320,899,298 | 374,418,015 | 518,494,369 | 414,013,305 |
| Income Tax | (31,721,291) | (12,707,554) | (44,378,383) | (78,537,490) | (92,695,210) |
| Deferred Tax | (21,421,604) | (46,858,515) | (35,564,334) | (2,511,319) | (3,843,109) |
| Net profit (loss) after tax | 302,605,247 | 261,333,229 | 294,475,299 | 437,445,559 | 317,474,987 |
| Gross Margin | 15.03 | 14.91 | 18.68 | 19.3 | 19.46 |
| Net Margin after tax | 7.47 | 8.71 | 14.69 | 21.62 | 13.6 |
| Earnings per share | 3.10 | 2.68 | 3.02 | 4.49 | 3.26 |
| Return on Equity (ROE) | 7.25 | 6.41 | 7.29 | 11.13 | 10.39 |
| Outstanding Shares | 97,490,000 | 97,490,000 | 97,490,000 | 97,490,000 | 97,490,000 |
| Face Value per share (Taka) | 10 | 10 | 10 | 10 | 10 |

XX) Reasons for not declaring dividend

Not Applicable.

(XXI) Interim dividend

No bonus or stock dividend was declared during the period under review as interim dividend.



(XXII) Number of Board meetings held during the year and attendance

This has been narrated in Note-35 in the notes to the Financial Statements

(XXIII) Shareholding Pattern

Pattern of Shareholding as on 30 June 2018:

| Name of the Shareholders | Status | Shares held | % |
|--|----------------------------------|-------------|-------|
| a. Parent/Subsidiary/Associated Companies and other related parties | | | |
| Jinnat Apparels Limited | Associate Company | 29,025,000 | 29.77 |
| Flamingo Fashions Limited | Associate Company | 2,448,000 | 2.51 |
| Jinnat Knitwears Limited | Associate Company | 1,760,400 | 1.80 |
| Thanbee Print world limited | Associate Company | 857,670 | 0.88 |
| Hamza Textiles Limited | Associate Company | 271,200 | 0.26 |
| Jinnat Fashions Limited | Associate Company | 227,850 | 0.24 |
| b. Director: | | | |
| Abdul Wahed | Chairman | 5,849,250 | 5.99 |
| M. A. Jabbar | Managing Director | 5,849,250 | 5.99 |
| M. A. Rahim | Director | 5,849,250 | 5.99 |
| M. A. Quader | Director | 5,849,250 | 5.99 |
| Selina Perveen | Director | 2,130,000 | 2.18 |
| Tanzeen Rahim | Director | 2,130,000 | 2.18 |
| Taslma Brgum | Director | 2,130,000 | 2.18 |
| Md. Hassan Imam | Director | 2,130,000 | 2.18 |
| Managing Director, Chief Financial Officer, Company Secretary, Head of Internal Audit and their Spouses and Minor Children: | | | |
| M. A. Jabbar | Managing Director and his spouse | 7,979,250 | 8.18 |
| Ranjit Shil, FCA, CPA, CMA | Chief Financial Officer | Nil | Nil |
| Md. Shah Alam Miah FCS | Company Secretary | Nil | Nil |
| Md. Monirul Islam | Acting Head of Internal Audit | Nil | Nil |
| c. Executives | | | |
| | | Nil | Nil |
| d. Shareholders Holding 10% or more voting interest in the Company | | | |
| Jinnat Apparels Limited | Associate Company | 29,025,000 | 29.77 |

(XXIV) Appointment /re-appointment of Directors

The Directors retiring as per Article 100 of the Company's Articles of Association are Mr. Abdul Wahed, Ms. Selina Perveen, and Ms. Tanzeen Rahim being eligible offer themselves for re-appointment. The Board re-appointed Barrister M. Naser Alam as Independent Director. A brief resume of the directors has been provided in the "Brief Profile of Directors" section.



Newly appointed or re-appointed Directors status of Directorship and the membership of committees of the Board:

| SL | Entity | Abdul Wahed | Selina Perveen | Tanzeen Rahim | M. Naser Alam |
|----|---|-------------|----------------|---------------|---------------|
| 01 | Dulal Brothers Limited | Director | | | |
| 02 | Color City Limited | Director | | | |
| 03 | DBL Ceramic Ltd | Director | | | |
| 04 | DB Tex Ltd | Director | | | |
| 05 | Flamingo Fashions Ltd | Director | | | |
| 06 | Jinnat Fashions Ltd | Director | | | |
| 07 | Jinnat Apparels Ltd | Director | | | |
| 08 | Jinnat Knitwears Ltd | Director | | | |
| 09 | Hamza Textiles Ltd | Director | | | |
| 10 | Mymun Textiles Ltd | Director | | | |
| 11 | Parkway Packing & Printing Industries Ltd | Director | | | |
| 12 | Mawna Fashions Ltd | Director | | | |
| 13 | Textile Testing Services Ltd | Director | | | |
| 14 | DBL Telecom LTd | Director | | | |
| 15 | DBL Pharmaceutical Ltd | Director | | | |
| 16 | DBL Dredging Ltd | Director | | | |
| 17 | DBL Healthcare Ltd | Director | | | |
| 18 | DBL Distributions Ltd | Director | | | |
| 19 | DBL Sports Ltd | Director | | | |
| 20 | Thanbee Print World Ltd. | Director | | | |
| 20 | Audit Committee, MSML | | Member | | |
| 21 | Nomination and Remuneration Committee, MSML | | | | Chairman |
| 22 | Independent Director, Trust Bank | | | | Director |

(XXV) Management Discussion and Analysis

Management's discussion and analysis has been highlighted in the Managing Director's Statement and in Directors' Report.

(XXVI) Declaration by the MD and the CFO

Declaration by the Managing Director and CFO has been given on page 70.

(XXVII) Report on Compliance of the Corporate Governance Code

MSML adheres to appropriate good Corporate Governance practices, as described on pages 58 to 69 of the Annual Report. The Company also complied with all the requirements of Corporate Governance Code as required by the Bangladesh Securities and Exchange Commission (BSEC). In accordance with the BSEC Notification Corporate Governance Compliance Report is shown in Annexure-C of the Annual Report.

Further in compliance with the BSEC notification dated 3 June, 2018 K.M. Alam & Co., Chartered Accountants in practice issued the Corporate Governance Compliance Certificate which is shown on page 57 of this report.



Abdul Wahed
Chairman of the Board





K. M. ALAM & CO.
CHARTERED ACCOUNTANTS



**Report to the Shareholders of Matin Spinning Mills Limited
 on compliance on the Corporate Governance Code
 [Certificate as per condition No. 1(5)(xxvii)]**

We have examined the compliance status to the Corporate Governance Code by Matin Spinning Mills Limited for the year ended on 30 June 2018. This Code relates to the Notification No.BSEC/CMRRCD/2006-158/207/Admin/80, dated 03 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 conditions of the Corporate Governance Code.

This is a scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of relevant Bangladesh Secretarial Standards (BSS) as adopted by Institute of Chartered Secretaries of Bangladesh (ICSB) 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 as stipulated in the above mentioned 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, Dhaka
 4 November, 2018

K.M. Alam & Co
Md. Masudur Rahman, FCA, CS
 Partner
 K. M. Alam & Co.
 Chartered Accountants

Head Office : 80, Motijheel C/A (4th Floor), Dhaka-1000, Tel : 9557851, 9552954, Fax : 9557851, Mob : 01711-080981, Email: monowar92@yahoo.com
 Branch Office : 46, Mohakhali C/A (12th Floor), Dhaka-1212, Tel : 8825696-7 1 61, Ahsan Ahmed Road (2nd Floor), Khulna-9100, Tel : 041-2830395



STATUS REPORT ON COMPLIANCE WITH THE CONDITIONS IMPOSED BY THE BSEC

Annexure-C

Status of compliance with conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No. BSEC/ CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 issued under section 2CC of the Securities and Exchange Commission Ordinance, 1969:

(Report under condition No.9) is presented below:

| Condition No. | Title | Compliance Status (Put ✓ in appropriate column) | | Remarks (if any) |
|---------------|--|---|--------------|------------------|
| | | Complied | Not Complied | |
| 1 | BOARD OF DIRECTORS: | | | |
| 1.1 | Board's Size: The number of the board members of the Company shall not be less than 5(five) and more than 20(Twenty) | ✓ | | |
| 1.2 | Independent Directors: | | | |
| 1(2)(a) | At least one fifth (1/5) of the total number of directors in the company's board shall be independent director(s); | ✓ | | |
| 1(2)(b)(i) | Independent Director does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company; | ✓ | | |
| 1(2)(b)(ii) | Non connectivity with the company's any sponsor or director or shareholder who holds 1% or more shares on the basis of family relationship; | ✓ | | |
| 1(2)(b)(iii) | Who has not been an executive of the company in immediately preceding 2 (two) financial years; | ✓ | | |
| 1(2)(b)(iv) | Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary or associated companies; | ✓ | | |
| 1(2)(b)(v) | Who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange; | ✓ | | |
| 1(2)(b)(vi) | Who is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market; | ✓ | | |
| 1(2)(b)(vii) | Who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm or audit firm engaged in internal audit services or audit firm conducting special audit or professional certifying compliance of this Code; | ✓ | | |
| 1(2)(b)(viii) | Who is not independent director in more than 5 (five) listed companies; | ✓ | | |
| 1(2)(b)(ix) | Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan or any advance to a bank or a Non-Bank Financial Institution (NBFI); and | ✓ | | |



| Condition No. | Title | Compliance Status (Put ✓ in appropriate column) | | Remarks (if any) |
|---------------|--|---|--------------|------------------|
| | | Complied | Not Complied | |
| 1(2)(b)(x) | Who has not been convicted for a criminal offence involving moral turpitude; | ✓ | | |
| 1(2)(c) | The independent director(s) shall be appointed by the Board and approved by the shareholders in the Annual General Meeting (AGM); | ✓ | | |
| 1(2)(d) | The post of independent director(s) cannot remain vacant for more than 90 (ninety) days; and | ✓ | | |
| 1(2)(e) | The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) tenure only; | ✓ | | |
| 1(3) | Qualification of Independent Director: | | | |
| 1(3)(a) | Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business. | ✓ | | |
| 1(3)(b)(i) | Independent director should be a Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk. 100.00 million or any listed company or a member of any national or international chamber of commerce or business association; | ✓ | | |
| 1(3)(b)(ii) | Corporate Leader who is or was a top level executive not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid-up capital of Tk. 100.00 million or of a listed company; or | ✓ | | |
| 1(3)(b)(iii) | Former official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or business or Law; | ✓ | | |
| 1(3)(b)(iv) | University Teacher who has educational background in Economics or Commerce or Business Studies or Law; | ✓ | | |
| 1(3)(b)(v) | Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification; | ✓ | | |
| 1(3)(c) | The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b); | ✓ | | |
| 1(3)(d) | In special cases, the above qualifications or experiences may be relaxed subject to prior approval of the Commission | | | Not Applicable |
| 1(4) | Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer. | | | |



| Condition No. | Title | Compliance Status (Put ✓ in appropriate column) | | Remarks (if any) |
|---------------|---|---|--------------|------------------|
| | | Complied | Not Complied | |
| 1(4)(a) | The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals; | ✓ | | |
| 1(4)(b) | The Managing Director (MD) and/or Chief Executive Officer of a listed company shall not hold the same position in another listed company; | ✓ | | |
| 1(4)(c) | The Chairperson of the Board shall be elected from among the non-executive directors of the company; | ✓ | | |
| 1(4)(d) | The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer; | ✓ | | |
| 1(4)(e) | In the absence of the Chairperson of the Board, the remaining members may elect one of themselves from nonexecutive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes; | ✓ | | |
| 1(5) | The Directors' Report to Shareholders: | | | |
| 1(5)(i) | Industry outlook and possible future developments in the industry. | ✓ | | |
| 1(5)(ii) | Segment wise or product wise performance | ✓ | | |
| 1(5)(iii) | Risk and concerns. | ✓ | | |
| 1(5)(iv) | A Discussion on Cost of Goods Sold, Gross Profit Margin & Net Profit Margin | ✓ | | |
| 1(5)(v) | Discussion on continuity of any Extra ordinary gain or loss | | | Not applicable |
| 1(5)(vi) | Basis for related party transactions: A statement of all related party transactions should be disclosed in the annual report. | ✓ | | |
| 1(5)(vii) | Utilization of proceeds from public issues, rights issues and/or through any others instruments. | ✓ | | |
| 1(5)(viii) | An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO). Rights Offer, Direct Listing etc. | | | Not Applicable |
| 1(5)(ix) | If significant variance occurs between Quarterly Financial Performance and Annual Financial Statements the management shall explain about the variance on their Annual Report. | ✓ | | |
| 1(5)(x) | Remuneration to directors including Independent Directors; | ✓ | | |
| 1(5)(xi) | The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity; | ✓ | | |
| 1(5)(xii) | Proper books of account of the issuer company have been maintained | ✓ | | |
| 1(5)(xiii) | 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; | ✓ | | |



| Condition No. | Title | Compliance Status (Put ✓ in appropriate column) | | Remarks (if any) |
|--------------------|---|---|--------------|------------------|
| | | Complied | Not Complied | |
| 1(5)(xiv) | International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed; | ✓ | | |
| 1(5)(xv) | The system of internal control is sound in design and has been effectively implemented and monitored; | ✓ | | |
| 1(5)(xvi) | A statement that minority share holders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress; | | | Not Applicable |
| 1(5)(xvii) | There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed; | ✓ | | |
| 1(5)(xviii) | Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained; | ✓ | | |
| 1(5)(xix) | Key operating and financial data of at least preceding 5(five) years shall be summarized; | ✓ | | |
| 1(5)(xx) | If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given; | | | Not Applicable |
| 1(5)(xxi) | The number of Board meetings held during the year and attendance by each director shall be disclosed; | ✓ | | |
| 1(5)(xxii) | The total number of Board meetings held during the year and attendance by each director; | ✓ | | |
| 1(5)(xxiii) | A report on the pattern of shareholding disclosing the aggregate number of shares (along with name-wise details where stated below) held by:- | | | |
| 1(5)(xxiii)(a) | Parent/subsidiary/Associated Companies and other related parties (name wise details); | ✓ | | |
| 1(5)(xxiii)(b) | Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details); | ✓ | | |
| 1(5)(xxiii)c | Executives | ✓ | | |
| 1(5)(xxiii)d | Shareholders holding ten percent (10%) or more voting interest in the company (name wise details); | ✓ | | |
| 1(5)(xxiv) | In case of the appointment or reappointment of a director, a disclosure on the following information to the shareholders:- | | | |
| 1(5)(xxiv)a | A brief Resume of the Director; | ✓ | | |
| 1(5)(xxiv)b | Nature of his/her expertise in specific functional areas; | ✓ | | |
| 1(5)(xxiv)c | Names of companies in which the person also holds the directorship and the membership of committees of the Board; | ✓ | | |
| 1(5)(xxv) | A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on: | | | |
| 1(5)(xxv)(a) | Accounting policies and estimation for preparation of financial statements; | ✓ | | |



| Condition No. | Title | Compliance Status (Put ✓ in appropriate column) | | Remarks (if any) |
|---------------|---|--|--------------|---------------------|
| | | Complied | Not Complied | |
| 1(5)(xxv)(b) | Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes; | ✓ | | |
| 1(5)(xxv)(c) | Comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof; | ✓ | | |
| 1(5)(xxv)(d) | Compare such financial performance or results and financial position as well as cash flows with the peer industry scenario; | ✓ | | |
| 1(5)(xxv)(e) | Briefly explain the financial and economic scenario of the country and the globe; | ✓ | | |
| 1(5)(xxv)(f) | Risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company; | ✓ | | |
| 1(5)(xxv)(g) | Future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e. actual position shall be explained to the shareholders in the next AGM | ✓ | | |
| 1(5)xxvi | Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A | ✓ | | |
| 1(5)(xxvii) | The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per Annexure-B and Annexure-C. | ✓ | | |
| 1(6) | Meetings of the Board of Directors The company shall conduct its Board meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Code. | ✓ | | |
| 1(7) | Code of Conduct for the Chairperson, other Board members and Chief Executive Officer | | | |
| 1(7)(a) | The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC) at condition No. 6, for the Chairperson of the Board, other board members and Chief Executive Officer of the company; | ✓ | | |
| 1(7)(b) | The code of conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behavior; confidentiality; conflict of interest; compliance with laws, rules and regulations; prohibition of insider trading; relationship with environment, Employees, customers and suppliers; and independency; | ✓ | | |
| 2 | Governance of Board of Directors of Subsidiary Company | | | |
| 2(a) | Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company; | | | Not Applicable |



| Condition No. | Title | Compliance Status (Put ✓ in appropriate column) | | Remarks (if any) |
|---------------|--|--|--------------|---------------------|
| | | Complied | Not Complied | |
| 2(b) | At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company; | | | Not Applicable |
| 2(c) | The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company; | | | Not Applicable |
| 2(d) | The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also; | | | Not Applicable |
| 2(e) | The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company. | | | Not Applicable |
| 3. | Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO) Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS); | | | |
| 3(1)(a) | The Board shall appoint a Managing Director (MD) or Chief Executive Officer (CEO), a Company Secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC); | ✓ | | |
| 3(1)(b) | The positions of the Managing Director (MD) or Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO) and Head of Internal Audit and Compliance (HIAC) shall be filled by different individuals; | ✓ | | |
| 3(1)(c) | The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time; | ✓ | | |
| 3(1)(d) | The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS; | ✓ | | |
| 3(1)(e) | The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s). | ✓ | | |
| 3(2) | Requirement to attend Board of Directors' Meetings The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board: Provided that the CS, CFO and/or the HIAC shall not attend such part of a meeting of the Board which involves consideration of an agenda item relating to their personal matters. | ✓ | | |
| 3(3) | Duties of Managing Director(MD) or Chief Executive Officer(CEO) and Chief Financial Officer (CFO) | | | |
| 3(3)(a) | The MD or CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief: | ✓ | | |
| 3(3)(a)(i) | These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; | ✓ | | |
| 3(3)(a)(ii) | These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws; | ✓ | | |



| Condition No. | Title | Compliance Status (Put ✓ in appropriate column) | | Remarks (if any) |
|---------------|---|--|--------------|---------------------|
| | | Complied | Not Complied | |
| 3(3)(b) | The MD or CEO and CFO shall also certify that 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 or its members; | ✓ | | |
| 3(3)(c) | The certification of the MD or CEO and CFO shall be disclosed in the Annual Report. | ✓ | | |
| 4. | Board of Director's Committee | | | |
| 4(i) | Audit Committee | ✓ | | |
| 4(ii) | Nomination and Remuneration Committee | ✓ | | |
| 5 | Audit Committee | | | |
| 5(1)(a) | The company shall have and Audit Committee as a sub-committee of the Board of Directors. | ✓ | | |
| 5(1)(b) | The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business. | ✓ | | |
| 5(1)(c) | The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing. | ✓ | | |
| 5(2) | Constitution of the Audit Committee | | | |
| 5(2)(a) | The Audit Committee shall be composed of at least 3 (three) members; | ✓ | | |
| 5(2)(b) | The Board shall appoint members of the Audit Committee who shall be non-executive directors of the company excepting Chairperson of the Board and shall include at least 1 (one) independent director; | ✓ | | |
| 5(2)(c) | All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience; | ✓ | | |
| 5(2)(d) | When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 1 (one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee; | ✓ | | |
| 5(2)(e) | The company secretary shall act as the secretary of the Committee; | ✓ | | |
| 5(2)(f) | The quoram of the Audit Committee meeting shall not constitute without at least 1 (one) independent director. | ✓ | | |
| 5(3) | Chairperson of the Audit Committee | | | |
| 5(3)(a) | The Board shall select 1 (one) member of the Audit Committee to be Chairperson of the Audit Committee, who shall be an independent director; | ✓ | | |



| Condition No. | Title | Compliance Status (Put ✓ in appropriate column) | | Remarks (if any) |
|---------------|---|--|--------------|---------------------|
| | | Complied | Not Complied | |
| 5(30)(b) | In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes. | ✓ | | |
| 5(3)(c) | Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM): | ✓ | | |
| 5(4) | Meeting of the Audit Committee | | | |
| 5(4)(a) | Audit Committee shall conduct at least its four meetings in a financial year: | ✓ | | |
| 5(4)(b) | The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must. | ✓ | | |
| 5(5) | Role of Audit Committee | | | |
| | The Audit Committee shall:- | | | |
| 5(5)(a) | Oversee the financial reporting process; | ✓ | | |
| 5(5)(b) | Monitor choice of accounting policies and principles; | ✓ | | |
| 5(5)(c) | Monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report; | ✓ | | |
| 5(5)(d) | Oversee hiring and performance of external auditors; | ✓ | | |
| 5(5)(e) | Hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption; | ✓ | | |
| 5(5)(f) | Review along with the management, the annual financial statements before submission to the Board for approval; | ✓ | | |
| 5(5)(g) | Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval; | ✓ | | |
| 5(5)(h) | Review the adequacy of internal audit function; | ✓ | | |
| 5(5)(i) | Review the Management's Discussion and Analysis before disclosing in the Annual Report | ✓ | | |
| 5(5)(j) | Review statement of all related party transactions submitted by the management; | ✓ | | |
| 5(5)(k) | Review Management Letters or Letter of Internal Control weakness issued by statutory auditors; | ✓ | | |
| 5(5)(l) | Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors; | ✓ | | |
| 5(5)(m) | Oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission: | | | Not Applicable |



| Condition No. | Title | Compliance Status (Put ✓ in appropriate column) | | Remarks (if any) |
|--------------------|--|---|--------------|------------------|
| | | Complied | Not Complied | |
| 5(6) | Reporting of the Audit Committee | | | |
| 5(6)(a)(i) | The Audit Committee shall report on its activities to the Board. | ✓ | | |
| 5(6)(a)(ii) | The audit Committee shall immediately report to the Board on the following findings, if any:- | | | |
| 5(6)(a)(ii)(a) | Report on conflicts of interests; | | | Not Applicable |
| 5(6)(a)(ii)(b) | Suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements; | | | Not Applicable |
| 5(6)(a)(ii)(c) | Suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations; | | | Not Applicable |
| 5(6)(a)(ii)(d) | Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately; | ✓ | | |
| | Report to the Authorities | | | |
| 5(6)(b) | Reporting to the Authorities If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier. | | | Not Applicable |
| 5(7) | Reporting to the Shareholders and General Investors Report on activities carried out by the Audit Committee, including any report made to the Board under condition No. 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company. | ✓ | | |
| 6 | Nomination and Remuneration Committee (NRC) | | | |
| 6(1)(a) | The company shall have a Nomination and Remuneration Committee (NRC) as a subcommittee of the Board; | ✓ | | |
| 6(1)(b) | The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive; | ✓ | | |
| 6(1)(c) | The Terms of Reference (ToR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5)(b). | ✓ | | |
| 6(2) | Constitution of the NRC | | | |
| 6(2)(a) | The Committee shall comprise of at least three members including an independent director; | ✓ | | |
| 6(2)(b) | All members of the Committee shall be non-executive directors; | ✓ | | |
| 6(2)(c) | Members of the Committee shall be nominated and appointed by the Board; | ✓ | | |



| Condition No. | Title | Compliance Status (Put ✓ in appropriate column) | | Remarks (if any) |
|---------------|--|--|--------------|---------------------|
| | | Complied | Not Complied | |
| 6(2)(d) | The Board shall have authority to remove and appoint any member of the Committee; | ✓ | | |
| 6(2)(e) | In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee; | ✓ | | |
| 6(2)(f) | The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as advisor who shall be non-voting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee; | ✓ | | |
| 6(2)(g) | The company secretary 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 independent director; | ✓ | | |
| 6(2)(h)(i) | No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company. | ✓ | | |
| 6(3) | Chairperson of the NRC | | | |
| 6(3)(a) | The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director; | ✓ | | |
| 6(3)(b) | In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes | ✓ | | |
| 6(3)(c) | The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders; | ✓ | | |
| 6(4) | Meeting of the NRC | | | |
| 6(4)(a) | The NRC shall conduct at least one meeting in a financial year; | ✓ | | |
| 6(4)(b) | The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC; | ✓ | | |
| 6(4)(c) | The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h); | ✓ | | |
| 6(4)(d) | The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC. | ✓ | | |
| 6(5) | Role of the NRC | | | |
| 6(5)(a) | NRC shall be independent and responsible or accountable to the Board and to the shareholders; | ✓ | | |



| Condition No. | Title | Compliance Status (Put ✓ in appropriate column) | | Remarks (if any) |
|----------------|---|--|--------------|----------------------------------|
| | | Complied | Not Complied | |
| 6(5)(b) | NRC shall oversee, among others, the following matters and make report with recommendation to the Board: | | | |
| 6(5)(b)(i)(a) | The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully; | ✓ | | |
| 6(5)(b)(i)(b) | The relationship of remuneration to performance is clear and meets appropriate performance benchmarks; | ✓ | | |
| 6(5)(b)(i)(c) | Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals; | ✓ | | |
| 6(5)(b)(ii) | Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality; | ✓ | | |
| 6(5)(b)(iii) | Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board; | ✓ | | |
| 6(5)(b)(iv) | Formulating the criteria for evaluation of performance of independent directors and the Board; | ✓ | | |
| 6(5)(b)(v) | Identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; | ✓ | | |
| 6(5)(b)(vi) | Developing, recommending and reviewing annually the company's human resources and training policies; | ✓ | | |
| 6(5)(c) | The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report. | | | Will be complied by 31 Dce, 2018 |
| 7 | External or Statutory Auditors | | | |
| 7(1)(i) | Non-engagement of external/statutory auditors in appraisal or valuation services or fairness opinions. | | | Not Applicable |
| 7(1)(ii) | Non-engagement of external/statutory auditors in financial information systems design and implementation. | | | Not Applicable |
| 7(1)(iii) | Non-engagement of external/statutory auditors in Book-keeping or other services related to the accounting records or financial statements | | | Not Applicable |
| 7(1)(iv) | Non-engagement of external/statutory auditors in Broker-dealer services. | | | Not Applicable |
| 7(1)(v) | Non-engagement of external/statutory auditors in Actuarial services. | | | Not Applicable |
| 7(1)(vi) | Non-engagement of external/statutory auditors in Internal audit services | | | Not Applicable |
| 7(1)(vii) | Non-engagement of external/statutory auditors in any other service that the Audit Committee determines. | | | Not Applicable |



| Condition No. | Title | Compliance Status (Put ✓ in appropriate column) | | Remarks (if any) |
|---------------|---|--|--------------|---------------------|
| | | Complied | Not Complied | |
| 7(1)(viii) | Audit or certification services on compliance of corporate governance as required under condition No. 9(1); | | | Not Applicable |
| 7(1)(ix) | Any other service that creates conflict of interest. | | | Not Applicable |
| 7(2) | No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company; his or her family members also shall not hold any shares in the said company: | ✓ | | |
| 7(3) | Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General Meeting or Extraordinary General Meeting) to answer the queries of the shareholders. | ✓ | | |
| 8 | Maintaining a website by the Company | | | |
| 8(1) | The company shall have an official website linked with the website of the stock exchange. | ✓ | | |
| 8(2) | The company shall keep the website functional from the date of listing. | ✓ | | |
| 8(3) | The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchange(s). Complied 9 Reporting and Compliance of Corporate Governance. | ✓ | | |
| 9 | Reporting and Compliance of Corporate Governance | | | |
| 9(1) | The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report. | ✓ | | |
| 9(2) | The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the annual general meeting. | ✓ | | |
| 9(3) | The directors of the company shall state, in accordance with the Annexure-C attached, in the directors' report whether the company has complied with these conditions or not. | ✓ | | |



Matin Spinning Mills Limited
Declaration by Managing Director and Chief Financial Officer

Date: 04 November, 2018

Annexure-A

The Board of Directors
Matin Spinning Mills Limited
BGMEA Complex (12th Floor), 23/1 Panthapath Link Road
Karwan Bazar, Dhaka-1215

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

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

We have reviewed financial statements for the year and that to the best of our knowledge and belief:

- (1) The Financial Statements of Matin Spinning Mills Limited for the year ended on 30 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 there 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 accounting 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 30 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 standards 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.

Sincerely yours,



M. A. Jabbar
Managing Director



Ranjit Shil FCA, CPA, CMA
Chief Financial Officer



REPORT OF THE AUDIT COMMITTEE

For the Year 2017-2018

The Audit Committee consists of the following persons:

| | | |
|---|---|-----------|
| Mr. M. Farhad Hussain FCA, Independent Director | - | Chairman |
| Mr. M. A. Rahim, Director | - | Member |
| Mr. M. A. Quader, Director | - | Member |
| Ms. Selina Perveen | - | Member |
| Mr. Md. Hassan Imam | - | Member |
| Mr. Md. Shah Alam Miah FCS, Company Secretary | - | Secretary |

The Scope of the Audit Committee was defined as under

- (a) Oversee the financial reporting process;
- (b) Monitor and oversee choice of accounting policies and principles, Internal Control Risk management process, auditing matter, hiring and performance of external auditors;
- (c) Review and recommended to the Board to approve the quarterly, half yearly and annual financial statements prepared for statutory purpose.
- (d) Review statement of significant related party transactions submitted by the management.
- (e) Review and consider the report of internal auditors and statutory auditors' observations on internal control.
- (f) Review the utilization report of Initial Public Offering (IPO) proceeds.
- (g) Any other requirement assigned by the Board of Directors.

Activities carried out during the year

During the year 2017-2018, the Audit Committee of the Company held 06 meetings. Proceedings of the Audit Committee meetings were reported timely and regularly to the Board of Directors. During the year, the Committee performed amongst others, the following key functions:

1. The Committee reviewed the integrity of the quarterly, half yearly and annual financial statements and recommend to the Board for consideration.
2. The Committee had overseen, reviewed and approved the procedure and task of the internal audit, financial report preparation and the external audit reports.
3. The Committee reviewed the Audit Plan for the year 2018-2019.
4. The Committee reviewed the performance and appointment of external auditors.
5. The Committee found adequate arrangement to present a true and fair view of the activities and the financial status of the Company and didn't find any material deviation, discrepancies or any adverse finding/ observation in the area of reporting.



M. Farhad Hussain, FCA
Chairman, Audit Committee



CORPORATE SOCIAL RESPONSIBILITY

Centre for the Rehabilitation of the Paralysed (CRP)

Matin Spinning Mills Limited realizes the frantic need of services for patients with spinal injuries and has thus contributed BDT one million to the Centre for the Rehabilitation of the Paralysed (CRP). The CRP has developed into an internationally respected organisation. Matin Spinning Mills Limited choose CRP due to the organised and holistic approach to rehabilitation, having recognised the fact that all the aspects of the rehabilitation process are vital for its success. The services provided by CRP include: physical rehabilitation, psychological rehabilitation, economic rehabilitation and planned discharge. The apt nature of CRP's work is due to its work covering several areas of development including human rights, poverty alleviation, health care provision and education. In the future, Matin Spinning has an intention of recruiting physically challenged people as well.

Diabetic Association of Bangladesh

Matin Spinning Mills Limited (MSML) is an epitome of benevolence when it comes to serving the community for a just and noble cause. The risks associated with Diabetes are many and there is a continued increase in the number of diabetic patients every year. Hence, MSML has contributed BDT 2 million to the Diabetic Association of Bangladesh for 2017-18 in the form of financial assistance for the treatment of underprivileged people who are incapable of bearing such medical expenses. In addition to total healthcare of diabetics, the primary focus of the Diabetic Association of Bangladesh includes creating specialized quality manpower, developing leadership in healthcare

through dedicated and transparent management system and developing industries for manufacturing quality medicines and healthcare products. At Matin Spinning Mills Limited, we strongly believe that it is the duty of the private sector to come forward and extend all help to institutions like the Diabetic Association of Bangladesh to ensure total healthcare including rehabilitation for all diabetics irrespective of gender, economic, and social status.

Dhaka Ahsania Mission Cancer Hospital

The number of cancer patients has been rising quite significantly throughout the years. Matin Spinning Mills Limited acknowledges this and there by contributed Dhaka Ahsania Mission Cancer Hospital with BDT 600,000. The hospital is now a 42 bed Cancer Hospital with proper operation facilities, Chemotherapy, X-Ray and Imaging facilities. Matin Spinning has even been supporting for setting up an operation theatre since 2010. Experienced and dedicated cancer specialists and general physicians are working there to provide health service at a reasonably low cost and even no cost at times.

Anjuman Mufidul Islami Mission

Matin Spinning Mills Limited has also contributed BDT 600,000, to Anjuman Mufidul Islami Mission. This will aid in catering to a variety of facilities as Anjuman Mufidul Islami Mission provides ambulance services, burial services, medical programmes, assistance, relief programmes, technical institute and even two orphanages. Thus, Matin Spinning Mills Limited supports not only healthcare but also health education and the proper upbringing of orphan children.





ENVIRONMENTAL &
SOCIAL OBLIGATION:
A SUSTAINABLE FUTURE

All businesses having direct impact on the environment from their operations should work toward minimizing the increasing stress on the finite natural resources. It is high time that businesses operating in Bangladesh, the most vulnerable region to climate change, increase their business exposure to extreme climate related events on multiple levels, including their operations, supply chains and consumer base.

As a responsible corporate entity, Matin Spinning Mills Limited (MSML) is committed to reduce its carbon footprint and any adverse effect on the environment using state-of-the-art technology on a continuous basis. MSML strongly believes in

balancing economic prosperity and social progress with care for the planet to ensure good quality of life for all. MSML has already taken environment management to another level from initially being a mere responsibility to transforming into a competency and performance issue.

The foundation of MSML's Sustainability is based on five pillars: People, Process, Product, Community, and Environment; thereby having a holistic approach towards environmental and social impacts. Our sustainable action programs are diversified accordingly and some of them are discussed here.



PEOPLE

As an organization, Matin Spinning Mills Limited realizes its responsibility towards its people: our employees. Our company understands how the business practices impact our employees and we work to serve in their best interests.



PROCESS

Matin Spinning Mills Limited is committed to continuously improve all its business processes: ranging from purchasing raw materials to transporting final finished goods. We give a strong emphasis on eliminating non-value added activities (waste) while delivering quality products on time with least effect on the environment and greater efficiency.



PRODUCT

Matin Spinning Mills Limited continuously works towards improving the quality of the products, and all the processes that go into making the final finished product, and ensures to minimize the negative impact on the environment and the consumers. The R&D department is actively involved in creating new and researching existing products and the processes associated with them.



COMMUNITY

We believe that together with our employees, customers, business partners and other stakeholders, we can create real and long-term changes for the betterment of the community and the environment. And together with our thousands of employees we can extend this impact even further - from improving the livelihood of our employees to the development of the society where we conduct our businesses.



ENVIRONMENT

Environment is a high priority for our company and we work to decrease carbon footprint, water consumption, and waste from our manufacturing processes. We dedicate ourselves in conserving energy, managing waste effectively and replenishing the environment to the best of our capacity. Matin Spinning Mills Limited recognizes that its own sustainability rests on its ability to work harmoniously in its social and environmental settings. So, with economic success we also want to balance social and environmental prosperity.

SUSTAINABILITY INITIATIVES

People

Bandhan Fair Price Shop



The Bandhan Fair Price Shop serves people with all the essentials and commodities at factory price of the manufactures. It reduces workers' monthly expenditure burden and shelters them from economic inflation. Goods are available at subsidized rates from 5% to 15%. "Bandhan" is the Bengali form of "Bonding"; it refers to the bonding between employer and employee. A total of BDT 9,216,738 sales took place in Bandhan in 2017-18.

Future Leaders Development Program (FLDP)

Under the FLDP, fresh graduates from reputed universities across the nation are recruited and trained and groomed to become the future leaders of our organization in a period of five years.

Women Health Program Initiative (WHPI)

The Women Health Program Initiative (WHPI) has a long-term objective to ensure good health and hygiene for all MSML's female workers. The initial activity was providing women with sanitary napkins at discounted price of only Taka 10: thus,



not only limiting to teaching women but providing opportunities for safe health as well. As a result, women workers now have improved health condition and there is reduced absenteeism.

Supporting employee's children's education

A set of programs exist in MSML which focuses on affordability and accessibility to education for all the employees of DBL. These include:

- ✦ Sponsoring two children of each staff and worker whose monthly income is below BDT 25,000
- ✦ Recognition for meritorious students
- ✦ Providing career path counselling to students who have passed Higher Secondary education

In 2017-18 MSML contributed BDT 257,350 scholarship for the children of the employee as part of CSR.

Process

Idea Club

MSML encourages ideas from any employee or worker, regardless of their designation. Their efforts are recognized through a monthly recognition system: the "Employee of the Month". In addition, the "Employee of the Year" has also been initiated. This promotes employees to work at their full potential and gives them a feeling of fairness as every employee has an equal opportunity at obtaining this reward. Ideas provided by workers helped in increasing productivity and reducing wastage.

MSML Quality Control (QC) Circles

To promote employee engagement in workplace decision making, QC Circles have been set up in MSML. Currently MSML has Eight QC Circles who



periodically research different processes and activities and research on improving those using sophisticated methods of analysis. In-house QC Circle competitions are also taking place simulating the standards followed in the national level competition organized by the Bangladesh Standard for Total Quality Management (BSTQM).

Product

Organic Cotton

As an initiative to reduce the negative impact on the environment and consumers, Organic Cotton is imported from India to process organic yarn. Organic Cotton contributes to replenishing and maintaining soil fertility, building biologically diverse agriculture and using less water. Use of harmful pesticides, insecticides, etc. is also eliminated here which otherwise would affect farmers and wildlife. currently about 8% of the total yarn production comprises of Organic Cotton.

Better Cotton Initiative (BCI)

The BCI has been undertaken by MSML to support the global standards for Better Cotton. BCI helps MSML in promoting its commitment to make global cotton production better for the producers, environment, and the sector. Over 90% of the total yarn production is from BCI cotton.



Sustainable yarn production

As part of the 2020 Goal, our Spinning Mill now targets to have 20% of total production made from these recycled production. Matin Spinning launched a series of innovated products in their production line such as colour fiber injected yarn, Vario Siro yarn, Snow yarn, etc. In raw material consumption, we are increasing sustainable and recycled fiber. The different innovations have allowed in reducing waste, reusing cotton and recycling to form new yarns.



Oeko-Tex Standard 100

Integrating the Oeko-Tex Standard (Product Class I) enables MSML to follow the Restricted Substances List (RSL) specified by the certificate.

Community

Community Education and Development Program

As a part of endorsing need for quality education in Bangladesh, MSML has undertaken multiple activities to promote education in the local community of Kashimpur. MSML created a four-storied building in Hatimara School and College which accommodates 1,000 pupils. Furthermore, in 2015, 100 benches donated to Sardagonj Govt. Primary School as part of their request for facilitating them for the board examinations. A renovation work has also been done in the school to accommodate further students.

Medical services for workers and their families



An in-house medical facility in MSML is open to workers and their families. Apart from accidents or other emergencies, outdoor medical services are also provided. Health and nutrition tips are provided with special attention to children, nursing mothers, and pregnant women. Medicines in the in-house pharmacy are charged at manufacturers' price. Furthermore, financial and logistical supports offered to employees on need basis.

Community Knowledge Exchange Programs

With the motto of "Sharing is Caring", MSML hosts Community Knowledge Exchange Programs to share learnings from the different Sustainability programs with the local community. The programs focus on:

- ✚ Empowering women through financial literacy
- ✚ Personal hygiene for women
- ✚ Sexual and Reproductive Health Rights (SRHR)
- ✚ Maternity protection and breastfeeding.



Mini Fire Brigade

The Mini Fire Brigade is a public-private partnership between DBL Group, the German Cooperation through GIZ and the Bangladesh Fire Service and Civil Defence (BFSCD). The foundation stone was laid on 7 October 2015 by H.E. Dr. Gerd Müller, Honorable Federal Minister for Economic Cooperation and Development, Germany, and H.E. Mr. Tofail Ahmed, Honorable Minister of Commerce, Government of Bangladesh. The objective of the Mini Fire Brigade rapid response and risk reduction unit is to prevent fire in the industrial buildings around Kashimpur, Gazipur area. The facility is staffed 24 hours a day with a target to respond within the first critical 10-15 minutes to both industrial fire and building collapse. The MFB has already completed more than 40 successful operations in Kashimpur in 2017-18.



Environment

Trees to be planted to offset carbon emissions

Creating industries has a direct relation with creating employment. At the same time, carbon emissions are associated with the industries. A method of offsetting these emissions is by planting trees. Trees, of course, have other benefits including restoring biodiversity. Recognizing all these, DBL has already started planting trees as part of the Tree Plantation Program. DBL aims to plant 1, 00,000 trees in different regions of its operations and beyond within 2020.



Energy efficient machineries

MSML always procures machines which provide high efficiency, production capacity, and machine longevity. These machines also have the advantages of less power consumption and noise level than other alternatives. For example, one of the production machines from Toyota uses Programmable Logic Control (PLC) which automatically adjusts with the revolutions per minute (RPM) thereby automatically contributing to optimum energy use and energy savings.



Eneflow magnetic devices

From the Enecon Corporation, USA, the Eneflow devices are used in generators which helped reduce carbon footprints. They also provided significant cost savings: more than BDT 8 million per year, by investing only BDT 60,000. These devices allow efficient utilization of fuel: saving 514 liters every day and hence savings for the future is ensured given the limited natural resources available.



Energy Efficiency Engagement (3e)

The 3e project was undertaken by the Nordic Chamber of Commerce and Industry (NCCI) in Bangladesh. A detailed energy assessment has been done and improvement areas have been identified. MSML will be implementing these improvements to further enhance the efficiency of its operations.



Nordic Chamber of Commerce
and Industry in Bangladesh



SHAREHOLDING INFORMATION

The following historical information will hold our current and potential investors for their decision making:

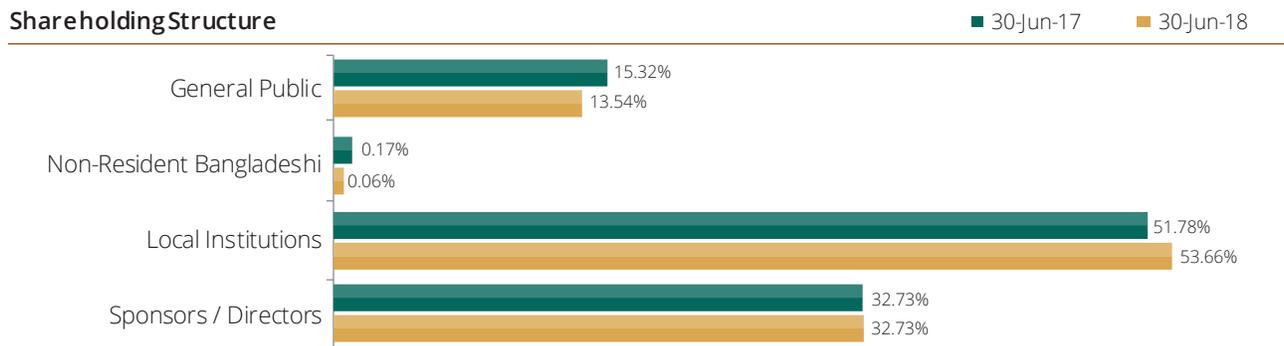
Financial Calendar

| Events for the year | 2017-2018 | 2016-2017 |
|---|-----------|-----------|
| Publication of unaudited 1st Quarter Financial Statements | 06-Nov-17 | 09-Nov-16 |
| Publication of unaudited Half year Financial Statements | 27-Jan-18 | 25-Jan-17 |
| Publication of unaudited 3rd Quarter Financial Statements | 25-Apr-18 | 24-Apr-17 |
| Annual Financial Statements approved by the Board | 04-Nov-18 | 06-Nov-17 |
| Record Date | 29-Nov-18 | 30-Nov-17 |
| Dispatching notice for the Annual General Meeting | 20-Nov-18 | 28-Nov-17 |
| Dispatching of Annual Report | 28-Nov-18 | 04-Dec-17 |
| Holding of Annual General Meeting | 13-Dec-18 | 27-Dec-17 |
| Transfer/Payment of Dividend | 03-Jan-19 | 20-Jan-18 |

Comparative Shareholding Structure

| Events for the year | 30 June, 2018 | | 30 June, 2017 | |
|-----------------------------|-------------------|---------------|-------------------|---------------|
| | Number of shares | % of Shares | Number of shares | % of Shares |
| Sponsors / Directors | 31,917,000 | 32.74 | 31,917,000 | 32.73 |
| Local Institutions | 52,318,702 | 53.66 | 50,481,768 | 51.78 |
| Foreign Institutions | - | - | - | - |
| Non-residential Bangladeshi | 60,050 | 0.06 | 164,985 | 0.18 |
| General Public | 13,194,248 | 13.54 | 14,926,247 | 15.31 |
| Total Shares Held | 97,490,000 | 100.00 | 97,490,000 | 100.00 |

Shareholding Structure



Financial Calendar

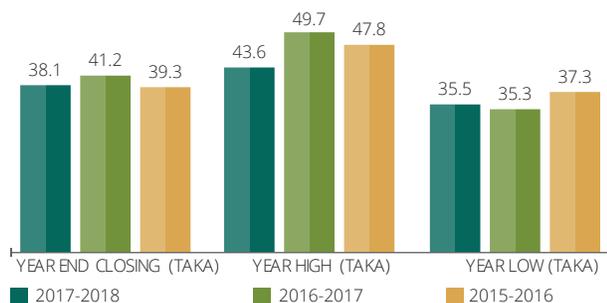
| Events for the year | DSE | CSE |
|----------------------------|-------------|-------------|
| Stock Symbol | MATINSPINN | MATINSPINN |
| Listing Year | 2014 | 2014 |
| Market Category | A | A |
| Face Value (Taka) | 10 | 10 |
| Paid -up- Capital | 974,900,000 | 974,900,000 |
| Market Lot | 1 | 1 |
| Total Number of Securities | 97,490,000 | 97,490,000 |



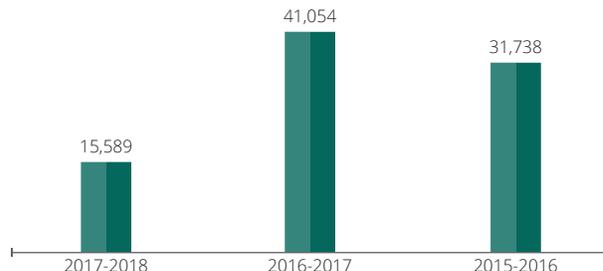
Price Trend in DSE

| Period | 2017-2018 | 2016-2017 | 2015-2016 |
|-------------------------|-----------|-----------|-----------|
| Year End Closing (Taka) | 38.10 | 41.20 | 39.30 |
| Year High (Taka) | 43.60 | 49.70 | 47.80 |
| Year Low (Taka) | 35.50 | 35.30 | 37.30 |
| Total number of Trade | 15,589 | 41,054 | 31,738 |

Share Prices



Total Shares Traded



Share Information

| Particulars | 30 June, 2018 | 30 June, 2017 | 30 June, 2016 |
|---------------------------------|---------------|---------------|---------------|
| Number of shares | 97,490,000 | 97,490,000 | 97,490,000 |
| Net Asset Value per share(Taka) | 43.63 | 41.99 | 41.64 |
| Earnings per share | 3.10 | 2.68 | 3.02 |
| Dividend (Cash) % | 17 | 15 | 23 |

Shares held by directors/executives and relatives of directors /executives (Pattern of Shareholding as on 30 June 2018 provided on page 55)

Redressal of Investor Complaints

Matin Spinning Mills Limited places high degree of importance to investor queries and as such has established an Investor Relations Department headed by the Company Secretary. The mechanism of the Investor Complaints process is given below:

- i) Investors are encouraged to address their queries via E-mail: secretary@msml.dbl-group.com. Investor can also register their complaints and queries through an application addressed to the Company Secretary.
- ii) Investor Relations Department acknowledges the complaint and contacts the investor to confirm their identity regarding
 - + Shareholder's BO ID &
 - + Shareholder's Name
- iii) Investor Relations Department, after confirming the shareholders identity, addresses their queries and provides required information/guidance.

Any complaints received at the AGM or throughout the year pertaining to service offering, delivery, compliance or other issues are resolved lawfully. The Company Secretary acts as the key point of contact in resolving such issues.





AUDITORS' REPORT

AUDITOR'S REPORT TO THE SHAREHOLDERS OF MATIN SPINNING MILLS LIMITED

We have audited the accompanying financial statements of Matin Spinning Mills Limited (hereinafter referred to as "the Company") which comprise the statement of financial position as at June 30, 2018 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information disclosed in Note 1 to 46 to the financial statements.

Management's Responsibility for the Financial Statements

Management of Matin Spinning Mills Limited is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards and applicable laws and rules and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Matin Spinning Mills Limited as at June 30, 2018, and its financial performance and its cash flows for the year then ended, and these financial statements have been drawn up in accordance with the requirements of applicable laws and rules and the Bangladesh Financial Reporting Standards (BFRSs).



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Web: www.acnabin.com

Emphasis of Matter

Without qualifying our opinion, we would like to draw attention to the Note #3.07 to the financial statements wherein the Company disclosed about the methods of charging depreciation on Property, Plant & Equipment.

Report on Other Legal and Regulatory Requirements

We also report that:

- (a) we have obtained all the material information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (a) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books;
- (a) the Company's statement of financial position and statement of profit or loss and other comprehensive income together with the Note 1 to 46 dealt with by the report are in agreement with the books of account; and
- (a) the expenditure incurred was for the purposes of the Company's business.

Dated, Dhaka

04 November 2018



ACNABIN

Chartered Accountants

MATIN SPINNING MILLS LIMITED

Statement of Financial Position as at 30 June 2018

| Particular | Notes | Amounts in Taka | |
|--|------------------|----------------------|----------------------|
| | | 30 June 2018 | 30 June 2017 |
| Assets | | | |
| Non - current assets | | | |
| Property, plant and equipment | 04, Annex i & ii | 4,168,868,097 | 4,352,495,521 |
| Investment | 05 | 34,336,067 | 35,414,179 |
| Capital work-in-process | 06 | 30,603,751 | 70,232,487 |
| | | 64,939,818 | 105,646,666 |
| Total non - current assets | | 4,233,807,915 | 4,458,142,186 |
| Current assets | | | |
| Cash and bank balances | 07 | 106,272,934 | 346,387,853 |
| Accounts receivable | 08 | 1,079,124,341 | 749,144,849 |
| Inventories | 09 | 947,835,529 | 1,038,590,042 |
| Materials in transit | 10 | 147,238,548 | 319,954,756 |
| Advance, deposits and prepayments | 11 | 207,967,996 | 164,507,885 |
| Total current assets | | 2,488,439,348 | 2,618,585,384 |
| Total assets | | 6,722,247,263 | 7,076,727,571 |
| Equity and liabilities | | | |
| Share capital | 12 | 974,900,000 | 974,900,000 |
| Share premium | 13 | 920,700,000 | 920,700,000 |
| Retained earnings | 14 | 1,368,406,755 | 1,212,036,507 |
| Revaluation reserve | 15 | 989,192,269 | 985,715,950 |
| Total equity | | 4,253,199,024 | 4,093,352,457 |
| Non-current liabilities | | | |
| Long term bank loan | 16 | 367,459,542 | 543,516,885 |
| Deferred tax liability | 17 | 195,416,173 | 177,470,888 |
| Total non-current liabilities | | 562,875,715 | 720,987,774 |
| Current liabilities | | | |
| Accounts payable | 18 | 144,211,228 | 120,497,736 |
| Share application money | 19 | 4,553,160 | 4,582,760 |
| Short term bank loan | 20 | 1,436,478,545 | 1,775,310,925 |
| Current portion of long term loan | 21 | 192,312,780 | 231,867,632 |
| Provision & accruals | 22 | 128,616,810 | 130,128,287 |
| Total current liabilities | | 1,906,172,524 | 2,262,387,340 |
| Total equity and liabilities | | 6,722,247,263 | 7,076,727,571 |
| NAV Per Share (With Revaluation reserves) | 33 | 43.63 | 41.99 |

These financial statements should be read in conjunction with the annexed notes 1 to 46.


Chairman


Managing Director


Chief Financial Officer

Dated, Dhaka
4 November, 2018


Company Secretary


ACNABIN
Chartered Accountants



MATIN SPINNING MILLS LIMITED

Statement of Profit or Loss for the year ended 30 June 2018

| Particular | Notes | Amounts in Taka | |
|--|-----------|--------------------|--------------------|
| | | 2017-18 | 2016-17 |
| Revenue | 23 | 4,050,914,298 | 3,001,195,559 |
| Cost of goods sold | 24 | (3,441,942,189) | (2,553,849,138) |
| Gross profit | | 608,972,110 | 447,346,421 |
| Other income | 25 | 85,155,064 | 135,956,483 |
| | | 694,127,174 | 583,302,904 |
| Administrative expenses | 26 | (226,488,125) | (185,719,194) |
| Distribution expenses | 27 | (6,394,603) | (4,070,136) |
| Net profit before finance cost | | 461,244,446 | 393,513,573 |
| Finance cost | 28 | (87,708,897) | (56,569,312) |
| Net profit before workers' profit participation funds & tax | | 373,535,549 | 336,944,262 |
| Contribution to workers' profit participation funds | 29 | (17,787,407) | (16,044,965) |
| Net profit before taxation | | 355,748,142 | 320,899,297 |
| Income tax | 30 | (31,721,291) | (12,707,554) |
| Deferred tax | 31 | (21,421,604) | (46,858,515) |
| Net profit after tax | | 302,605,247 | 261,333,229 |
| Earnings Per Share (EPS) | 32 | 3.10 | 2.68 |

These financial statements should be read in conjunction with the annexed notes 1 to 46.


Chairman


Managing Director


Chief Financial Officer

Dated, Dhaka
4 November, 2018


Company Secretary


ACNABIN
Chartered Accountants



MATIN SPINNING MILLS LIMITED

Statement of Other Comprehensive Income for the year ended 30 June 2018

| Particular | Notes | Amounts in Taka | |
|--|-------|--------------------|--------------------|
| | | 2017-18 | 2016-17 |
| Net profit after tax for the period | | 302,605,247 | 261,333,229 |
| Deferred tax on other comprehensive income | 31.01 | 3,476,319 | (3,580,866) |
| Total comprehensive income for the period | | 306,081,567 | 257,752,363 |

These financial statements should be read in conjunction with the annexed notes 1 to 46.


Chairman


Managing Director


Chief Financial Officer

Dated, Dhaka
4 November, 2018


Company Secretary


ACNABIN
Chartered Accountants



MATIN SPINNING MILLS LIMITED

Statement of Changes in Equity for the year ended 30 June 2018

Amounts in Taka

| Particular | Share Capital | Share Premium | Retained Earnings | Revaluation Reserves | Total |
|--------------------------------|--------------------|--------------------|----------------------|----------------------|----------------------|
| 2017-18 | | | | | |
| Balance at 01 July 2017 | 974,900,000 | 920,700,000 | 1,212,036,507 | 985,715,950 | 4,093,352,457 |
| Net profit for the year | - | - | 302,605,247 | - | 302,605,247 |
| Dividend Paid | - | - | (146,235,000) | - | (146,235,000) |
| Other comprehensive income | - | - | - | 3,476,319 | 3,476,319 |
| Balance at 30 June 2018 | 974,900,000 | 920,700,000 | 1,368,406,755 | 989,192,269 | 4,253,199,024 |
| 2016-17 | | | | | |
| Balance at 01 July 2016 | 974,900,000 | 920,700,000 | 1,174,930,278 | 989,296,816 | 4,059,827,094 |
| Net profit for the year | - | - | 261,333,229 | - | 261,333,229 |
| Dividend Paid | - | - | (224,227,000) | - | (224,227,000) |
| Other comprehensive income | - | - | - | (3,580,866) | (3,580,866) |
| Balance at 30 June 2017 | 974,900,000 | 920,700,000 | 1,212,036,507 | 985,715,950 | 4,093,352,457 |


Chairman


Managing Director


Chief Financial Officer

Dated, Dhaka
4 November, 2018


Company Secretary


ACNABIN
Chartered Accountants



MATIN SPINNING MILLS LIMITED

Statement of Cash Flows for the year ended 30 June 2018

| Particular | Amounts in Taka | |
|---|----------------------|----------------------|
| | 2017-18 | 2016-17 |
| A. Cash flows from operating activities | | |
| Collection from customers | 3,721,807,843 | 2,433,286,964 |
| Other Income | 78,327,602 | 107,899,426 |
| Cash generated from operations | 3,800,135,445 | 2,541,186,390 |
| Cash paid to employees | (271,363,033) | (229,125,835) |
| Cash paid to suppliers | (2,866,238,304) | (1,985,294,354) |
| Interest paid on loans | (80,245,960) | (47,464,531) |
| Income tax paid | (16,800,794) | (16,500,000) |
| Payment made to workers' profit participation funds | (16,044,966) | (18,720,901) |
| Net cash flows from operating activities | 549,442,387 | 244,080,769 |
| B. Cash flow from investing activities | | |
| Acquisition of property, plant and equipment | (54,601,186) | (50,018,545) |
| Capital work-in-process | (31,180,342) | (345,110,849) |
| Dividend Income | 1,994,000 | 2,037,600 |
| Disposal of Fixed Assets | 800,000 | 2,745,714 |
| Purchase of marketable securities | (108,729,644) | (60,231,039) |
| Proceeds from Sale of Marketable Securities | 108,755,421 | 49,637,115 |
| Interest on FDR and Bank Accounts | 873,043 | 42,950,355 |
| Disposal of Investment in Equity of Group Entity | - | 37,372,500 |
| Net cash used in investing activities | (82,088,708) | (320,617,149) |
| C. Cash flows from financing activities | | |
| Long term loan received | 14,239,491 | 897,566,698 |
| Long term loan (repaid) | (238,590,887) | (943,549,754) |
| Short term loan received from bank | 2,945,779,304 | 602,510,862 |
| Short term loan repaid to bank | (3,292,810,763) | (820,137,393) |
| Dividend Paid | (145,967,454) | (223,691,509) |
| Share application money refunded | (29,600) | - |
| Net cash from/(used in) financing activities | (717,379,909) | (487,301,096) |
| D. Net increase/(decrease) in cash and cash equivalents (A+B+C) | (250,026,230) | (563,837,477) |
| E. Opening cash and cash equivalents | 346,387,853 | 906,210,836 |
| F. Effects of currency translation on cash and cash equivalents | 9,911,311 | 4,014,494 |
| G. Closing cash and cash equivalents (D+E+F) | 106,272,935 | 346,387,853 |
| Net Operating Cash Flow Per Share | 5.64 | 2.50 |

These financial statements should be read in conjunction with the annexed notes 1 to 46.


Chairman


Managing Director


Chief Financial Officer

Dated, Dhaka
4 November, 2018


Company Secretary


ACNABIN
Chartered Accountants



MATIN SPINNING MILLS LIMITED

Notes to the financial statements for the year ended 30 June 2018

1 Reporting entity

1.01 Company Profile

Matin Spinning Mills Limited (the "Company") is a public limited company incorporated in Bangladesh on 15 September, 2002. Registered office of the Company is in Dhaka and manufacturing plant is at Sardagonj, Kashimpur, Gazipur. The company is listed in both Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE).

1.02 Nature of Business

The company manufactures and sells all types of Cotton, Viscose, Polyester, CVC, Melange, and Vortex yarn.

2 Basis of preparation

2.01 Statement of compliance

The financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs) and Bangladesh Accounting Standards (BASs), the Companies Act 1994, the Securities and Exchange Rules 1987, and other applicable laws and regulations.

The Company has applied following BASs and BFRSs to all periods presented in these financial statements

| | |
|----------|--|
| BAS - 1 | Presentation of Financial Statements |
| BAS - 2 | Inventories |
| BAS - 7 | Statement of Cash Flows |
| BAS - 8 | Fundamental Errors and Changes in Accounting Policy |
| BAS - 10 | Events after the reporting period |
| BAS - 12 | Income Taxes |
| BAS - 16 | Property, Plant and Equipment |
| BAS - 18 | Revenue |
| BAS - 21 | The effects of changes in foreign exchange rates |
| BAS - 23 | Borrowing Costs |
| BAS - 24 | Related Party Disclosures |
| BAS - 28 | Investments in associates |
| BAS - 33 | Earnings per Share |
| BAS - 34 | Interim Financial Reporting |
| BAS - 36 | Impairment of Assets |
| BAS - 37 | Provisions, Contingent Liabilities and Contingent Assets |
| BAS - 39 | Financial instruments: Recognition & Measurement |
| BFRS - 7 | Financial Instruments: Disclosures |
| BFRS 13 | Fair Value Measurement |

2.02 Other regulatory compliances

In addition to the aforesaid, the Company is required to comply with the following laws and regulations:

The Company Act 1994
The Income Tax Ordinance 1984
The Income Tax Rules 1984
The Value Added Tax Act 1991
The Value Added Tax Rules 1991
The Securities and Exchange Rules 1987

2.03 Date of authorisation

The Board of Directors authorised the financial statements for issue on 04 November 2018.



2.04 Functional and presentational currency

The financial statements are prepared in Bangladeshi Taka which is the company's functional and reporting currency. The figures of financial statements have been rounded off to the nearest integer.

2.05 Reporting period

Financial statements of the company covers one year from 01 July 2017 to 30 June 2018.

3 Significant Accounting Policies

3.01 Basis of Accounting

The financial statements of the company have been prepared on an accrual basis, under historical cost convention, and in accordance with generally accepted accounting principles. Wherever appropriate, such principles are explained in the succeeding notes.

Components of financial statements

Statement of Financial Position
Statement of Profit or Loss
Statement of Other Comprehensive Income
Statement of Cash Flows
Statement of Changes in Equity
Notes to the Financial Statements

3.02 Going concern

The company has adequate resources to continue the operation for foreseeable future and hence, the financial statements have been prepared on going concern basis. As assessed by the management, there are no material uncertainties relating to events or conditions which may cause significant doubt upon the company's ability to continue as a going concern.

3.03 Revenue recognition

Revenue comprises sale of goods by the company. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, and net of returns, allowances and trade discounts.

Recognition Criteria :

- i) Significant risk and reward of ownership associated with the goods is transferred to the buyer. And it usually occurs at the time of delivery of goods along with invoices.
- ii) The company has no managerial involvement of the ownership of the goods.
- iii) The amount of revenue and the cost of the transaction can be measured reliably.
- iv) It is probable that the economic benefit associated with the transaction will flow to the company.

3.04 Use of estimates and judgments

In preparing these financial statements, management makes judgments, estimates and assumptions which affect the reported amounts of the assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the year have been reported. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recorded in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

| | |
|-----------|------------------------|
| Note – 08 | Accounts Receivable |
| Note – 09 | Inventories |
| Note – 17 | Deferred Tax Liability |
| Note – 18 | Accounts Payable |
| Note – 22 | Provisions & accruals |
| Note – 30 | Income Tax Expenses |



3.05 Statement of Cash Flows

Statement of Cash Flows is prepared under direct method as per BAS-7 "Statement of Cash Flows". The statement shows the structure of changes in cash and cash equivalents during the financial year.

3.06 Statement of Changes in Equity

Statement of Changes in Equity is prepared in accordance with BAS-1 "Presentation of Financial Statements". This statement reflects information about the increase or decrease in net assets or wealth.

3.07 Property, plant and equipment

(A) Recognition and Measurement

The cost of an item of property, plant and equipment shall be recognized as an asset if and only if it is probable that the future economic benefit associated with the item will flow to the entity, and the cost of the item can be measured reliably.

Fixed assets have been accounted for at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

(B) Depreciation

Depreciation is calculated and charged under diminishing balance method on all fixed assets other than land and land development. Depreciation on current year's addition is charged on day basis as and when the assets are ready for operation. The costs of the day-to-day servicing of Property, Plant and Equipment are recognised in the income statement as incurred.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Itemised depreciation rates are as follows:

| Asset category | Rate of depreciation (%) |
|---------------------------|--------------------------|
| Land and land development | Nil |
| Factory building | 5 |
| Godown | 10 |
| Plant and machinery | 10 |
| Furniture and fixtures | 10 |
| Sub Station (Machinery) | 15 |
| Gas Generator | 15 |
| Office equipment | 15 |
| Electric installation | 15 |
| Vehicles | 20 |

Para-60 of BAS -16 does not specify any specific method of calculation of depreciation. However, para-62 specifies three methods of which diminishing balance has been used by the company consistently considering reducing future economic benefit of the assets.

(C) Impairment

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss is recognized as an expense in the income statement.

3.08 Investment

Investment in Marketable Securities

Investment is initially recognized at cost including acquisition charges with the investment. After initial recognition, the investment in marketable securities have been valued at market price and measured at fair value through profit or loss. Investment in non-marketable securities have been valued at cost.

3.09 Capital Work in Process:

Capital work-in-process comprises Godown and Bagan Bari staff quarter.



3.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at bank including fixed deposits which are available for use by the Company without any restriction.

3.11 Accounts receivable

Accounts receivable at the Statement of Financial Position date is stated at amount which are considered realizable. Specific allowance is made for receivable considered to be doubtful of recovery.

3.12 Inventories

Inventories are stated at the lower of cost and net realizable value in compliance to the requirement of Para 21 & 25 of BAS -2

| Types of Stock | Basis of Valuation |
|--|---|
| Raw Materials, Packing Materials and Work-in-process | At cost and net realizable value whichever is lower |
| Finished Goods | At cost and net realizable value whichever is lower |
| Spare & Parts | Weighted average cost and net realizable value whichever is lower |
| Diesel & Lube Oil | At cost and net realizable value whichever is lower |
| Stock of Bandhan | At cost and net realizable value whichever is lower |

The cost is determined on weighted average cost basis. Net realizable value is based on estimated selling price less any further costs anticipated to be incurred to make the sale. Any obsolete stock of abnormal losses are recognized as expenses.

3.13 Advance, Deposit and Prepayments

Advance, Deposit and Prepayments comprise salary advance, advance to supplier, security deposit to Titas Gas Transmission and Distribution Co. Ltd. which will be adjusted against their bills and refundable by the suppliers at the end of the service period.

3.14 Capital

Share Capital

Share capital is fully paid up by the shareholders. Details have been mentioned in note -12

Share Application Money

The share application money consists of the money against IPO applicants who were unsuccessful in lottery. The money is in the process of being refunded to the unsuccessful applicants.

3.15 Retained Earning

Retained earning represents available distributable profit to the shareholders after making all necessary adjustment in the financial statements.

3.16 Deferred Tax

Deferred tax is recognized on difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax based assets in the computation of taxable profit. Deferred tax liability are generally recognized for all taxable temporary differences and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

3.17 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit reported in the Statement of Comprehensive Income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.



3.18 Provisions

A provision is recognized in the Statement of Financial Position when the company has a present obligation (legal or constructive) of a past event and when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.19 Finance costs

Finance costs comprise interest expenses on bank loan and other borrowings and are recognized in the income statement.

3.20 Finance income

Finance income comprises interest income on Fixed deposit receipts.

3.21 Workers' profit participation fund

Allocation for workers' profit participation funds has been made @ 5% of profit before charging such expenses as per provisions of the Labour Act 2006.

3.22 Provident Fund

Members, on confirmation, in regular employment of the company, are eligible to join the provident fund to which members contribute 7% of their basic salaries and the Company makes a matching contribution. The Fund is administered by a Board of Trustees.

3.23 Foreign currency translation

Transactions in foreign currencies are translated into BDT at the rate of exchange ruling on the dates when the transactions take place. Exchange currency differences, if any, arising on year end, translations are recognized in the income statement.

3.24 Materiality and Aggregation

Each material item as considered by management to be significant has been presented separately in financial statements. No amount has been set off unless the company has the legal right to set off the amounts and intends to settle on net basis. Income and expenditure are presented on a net off basis only when permitted by the relevant accounting standards.

3.25 Earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to the weighted average number of ordinary shares during the period.

3.26 Related party disclosure

As per BAS -24: Related Party Disclosures, the parties are considered to be related if one of the parties has the ability to control another party or exercise significant influence over the other party in making financial and operating decisions. The company carried out transactions in the ordinary course of business on an arm's length basis with its related parties.

3.27 Financial Risk management

The Company has exposures to the following risks from its use of financial instruments

- **Credit risk**
- **Liquidity risk**
- **Market risk**
- **Capital risk management**
- **Operational risk**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board oversees how management monitors compliance with risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to risks faced by the group. The Board is assisted in its oversight role by Audit Committee. Internal Audit, under the purview of Audit Committee, undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.



Credit Risk

Credit risk is the risk of financial loss to the Company if a buyer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivable from customers and investment securities. The Company's major sales are made to the RMG exporting Companies having common directorship. A minor quantity of sales are made to the external parties. All sales are fully secured by Letters of Credit by local scheduled banks.

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. In general, Management ensures that it has sufficient cash and cash equivalent to meet expected operational expenses, including the servicing of financial obligation through preparation of the cash forecast, prepared based on time line of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date. Moreover, the Company seeks to maintain short term lines of credit with scheduled commercial banks to ensure payment of obligations in the event that there is insufficient cash to make the required payment.

The requirement is determined in advance through cash flow projections and credit line facilities with banks are negotiated accordingly.

Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

Capital Risk Management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board seeks to maintain a balance between the higher returns that might be possible with optimum levels of borrowings and the advantages and security afforded by a sound capital position. The Board also monitors dividend trend to ordinary shareholders.

Operational Risk

Operation of the factory is mostly automated and involves minimal manual input. The overall process adheres to highest international standards. The plant is run by experienced and professional personnel. The workers and officers of the Company are properly trained. Besides, the machineries are properly maintained and repaired whenever necessary. The factory building is well constructed and has adequate fire control measures.

3.28 Segment reporting

A segment is a distinguishable component of the entity that engaged in providing products or services within a particular economic environment. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating decision maker. The entity regards its Board of Directors as its Chief Operating decision maker, as the Board is responsible for allocating resources, assesses performance, and makes strategic decision.

The entity is primarily engaged in manufacturing and sale of cotton yarn and blended yarn to export oriented knit garments industries and this forms the focus of the Company's internal reporting system. While the Company has clearly differentiated brands, segmentation within a wide portfolio of brand is not part of the regular internally reported financial information to the Chief Operating decision maker. Therefore, it is not possible to segment the Company's results by brand without a high degree of estimation.



3.29 Events after the reporting date

Events after the reporting date that provide additional information about the Company's position at the reporting date are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes when material.

| | Notes | Amounts in Taka | |
|---|-------|----------------------|----------------------|
| | | 30 June 2018 | 30 June 2017 |
| 4 | | | |
| Property, plant and equipment | | | |
| A Assets at Cost (Non Revalued Assets) | | | |
| Opening balance (at cost) | | 5,093,183,305 | 3,578,243,609 |
| Add : Additions | | 132,317,495 | 1,518,818,159 |
| | | 5,225,500,800 | 5,097,061,767 |
| Less: Disposal/Adjustment | | (1,040,000) | (3,878,462) |
| Closing balance (a) | | 5,224,460,800 | 5,093,183,305 |
| Accumulated Depreciation | | | |
| Opening balance | | 1,722,613,995 | 1,450,376,977 |
| Add : Charges for the year | | 309,985,306 | 274,059,400 |
| | | 2,032,599,301 | 1,724,436,378 |
| Less: Disposal/Adjustment | | (944,569) | (1,822,383) |
| Closing balance (b) | | 2,031,654,733 | 1,722,613,995 |
| Written Down Value (a-b) | | 3,192,806,068 | 3,370,569,310 |
| B Revalued Assets | | | |
| Opening balance (at revalued cost) | | 1,033,677,512 | 1,033,677,512 |
| Add : Additions | | - | - |
| | | 1,033,677,512 | 1,033,677,512 |
| Less: Disposal/Adjustment | | - | - |
| Closing balance (a) | | 1,033,677,512 | 1,033,677,512 |
| Accumulated Depreciation | | | |
| Opening balance | | 51,751,302 | 45,492,606 |
| Add : Charges for the year | | 5,864,181 | 6,258,695 |
| | | 57,615,483 | 51,751,302 |
| Less: Disposal/Adjustment | | - | - |
| Closing balance (b) | | 57,615,483 | 51,751,302 |
| Written Down Value of Revaluation Assets (a-b) | | 976,062,029 | 981,926,210 |
| Total Written Down Value (A+B) | | 4,168,868,097 | 4,352,495,521 |
| 5 | | | |
| Investment | | | |
| Investment in marketable securities | 5.1 | 34,336,067 | 35,414,179 |
| | | 34,336,067 | 35,414,179 |
| 5.01 Investment in marketable securities | | | |
| Opening balance | | 35,414,179 | 22,709,792 |
| Add: Addition during the year | | - | - |
| | | 35,414,179 | 22,709,792 |
| Realized gain /(loss) | | 6,604,828 | 10,593,924 |
| Unrealized gain /(loss) for fair value adjustment | | (7,682,941) | 2,110,463 |
| Closing balance | | 34,336,067 | 35,414,179 |



| Particular | No. of Share | Rate | Cost Value | Market rate per share as on 30 June 2018 | Market value as on 30 June 2018 |
|------------------------------|------------------|-------|-------------------|--|---------------------------------|
| IFIC | 336,000 | 16.25 | 5,460,000 | 12.70 | 4,267,200 |
| Navana CNG | 32,500 | 70.73 | 2,298,725 | 68.80 | 2,236,000 |
| Shurwid Industries | 130,000 | 19.07 | 2,479,100 | 16.90 | 2,197,000 |
| Dhaka Bank Ltd | 936,562 | 17.68 | 16,558,416 | 14.20 | 13,299,180 |
| AB Bank Ltd | 152,500 | 21.52 | 3,281,800 | 12.40 | 1,891,000 |
| Mercantile Bank Ltd | 210,000 | 21.23 | 4,458,300 | 17.00 | 3,570,000 |
| Export Import Bank Ltd. | 50,000 | 13.70 | 685,000 | 11.90 | 595,000 |
| Jamuna Bank Ltd | 122,000 | 17.00 | 2,074,000 | 15.40 | 1,878,800 |
| One Bank Ltd | 52,500 | 18.90 | 992,250 | 16.50 | 866,250 |
| Standard Bank Ltd | 55,000 | 11.58 | 636,900 | 12.50 | 687,500 |
| Nurani Dyeing & Sweater Ltd. | 200,000 | 18.80 | 3,760,000 | 14.10 | 2,820,000 |
| Balance in BO Account | | | 28,136 | | 28,136 |
| | 2,277,062 | | 42,712,627 | | 34,336,067 |

| | Notes | Amounts in Taka | |
|---|-------|-------------------|-------------------|
| | | 30 June 2018 | 30 June 2017 |
| 6 Capital work-in-process | | | |
| Mélange/ Synthetic Project (Construction only Synthetic) | 6.01 | - | - |
| Godown - 3 | 6.02 | - | 7,081,097 |
| Godown - 4 | 6.03 | - | 6,658,595 |
| Bagan Bari Staff Quarter | 6.04 | 3,417,914 | - |
| Machineries in Transit | | 27,185,837 | 56,492,795 |
| | | 30,603,751 | 70,232,487 |
| 6.01 Mélange/ Synthetic Project (Construction only Synthetic) | | | |
| Opening Balance | | - | 151,114,579 |
| Add: Addition during the year | | 8,239,753 | 121,266,373 |
| Less: Transfer to Fixed Assets | | (8,239,753) | (272,380,952) |
| Closing Balance | | - | - |
| 6.02 Godown - 3 | | | |
| Opening Balance | | 7,081,096 | 368,680 |
| Add: Addition during the year | | 3,525,500 | 6,712,417 |
| Less: Transfer to Fixed Assets | | (10,606,596) | - |
| Closing Balance | | - | 7,081,097 |
| 6.03 Godown - 4 | | | |
| Opening Balance | | 6,658,595 | 3,740,248 |
| Add: Addition during the year | | - | 2,918,347 |
| Less: Transfer to Fixed Assets | | (6,658,595) | - |
| Closing Balance | | - | 6,658,595 |
| 6.04 Bagan Bari Staff Quarter | | | |
| Opening Balance | | - | 5,800,910 |
| Add: Addition during the year | | 19,415,089 | 1,462,578 |
| Less: Transfer to Fixed Assets | | (15,997,175) | (7,263,488) |
| Closing Balance | | 3,417,914 | - |



| | Notes | Amounts in Taka | |
|----------|------------------------------------|--------------------|--------------------|
| | | 30 June 2018 | 30 June 2017 |
| 7 | Cash and bank balances | | |
| | Cash in hand | 4,732,590 | 2,127,191 |
| | Fixed Deposit | 7.01 11,515,800 | 11,515,800 |
| | Bank balances with | | |
| | Islami Bank Bangladesh Ltd | | |
| | Current account | 5,128,031 | 3,418,332 |
| | Marginal deposit Account (Special) | 52,531 | 52,531 |
| | Marginal deposit Account (Normal) | 354,608 | 347,700 |
| | Marginal deposit Under Reserve | 144,465 | 144,465 |
| | Foreign currency account | 8,283 | 7,998 |
| | Exim Bank Ltd, STD account | 16,044,559 | 8,877,658 |
| | Mercantile Bank Ltd | | |
| | STD account | 48,693 | 50,073 |
| | Foreign currency account | 69,624 | 67,226 |
| | HSBC Bank Ltd | | |
| | STD account | 975,277 | 18,223,469 |
| | Foreign currency account | 40,280,351 | 180,472,772 |
| | City Bank Ltd | | |
| | STD account | 2,122,362 | 2,908,002 |
| | Foreign currency account | 8,169,603 | 18,348,194 |
| | Prime Bank Ltd | | |
| | STD account | 550,168 | 551,818 |
| | Foreign currency account | 134,448 | 129,818 |
| | Standard Chartered Bank | | |
| | STD account | 3,840,274 | 892,871 |
| | Dutch-Bangla Bank Limited | | |
| | STD account | 1,865 | |
| | BRAC Bank Ltd | | |
| | STD account | 1,345,927 | 10,450,873 |
| | Foreign currency account | 10,753,474 | 87,801,062 |
| | | 106,272,934 | 346,387,853 |

7.01 Fixed Deposit

| I/Date | M/Date | FDR No. | Name of Bank | Rate of Interest | Amount (Taka) |
|-----------|-----------|----------------|--------------|------------------|-------------------|
| 12-Nov-14 | 10-Sep-17 | 992761 | IBBL | 5.40% | 10,000,000 |
| 23-Mar-17 | 23-Sep-17 | 03560100155597 | Exim Bank | 5.75% | 1,515,800 |
| | | | | | 11,515,800 |

8 Accounts receivables

| | | | |
|-------------------------------------|------|----------------------|--------------------|
| Receivable other than related party | 8.01 | 676,450,494 | 226,985,326 |
| Receivable from related party | 8.02 | 395,392,322 | 513,930,288 |
| Bank interest receivable on FDR | | 3,043,673 | 2,170,637 |
| Claim Receivable | | 4,237,852 | 6,058,599 |
| | | 1,079,124,341 | 749,144,849 |



| | Notes | Amounts in Taka | |
|---|-------|--------------------|--------------------|
| | | 30 June 2018 | 30 June 2017 |
| 8.01 Receivable other than related party | | | |
| Lithium Knit Fabrics Ltd | | 7,332,806 | 7,004,863 |
| Apex Textile Mills Ltd | | 17,623,125 | 9,968,438 |
| S.B Knitting Ltd. | | 2,308,845 | 13,732,034 |
| Aboni Textile Ltd | | 75,696,682 | 12,795,066 |
| Satil Knitwear (Pvt.) Ltd | | 4,532,118 | 9,921,615 |
| SQ Group | | - | 368,460 |
| Century Design & Fashion Ltd | | 3,937,322 | 4,106,398 |
| HDF Apparels Ltd | | 10,405,813 | 5,764,755 |
| Iris Fabrics Ltd | | - | 6,481,875 |
| Ama Syntex Ltd | | 95,565 | - |
| Greenlife Knittex Ltd | | 8,195,367 | 5,106,776 |
| B.Brothers Garments Co. Ltd | | 18,570,169 | 5,946,224 |
| Dird Composite Textiles Ltd | | 5,190,816 | 17,476,821 |
| Blue Planet Knitwear Ltd | | 10,216,922 | 4,882,689 |
| Delta Composite Knitting Ind Ltd | | 26,091,600 | - |
| Hossain Dyeing & Printing Mills Ltd | | 5,620,777 | - |
| Tasniah Fabrics Ltd | | - | 481,802 |
| Abonti Colour Tex. Ltd | | 99,477,708 | - |
| Amber Denim Ltd | | 89,527,846 | - |
| Shadhin Garments (Pvt) Ltd. | | 17,516,242 | - |
| Crony Apparels Ltd | | 12,107,755 | - |
| Asrotex Ltd. | | 14,525,542 | - |
| Fariha Knitex Ltd | | 7,741,866 | 8,028,588 |
| Fakir Apparels Ltd | | 65,609,118 | 23,116,602 |
| Divine Fashion (Pvt.) Ltd | | - | - |
| Utah Knitting & Design Ltd. | | 1,386,063 | 2,122,250 |
| Jointex Knit Wears Ltd. | | 95,435,806 | 60,479,744 |
| Sark Knitwear Ltd. | | 10,390,467 | - |
| Essential Clothing Ltd | | 10,303,818 | - |
| Hyacinth Fabrics Mills Ltd | | 3,607,900 | - |
| Others | | 53,002,437 | 29,200,328 |
| | | 676,450,494 | 226,985,326 |
| 8.02 Receivable from related party | | | |
| Flamingo Fashions Ltd | | 214,776,320 | 294,240,586 |
| Jinnat Fashions Ltd | | 25,831,211 | 37,568,191 |
| Mawna Fashions Ltd | | 6,500,953 | 17,434,044 |
| Jinnat Apparels Ltd | | 59,417,925 | 4,800,211 |
| Jinnat Knitwears Ltd | | 25,226,869 | 89,659,831 |
| Hamza Textiles Ltd. | | 48,798,426 | 70,227,425 |
| Parkway Packing and Printing Ltd | | 14,840,618 | - |
| | | 395,392,322 | 513,930,288 |
| 9 Inventories | | | |
| Raw cotton | 9.01 | 620,865,486 | 717,336,658 |
| Finished yarn | 9.02 | 133,961,259 | 189,909,966 |
| Packing materials | 9.03 | 1,950,203 | 2,307,074 |
| Work-in-process | 9.04 | 61,276,684 | 47,093,660 |
| Spare parts | 9.05 | 108,632,466 | 64,346,504 |



| | Notes | Amounts in Taka | |
|----------------------------------|-------|--------------------|----------------------|
| | | 30 June 2018 | 30 June 2017 |
| Diesel & Lube Oil | | 6,530,740 | 4,113,585 |
| Stock of Bandhan | | 5,487,790 | 10,309,191 |
| Stock of Stamp | | 400 | - |
| Construction Material | | 4,455,686 | 3,173,404 |
| Store Materials under Inspection | | 4,674,815 | - |
| | | 947,835,529 | 1,038,590,042 |

Quantity wise detailed breakup of Packing Materials, Spare Parts and Stock of Bandhan could not be given as it was difficult to quantify each item separately due to large variety of goods of packing materials, spare parts, and stock of Bandhan.

9.01 Raw cotton

Value (Taka)

| | | |
|---------------------|-------------|-------------|
| Conventional Cotton | 488,821,653 | 562,859,604 |
| Organic Cotton | 3,857,614 | - |
| Synthetic Fiber | 112,035,710 | 146,526,134 |
| Usable Waste Cotton | 14,329,014 | 7,950,920 |
| Waste Cotton | 1,821,496 | - |

Total

620,865,486 **717,336,658**

Quantity (KG)

| | | |
|---------------------|-----------|-----------|
| Conventional Cotton | 2,675,988 | 3,400,547 |
| Organic Cotton | 24,031 | - |
| Synthetic Fiber | 633,803 | 863,550 |
| Usable Waste Cotton | 203,711 | 198,773 |
| Waste Cotton | 99,590 | - |

Total

3,637,123 **4,462,870**

Cost Per Kg (Taka)

| | | |
|---------------------|--------|--------|
| Conventional Cotton | 182.67 | 165.52 |
| Organic Cotton | 160.53 | - |
| Synthetic Fiber | 176.77 | 169.68 |
| Usable Waste Cotton | 70.34 | 40 |
| Waste Cotton | 18.29 | - |

9.02 Finished yarn

Value (Taka)

| | | |
|--------------|------------|------------|
| Carded | 24,119,866 | 40,545,359 |
| Combed | 37,875,534 | 39,545,411 |
| Slub | 10,078,151 | 8,022,019 |
| Synthetic | 17,592,637 | 48,356,140 |
| Melange | 15,767,602 | 10,323,306 |
| Vortex | 12,738,961 | 1,624,333 |
| Open End | 12,614,850 | 41,493,397 |
| Twisted yarn | 3,173,659 | - |

Total

133,961,259 **189,909,966**

Quantity (KG)

| | | |
|--------------|---------|---------|
| Carded | 100,456 | 162,733 |
| Combed | 121,717 | 134,679 |
| Slub | 31,556 | 27,264 |
| Synthetic | 67,315 | 216,723 |
| Melange | 51,566 | 36,561 |
| Vortex | 50,748 | 6,248 |
| Open End | 77,842 | 184,902 |
| Twisted yarn | 11,442 | - |

Total

512,641 **769,108**



| | Notes | Amounts in Taka | | | |
|---|-------|----------------------|---------------------|------------------------|---------------------|
| | | 30 June 2018 | 30 June 2017 | | |
| Cost Per Kg (Taka) | | | | | |
| Carded | | 240.10 | 249.15 | | |
| Combed | | 311.18 | 293.63 | | |
| Slub | | 319.37 | 294.24 | | |
| Synthetic | | 261.35 | 223.12 | | |
| Melange | | 305.78 | 282.36 | | |
| Vortex | | 251.03 | 259.99 | | |
| Open End | | 162.06 | 224.41 | | |
| Twisted yarn | | 277.38 | - | | |
| 9.03 Packing materials Value (Taka) | | | | | |
| Opening balance | | 2,307,074 | 1,313,855 | | |
| Purchase during the period | | 26,626,076 | 21,612,577 | | |
| Packing materials available for consumption | | 28,933,150 | 22,926,432 | | |
| Consumption during the period | | (26,982,946) | (20,619,358) | | |
| Closing balance | | 1,950,203 | 2,307,074 | | |
| 9.04 Work-in-process | | | | | |
| | | Quantity (KG) | | Amounts in Taka | |
| Particular | | June 30,2018 | June 30,2017 | June 30,2018 | June 30,2017 |
| Blow Room | | 109,313 | 61,043 | 16,032,174 | 11,155,553 |
| Carding | | 4,287 | 6,300 | 621,287 | 1,060,662 |
| B. Drawing | | 3,644 | 5,375 | 623,189 | 1,032,560 |
| Combing | | 1,814 | 959 | 318,876 | 208,726 |
| F. Drawing | | 22,377 | 9,522 | 3,715,198 | 2,024,463 |
| Simplex | | 45,254 | 40,482 | 7,782,930 | 8,344,853 |
| Ring Frame | | 82,060 | 61,360 | 15,944,718 | 13,686,170 |
| Winding | | 6,325 | 4,140 | 1,476,578 | 1,076,060 |
| Packing | | 61,000 | 28,950 | 13,085,777 | 7,368,240 |
| Rotor | | 8,667 | 6,438 | 1,107,209 | 822,455 |
| Vortex | | 3,589 | 1,823 | 568,746 | 313,919 |
| Total | | 348,330 | 226,392 | 61,276,684 | 47,093,660 |
| 9.05 Spare parts | | | | | |
| Opening Balance | | | | 64,346,504 | 30,841,563 |
| Add: Addition during the period | | | | 98,888,357 | 54,130,292 |
| | | | | 163,234,861 | 84,971,854 |
| Less: Consumption during the period | | | | (37,310,871) | (20,625,350) |
| Less: Transfer to Fixed Assets | | | | (17,291,525) | - |
| Closing balance | | | | 108,632,466 | 64,346,504 |
| 10 Materials in transit | | | | | |
| Margin and deposit (Raw Cotton) | 10.01 | | | 147,222,736 | 319,954,756 |
| Margin and deposit (Machineries) | 10.02 | | | 15,812 | - |
| | | | | 147,238,548 | 319,954,756 |
| 10.01 Margin and deposit (Raw Cotton) | | | | | |
| Margin against Cotton | | | | 7,157,283 | 359,926 |
| Margin Against Bank Guarantee | | | | 10,215,643 | 3,036,743 |
| Materials In Transit | | | | 129,849,810 | 316,558,087 |
| | | | | 147,222,736 | 319,954,756 |
| 10.02 Margin and deposit (Machineries) | | | | | |
| Assets in Transit | | | | 15,812 | - |
| | | | | 15,812 | - |



| | Notes | Amounts in Taka | |
|---|---------|--------------------|--------------------|
| | | 30 June 2018 | 30 June 2017 |
| 11 Advance, deposits and Prepayments | | | |
| Advance | | | |
| Salary & Allowances | | 2,236,500 | 2,874,235 |
| Construction | 11.01 | 319,322 | 6,100,672 |
| Expenses | 11.02 | 24,257,344 | 10,289,521 |
| Advance Income Tax | 11.03 | 142,189,409 | 132,311,036 |
| | | 169,002,576 | 151,575,465 |
| Deposits | | | |
| Security deposit for Utilities | 11.04 | 38,965,420 | 12,932,420 |
| | | 38,965,420 | 12,932,420 |
| | | 207,967,996 | 164,507,885 |
| 11.01 Construction | | | |
| S.S Enterprise | | 593 | 159,443 |
| German- Bangladesh Machine & Steel | | - | 583,280 |
| Park Technology Ltd. | | - | 2,790,672 |
| Jawad Trading | | 87,449 | 383,487 |
| Aziz & Company Ltd. | | - | 1,314,000 |
| Royal Machineries Corporation | | - | 291,372 |
| Shaber Enterprise | | - | 578,418 |
| Quantam Builders & Engineering Ltd | | 231,280 | - |
| | | 319,322 | 6,100,672 |
| 11.02 Expenses | | | |
| R&R-Beth GmbH | | 244,791 | - |
| NRG Composite Yarn Dyeing | | - | 771,720 |
| Bengal International Agencies | | - | 350,400 |
| Khandakar Rashedul Islam | | - | 274,200 |
| DBL C&F | | 7,169,909 | 2,050,086 |
| Md. Azizur Rahman | | 3,202,500 | - |
| Export Import Bank of Bangladesh Limited | | 2,395,036 | - |
| Rotorcraft AG | | 360,551 | - |
| Saurer Components GmhH | | 735,044 | - |
| Fagus-Grecon Greten GmbH & Co. | | 1,065,008 | - |
| Mr. Sunny | | 4,500,000 | - |
| Mr. Rashid | | 161,561 | - |
| Sazzad Bin Yusuf | | 10,000 | - |
| Deputy Commissioner of Taxes | | 1,687,407 | 4,425,844 |
| Encon | | 375,000 | - |
| Mr. Siddik | | 437,652 | - |
| S.R. Engineering (BD) | | - | 300,000 |
| MJL Bangladesh Ltd | | 1,256,326 | 1,851,526 |
| Local Purchase | | 38,906 | 111,933 |
| Others | | 617,653 | 153,812 |
| | | 24,257,344 | 10,289,521 |
| 11.03 Advance income Tax | | | |
| Income Tax on Export | 11.03.1 | 77,844,702 | 62,840,155 |
| Tax on Interest Received (Bank) | 11.03.2 | 33,662,044 | 49,788,219 |
| Advance income tax paid for tribunal | 11.03.3 | 30,682,663 | 19,682,663 |
| | | 142,189,409 | 132,311,036 |

| | Notes | Amounts in Taka | |
|---|-------|-------------------|-------------------|
| | | 30 June 2018 | 30 June 2017 |
| 11.03.1 Income Tax on Export | | | |
| Opening Balance | | 62,840,155 | 45,212,741 |
| Add: Addition during the year (Section - 53 BBBB of Income Tax Ordinance 1984) | | 27,566,682 | 17,627,414 |
| Less: Adjustment against provision for previous years AIT | | (12,562,135) | - |
| Closing Balance | | 77,844,702 | 62,840,155 |
| 11.03.2 Tax on Interest Received (Bank) | | | |
| Opening Balance | | 49,788,219 | 44,711,604 |
| Add: Addition during the year (Section - 53 F of Income Tax Ordinance 1984) | | 486,104 | 5,076,614 |
| Less: Adjustment against provision for previous years AIT | | (16,612,279) | - |
| Closing Balance | | 33,662,044 | 49,788,219 |
| Advance tax represents tax deducted at source @ 0.70 % on export proceed from 1.07.2016 till now as per SRO - 68 dated 22.04.2014 and @ 10 % on interest received from bank under section 53F dated 01.07.2012. | | | |
| 11.03.3 Advance income tax paid for tribunal | | | |
| Income tax paid for tribunal for the year 2011 -2012 | | 1,682,663 | 1,682,663 |
| Income tax paid for tribunal for the year 2012 -2013 | | 1,500,000 | 1,500,000 |
| Income tax paid for the year 2016 -2017 | | 16,500,000 | 16,500,000 |
| Income tax paid for the year 2017 -2018 | | 11,000,000 | - |
| Income tax paid for the year 2014 -2015 | | 5,800,794 | - |
| Less: Final settlement for the year 2014 -2015 | | (5,800,794) | - |
| | | 30,682,663 | 19,682,663 |
| 11.04 Security deposit for Utilities | | | |
| Margin Against Bank Guarantee (Titas Gas) | | 38,371,580 | 12,338,580 |
| Central Depository Bangladesh Ltd (CDBL) | | 500,000 | 500,000 |
| Security Deposit for Electricity | | 93,840 | 93,840 |
| | | 38,965,420 | 12,932,420 |

Aging of the advances except Margin and deposit & Security deposit for Utilities is given below:

| Particulars | 1-3 Months | 3-6 Months |
|---------------------|------------|------------|
| Salary & Allowances | - | 2,236,500 |
| Construction | - | 319,322 |
| Expenses | - | 24,257,344 |

- All the advances & deposit amount are considered good and recoverable.
- Advances due from Employees are regularly being realized from their monthly salaries.
- There is no advances due for payment for more than 6 months from the date of statement of financial position.
- There is no amount due from any Directors of the company.
- Debts considered good in respect of which the company is fully secured.
- There are no debts due by directors or other officers of the company.

| | Notes | Amounts in Taka | |
|--|-------|-----------------|--------------|
| | | 30 June 2018 | 30 June 2017 |

* This amount includes the adjustment for permanent difference related to motor vehicles, not plying for hire, owned by company except for bus or minibus purchased for the transport of employees of the Company. As per the provisions of Income Tax Ordinance 1984, depreciation on such cars is allowed only up to certain limit of cost (currently Tk. 2.5 million per car) of such cars for tax purpose. Difference for vehicle represents the amount of depreciated cost exceeding such limits.

16 Long Term bank loan

| | | |
|-----------------------|--------------------|--------------------|
| Off Shore Loan - HSBC | 367,459,542 | 543,516,885 |
| | 367,459,542 | 543,516,885 |

| Bank | Loan Account | Particulars |
|------|----------------|---|
| HSBC | Off Shore Loan | Nature: One off Term Loan Limit: Tk.51.65 million Purpose: Import of Machinery & Equipment (Taken over from IBBL) Tenure: 4 Years Repayment Clause: 16 equal quarterly installments. Interest Rate:4.5% Plus LIBOR |
| | | Nature: One off Term Loan Limit: Tk.902 million Purpose: One-off term loan to retire machinery import documents. Tenure: 5 Years, including moratorium period of 1 year. Repayment Clause: Equal monthly instalments. Interest Rate:3.8% Plus LIBOR Security Agreement: For security arrangement kindly refer to note No. 20. |

17 Deferred Tax Liability

Deferred tax assets and liabilities have been recognized and measured in accordance with the provision of BAS-12: Income taxes. Deferred tax assets and liabilities are attributable to the following:

A. Deferred tax liability on historical cost

| | | |
|--|---------------|---------------|
| Carrying amount other than revaluation reserve* | 3,191,326,294 | 3,363,316,460 |
| Tax base ** | 2,185,120,093 | 2,499,920,950 |
| Taxable Temporary difference | 1,006,206,201 | 863,395,510 |
| Applicable tax rate (Tax rate 15% on Textile sector as per SRO - 193 dated 30 June 2015.) | 15% | 15% |

Deferred tax liability on historical cost

150,930,930 **129,509,326**

B. Deferred tax liability against revaluation reserve

i) Deferred tax liability against revaluation reserve other than land

| | | |
|--|-------------------|-------------------|
| Carrying amount other than land | 110,670,033 | 116,534,214 |
| Tax base | - | - |
| | 110,670,033 | 116,534,214 |
| Applicable tax rate (Tax rate 15% on Textile sector as per SRO - 193 dated 30 June 2015.) | 15% | 15% |
| | 16,600,505 | 17,480,132 |

| | Notes | Amounts in Taka | |
|---|-------|--------------------|--------------------|
| | | 30 June 2018 | 30 June 2017 |
| ii) Deferred tax liability on capital gain against revaluation of land | | | |
| Carrying amount other than building & others | | 929,491,253 | 1,016,047,662 |
| Tax base | | - | - |
| | | 929,491,253 | 1,016,047,662 |
| Applicable tax rate (3% As per section 53 H dated 01.07.2014) | | 3% | 3% |
| | | 27,884,738 | 30,481,430 |
| Deferred tax liability against revaluation reserve (i + ii) | | 44,485,243 | 47,961,562 |
| Total Deferred tax liability (A + B) | | 195,416,173 | 177,470,888 |

* This represents the permanent difference related to sedan cars, not plying for hire, owned by company. As per the provisions of Income Tax Ordinance 1984, depreciation on such cars is allowed only up to certain limit of cost (currently Tk. 2.5 million per car) of such cars for tax purpose. Difference for vehicle represents the amount of depreciated cost exceeding such limits.

** 2017-18 Tax base amount has been adjusted based on depreciation rate used in 2014-15 final settlement. Previously, tax base was calculated using 20% depreciation rate on Godown, Generator, and Deep tube-well. However, 2014-15 final settlement has been made using depreciation at the rate of 10% on Godown, 15% on Generator, and 10% on Deep tube-well.

18 Accounts payable

| | | | |
|-----------|-------|--------------------|--------------------|
| Suppliers | 18.01 | 62,716,614 | 63,249,204 |
| Expenses | 18.02 | 68,264,204 | 52,201,765 |
| Others | 18.03 | 13,230,410 | 5,046,767 |
| | | 144,211,228 | 120,497,736 |

18.01 Payable for suppliers

This represents amount payable for supply of raw materials, packing materials, utilities and other services. The details of suppliers are given below:

Particulars

| | | |
|--------------------------------------|-----------|-----------|
| Aziz & Company Ltd. | 1,095,000 | - |
| Berger Paints Bangladesh Ltd. | 135,265 | 107,492 |
| Pioneer Insurance Company Ltd | 4,517,512 | - |
| Bilal Trading PTE Ltd. | 6,248 | 905,819 |
| Mita Engineering Limited | 30,750 | 1,948,224 |
| Ebrahim & Sons | 281,998 | 348,988 |
| Chandpur Hardware Store | 66,072 | 151,318 |
| Shinpower | 1,228,995 | 1,753,306 |
| Color City Ltd. | 2,579,697 | - |
| Gardner Denver FZE | 1,154,782 | - |
| Ali Enterprise | 568,841 | - |
| Graf + Cie AG | 1,538,781 | - |
| Groz-Beckert Carding (Wuxi) Co. Ltd. | 1,195,002 | - |
| Indorama Synthetics(India) Ltd. | 2,245,084 | - |
| Saurer Components GmhH | 1,138,650 | - |
| Rising Corporation | 364,014 | - |
| Shaber Enterprise | 575,736 | - |
| Lafarge Surma Cement Ltd. | 291,840 | - |
| H.M Transport Agency | 389,500 | - |
| Green Power Electric | 79,830 | 203,726 |
| Patway Trade & Co. | 37,332 | 169,716 |

| | Notes | Amounts in Taka | |
|---|-------|-------------------|-------------------|
| | | 30 June 2018 | 30 June 2017 |
| DBL Distribution Ltd | | 34,082,171 | 15,473,817 |
| Lafarge Surma Cement Ltd. | | 74,000 | 291,840 |
| H.M Transport Agency | | - | 279,300 |
| Kapita Auto Bricks Limited | | 33,000 | 157,500 |
| Shamsuddin Engineering Works | | 1,979,526 | - |
| DBL Group Employees P.F | | 429,559 | - |
| Bengal Roots Textile Ltd. | | - | 128,993 |
| Zaman Builders | | - | 114,146 |
| Motalab Iron Store | | 382,177 | - |
| Rahat Enterprise | | - | 122,194 |
| F T Mill Store | | - | 205,357 |
| Nippon Paint (Bangladesh) Private Limited | | - | 459,750 |
| Payable for C & F Charge | | - | 18,333,232 |
| Payable for Transport Charge | | - | 14,610,159 |
| Quantam Builders & Engineering Ltd | | - | 14,963 |
| S.S Enterprise (Packaging) | | 625,650 | - |
| Rifa Paper Products | | - | 1,058,252 |
| Asgar Trading | | 31,054 | - |
| Shah Ali Metal | | 150,579 | - |
| Rahman Enterprise | | 63,554 | 134,505 |
| Aqua Care Trading | | 413,896 | 484,623 |
| L.R Trading | | - | 1,125,395 |
| Encon | | - | 110,000 |
| Bengal Polymer Wares Ltd | | 76,936 | 1,200,000 |
| Siemens Bangladesh Ltd. | | 520,000 | 520,000 |
| Tanveer Oils Ltd. | | - | 167,040 |
| Tritech Engineering Ltd. | | - | 481,750 |
| Tyre & Battery Bazar | | 225,040 | - |
| Rafin Paper Tube | | - | 207,558 |
| Others | | 4,108,543 | 1,980,241 |
| Total | | 62,716,614 | 63,249,204 |
| 18.02 Payable for expenses | | | |
| Salary & allowances | | 19,481,952 | 6,531,060 |
| Audit fees | | 690,000 | 575,000 |
| Gas bill | | 7,018,187 | 6,237,061 |
| Electricity bill | | 22,279,749 | 27,969,023 |
| Welfare Fund | | 572,836 | 572,836 |
| Rent payable | | 20,000 | 20,000 |
| Provident Fund | | 283,589 | 131,388 |
| Dividend payable | | 3,524,277 | 3,256,731 |
| Provision for interest on Loan | | 7,462,937 | - |
| Provision for bad debts | | 6,908,666 | 6,908,666 |
| Un-Applied Receipts | | 22,011 | - |
| | | 68,264,204 | 52,201,765 |

| | Notes | Amounts in Taka | |
|--|-------|----------------------|----------------------|
| | | 30 June 2018 | 30 June 2017 |
| 18.03 Payable for others | | | |
| Tax deducted at source (Salary) | | 926,256 | 617,475 |
| Tax deducted at source (on Suppliers bill) | | 1,402,335 | 3,679,042 |
| VAT Deducted at source (on Suppliers bill) | | 10,901,820 | 750,250 |
| | | - | - |
| | | 13,230,410 | 5,046,767 |
| 19 Share Application Money | | 4,553,160 | 4,582,760 |
| The share application money received against IPO applicants who were unsuccessful in lottery. The money is being refunded to the unsuccessful applicants as per BSEC guidelines. | | | |
| 20 Short term bank loan | | | |
| Export Development Fund (EDF) | | - | 626,902,136 |
| UPAS Loan (Raw Cotton) | | 1,283,414,239 | 1,145,204,537 |
| UPAS Loan (Machineries) | | - | 3,204,252 |
| Liability against export bills | | 153,064,307 | |
| | | 1,436,478,545 | 1,775,310,925 |

Details of bank terms and conditions for Short Term Loan are given below:

| Bank | Loan Account | Particulars |
|------|-------------------------------|--|
| HSBC | Export Development Fund (EDF) | Lender: HSBC Nature: EDF Limit: Tk 1,600 million Purpose: Import of Raw Cotton Tenure: 180 days for Clean Import Loan (CIL) & 30 days for sight (SGT) Rate of interest: @ 2.5% plus LIBOR |
| | UPAS | Lender: HSBC Nature:UPAS Limit: Tk 2,250 million Purpose: To import raw materials and accessories on sight and/or deferred basis. Tenure: 180 days Rate of interest: @ 4.40 % plus LIBOR |
| | UPAS | Lender: HSBC Nature:UPAS Limit: Tk 860 million Purpose: One-off line to import machineries and other project related items for the ongoing capacity expansion program of the borrower on sight and /or deferred basis. Tenure: 360 days Rate of interest: @ 4.40 % plus LIBOR |
| | UPAS | Lender: HSBC Nature: UPAS Limit: Tk 400 million Purpose:To import spare parts and machineries on sight and/or deferred basis. Tenure: 120 days Rate of interest: @ 4.40 % plus LIBOR |

| | | |
|-----------|---|--|
| | Bill Discounting | <p>Lender: HSBC Nature: Bill Discounting Limit: USD 7 million Purpose: To discount maximum 90% of export bills against local bank acceptance (acceptable to HSBC) with recourse to the borrower(s) Tenure: 120 days Rate of interest: @ 4.20% plus LIBOR</p> |
| | <p>Security Arrangement:</p> <ol style="list-style-type: none"> (1) Demand promissory note for Tk 4,487,500,000 with letter of continuity & revival. (2) Personal guarantees executed by Mr. Abdul Wahed, Mr. M.A.Jabbar, Mr. M.A.Rahim and Mr. M.A.Quader for Tk 2,225,000,000 each supported by personal net worth/wealth statements. (3) Corporate guarantees to be executed by Flamingo Fashions Ltd, Jinnat Knitwears Ltd, DB Tex Ltd and Mymun Textiles Ltd for Tk 3,885,310,500 each with supporting Board Resolutions. (4) First charge over the borrower's stocks of Raw Materials, Work – in – process and Finished Goods and Book Debts / Receivables with The Registrar of Joint Stock Companies and Firms (RJSC) on pari passu basis with other lender(s). HSBC's share is Tk 1,700,000,000. (5) Power of Attorney on Hypothecated Goods. (6) Specific first charge over the borrower's Plant and Machinery for Tk 1,410,000,000 with the Registrar of Joint Stock Companies & Firms (RJSC). In this regard Power of Attorney for hypothecated goods obtained. (7) Blanket Counter Indemnity for Guarantee facility. (8) Trade Financing General Agreement for Trade facility. (9) Power of Attorney for Back to Back facility. (10) Letter of Lien over Deposits with Authority to Encash obtained. (11) Registered Mortgage for Tk 1,210,000,000 over 802.50 decimals land and structure thereon situated at Mouza: Gobindabari, PS. & Sub- registry office: Sadar, Gazipur, in the name of Matin Spinning Mills Limited held for the term loan facilities extended to Matin Spinning Mills Limited. In this regard, Irrevocable General Power of Attorney to be obtained. | |
| BRAC BANK | Export Development Fund (EDF) | <p>Lender: BRAC BANK Nature: EDF Limit: Tk 400 million Purpose: Import of Raw Cotton Tenure: 180 days & extendable up to 270 days subject to prior approval from Bangladesh Bank. Rate of interest: @ 2.5% plus LIBOR</p> |
| | <p>Security Arrangement:</p> <ol style="list-style-type: none"> (1) 1st ranking charge over present and future floating assets of the company on Pari-Passu security sharing basis covering full facility amount with HSBC for Tk. 510,000,000. (2) Corporate Guarantee of Jinnat Knitwears Ltd. in conformity with their Memorandum of Association supported by their Board Resolution to be provided for Tk. 510,000,000. (3) Insurance coverage over the company's stocks & receivables against the risk of Fire & RSD (4) Cheque(s) covering approved limit of Tk. 510,000,000. (5) Other basis documents which includes but not limited to Demand Promissory Note, Letter of Continuity, Letter of Arrangement, Letter of Disbursement, Letter of Counter Guarantee, Letter of Undertaking, Letter of Authority, Letter of Trust Receipts, Letter of Revival, Letter of Lien & set off over deposit account, General Loan Agreement, etc supported by necessary Board Resolution for Tk. 510,000,000. | |

| | Notes | Amounts in Taka | |
|-----------|---|--------------------|--------------------|
| | | 30 June 2018 | 30 June 2017 |
| 21 | Current portion of long term loan | | |
| | Off Shore Loan - HSBC | 192,312,780 | 231,867,632 |
| | | 192,312,780 | 231,867,632 |
| 22 | Provision & accruals | | |
| | Provision for Income Tax | 111,421,257 | 114,675,175 |
| | Provision for workers' profit participation and welfare funds | 17,195,553 | 15,453,112 |
| | | 128,616,810 | 130,128,287 |
| | 22.01 Provision for Income Tax | | |
| | Opening Balance | 114,675,175 | 101,967,621 |
| | Add: Provision for taxation 2017 - 2018 (Note - 30) | 38,053,780 | 12,707,554 |
| | Excess/(Short) provision for taxations after final assessment order as below | | |
| | Less: Final settlement for the year 2014 -2015 | (41,307,698) | - |
| | | 111,421,257 | 114,675,175 |
| | 22.02 Provision for workers' profit participation and welfare funds | | |
| | Opening Balance | 15,453,112 | 18,129,048 |
| | Add: Addition during the year | 17,787,407 | 16,044,965 |
| | Less: Paid during the year | (16,044,966) | (18,720,901) |
| | Closing Balance | 17,195,553 | 15,453,112 |
| | This represents 5% on net income before charging income tax as per provision of the Labour Law-2006, and it shall be allocated among the eligible workers as defined in the said act. | | |

| | Notes | Amounts in Taka | |
|-----------|---------------------------|----------------------|----------------------|
| | | 2017-18 | 2016-17 |
| 23 | Revenue (Taka) | | |
| | Carded Yarn | 586,306,330 | 984,426,134 |
| | Combed Yarn | 926,504,463 | 648,085,539 |
| | Slub Yarn | 456,583,494 | 351,442,741 |
| | Synthetic Yarn | 1,026,453,967 | 510,374,920 |
| | Melange Yarn | 606,181,365 | 351,683,587 |
| | Vortex | 187,040,961 | 69,594,606 |
| | Open End | 236,905,258 | 85,588,032 |
| | Twist | 21,702,349 | - |
| | Twisting Services Charges | 3,236,110 | - |
| | | 4,050,914,298 | 3,001,195,559 |
| | Quantity (Kg) | | |
| | Carded Yarn | 2,472,258 | 4,048,220 |
| | Combed Yarn | 2,942,619 | 2,243,918 |
| | Slub Yarn | 1,429,416 | 1,147,083 |
| | Synthetic Yarn | 3,876,252 | 1,983,186 |
| | Melange Yarn | 1,969,182 | 1,235,751 |
| | Vortex | 705,781 | 256,898 |
| | Open End | 1,339,835 | 554,771 |
| | Twisted Yarn | 76,994 | - |
| | | 14,812,336 | 11,469,826 |

**Turnover in Quantity (Kg)
2017-18**

| Product Type | Opening Stock (a) | Production (b) | Closing Stock (c) | Sales during the year (a+b-c) |
|----------------|----------------------|-------------------|----------------------|----------------------------------|
| Carded Yarn | 162,733 | 2,409,982 | 100,456 | 2,472,258 |
| Combed Yarn | 134,679 | 2,929,657 | 121,717 | 2,942,619 |
| Slub Yarn | 27,264 | 1,433,708 | 31,556 | 1,429,416 |
| Synthetic Yarn | 407,873 | 3,535,694 | 67,315 | 3,876,252 |
| Melange Yarn | 36,561 | 1,984,188 | 51,566 | 1,969,182 |
| Vortex | - | 756,528 | 50,748 | 705,781 |
| Open End | - | 1,417,677 | 77,842 | 1,339,835 |
| Twisted Yarn | - | 88,435 | 11,442 | 76,994 |
| Total | 769,109 | 14,555,869 | 512,641 | 14,812,336 |

**Turnover in Quantity (Kg)
2016-17**

| Product Type | Opening Stock (a) | Production (b) | Closing Stock (c) | Sales during the year (a+b-c) |
|----------------|----------------------|-------------------|----------------------|----------------------------------|
| Carded Yarn | 44,441 | 4,166,512 | 162,733 | 4,048,220 |
| Combed Yarn | 37,583 | 2,341,014 | 134,679 | 2,243,918 |
| Slub Yarn | 11,501 | 1,162,846 | 27,264 | 1,147,083 |
| Synthetic Yarn | 18,314 | 2,181,595 | 216,723 | 1,983,186 |
| Melange Yarn | 8,830 | 1,263,481 | 36,561 | 1,235,751 |
| Vortex | - | 263,145 | 6,248 | 256,898 |
| Open End | - | 739,674 | 184,902 | 554,771 |
| Total | 120,668 | 12,118,266 | 769,108 | 11,469,826 |

| | Notes | Amounts in Taka | |
|-----------|--|----------------------|----------------------|
| | | 2017-18 | 2016-17 |
| 24 | Cost of goods sold | | |
| | Raw Material consumption (Note-24.01) | 2,451,816,408 | 1,915,204,897 |
| | Packing materials consumption (Note-24.02) | 26,982,946 | 20,619,357 |
| | Manufacturing overhead (Note-24.03) | 921,377,152 | 803,261,199 |
| | Cost of goods manufacturing | 3,400,176,506 | 2,739,085,453 |
| | Opening work-in-process | 47,093,660 | 22,686,724 |
| | Closing work-in-process | (61,276,684) | (47,093,660) |
| | Cost of production | 3,385,993,482 | 2,714,678,518 |
| | Opening stock of finished yarn | 189,909,966 | 29,080,586 |
| | Closing stock of finished yarn | (133,961,259) | (189,909,966) |
| | | 3,441,942,189 | 2,553,849,138 |
| | 24.01 Raw Material consumption | | |
| | Quantity (KG) | | |
| | Opening Stock | 4,264,097 | 2,966,355 |
| | Purchase during the year | 15,203,003 | 15,276,143 |
| | Raw Material available for consumption | 19,467,099 | 18,242,497 |
| | Closing Stock | (3,333,822) | (4,264,097) |
| | Raw Material Consumed | 16,133,277 | 13,978,401 |

| | Notes | Amounts in Taka | |
|--|-------|----------------------|----------------------|
| | | 2017- 18 | 2016-17 |
| Value (Taka) | | | |
| Opening balance | | 717,336,658 | 413,094,976 |
| Purchase during the year | | 2,355,345,235 | 2,219,446,579 |
| Raw Material available for consumption | | 3,072,681,893 | 2,632,541,555 |
| Closing balance | | (620,865,486) | (717,336,658) |
| | | 2,451,816,408 | 1,915,204,897 |
| 24.02 Packing materials consumption | | | |
| Opening balance | | 2,307,074 | 1,313,855 |
| Purchase during the year | | 26,626,076 | 21,612,577 |
| Packing materials available for consumption | | 28,933,150 | 22,926,432 |
| Closing balance | | (1,950,203) | (2,307,074) |
| | | 26,982,946 | 20,619,357 |
| 24.03 Manufacturing overhead | | | |
| Salary and allowances | | 151,461,267 | 134,632,238 |
| Repair and maintenance | | 10,778,126 | 22,152,077 |
| Fiber Dyeing | | 3,315,693 | 77,835 |
| BTMA certificate charges | | 551,375 | 184,500 |
| Store and spare parts | | 37,310,871 | 20,625,350 |
| Travelling & Conveyance | | 445,246 | 446,122 |
| Croceries and Canteen Expences | | 1,088,827 | 605,224 |
| Fire Fighting Expenses-factory | | 1,776,352 | 319,341 |
| Factory stationeries | | 1,102,883 | 668,609 |
| Fuel and lubricants- Fork Lift | | 202,441 | 517,179 |
| Fuel and lubricants- Generator | | 47,750,441 | 19,432,266 |
| Fuel and lubricants- Vehicles | | 670,622 | 209,200 |
| Electricity bill | | 292,649,081 | 275,260,148 |
| Gas bill | | 80,853,248 | 68,653,508 |
| Inspection charges | | - | 107,092 |
| Insurance premium | | 7,104,230 | 6,143,984 |
| Testing fee | | 27,116 | 50,815 |
| Workshop expenses | | 24,796 | 889,425 |
| Depreciation | | 284,264,539 | 252,286,286 |
| | | 921,377,152 | 803,261,199 |
| 25 Other income | | | |
| Foreign currency exchange gain/(loss) | | 31,328,699 | 36,715,541 |
| Gain /(Loss) on Investment in marketable securities | | (1,078,112) | 12,704,387 |
| Gain /(Loss) on Disposal of Assets | | 714,033 | 689,435 |
| Gain /(Loss) on Investment | | - | 12,372,500 |
| Sub Contract Income | | - | 2,738,802 |
| Bank interest received | | 1,746,079 | 14,661,667 |
| Sales of wastage | | 49,220,715 | 53,140,389 |
| Cash Dividend (received on marketable securities) | | 1,994,000 | 2,037,600 |
| Misc. Income | | - | 75,781 |
| Rental Income | | 1,229,650 | 820,380 |
| | | 85,155,064 | 135,956,483 |

| | Notes | Amounts in Taka | |
|-----------|--|--------------------|--------------------|
| | | 2017-18 | 2016-17 |
| 26 | Administrative expenses | | |
| | Salary and allowances | 123,614,176 | 99,925,157 |
| | Audit fees | 690,000 | 575,000 |
| | AGM Expenses | 2,131,958 | 2,452,848 |
| | Board Meeting Expenses | 759,000 | 816,500 |
| | Business development expenses | 9,853,787 | 9,113,735 |
| | Bank charges and commission | 8,005,419 | 6,423,590 |
| | Ceremonial expense | 159,335 | 40,355 |
| | Certificate and membership fees | 2,566,880 | 2,026,126 |
| | Computer repair & maintenance | 246,268 | 127,450 |
| | Credit rating expenses | 155,250 | 172,500 |
| | CSR Expenses | 2,573,500 | 4,440 |
| | Garden Expenses | 36,334 | 65,780 |
| | Advertisement | 788,866 | 887,278 |
| | Contribution to Provident Fund | 1,628,418 | 1,378,175 |
| | Managing Directors Remuneration (Note -37) | 8,400,000 | 8,400,000 |
| | Donation | 4,200,000 | 10,200,000 |
| | Entertainment | 4,512,074 | 4,431,237 |
| | Internet charges | 158,700 | 159,450 |
| | Legal expenses | 300,768 | 36,200 |
| | Medicine and medical expenses | 16,737 | 47,973 |
| | News paper and periodicals | 38,900 | 8,650 |
| | Office maintenance | 1,466,370 | 23,000 |
| | Photocopy and type expenses | 129,586 | 204,510 |
| | Office Stationery | 533,658 | 1,182,638 |
| | Rates and taxes | 12,075,316 | 794,746 |
| | Office Rent | 240,000 | 240,000 |
| | Registration and renewal | 1,537,222 | 1,735,355 |
| | Religious expenses | 78,000 | 77,000 |
| | Staff welfare | 144,917 | 83,640 |
| | Travelling expenses | 489,784 | 966,320 |
| | Uniform and liveries | 136,933 | 224,412 |
| | Miscellaneous expenses | 4,867,341 | 2,357,182 |
| | Power and fuel - vehicles | 2,367,678 | 2,506,138 |
| | Depreciation | 31,584,949 | 28,031,810 |
| | | 226,488,125 | 185,719,194 |
| 27 | Distribution expenses | | |
| | Sales Promotion | 135,026 | 1,247,841 |
| | Sales commission | - | 112,185 |
| | Carriage outward | 6,259,577 | 2,710,110 |
| | | 6,394,603 | 4,070,136 |
| 28 | Finance cost | | |
| | Interest expenses | | |
| | Bank Interest on Offshore loan | 34,862,463 | 15,439,491 |
| | Bank interest on Export Development Fund / UPAS Cotton | 46,606,853 | 33,128,729 |
| | Bank Interest on OD loan | 2,295,795 | 632,055 |
| | Bank Interest on loan against export bills | 3,943,787 | 7,369,037 |
| | | 87,708,897 | 56,569,312 |



| | | Amounts in Taka | |
|--|--|-----------------|---------|
| | | 2017-18 | 2016-17 |

29 Contribution to workers' profit participation funds

Allocation for workers' profit participation funds Tk.17,787,407 (2017: Tk.16,044,965).This represents 5% of net income before charging income tax as per provision of the Labour Law - 2006 and it shall be allocated as defined in the said act.

30 Current Tax

A. Tax calculation for current year

| | | | |
|--|--|--------------------|----------------------|
| Profit before tax (01.07.2017 to 30.06.2018) | | 355,748,142 | 320,899,297 |
| Less: Other income considered separately* | | 85,155,064 | 135,956,483 |
| | | 270,593,078 | 184,942,814 |
| Add: Accounting Depreciation | | 315,849,487 | 280,318,095 |
| Less: Tax Depreciation* | | (490,128,121) | (584,636,287) |
| Taxable Income | | 96,314,444 | (119,375,377) |

Tax Rate

| | | | |
|---|-----|-------------------|-------------------|
| Current Tax expenses on Taxable Income* | 15% | 14,447,167 | (17,906,307) |
| Foreign currency exchange gain/(loss) | 25% | 9,411,935 | 9,178,885 |
| Gain / Loss on Investment in marketable securities* | 10% | 660,483 | 1,270,439 |
| Gain /(Loss) on Disposal of Fixed Assets | 15% | 178,508 | 103,415 |
| Gain /(Loss) on Investment | 15% | - | 1,855,875 |
| Sub Contract Income | 25% | - | 684,701 |
| Tax on bank Interest | 25% | 436,520 | 3,665,417 |
| Tax on wastage sale | 25% | 12,305,179 | 13,285,097 |
| Tax on Cash Dividend (Share Investment) | 20% | 398,800 | 407,520 |
| Misc. Income | 25% | - | 18,945 |
| Rental Income | 25% | 215,189 | 143,567 |
| Income Tax expenses | | 38,053,780 | 12,707,554 |

B. (Excess)/Short provision for taxations after final assessment order as below

| | | | |
|--------------------------------|--|--------------------|-------------------|
| 2014-2015 | | (6,332,489) | - |
| Total | | (6,332,489) | |
| Total Current tax (A+B) | | 31,721,291 | 12,707,554 |

Provision for income tax has been calculated @ 15% on taxable income from operation under SRO 193 dated 30 June 2015 of NBR, 10% on Gain / Loss on Investment in marketable securities, 20 % on dividend income, 25 % taxable on other income and 25% on cash incentive.

31 Deferred tax expenses for Income Statement

| | | | |
|--|-----|-------------------|-------------------|
| Fixed assets: | | | |
| Carrying amount * | | 3,191,326,294 | 3,363,316,460 |
| Tax base | | (2,185,120,093) | (2,499,920,950) |
| Taxable Temporary difference | | 1,006,206,201 | 863,395,510 |
| Tax rate | 15% | | 15% |
| (Tax rate 15% on Textile sector as per SRO - 193 dated 30 June 2015) | | | |
| Deferred tax liabilities as on 30 June 2018 | | 150,930,930 | 129,509,326 |
| Deferred tax liabilities 30 June 2017 | | (129,509,326) | (82,650,812) |
| | | 21,421,604 | 46,858,515 |

| | Notes | Amounts in Taka | |
|---|-------|--------------------|------------------|
| | | 2017-18 | 2016-17 |
| 31.01 Deferred tax for Statement of Comprehensive Income | | | |
| (i) Deferred tax liability against revaluation reserve other than land | | | |
| Carrying amount other than land | | 110,670,033 | 116,534,214 |
| Tax base | | - | - |
| | | 110,670,033 | 116,534,214 |
| Applicable tax rate (Tax rate 15% on Textile sector as per SRO - 193 dated 30 June 2015) | | 15% | 15% |
| | | 16,600,505 | 17,480,132 |
| (ii) Deferred tax liability on capital gain revaluation of land | | | |
| Carrying amount other than building & others. | | 929,491,253 | 1,016,047,662 |
| Tax base | | - | - |
| | | 929,491,253 | 1,016,047,662 |
| Applicable tax rate (3% As per section 53 H dated 01.07.2014) | | 3% | 3% |
| | | 27,884,738 | 30,481,430 |
| Deferred tax liability against revaluation reserve (i + ii) | | 44,485,243 | 47,961,562 |
| Deferred tax liabilities 30 June 2017 | | (47,961,562) | (44,380,696) |
| Deferred tax for Statement of Comprehensive Income | | (3,476,319) | 3,580,866 |

*** Deferred tax has been provided on Taxable Temporary difference.**

* This amount include adjustment for permanent difference related to sedan cars, not plying for hire, owned by company. As per the provisions of Income Tax Ordinance 1984, depreciation on such cars is allowed only up to certain limit of cost (currently Tk. 2.5 million per car) of such cars for tax purpose. Difference for vehicle represents the amount of depreciated cost exceeding such limits.

32 Earnings Per Share (EPS)

| | | |
|---|-------------|-------------|
| Net profit attributable to ordinary share holders | 302,605,247 | 261,333,229 |
| Fully diluted basis number of ordinary shares outstanding during the year | 97,490,000 | 97,490,000 |
| | 3.10 | 2.68 |

32.01 Calculation of number of ordinary shares (2017-18)

| Date | No. of Shares | Fraction of period | Weighted average of shares |
|--|---------------|--------------------|----------------------------|
| Balance as on 1st July-2010 | 25,500,000 | 365 | 25,500,000 |
| 12.10.2010 | | | |
| Shares allotted in cash | 9,110,000 | 365 | 9,110,000 |
| 25.10.2010 | | | |
| Bonus shares | 7,650,000 | 365 | 7,650,000 |
| 15.01.2013 | | | |
| Bonus shares | 21,130,000 | 365 | 21,130,000 |
| 27.02.2014 | | | |
| Shares allotted in cash | 34,100,000 | 365 | 34,100,000 |
| Weighted average number of ordinary shares (2017 - 2018) | | | 97,490,000 |

| | | Amounts in Taka | |
|-----------|--|----------------------|----------------------|
| | | 30 June 2018 | 30 June 2017 |
| 33 | Net Assets Value (Per Share) | | |
| | Total assets | 6,722,247,263 | 7,076,727,571 |
| | Less: Total current liabilities | (1,906,172,524) | (2,262,387,340) |
| | | 4,816,074,739 | 4,814,340,231 |
| | Less: Long Term & deferred liabilities | (562,875,715) | (720,987,774) |
| | | 4,253,199,024 | 4,093,352,457 |
| | Number of Ordinary Share at Balance Sheet date | 97,490,000 | 97,490,000 |
| | NAV - Per Share | | |
| | On share at balance sheet date | 43.63 | 41.99 |

| | | Amounts in Taka | |
|-----------|--|-----------------|-------------|
| | | 2017-18 | 2016-17 |
| 34 | Net Operating Cash Flow Per Share | | |
| | Cash flows from operating activities as per statement of cash flows | 549,442,387 | 244,080,769 |
| | Number of Ordinary Share at Balance Sheet date | 97,490,000 | 97,490,000 |
| | Net Operating Cash Flow - Per Share (On share at Statement of Financial Position date) | 5.64 | 2.50 |

35 During the period from 01.07.2017 to 30.06.2018 four board meetings were held. The attendance status of all the meetings is as follows:

| Name of Directors | Position | Meeting Held | Attended |
|-----------------------------------|----------------------|--------------|----------|
| Abdul Wahed | Chairman | 4 | 3 |
| M.A. Jabbar | Managing Director | 4 | 3 |
| M.A. Rahim | Director | 4 | 3 |
| M.A. Quader | Director | 4 | 4 |
| Md. Hassan Imam | Director | 4 | 4 |
| Selina Parvin | Director | 4 | 4 |
| Tanzeen Rahim | Director | 4 | 4 |
| Taslina Begum | Director | 4 | 4 |
| M. Farhad Hussain FCA | Independent Director | 4 | 4 |
| M. Naser Alam , Barrister-at-law* | Independent Director | 4 | 4 |

36 Employee position for Matin Spinning Mills Ltd (as at 30 June 2018)

Disclosure as per requirement of schedule XI part II of Company Act 1994

| Officer & Staff | | Worker | Total Employee | Amount in Taka |
|-----------------|---------|--------|----------------|--------------------|
| Head Office | Factory | | | |
| 25 | 340 | 1,476 | 1,841 | 285,103,861 |
| | | | 1,841 | 285,103,861 |

There is no Salary/ Wages/Remuneration below Tk.3,000/- per month or annually Tk. 36,000. Minimum Salary/ Wages/Remuneration has started from Tk. 5,300/- per month.

37 Payments to Directors and Officers

Disclosure as per requirement of schedule XI, Part II, Para 4 of Company Act 1994

| Particular | 2017-18 | | | 2016-17 | | |
|-----------------------------|-----------|-------------------|-------------|-----------|-------------------|-------------|
| | Directors | Managers & Others | Total | Directors | Managers & Others | Total |
| Basic Salary | 5,139,960 | 67,925,544 | 73,065,504 | 5,139,960 | 54,908,514 | 60,048,474 |
| House Rent | 2,569,980 | 33,962,772 | 36,532,752 | 2,569,980 | 27,454,257 | 30,024,237 |
| Conveyance | 690,060 | 9,119,274 | 9,809,334 | 690,060 | 7,371,686 | 8,061,746 |
| Bonus/ incentives | - | 12,606,586 | 12,606,586 | - | 10,190,701 | 10,190,701 |
| Total Salary and allowances | 8,400,000 | 123,614,176 | 132,014,176 | 8,400,000 | 99,925,157 | 108,325,157 |

* Directors represent Managing Director only.

* No benefits other than the monthly emoluments is given to the Managing Director.

38 Contingent Liabilities

- Contingent Liability of the Company was Tk.598,261,224 as on 30 June 2018 for opening of LCs by the banks in favour of foreign suppliers for raw materials and spares
- There was no facts and figures for which the company has contingent liability to any party other than Bank as on 30 June 2018.

39 Disclosure as per requirement of schedule XI, part II, para 7 of Companies Act 1994

| | 2017-18 | | | | 2016-2017 |
|--|-----------|--------------|----------------|-------------------|-------------------|
| | MSML Unit | Melange Unit | Synthetic Unit | Total | |
| Capacity Installed | | | | | |
| No of Spindles Installed | 39,600 | 18,240 | 15,344 | 73,184 | 73,184 |
| Capacity Utilised | | | | | |
| No. of Spindles Operated | 36,302 | 17,052 | 14,184 | 67,539 | 67,411 |
| Production Capacity: (In Kg) | | | | | |
| At Equivalent Ave.28's (Ring) & 16's Count (Rotor) | 8,825,000 | 3,530,000 | 5,582,450 | 17,937,450 | 15,235,552 |
| Actual Production : (In Kg) | | | | | |
| At Equivalent Ave.28's (Ring) & 16's Count (Rotor) | 7,017,237 | 2,687,205 | 4,727,674 | 14,432,116 | 11,819,472 |
| % of Capacity Utilization | 79.52 | 76.12 | 84.69 | 80.46 | 77.58 |

40 Related party disclosure

During the year, the Company carried out a numbers of transactions with related parties in the normal course of business. The names of the related parties and nature of these transaction have been set out in accordance with the provisions of BAS -24:

| Name of the related party | Relationship | Nature of transaction | Value of transactions (Taka) | Closing balance as of June 30, 2018 (Taka) | Status as of June 30, 2018 | Closing balance as of June 30, 2017 (Taka) | Status as of June 30, 2017 |
|-----------------------------------|----------------|-----------------------|------------------------------|--|----------------------------|--|----------------------------|
| Flamingo Fashions Ltd | Sister Concern | Sale of yarn | 727,950,186 | 214,776,320 | Debtor | 294,240,586 | Debtor |
| Jinnat Fashions Ltd | Sister Concern | Sale of yarn | 522,316,553 | 25,831,211 | Debtor | 37,568,191 | Debtor |
| Jinnat knitwears Ltd | Sister Concern | Sale of yarn | 752,280,512 | 25,226,869 | Debtor | 89,659,831 | Debtor |
| Jinnat Apparels Ltd | Sister Concern | Sale of yarn | 372,539,280 | 59,417,925 | Debtor | 4,800,211 | Debtor |
| | | Office Rent | (240,000) | 20,000 | Creditor | 20,000 | Creditor |
| Mawna Fashions Ltd. | Sister Concern | Sale of yarn | 182,347,162 | 6,500,953 | Debtor | 17,434,044 | Debtor |
| Hamza Textiles Ltd | Sister Concern | Sale of yarn | 232,793,452 | 48,798,426 | Debtor | 70,227,425 | Debtor |
| Parkway Printing & Packaging Ltd. | Sister Concern | Sale of yarn | 17,634,189 | 12,034,874 | Debtor | 1,343,408 | Debtor |
| | | Godown Rent & Others | 3,150,291 | 2,805,745 | Debtor | 513,205 | Debtor |
| DBL Distribution Ltd | Sister Concern | Fuel & Lubricant | 41,480,351 | 34,082,171 | Creditor | 15,473,817 | Creditor |

41 Disclosure as per requirement of schedule XI, part II, para 8 of the Companies Act 1994

Disclosure requirement of schedule XI, part II, para 8(b&d) of the Companies Act 1994

CIF Value of Raw Cotton, Spare Parts, Packing Materials and Capital Machinery (BDT) and Consumption

| Particular | Local Purchase | Import | Total Purchase | Consumed | % of Consumption |
|------------------------|-------------------|----------------------|----------------------|----------------------|------------------|
| Raw Cotton | | 2,355,345,235 | 2,355,345,235 | 2,451,816,408 | 97.44% |
| Stores and Accessories | | 105,419,097 | 105,419,097 | 37,310,871 | 1.48% |
| Packing Materials | 26,626,076 | - | 26,626,076 | 26,982,946 | 1.07% |
| Capital Machinery | | 38,118,934 | 38,118,934 | - | - |
| Total | 26,626,076 | 2,498,883,266 | 2,525,509,342 | 2,516,110,225 | 100.00% |

FOB Value of export

The FOB value of export for the year 30 June 2018 is as follows:

| Particular | US \$ | Taka |
|------------|------------|---------------|
| Export | 48,953,647 | 4,050,914,298 |

42 Previous year's figures have been rearranged, wherever considered necessary, to conform to current year's presentation .

43 These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

44 Figures are rounded off to the nearest Taka.

45 Event after Balance Sheet date

The Board of Directors of Matin Spinning Mills Limited, at its 106th meeting held on November 04, 2018 proposed Tk. 1.70 per share amounting to a total of Tk. 165,733,000 as cash dividend for the year ended 30 June 2018, which represents 17% of the paid up capital. This dividend is subject to final approval by the shareholders at the forthcoming Annual General Meeting of the Company.

46 Accounting standards issued but not yet effective

In January 2018, the Institute of Chartered Accountants of Bangladesh (ICAB) has adopted International Financial Reporting Standards issued by the International Accounting Standards Board as IFRSs. As the ICAB previously adopted such standards as Bangladesh Financial Reporting Standards without any modification, this recent adoption will not have any impact on the financial statements of the Company going forward.

All previously adopted reporting standards are consistently applied by the Company to the extent relevant for the Company. The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the MSML's financial statements are disclosed below. MSML intends to adopt these standards, if applicable, when they become effective.

| New standards | Summary of the requirements | Possible impact on financial statements |
|----------------|--|--|
| IFRS 16 Leases | <p>IFRS 16 replaces existing leases guidance, including IAS/BAS-17 Leases, IFRIC/BFRIC-4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.</p> <p>The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.</p> <p>IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.</p> | <p>During 2018, the Company has performed a detailed impact assessment of all the aspects of IFRS 16 based on currently available information and may be subject to changes arising from further reasonable and supportable information being available to the Company in the next reporting period.</p> <p>Overall, MSML determines that there is no impact on its statement of financial position and equity due to IFRS 16.</p> |


Chairman


Managing Director


Chief Financial Officer


Company Secretary

Dated, Dhaka
4 November, 2018



MATIN SPINNING MILLS LIMITED

Details of property, plant and equipment for the year ended 30 June 2018

Annex i

A) Non Revalued Assets (Cost Component)

| Name of the assets | Cost | | | Depreciation | | | | Written down value at 30 June 2018 | | |
|---------------------------|-----------------|--------------------------|-------------------------------------|-----------------------|--------|-----------------|---------------------|------------------------------------|----------------------------|-----------------------|
| | At 01 July 2017 | Addition during the year | Adjustment/disposal during the year | Total at 30 June 2018 | Rate % | At 01 July 2017 | Charge for the year | | Adjustment during the year | Total at 30 June 2018 |
| Land and land development | 150,655,666 | 1,849,000 | - | 152,504,666 | 0% | - | - | - | - | 152,504,666 |
| Factory building | 630,996,800 | 29,798,468 | - | 660,795,268 | 5% | 120,699,495 | 25,410,682 | - | 146,110,176 | 514,685,091 |
| Godown | 65,212,259 | 17,765,191 | - | 82,977,450 | 10% | 16,754,314 | 5,026,330 | - | 21,780,644 | 61,196,806 |
| Plant and machinery | 3,666,098,327 | 38,118,934 | - | 3,704,217,260 | 10% | 1,333,661,654 | 228,568,395 | - | 1,562,230,049 | 2,141,987,212 |
| Furniture and fixtures | 3,275,571 | - | - | 3,275,571 | 10% | 1,712,935 | 153,014 | - | 1,865,949 | 1,409,622 |
| Sub-Station (Machinery) | 354,724,076 | - | - | 354,724,076 | 15% | 89,615,829 | 37,639,368 | - | 127,255,197 | 227,468,879 |
| Gas Generator | 128,958,867 | 2,552,908 | - | 131,511,775 | 15% | 107,327,231 | 3,152,966 | - | 110,480,197 | 21,031,578 |
| Office equipments | 28,878,603 | 38,047,300 | - | 66,925,903 | 15% | 13,432,376 | 5,162,967 | - | 18,595,343 | 48,330,560 |
| Vehicles | 64,383,137 | 4,185,695 | 1,040,000 | 67,528,832 | 20% | 39,410,162 | 4,871,585 | 944,569 | 43,337,178 | 24,191,654 |
| Total at 30 June 2018 | 5,093,183,305 | 132,317,495 | 1,040,000 | 5,224,460,800 | | 1,722,613,995 | 309,985,306 | 944,569 | 2,031,654,733 | 3,192,806,068 |

B) Revalued Assets (Revaluation Reserve Component)

| Name of the assets | Revaluation | | | Depreciation | | | | Written down value at 30 June 2018 | | |
|--------------------------------------|----------------------|--------------------------|-------------------------------------|-----------------------|--------|----------------------|---------------------|------------------------------------|----------------------------|-----------------------|
| | At 01 July 2017 | Addition during the year | Adjustment/disposal during the year | Total at 30 June 2018 | Rate % | At 01 July 2017 | Charge for the year | | Adjustment during the year | Total at 30 June 2018 |
| Land and land development | 865,391,996 | - | - | 865,391,996 | 0% | - | - | - | - | 865,391,996 |
| Factory building | 163,805,258 | - | - | 163,805,258 | 5% | 49,413,937 | 5,654,339 | - | 55,068,276 | 108,736,982 |
| Godown | 4,480,258 | - | - | 4,480,258 | 10% | 2,337,364 | 209,842 | - | 2,547,206 | 1,933,052 |
| Total at 30 June 2018 | 1,033,677,512 | - | - | 1,033,677,512 | | 51,751,302 | 5,864,181 | - | 57,615,483 | 976,062,029 |
| Total (A + B) at 30 June 2018 | 6,126,860,817 | 132,317,495 | 1,040,000 | 6,258,138,312 | | 1,774,365,296 | 315,849,487 | 944,569 | 2,089,270,215 | 4,168,868,097 |

Allocation of depreciation:

| | |
|-------------------------------|--------------------|
| Manufacturing overhead @ 90% | 284,264,539 |
| Administrative overhead @ 10% | 31,584,949 |
| | 315,849,487 |

Part A of the above note includes the cost base of all assets owned by the Company. Part B includes the increase in value of assets arising out of revaluation of assets.

MATIN SPINNING MILLS LIMITED

Details of property, plant and equipment for the year ended 30 June 2017

Annex ii

A) Non Revalued Assets (Cost Component)

| Name of the assets | Cost | | | Depreciation | | | Written down value at 30 June 2017 | | | |
|---------------------------|-----------------|--------------------------|-------------------------------------|-----------------------|--------|-----------------|------------------------------------|---------------------|----------------------------|-----------------------|
| | At 01 July 2016 | Addition during the year | Adjustment/disposal during the year | Total at 30 June 2017 | Rate % | At 01 July 2016 | | Charge for the year | Adjustment during the year | Total at 30 June 2017 |
| Land and land development | 146,373,666 | 4,282,000 | - | 150,655,666 | 0% | - | - | - | - | 150,655,666 |
| Factory building | 351,352,360 | 279,644,440 | - | 630,996,800 | 5% | 99,961,749 | 20,737,746 | - | 120,699,495 | 510,297,305 |
| Godown | 34,611,245 | 30,601,014 | - | 65,212,259 | 5% | 14,183,206 | 2,571,108 | - | 16,754,314 | 48,457,945 |
| Plant and machinery | 2,520,190,259 | 1,195,851,993 | 1,995,514 | 3,714,046,738 | 10% | 1,163,150,547 | 195,918,543 | 230,122 | 1,358,838,969 | 2,355,207,769 |
| Furniture and fixtures | 3,275,571 | - | - | 3,275,571 | 10% | 1,539,309 | 173,626 | - | 1,712,935 | 1,562,636 |
| Sub Station (Machinery) | 306,775,665 | - | - | 306,775,665 | 10% | 21,673,134 | 42,765,380 | - | 64,438,514 | 242,337,151 |
| Gas Generator | 128,958,867 | - | - | 128,958,867 | 15% | 103,509,883 | 3,817,348 | - | 107,327,231 | 21,631,636 |
| Office equipment | 24,229,701 | 4,648,902 | - | 28,878,603 | 15% | 11,023,701 | 2,408,675 | - | 13,432,376 | 15,446,228 |
| Vehicles | 62,476,275 | 3,789,810 | 1,882,948 | 64,383,137 | 15% | 35,335,448 | 5,666,975 | 1,592,261 | 39,410,162 | 24,972,975 |
| Total at 30 June 2017 | 3,578,243,609 | 1,518,818,159 | 3,878,462 | 5,093,183,305 | | 1,450,376,977 | 274,059,400 | 1,822,383 | 1,722,613,995 | 3,370,569,310 |

B) Revalued Assets (Revaluation Reserve Component)

| Name of the assets | Revaluation | | | Depreciation | | | Written down value at 30 June 2017 | | | |
|--------------------------------------|----------------------|--------------------------|-------------------------------------|-----------------------|--------|----------------------|------------------------------------|---------------------|----------------------------|-----------------------|
| | At 01 July 2016 | Addition during the year | Adjustment/disposal during the year | Total at 30 June 2017 | Rate % | At 01 July 2016 | | Charge for the year | Adjustment during the year | Total at 30 June 2017 |
| Land and land development | 865,391,996 | - | - | 865,391,996 | 0% | - | - | - | - | 865,391,996 |
| Factory building | 163,805,258 | - | - | 163,805,258 | 5% | 43,393,341 | 6,020,596 | - | 49,413,937 | 114,391,321 |
| Godown | 4,480,258 | - | - | 4,480,258 | 10% | 2,099,265 | 238,099 | - | 2,337,364 | 2,142,894 |
| Total at 30 June 2017 | 1,033,677,512 | - | - | 1,033,677,512 | | 45,492,606 | 6,258,695 | - | 51,751,301 | 981,926,211 |
| Total (A + B) at 30 June 2017 | 4,611,921,121 | 1,518,818,159 | 3,878,462 | 6,126,860,817 | | 1,495,869,583 | 280,318,096 | 1,822,383 | 1,774,365,296 | 4,352,495,521 |

Allocation of depreciation:

| | |
|-------------------------------|--------------------|
| Manufacturing overhead @ 90% | 252,286,286 |
| Administrative overhead @ 10% | 28,031,810 |
| | 280,318,096 |

Part A of the above note includes the cost base of all assets owned by the Company. Part B includes the increase in value of assets arising out of revaluation of assets. Previously, Electrical Installation and Deep Tube well were presented as Separate Asset items with Depreciation rates of 15% and 20% respectively. However, from this year, 'Electrical installation' has been incorporated into 'Plant and Machinery' with depreciation charged at the rate of 10% and Deep Tube well has been incorporated into 'Equipment' with depreciation charged at the rate of 15%.





NOTE

A series of horizontal dotted lines for writing notes.

Matin Spinning Mills Limited
BGMEA Complex (12th Floor)
23/1, Panthapath Link Road, Karwan Bazar
Dhaka-1215



Proxy Form

I/We.....

of.....

Being a member of Matin Spinning Mills Limited and holder of.....

Shares hereby appoint Mr /Ms.....

as my/ our proxy to attend and vote for me/us on behalf of me/us at the 16th Annual General Meeting of the Company to be held on Thursday the 13 December, 2018 at 11.00 am at the Factory premises of the company at Sardaganj, Kashimpur, Gazipur.

Signature of Proxy
Registered Folio/ BO

Revenue Stamp
Tk. 20.00

Signature of Shareholder
Registered Folio/BO

Note: The Proxy Form, duly completed and stamped, must be submitted at BGMEA Complex (12th Floor), 23/1, Panthapath Link Road, Karwan Bazar Dhaka-1215 at least 48 hours before the meeting

Matin Spinning Mills Limited
BGMEA Complex (12th Floor)
23/1, Panthapath Link Road, Karwan Bazar
Dhaka-1215



Attendance Slip

I hereby record my attendance at the 16th Annual General Meeting of the Company to be held on Thursday the 13 December, 2018.

Name of the Member/Proxy

Registered Folio /BO ID

Signature

Date:

Note: Please note that no gift/gift coupon/food box/benefit in cash or kind shall be distributed/paid at the AGM as per BSEC Notification No.SEC/CMRRCD/2009-193/154 dated 24th October, 2013.

Shareholders attending the meeting in person or by proxy are requested to complete the Attendance slip and submit the same at the entrance of the meeting venue.



CORPORATE OFFICE

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