

Directors' Report

Dear Shareholders,

Assalamualaikum,

On behalf of the Board of Directors and on my own behalf I welcome you all to 13th Annual General Meeting. The Board of Directors is pleased to take the opportunity to present you the Audited Financial Statements of the Company for the FY 2017-2018, Auditors' Report and the Directors' Report thereon along with Company's performance and other matters in terms of Companies Act, 1994, the guideline issued by Bangladesh Securities and Exchanges Commission and Bangladesh Accounting Standards.

BACKGROUND

Mozaffar Hossain Spinning Mills Limited (here in after referred to as "MHSML" or "the Company" was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-59784(1791)/05 dated November 29, 2005 as a Private Limited Company by shares namely Mozaffar Hossain Textile Mills Limited. Subsequently the company renamed as Mozaffar Hossain Spinning Mills Limited in December 14, 2011 and the company was emerged as a Public Limited Company on the same date and year. The Authorized capital of the company is Tk. 3,000,000,000 (Three Hundred Crore only) and paid up capital 942,982,020 (Ninety Four Crore Twenty Nine Lac Eighty Two Thousand Twenty only). The company was listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited in the month of January 2014.

REVENUE

As you are aware that the company is a manufacturer of 100% export oriented woven fabrics cotton yarns, the sale proceeds from yarn stood at 67.46 crore. Due to construction and installation of 36000 Spindle Ring Spinning project daily production hampered in existing rotor unit seriously, and possible revenue comes less than previous year, also the last financial years the textile sector went through the toughest time in recent era both domestically and internationally with the ongoing world recession still continuing and incessant political instability hindering our regular business affairs. Yet the efficient and prudent management of process control has enabled the company to avoid financial catastrophe and earn substantial profit instead.

FINANCIAL RESULT AND APPROPRIATION OF PROFIT

Particulars	2018	2017
Net Profit after Tax	48,478,988	150,934,445
Profit available for appreciation	494,672,491	491,097,398
Recommended for appropriations (Stock dividend @ 05%)	47,149,101	44,903,895
Un-appropriated profit carried forward	447,523,390	446,193,503

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

The company works as a Primary Textile Sector (PTS) for the Export Oriented Garments Industries. Mozaffar Hossain Spinning Mills Limited produces the 100% export oriented woven fabrics cotton yarn and delivers to the Garments Industries. The company has been operated in the market for long with reputation and commitment. Having long experience in yarn marketing we are confident of this value added yarn and believe that we can hold our reputation as a quality yarn supplier.

With the inception of the company has become one of the very few spinning mills in Bangladesh where the garments manufacturer can really rely for various types of yarns. We believe this will add great value to the company in the coming days.

(ii) Segment-wise or product wise performance

Company operates in single product segment.

(iii) Risk and concerns

Mozaffar Hossain Spinning Mills Limited being a yarn manufacturer and catering as the backward linkage industry its risk is always associated with the global supply and demand chain. Any economic downturn in the western world has a direct impact on the business. With the demand increasing from the emerging countries of Bangladesh has become a market which is very vibrant and growing every day.

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

(iv) A discussion on cost of goods sold, gross margin and net profit margin

Profit from Operation	2018		2017	
	Value	Percentage	Value	Percentage
Cost of Goods Sold	555,867,024	82.40%	903,289,890	78.71%
Gross margin	118,702,317	17.60%	244,272,541	21.29%
Net margin for the year	48,478,988	07.87%	150,934,445	13.15%

(v) Discussion on continuity of extraordinary gain or loss

Extraordinary gains or losses refer to infrequent and unusual gain or loss and which is not part of the Company's ordinary/day to day operations. As for the Company, there was no such gain or loss during the year under reporting.

(vi) Related party transactions

The company has transactions with its mother company which have been disclosed in related party transaction in page no. 61 of the annual report.

(vii) Significant variance of financial statements

There is no significant variance in the financial statements during the year ended on 30th June 2018

Directors Responsibilities for the Financial Statements

In accordance with the Bangladesh Securities and Exchange Commission Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June, 2018, the Directors are pleased to confirm the following:

- xi) The financial statements together with notes thereon have been drawn up in conformity with the Companies Act, 1994 and Bangladesh Securities and Exchange Rules 1987. These statements present fairly the companies state of affairs, the result of its operations, cash flow and changes in equity.
- xii) Proper books and accounts of the company have been maintained.
- xiii) Appropriate accounting policies have been applied consistently in preparation of the financial statements and the accounting estimates are based on reason able and prudent judgment.
- xiv) Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standard (BFRSs) have been followed in the preparation of the Financial Statements.
- xx) The systems of internal control are sound and have been implemented and monitored effectively.
- xix) The key operating and financial data for the last five years are shown on page 6.
- xxiii) The pattern of shareholding is provided in Annexure-II of the annual report.
- xvi) Minority Shareholders have been protected from abusing actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress.
- xxii) No bonus shares or stock dividend has been or shall be declared as interim dividend.

Director's remuneration

- x) Director's remuneration is shown in the page no. 60 of the notes to the Financial Statements.

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

Mozaffar Hossain Spinning Mills Limited

Name of Directors	Attendance
Mrs. Rahima Hossain	10
Md. Mozaffar Hossain	10
Raisul Hasan	10
A.S.M. Rakibul Hasan	09
Mr. Sanwar Hossain	08
Md. Kamrul Hossain	09
Md. Alamgir Akando Mintu	09

Internal Control

The Board has ultimate responsibilities to establish the effective system of internal control. To ensure internal control regarding risk management, financial control and compliance legislation, the company already has a strong internal audit department to ensure internal control and compliance in place.

Going Concern

While approving the financial statements, the directors have made appropriate enquiries and analyzed the significant financial, operating as well as other indicators for enabling them to understand the ability of the company to continue its operation for a foreseeable period. Directors are convinced and have a reasonable expectation that the company has adequate resource to continue its operation consistently for the foreseeable future. Therefore the company adopted the going concern basis in preparing the financial statements.

Deviation from last year Result

Expansion project of 36,000 Spindle ring spinning mills are under construction. due to up-gradation of power supply work and short supply of Gas 50% of rotor machine were shutdown for a long time. Hence, production and revenue has been decreased during the year 2017-2018.

External/Statutory Auditors

The company did not engage its external/statutory auditors to perform the following services of the company;

- i. Appraisal or valuation services or fairness opinions.
- ii. Financial information systems design and implementation.
- iii. Book keeping or other services related to the accounting records or financial statement.
- iv. Broker-dealer services.
- v. Actuarial services.
- vi. Internal audit services.

No partner or employees of the external audit firm possess any share of the company.

xx) Dividend

The Board of Directors has recommended 5% Stock dividend to the all shareholders for the year ended June 30, 2018 (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. 22th November, 2018.

Corporate Social Responsibilities

As per CSR of the company made cash donations to Mosques, Universities. It always distributes clothes for winter to the workers. The company distributed relief to the flood victims.

Professionals for Compliance of Corporate Governance Code

The board has appointed M/s. Mazumdar Sikder and Associates 105/A 3rd Floor, Kakrail, Dhaka-1000 as professional for Report on Compliance Governance Guidelines for the year 2018-19.

Acknowledgment

I take this opportunity, on behalf of the Board of Directors, to express my heartfelt gratitude to all of our valued clients, shareholders and well-wishers home and aboard for their wholehearted co-operation and active support in discharging the responsibilities reposed on me and the Board during the year under review.

I also thank Registrar of Joint Stock Companies and firms (RJSC), Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange Limited (CSE), Government and Private sector Organization and many others for their sincere support and whole hearted co-operation to our company.

I, on behalf of the Board, also put on record my deep appreciation for the services and loyalty of the executives, officers and employees of the company at all levels without which we could not have achieved this result.

Thanks are also due to all directors, all executives, officers, staff and workers of the company for their excellent, sincere, dedicated efforts in achieving company's target during the year under review.

To ensure financial security we always welcome your suggestions and opinion to improve present and future services of the company.

I now appeal to the magnanimity of valued shareholders to kindly accept and approve the Auditors' Report, Annual Audited Accounts 2017-2018 and Directors' Report placed before you.

Thanking you,

On behalf of the Board of Directors,



Mrs. Rahima Hossain

Chairman