

Director's Report To The Shareholders

Bismillahir Rahmanir Rahim
Dear Shareholders
Assalamu Alaikum,

It is my great pleasure to welcome you at the 14th Annual General Meeting of Saiham Cotton Mills Ltd. I, on behalf of the Board of Directors, have the pleasure to present before you the report for the year ended April 30, 2015 along with the audited financial statements and auditors' report thereon.

BACKGROUND

Saiham Spinning Mills Limited was incorporated on May 30, 2002 as a Private Limited Company vide incorporation No.C-459289(2401)/2002 and the name of the company has been changed to Saiham Cotton Mills Ltd. with effect from April 16, 2003. It has been converted into a public Limited Company on March 25, 2010. The Authorized capital of the company is Tk. 2,000 million and paid up capital is Tk. 1,352 million. The company was listed with the Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. and share trading started in both the houses on June 24, 2012.

REVENUE

The Company is a manufacturer of 100% export- oriented cotton yarn. The foregone year was a volatile year in the international cotton market. Raw cotton price fluctuated greatly breaching the US\$ 1.00 mark once again only to fall back 20% in less than a month and was a matter of great concern for all yarn manufacturer globally. However, the prudent management efficiently combat this volatility and thus avoid any financial loss to the company. At the same time due to the internal political instability, the upward change in raw cotton price resulting in higher yarn price was negated as such the company missed out in its target profitability.

Financial Result and Appropriation of Profit:

Particulars	2014-2015	2013-2014
Net Profit for the year (after tax)	18,96,29,548	20,02,81,820
Add: Adjustment for revaluation of P.P.E and deferred tax	3,46,07,034	3,72,28,534
Less: Unrealized loss on sale of financial assets	(76,25,656)	(33,73,836)
Add: Previous year's surplus	55,84,29,233	41,40,56,518
Add: Proportion of associate income	98,33,909	1,89,71,945
Add: Adjustment (Restated)	-	1,97,66,581
Profit available for appropriation	78,48,74,068	69,36,79,234
Recommended for appropriations:		
Cash Dividend @ 10%	13,52,50,000	13,52,50,000
Total	64,96,24,068	55,84,29,234

Segment-wise or product-wise performance

Mentioned in section 22 of the notes to the financial statements.

Industry outlook and possible future developments in the industry

The company is a backward industry for the garments sector and the performance is directly related to the export growth and performance of the garments industry. The country is still trying to overcome the image crisis of the building collapse and fire incidents few years before therefore at the beginning of the financial year there was a stagnant situation prevailing. Moreover, due to the prolonged political uncertainty in the later part, inventory management was a great concern and resulting in extra cost.

The global industry outlook is recessionary once again as such business activity is expected to be slowed down in the coming days. Yet the proposition of producing value added yarn along with enhanced production capacity expansion, which will come into implementation by the end of this year, we are confident of our market share and growth overall.

Implementation of SCML Unit - 2

The second unit of the company came into production this financial year and increased the revenue of the company. Due to the reasons mentioned above we missed our profitability target. However as assured in our last AGM steps have been taken to enhance the capacity of the second unit by another 25% and also, new negotiations are underway to produce value added product. We are also discussing with the financial institution regarding the possible financing of the expansions. All these expansion will be incorporated by the end of this year and we expect to maintain the growth of the company.

Risks and concerns

The global economy is still struggling to gain momentum as many high income countries continue to grapple with legacies of the global financial crisis and emerging economics are less dynamic than in the past.

Several major forces are driving the global outlook: soft commodity prices; persistently low interest rates but increasingly divergent monetary policies across major economics and weak world trade. In particular, the sharp decline in yarn prices since mid- 2014 will support global activity and help offset some of the headwinds to growth in spinning importing developing economics. However, it will dampen growth prospects for spinning exporting countries, with significant regional repercussions.

The economy of Bangladesh is expected to grow at an annual average of 6.3% in 2014-2015 to 2018-2019. The pace of growth would be faster were it not for the fact that economic growth in the euro area. Bangladesh largest export market will remain sluggish in the early part of the forecast period. Nevertheless, growth will continue to be supported by steady expansion in private consumption. Investment is likely to be boosted by the authorities' efforts to attract greater inflows of foreign direct investment.

Saiham Cotton Mills Ltd. being a deemed exporter, there is always a risk associated with global scenario. As mentioned the performance of the company is directly related to the foreign orders received and executed by the garments sector. Moreover, the volatility in the raw material i.e. raw cotton is always a great concern. However, initially there is a stable outlook in the cotton market, which really stabilizes the yarn market. Also, the denomination of the Bangladesh taka against the dollar is creating concern for the exporter, as all our competitor has devalued their currency and has taken a competitive advantage against us. At the same time with Euro stabilizing now the risk of currency fluctuation is reduced to some extent.

Moreover, risks and concern of the industry solely depends on the upcoming Government policy as well. However, Garments being the major foreign currency earner has always enjoyed special consideration from all the successive Governments and expectation is that it will continue in the future.

A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.

Particulars	April 30, 2015	April 30, 2014
Cost of goods sold	243,72,73,188 (89.41%)	158,65,05,421 (84.36%)
Gross profit	28,88,10,286 (10.59%)	29,41,66,383 (15.64%)
Net profit for the year	18,96,29,548 (6.96%)	20,02,81,820 (10.65%)

Discussion on continuity of any Extra-Ordinary gain or loss

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

Related party transactions

The Company has transactions with its Associate Companies which have been disclosed in related party transaction in note nos. 28 of the notes to the financial statements.

Utilization of Proceeds from public issues:

With the IPO fund the company has set up a brand new 100% export oriented spinning unit.

Variance within the Quarterly Financial Statement and Annual Financial Statements

There was no event of significant variance between quarterly financial performances during the year under reporting.

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Fairness of Financial Statements

The financial statements together with the notes thereon have been drawn up in conformity with Bangladesh Accounting Standard/ Bangladesh Financial Reporting Standard, Companies Act 1994 and Securities and Exchange Rules 1987. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.

Proper Books of Accounts

Proper books of accounts of the Company have been maintained.

Accounting Policies

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

Application of IAS/BAS/IFRS/BFRS

International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed. The list of BAS/BFRS complied is listed on Note 2.3 of the audited accounts.

Internal Control

The systems of internal controls were sound and were implemented and monitored effectively

Going Concern

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

Contribution to the National Exchequer

During the year under review the Company paid Taka 3,95,17,334 to the National Exchequer as income tax.

DIRECTORS

In terms of Article 108 of the Articles of Association of the Company, S.F.A.M. Shahjahan and Syed Shafqat Ahmed Directors retire by rotation from the Board in the 14th Annual General Meeting. Being eligible under Article 110 of the Articles of Association of the Company, the retiring Directors have offered themselves for re-election.

Disclosure of information of the directors who are willing to be re-elected.

S. F. A. M. Shahjahan

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

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

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

Syed Shafqat Ahmed

Syed Shafqat Ahmed graduated in Economics from Michigan State University and completed MBA from University of Texas at Arlington. He specializes in financial management and structuring/restructuring of organizations. He worked as a financial analyst at Salomon Smith Barney, an investment bank and as pricing analyst in Bowne of Dallas. He expertise in workflow designing was the key behind Saiham Cotton Mills Limited's winning the "Best It Use Award" in 2005 awarded by BASIS Bangladesh. He is currently acting as the Managing Director of Saiham Knit Composite Ltd a sister Concern of Saiham Cotton Mills Ltd a 100% export oriented knit factory.

Names of companies in which Syed Shafqat Ahmed holds the directorship:

Interest in other Company:	Designation
Saiham Cotton Mills Ltd.	Director
Saiham Textile Mills Ltd.	Director
Faisal Spinning Mills Ltd.	Director
Saiham Knit Composite Ltd.	Managing Director

Re – appointment of Independent Director

The Board of Directors in its meeting held on 07th February 2015 has re-appointed Mr. Mostafa Moin as Independent Director of the Company for further period of 3 (three) years.

Mr. Mostafa Moin, B.B.A California state University, USA having over 17 years of experience in Bangladesh and in USA. Currently he holds the Directorship of Doreen Power Generations and systems Ltd. It is expected that his expertise would help to contribute the Company affairs as well as to protect the interest of all investors in general and smaller investors in particular.

BOARD MEETINGS

In accordance with directives of the regulatory authorities, the Board supervises, study and review the activities of the Company and make businesses decisions, etc. During the year, 5 (Five) board meetings were held.

Remuneration to directors including independent director

The independent Director of the Company is receiving a sum of Taka 60,000/-(Sixty Thousand) as board meeting fee. The information regarding Directors remuneration is incorporated in the notes no 30.00 of the notes to the financial statement.

Number of Board meetings held during the year and attendance by each director

Name of Directors	Number of Board Meeting held during the financial year ended 30.04.2015	Number of Board Meeting attended	Remarks
Mr. S. M. Faisal	5	5	
Syed Ishtiaq Ahmed	5	5	
Mr. S. F. A. M. Shahjahan	5	5	
Syed Shafqat Ahmed	5	5	
Mr. Mostafa Moin	5	5	

DIVIDEND

The Board of Directors has recommended 5% cash dividend and 10% stock dividend for the year ended April 30, 2015 (subject to the approval in the forthcoming AGM) whose names will appear in the share register of the Company and/or Depository Register of CDBL as on Record Date, i.e., September 17, 2015.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of Saiham Cotton Mills Ltd. is a sub- committee of the Board of Directors; and is appointed and authorized by the Board in pursuance of BSEC Circular to review the activities of business. The Audit committee consists of the following members:

Mr. Mostafa Moin, Independent Director	: Chairman
Mr. S.F.A.M. Shahjahan, Director	: Member
Syed Shafqat Ahmed, Director	: Member

Scope of work of Audit Committee

The Committee is authorized to investigate any matter within its terms of reference, access all documents and information of the company, seek information from any director or employee of the Group and co-opt any resources (including external professional assistance) it sees fit in order to fulfill its duties. However, the Committee has no executive function and its primary objective is to review and challenge, rather than assume responsibility for any matters within its remit. The Committee presents a summary of its activities to shareholders and other interested parties by means of this report, and the committee Chairman attends all general meetings of the Company's shareholders to answer any questions on the committee's activities.

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Review of financial statements by the Audit Committee

Audit Committee reviewed the annual financial statements for the year April 30, 2015 and placed its recommendation to the Board of Directors.

External audit

Rahman Mustafiz Haq & Co. a Chartered Accountant firm registered in Bangladesh acted as the external auditors to the company throughout the year. The auditors are not engaged on any material non-audit work such as:

- Appraisal or valuation services or fairness opinions;
- Financial information systems design and implementation;
- Book-keeping or other services related to the accounting records or financial statements;
- Broker-dealer services;
- Actuarial services; and
- Internal audit services;

Independence of External Auditor

As a policy, the Committee would not allow the external auditors to perform any work that they may subsequently need to audit, or which might otherwise create a conflict of interests. The Committee also monitors the balance between audit and non-audit related functions to ensure that auditor independence can be shown to be maintained. The Chief Financial Officer is permitted to engage the external auditors on matters that do not create such conflicts.

The Audit Committee appraised the expertise, resources, independence and objectivity of external auditor and also reviewed their effectiveness as external auditors before reaching the recommendation to the Board that their re-election should be proposed to shareholders.

Resolutions of the Audit Committee meeting:

The Committee met four times during last financial year 2014-15 to carry out the following tasks:

- The Audit Committee reviewed the financial statements for the year ended April 30, 2015;
- Reviewed and discussed the Management Letter, by external auditor Rahman Mustafiz Haq & Co. for the year ended April 30, 2015 on the annual audit on financial statements of Saiham Cotton Mills Ltd;
- The expression of interest sent by the audit firm was reviewed by the Audit Committee and recommended Rahman Mostafa Alam & Co. Chartered Accountants, as auditor of the Company for the year to be ended April 30, 2016;
- Reviewed various reports of Internal Control & Compliance Department on operational, financial procedures and branch activities;

Based on the review and above discussions, the Audit Committee is of the view that the internal control and compliance procedures are adequate to present a true and fair view of the activities and financial status of the company and to ensure that its assets are safeguarded properly.

Report from the Audit Committee

Dated: August 16, 2015.

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

Audit Committee Report

The Committee reviewed and discussed the procedure and task of the internal audit, financial report preparation and the external auditors' observations in their reports on the draft financial statements of the Company initiated by the auditors for the year ended 30 April 2015. The Committee found the statements adequate arrangement to present a true and fair view of the financial status of the Company; and did not find any material deviation, discrepancies or any adverse finding/observation in the areas of reporting and disclosures.

Sd/-
(Md. Mostafa Moin)
Chairman
Audit Committee
Saiham Cotton Mills Ltd.

ENVIRONMENTAL ROLE

The company is committed to maintain high standard of pollution free environment at mill area. Accordingly tree plantation activities is implementing every year at mill premises.

APPOINTMENT OF AUDITORS

The present Auditor, Rahman Mustafiz Haq & Co. Chartered Accountants will retire at 14th Annual General Meeting. As per Bangladesh Securities and Exchange Commission Notification no. BSEC/CFD/23/2014/Vol-I/252 dated July 2015 Rahman Mustafiz Haq & Co. are not eligible for Audit of listed securities. The Audit Committee recommends to engage Rahman Mostafa Alam & Co. Chartered Accountants as the auditors of the Company for the year 2015-2016. The Directors endorsed the recommendation of the Audit Committee for appointment of the auditors for the year 2015-2016 subject to the approval in the Annual General Meeting. Rahman Mostafa Alam & Co. Chartered Accountants have expressed their willingness to accept appointment as statutory auditors.

Corporate Governance Compliance Report

In accordance with the requirement of BSEC Notification no. SEC/CMRRC/2006-158/134/admin/44 dated 07 August 2012 is shown in Annexure II of the Annual Report.

CORPORATE & FINANCIAL REPORTING:

The Company is determined to ensure good governance by complying with all the applicable rules and regulations of Corporate Governance Guidelines of Securities & Exchange Commission. It has complied with all the requirements of Corporate Governance and the Directors are pleased to confirm the following:

The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act, 1994 and Securities and Exchange Rules 1987. These statements present fairly the Company's state of affairs, the result of its operations, cash flow and changes in equity.

Proper books of accounts of the Company have been maintained.

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.

The International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements.

The systems of internal control are sound and have been effectively implemented and monitored.

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

There are no significant deviations in operating result of the business of the company compared to last year.

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Pattern of Shareholding

Name wise details	No. of Shares held
Parent/Subsidiary/Associated Companies and other related parties	
Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouse and minor children:	
Mr. S.M.Faisal - Chairman	2,76,25,000
Engr. Syed Ishtiaq Ahmed - Managing Director	1,17,80,925
Mr. Shafqat Ahmed - Director	1,17,80,925
Mr. S.F.A.M. Shahjahan - Director	39,00,000
Chief Financial Officer, Company Secretary and Head of Internal Audit and their spouse and minor children:	Nil
Executives	Nil
Shareholders holding ten percent (10%) or more voting interest in the Company:	Nil

Key operating and financial data

The summarized key operating financial data of five years is annexed (Annexure : 1).

On behalf of the Board of Directors we convey our sincerest gratitude and warmest respect to our valued shareholders. We highly cherish the confidence bestowed upon us by our honorable sponsors, shareholders, patrons and well-wishers. The Board of Directors also expresses deepest thanks to Bangladesh Securities and Exchange Commission (BSEC), Joint Stock Companies & Firms, Dhaka Stock Exchange, Chittagong Stock Exchange and Central Depository Bangladesh Limited for their cordial help and assistance. The Board of Directors also highly appreciates the financial institutions, insurers and the contribution of the management and all members of staff for their meritorious and relentless services with extreme sincerity and dedication.

For and on behalf of the Board



(Engr. Syed Ishtiaq Ahmed)
Managing Director
August 30, 2015