

## **DIRECTORS' REPORT TO THE SHAREHOLDERS**

Dear Valued Shareholders,

Assalamu-alikum,

The Directors have pleasure in submitting Directors' Report together with the Auditors Report and Audited Financial Statements of the your Company for the year ended 30 June 2021. They also placed before you the overall business scenario for the year 2021.

The Directors' Report is prepared as per companies act 1994 u/s 184 and in compliance with the Corporate Governance of the Bangladesh Securities and Exchange Commission's notification no SEC/CMRRCD/2006-158/207/Admin/80: dated 03 June 2018, the Directors' report that:

### **Business Operations**

The company has aim to maintain uninterrupted production in the factory. As a result, during the year it has produced total 5,428 MT Yarn of which Carded Yarn 2,702 MT, Combed Yarn 2,726 MT and aggregate earning revenue of Tk. 1,624,746,802. The production capacity utilized in 2020-2021 remained almost stable which is approximately 92.36% of its install capacity.

### **Financial Results**

During the year the company achieves gross profit of TK. 327,747,295 and net profit during the year at Tk. 125,918,326. The earnings per share (EPS) and net asset value per share (NAV) is Tk. 1.25 and Tk. 34.72 respectively.

### **Dividend**

The Board of Directors of your company is pleased to recommend 11% Cash Dividend to the general shareholders other than Sponsors and Directors Shareholders of the company for the year ended 30<sup>th</sup> June 2021, subject to the approval of the shareholders in the 16<sup>th</sup> Annual General Meeting. The dividend will be paid to the shareholders whose names appear in the share registers of the Company or in the depository as on 22<sup>nd</sup> November, 2021 at the close of the office.

### **Directors' Appointment & Re-appointment**

The name of the present Directors are mentioned in this report. As per section 91(2) and regulation 79 of first schedule of the Companies Act 1994 and Articles 130 of Articles Association of the company, Mr. Md. Toufiqul Islam and Mr. Md. Toriqlul Islam, Director of the company shall retire in the 16<sup>th</sup> Annual General Meeting by rotation and being eligible, offer himself for re-appointment as per Articles 132 of the Articles of Association of the company. A brief resume, nature of expertise, the name of company in which Mr. Md. Toufiqul Islam and Mr. Md. Toriqlul Islam hold directorship is also presented on this report.

## **Directors' remuneration and related party transactions**

The Company carried out a number of transactions with related parties in the normal course of business as detailed below:

Name of the Party	Relationship with the Company	Nature of transaction	June 30,2021	June 30, 2020
			Transacted amount in BDT	Transacted amount in BDT
Md. Rafiqul Islam	MD & Shareholder	Board Meeting Fee	34,500	57,500
		Remuneration	4,800,000	4,800,000
Md. Shofiqul Islam	Director & Shareholder	Board Meeting Fee	34,500	57,500
Md. Toufiqul Islam	Director & Shareholder	Board Meeting Fee	34,500	57,500
Md.Toriqul Islam	Director & Shareholder	Board Meeting Fee	34,500	57,500
Md. Rabiul Haque	Nominated Director	Board Meeting Fee	34,500	57,500
Md. Iftikhar-Uz-Zaman	Independent Director	Board Meeting Fee	5,750	-
Md. Mizanur Rahman	Independent Director	Board Meeting Fee	34,500	57,500
Aman Group	Common Director	Office Rent	981,000	981,000
Aman Tex Ltd.	Common Director	Sales	747,488,668	481,519,455
		Receivables	49,784,722	210,825,423
Aman Packaging & Accessories Ltd	Common Director	Purchase	596,300	507,478
		Payable	4,669,445	5,073,145
Aman Packaging Ltd	Common Director	Purchase	1,911,078	1,657,760
		Payable	2,247,236	1,036,158
Anwara Mannan Textile Mills Ltd	Common Director	Loan	183,928,900	401,582,483
		Interest Receivable	86,575,861	62,291,261
Aman Cement Mills unit-2 Ltd	Common Director	Loan from	11,464,430	99,896,832
		Interest Receivable	30,295,666	22,141,886
Aman Jute Fibrous Ltd	Common Director	Loan	79,615,000	48,615,000
		Interest Receivable	15,153,480	8,902,090
Aman Feed Ltd.	Common Director	Loan from	1,500,000	1,500,000
		Interest Payable	395,750	260,750
Aman Cold Storage Ltd	Common Director	Loan	37,045,000	37,045,000
		Interest Receivable	3,732,815	398,765
Akin Carrier Ltd	Common Director	Loan from	116,906,668	150,713,304
		Interest Payable/ (Receivable)	10,660,857	8,538,463
Aman Food Limited.	Common Director	Loan	20,785,161	11,907,661
		Interest Receivable	1,893,849	376,575
Aman Tex Ltd.	Common Director	Loan	88,134,654	88,134,654
		Interest Receivable	12,058,350	4,126,231

**KEY OPERATING AND FINANCIAL DATA OF AT LEAST PRECEEDING 5 (FIVE) YEARS:**

		<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>ASSETS EMPLOYED</b>						
Total Assets		5,862,975,551	5,205,956,091	4,718,785,132	5,794,134,769	5,794,134,769
Total Current Assets		3,966,382,479	3,269,377,399	2,724,317,876	3,857,556,077	3,857,556,077
Property Plant & Equipment		1,896,593,072	1,652,058,614	1,709,947,178	1,652,058,614	1,652,058,614
Inventories		1,379,263,067	960,003,645	705,559,896	1,257,866,635	1,257,866,635
Accounts Receivable		672,816,338	269,262,504	284,407,228	559,578,193	559,578,193
<b>FINANCED BY</b>						
Share Capital		1,008,333,330	1,008,333,330	1,008,333,330	1,008,333,330	1,008,333,330
Revaluation Reserve		265,382,238	265,382,238	265,382,238	265,382,238	265,382,238
Retained Earnings		1,651,987,377	1,554,102,384	1,543,618,107	2,152,503,101	2,152,503,101
<b>REVENUE AND PROFIT</b>						
Revenue Earned		1,624,746,802	981,683,483	981,683,483	981,683,483	981,683,483
Gross Profit		327,747,295	160,785,249	160,785,249	160,785,249	160,785,249
Net Profit Before Tax		149,525,566	62,268,751	62,268,750	62,268,750	62,268,750
Net Profit After Tax		125,918,326	48,739,648	48,739,647	48,739,647	48,739,647

## Board of Directors Meeting

During the year ended 30 June 2021 Ten board meetings were held. The attendance of the Board of Directors' Meeting by each director is shown as follows:

Name of Director	Attendance	Remarks
Md. Rafiqul Islam	6	
Md. Shofiqul Islam	6	
Md. Toufiqul Islam	6	
Md. Toriqul Islam	6	
Md. Rabiul Haque	6	
Mr. Md. Mizanur Rahman	6	
Mr. Md. Iftikhar-Uz-Zaman	1	

## Auditors

ISLAM QUAZI SHAFIQUE & CO., Chartered Accountants as the external auditor of the company for the year ended 30<sup>th</sup> June 2020 which approved by the shareholders in its 15<sup>th</sup> Annual General Meeting. The present auditor of the company, Islam Quazi Shofique & Co., Chartered Accountants, has completed audit for the year 2020-2021 and they will retire in the 16<sup>th</sup> Annual General Meeting. The present auditors are interested to perform audit for the year 2021-2022 and the audit committee has proposed the name of Islam Quazi Shofique & Co., Chartered Accountants to recommend for re-appointment as statutory auditor of the company with remuneration to be fixed by the shareholder in the Annual General Meeting.

## The Pattern of Shareholding:

Name wise details	No. of Shares
<b>(a) Parent/subsidiary/Associated Companies and other related parties :</b>	
Aman Seeds Storage Limited	32,00,000
<b>(b) Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit:</b>	
Md. Rafiqul Islam, Director	15,600,000
Md. Shofiqul Islam, Director	15,600,000
Md. Toufiqul Islam, Director	15,600,000
Md. Toriqul Islam, Director	22,800,000

Md. Rabiul Haque, Nominated Director	Nil
Mr. Md. Iftikhar-Uz-Zaman, Independent Director	Nil
Md. Mizanur Rahman, Independent Director	Nil
Mr. Md. Mamun-Ur-Rashid Chowdhury,FCMA, CFO	Nil
Mr. Shariful Islam, CMA (Inter), Company Secretary	Nil
Senior Corporate Executives	Nil

**C) Shareholders holding ten percent (10%) or more voting interest in the company:**

Md. Rafiqul Islam	15,600,000
Md. Shofiqul Islam	15,600,000
Md. Toufiqul Islam	15,600,000
Md. Toriqul Islam	22,800,000

**INDUSTRY OUTLOOK AND POSSIBLE FUTURE DEVELOPMENTS**

Aman Cotton Fibrous Limited (ACFL) is primarily engaged in manufacturing of high quality cotton yarn in Bangladesh and marketing and selling of product in the domestic market as deemed export. The installation of a high capacity air conditioning and filtration plant has enabled the mill to meet the international standards. The Company manufactures 100% cotton Carded, Combed & Semi-combed ring spun grey yarn for knitting as well as weaving. From the beginning of operation of ACFL, it has managed to comply with the international standards of management, which was reflected to attain of ISO 9001:2008 Certificate. Aman Cotton Fibrous Limited possesses an installed capacity of producing 6,780 MT of cotton yarn per year. All the machinery imported from Germany, Switzerland, Italy, Japan & China are contemporary, high-tech and hi-speed most modern machines to spin the finest quality cotton yarn conforming to global standards. The management has a plan to expansion its existing project by acquisition & installation of brand new European machineries and increasing its existing production capacity.

**Product-wise Performance**

The Company mainly produces 2 (Two) categories of yarn such as Carded Yarn and Combed Yarn. The mentioned categorized yarn productions are varied on the market demand and it is determined by the management of the company. Among the total sales, the following yarn products contribute largely:

<b>Product Name</b>	<b>Sales During the Year 2020-2021 (MT)</b>	<b>Percentage (%)</b>
Yarn-Carded	2,702	49.78%
Yarn-Combed	2,726	50.22%
<b>Total</b>	<b>5,428</b>	<b>100.00</b>

### **Risk and Concern**

Aman Cotton Fibrous Limited (ACFL) is operating in a locally competitive industry involving both external and internal factors having direct as well as indirect effects on the investments. The management of Aman Cotton Fibrous Limited carefully considers all risk factors such as interest rate risks, exchange rate risks, industry and market risks and operation risks etc. To consider these risks the management has taken some initiatives to erase risks. The company is emphasis to minimize the dependence on bank borrowing. Since ACFL borrows for long term from Banks with interest rate and has a strong equity base, the management perceives that fluctuation of interest rate on borrowing would have little impact upon the performance of the company.

Aman Cotton Fibrous Limited has to import some of its raw materials from foreign market, but those raw materials are also available in local market. Depending on the price of raw materials in foreign and local market, foreign currency rate, lead time, foreign currency rate movement etc we make our decision for procurement of raw materials. However, as a highly profitable company the foreign exchange fluctuation risk is not vital in case of LC retirement.

Operational risk arises from improper execution of company's business. This risk can also be summarized as human risk, which occurs due to human error.

The Company manages this risk through a control based environment. This is supported by an independent program of periodic reviews undertaken by internal audit, and by monitoring external operational risk events, which ensure that the Company stays in line with industry best practice and takes account or lessons learned from publicized operational failures within the textile industry.

### **Analysis of Cost of Goods sold, Gross Profit Margin and Profit Margin:**

#### **(a) Cost of Goods Sold :**

Current period's cost of goods sold was Tk. 1,296,999,507 as compared to last year cost of goods sold of Tk. 820,898,234. This is due to the fact that there has been a decrease in the gross turnover during the reporting period. During the reporting period total 6,262 MT yarn produced out of which 2,968 MT Carded Yarn and 3,294 MT Combed Yarn. Production capacity was utilized during the reporting period 92.36 %.

**(b) Gross Profit :**

The company has achieved a turnover Tk. 1,624,746,802 during the year ended 30<sup>th</sup> June 2021 and gross profit earned Tk. 327,747,295.

**(c) Net Profit :**

Net profit (after tax) earned during the period was Tk. 126,041,664.

**STATEMENTS OF UTILIZATION OF PROCEED RAISED THROUGH PUBLIC ISSUES:**

The company has already been utilized IPO proceeds fund for meet up of IPO expenses, partial loan repayment and acquisition & installation of machinery is under process of purchasing up to 31<sup>st</sup> August 2019. The Board of Directors in its meeting was held on 05<sup>th</sup> August 2021 and had taken the decision that IPO fund utilization for Acquisition & Installation of machineries time were rescheduled by the Board of Directors up to 05<sup>th</sup> August 2023 subject to the approval of the shareholders in its 16<sup>th</sup> Annual General Meeting (AGM).

**Going Concern:**

The Directors are of the opinion that the company is a going concern. Accordingly, Financial Statements are prepared on a going concern basis.

**Qualified Opinion Clarification:**

For ensuring the compliance of the provisions of the Bangladesh Labor (amendment) Act, 2013, in this regard, the company has already made provision of the said amount of WPPF Fund. Since all the required formalities could not be completed till date as a result of during Covid-19 pandemic, the said amount of WPPF Fund was not possible to be disbursed. In the meantime, we have already completed registration of the agreement of Trust Deed between employer and the Trustee Board. The Trustee Board will open new Bank account for the WPPF fund very shortly and fund will be disbursed to the concerned account as soon as after completion of all the prescribed formalities.

**The system of Internal Control:**

As there is always degree of uncertainty ahead of our operation, the Board of Directors assures its shareholders that the company has a competent risk management process to ensure that the system of internal control is sound in design and has 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. The company then systematically reviews these risks in light of



the changing internal and external environmental in order to assess that control that are in place are adequate to address those risks. This report further encloses a detailed discussion on the internal control framework under the statement of Internal Control.

### **Human Resource**

Development of human resource continues to be a fundamental part of our policy and strength. We arrange periodic training sessions both in house and outdoor for upgrading the skills of our personnel. The company committed to the staff to create a harmonious, comfortable and good work environment and the company also believes that a skills and committed work force can surely improve the company's profitability.

### **Environmental policies and practices**

Aman Cotton Fibrous Limited has formulated its environmental and occupational health and safety policies to ensure sustainable and environmentally responsible utilization of resources. The management of ACFL has been giving the top priority to effective use of raw materials and reducing air and water pollution. The company continues to stay committed to 'Fresh Air' by taking water treatment plan, cleaning and safety measures, planting trees and giving in house training sessions to our employees on environmental awareness and conservation.

### **Directors Declaration as to Financial Statements:**

The Directors are responsible for the governance of the company an as part of preparation and presentation of the financial statements, the Directors confirm, to the best of their knowledge that:

- the financial statements, prepared by the Management of the company which was scrutinized by the external auditors, present fairly its state of affairs, the result of its operation, cash flows and changes in equity:
- Proper books of account 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 and any departure from there has been adequately disclosed
- the system of internal control is sound in design and has been effectively implemented and monitored
- there is no doubt whatsoever upon the company's ability to continue as a going concern

- As required under the BSEC directives the Directors further confirm that:
- The MD and CFO have certified to the Board that they have reviewed the financial statements and affirmed that these statement do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
- The MD and CFO have certified to the Board that they have reviewed the financial statements and affirmed that 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.
- The MD and CFO have further certified to the Board that there are, to the best of their knowledge and belief no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the company's codes of conduct.

### **Acknowledgement**

The Board would like to thank all stakeholders, including investors, suppliers, banks, insurance companies, Registrar of Joint Stock Companies & Firms, Bangladesh Securities and Exchange Commission and various government authorities for their continued support to Aman Cotton Fibrous Limited.

**Md.Rafiqul Islam**  
Managing Director