

ANNUAL
REPORT
2019-2020



HFL HAMID FABRICS LTD.



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Notice

NOTICE OF THE TWENTY SIXTH ANNUAL GENERAL MEETING

Notice is hereby given that the 26th Annual General Meeting of the Shareholders of Hamid Fabrics Limited will be held on Saturday, December 26, 2020 on Digital Platform at 11:00 a.m. through the link <https://hfl.bdvirtualagm.com> to transact the following business:

1. To receive, consider and adopt Financial Statements for the year ended June 30, 2020 together with the Reports of Directors and Auditors thereon.
2. To declare Dividend for the year 2019-20.
3. To elect Directors as per Articles of Association of the Company.
4. To appoint Auditors for the year 2020-21 and fix their remuneration.
5. Miscellaneous.

Dhaka
December 08, 2020

By order of the Board
Sd/-
ASM Mijanur Rahman
Company Secretary

Notes:

- (i) The Shareholders whose names appeared in the Depository Register on the Record Date i.e. November 25, 2020 will be entitled to attend the Annual General Meeting and be entitled to the dividend.
- (ii) The Proxy Form duly filled, signed and stamped with Tk.20 must be deposited at the Registered Office of the Company at least 48 hours before the time fixed for the meeting.
- (iii) The Annual Report is available in the Company's website at www.mahingroup.com



CORPORATE HISTORY

| | |
|--|--------------------|
| Company Incorporation | April 27, 1995 |
| Name Change to Hamid Fabrics Limited | May 23, 2000 |
| Conversion of the Company from Private to Public | February 25, 2010 |
| Permission from the BSEC for Public Issue | September 01, 2014 |
| Listing with Dhaka Stock Exchange Limited | December 04, 2014 |
| Listing with Chittagong Stock Exchange Limited | December 04, 2014 |
| Trading of Shares of Hamid Fabrics Limited | December 04, 2014 |
| Commencement of Yarn Dyeing Unit | July 25, 2016 |



VISION, MISSION & OBJECTIVE

OUR VISION

To be the leader in the textile sector as backward linkage of Garments Industries in Bangladesh particularly for woven fabrics.

OUR MISSION

To satisfy the customer by supplying quality woven fabrics with innovative products as well as continuous quality development.
To expand market by communicating with the top customers in global fabrics market.

OUR OBJECTIVES

- To produce quality woven fabrics for the leading customers.
- To make continuous quality development of products.
- To do regular expansion of the project with new product.
- To install and update latest machinery.
- To satisfy the employees, by attractive compensation, who are backbone of the Company.
- To maintain congenial working environment within the Company.
- To comply with the regulatory matters relating to the Company affairs.
- To meet the expectations of the stakeholders of the Company.



CORPORATE DIRECTORY

Board of Directors

AHM Mozammel Hoque
Abdullah Al Mahmud
Salina Mahmud
Nusrat Mahmud
Nabila Mahmud
Farhana Danesh
Riaz Ur Rahman
Dr. M. Waliuzzaman

Chairman
Managing Director
Director
Director
Director
Independent Director
Independent Director

Audit Committee

Dr. M. Waliuzzaman
Abdullah Al Mahmud
Salina Mahmud

Chairman
Member
Member

Nomination and Remuneration Committee (NRC)

Dr. M. Waliuzzaman
Salina Mahmud
Nabila Mahmud

Chairman
Member
Member

Company Secretary

ASM Mijanur Rahman

Chief Financial Officer

Md. Mushaddeque Ali

Head of Internal Audit

Md. Maruf Shahria

Auditors

M/S Zoha Zaman Kabir Rashid & Co.,
Chartered Accountants

Bankers

Bank Asia Limited
Brac Bank Limited
Janata Bank Limited
United Commercial Bank Limited

Legal Advisors

Ruhul Amin and Associates

Insurers

Crystal Insurance Company Limited

Credit Rating Agency

Credit Rating Agency of Bangladesh Ltd. (CRAB)

Registered Office

Hamid Tower (5th – 7th floor)
24, Gulshan C/A, Circle 2, Dhaka 1212.
Tel.: (+8802) 883 4564-5, 883 4104, 989 4589
Fax: (+8802) 5881 3077
Email: info@mahingroup.com,
Web: www.mahingroup.com

Factory

Shilmandi, Narshindi

BOARD OF DIRECTORS



AHM Mozammel Hoque
Chairman



Abdullah Al Mahmud
Managing Director



Salina Mahmud
Director



Nusrat Mahmud
Director



Nabila Mahmud
Director



Farhana Danesh
Director



Riaz Ur Rahman
Independent Director



Dr. M. Waliuzzaman
Independent Director

PROFILE OF DIRECTORS

Mr. AHM Mozammel Hoque, Chairman

Mr. AHM Mozammel Hoque is the Chairman of Hamid Fabrics Limited (HFL). He completed his Bachelors of Commerce degree from Jagannath College in 1960. He has been actively involved in the textile sector for more than 21 years. Prior to joining HFL, he was the Deputy Chief Accountant in Bangladesh Jute Mill Corporation (BJMC) for 25 years. After that he entered the RMG business in 1993. Apart from being a founder director of HFL, Mr. Hoque is also founder Director of Hamid Weaving Mills Limited, Tazrian Weaving Mills Limited and Crystal Insurance Company Limited.

Mr. Abdullah Al Mahmud, Managing Director

Mr. Abdullah Al Mahmud is the Managing Director of Hamid Fabrics Limited (HFL). He is one of the well-known business personalities in Bangladesh. As an enthusiastic and dynamic young entrepreneur he has been involved in the RMG and Textile sector for last 26 years. He is the founder and majority share-holder of Hamid Fabrics Limited, which is a concern of Mahin Group.

The Group has experienced a rapid yet steady growth under his leadership and vision. Upon completion of his graduation from the USA in 1992, Mr. Mahmud returned to Bangladesh and set up his own business. In the following year, he founded and established an RMG unit called Mahin Apparels Limited, which specialized in making bottoms. During that time, he acknowledged the need for backward linkage in the industry. He eventually set up Hamid Fabrics Limited with its Weaving Unit at Shilmandi, Narsingdi in 1996 and subsequently the Dyeing and Finishing unit in 2003.

Mr. Mahmud is on the Board of a few other companies. He is the Chairman of Crystal Insurance Company Limited, Hamid Weaving Mills Limited, Tazrian Weaving Mills Limited and Hamid Spinning Mills Limited, which is the latest addition to Mahin Group.

He was elected as a Director of BGMEA (Bangladesh Garment Manufacturers & Exporters Association) for the year of 2013-14. He took part in many business dialogues as delegate member representing Bangladesh, and is also involved in many business forums and social causes. He held CIP and highest tax payer statuses as recognition to his direct contribution to the Country's economy. He was a member of the Executive Committee of Bangladesh Association of Publicly Listed Companies (BAPLC). He is a Vice President on the Board of Bangladesh Textile Mills Association (BTMA) at present.

Mrs. Salina Mahmud, Director

Mrs. Salina Mahmud is a shareholder Director of Hamid Fabrics Limited. She graduated from Eden College. After graduation she involved herself in various social activities in Dhaka. Her enduring inspiration and support nurtured the growth of Mahin Group from its inception in 1993 to date.

Ms. Nusrat Mahmud, Director

Ms. Nusrat Mahmud is a Director of Hamid Fabrics Limited. She joined the management team of the RMG and Textile division of the Group in 2010. She has successfully completed Bachelors of Science in Marketing from Bentley University in Waltham, Massachusetts, USA in 2008 and completed her Masters in Management from Cass Business School, City University in London in 2009. Ms. Mahmud is a dynamic and avid learner and is expected to further enhance and build on the “Hamid” brand. She is founder Director of Hamid Weaving Mills Limited, Tazrian Weaving Mills Limited and Hamid Spinning Mills Ltd. She is also a director of Crystal Insurance Company Limited.

Ms. Nabila Mahmud, Director

Ms. Nabila Mahmud is a director of Hamid Fabrics Limited and joined the management team in 2016. She has successfully completed her Bachelors of Science in Global Business and Management from Suffolk University in Boston, Massachusetts, USA in 2014. In addition, Ms. Mahmud completed her Masters in Corporate and Organizational Communications with a concentration on Human Resource Management from Northeastern University, USA in 2016. After that she has engaged herself in the development of business of the Group. She is founder Director of Hamid Weaving Mills Limited, Tazrian Weaving Mills Limited and Hamid Spinning Mills Ltd. She is also a director of Crystal Insurance Company Limited.

Mrs. Farhana Danesh, Director

Mrs. Farhana Danesh is a Director of Hamid Fabrics Limited. She is also a Director of Crystal Insurance Company Limited. As a proprietor of Crystal Packaging, she has had exposure in different business areas of the RMG sector for the past 18 years.

Mr. Riaz Ur Rahman, Independent Director

Mr. Riaz Ur Rahman is an Independent Director of Hamid Fabrics Limited. He is a B.Sc. in Chemistry and Chemical Engineering from the USA. He has got 31 years of industrial experience in home and abroad.

Dr. M. Waliuzzaman, Independent Director

Dr. M. Waliuzzaman has got more than four decades of governance experience, which includes working experiences from Commerce & Industries Ministry, Pakistan; Industrial Development Bank of Pakistan, subsequently Bangladesh Shilpo Bank, now BDBL; East Pakistan Industrial Development Corporation; Bangladesh Petroleum Corporation; Bangladesh Council of Scientific and Industrial Research (BCSIR); Public Administration Reforms Commission (PARC), GoB and visiting Teacher, BUET. He is a Ph.D. from the University of Manchester, UK.

CHAIRMAN'S REPORT

Dear Shareholders,

On behalf of the Board of Directors, I welcome you all to the 26th Annual General Meeting of your Company. It is indeed an honor and pleasure for me to place before you the Annual Report including the audited Financial Statements, Auditors' report, Directors' report and other reports thereon for the year ended June 30, 2020.

The Company has passed an unprecedented year in its history in respect of COVID-19, business and other environments at home and abroad. Therefore, the overall business in the country particularly the textile sector suffered a lot, which affected the turnover and profitability of your company during the year significantly. In the year 2019-20, total revenue earned is Tk 1,595.1 million compared to Tk 1,969.4 million during 2018-19. Net Profit after tax for the year stands at Tk 38.0 million only which was Tk 113.6 million in the last year. Revenue has reduced significantly this year mainly due to COVID-19 epidemic globally. As a result, profitability has also been affected accordingly.

This year the Board of Directors has recommended cash dividend @10% for the General Shareholders only to continue respecting their expectations.

I would like to express my sincere thanks to the respected Shareholders for their confidence rested on the Company. We are grateful to Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange Limited, Chittagong Stock Exchange Limited, Registrar of Joint Stock Companies & Firms, Central Depository Bangladesh Limited, Banks and Financial Institutions, Investment Corporation of Bangladesh, ICB Capital Management Limited and other stakeholders for their continuous support and patronage extended to the Company. We are optimistic about getting the same support from all the stakeholders in the coming years. I also express my appreciation to all the employees of the Company for their sincere and devoted services to the growth of the Company.

In conclusion, I request the Shareholders to consider and approve the annual Financial Statements, Auditors' report, Directors' report, etc. for the year 2019-20.

Thank you very much !

Sd/-

AHM Mozammel Hoque

Chairman of the Board

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors, I would like to submit herewith the 26th Annual Report of the Company together with the audited Financial Statements for the year ended June 30, 2020 and the Auditors' Report thereon.

Prime Activities

Hamid Fabrics Limited (HFL) is one of the leading manufacturers of high quality textiles in Bangladesh. Because of superior quality, HFL's products are nominated by globally renowned buyers such as GAP, Zara, Marks & Spencer, Tommy Hilfiger, H&M for sourcing textile to RMG manufacturers in Bangladesh.

The product range offers 100% cotton fabrics as well as blended fabrics such as cotton/polyester, cotton/viscose, nylon/cotton and cotton/lycra. The weaving unit produces gray fabrics in various design and constructions such as Twill, Canvas, Oxford, Rib stop, Rib cord, Ottoman, Herringbone, and various dobby designs with weight range of 100-450 GSM. The finishing mix of Hamid Fabrics Limited comprises water repellent, fire proof, wrinkle free, teflon coating, aero finish and chintz finish etc. The major markets for HFL's products are the United States of America and the European Union.

Financial Results

The financial results are presented in brief below:

| Particulars | 2019 -20(Taka) | 2018-19(Taka) |
|------------------------------------|----------------|---------------|
| Revenue | 1,595,120,149 | 1,969,434,335 |
| Gross Profit | 383,359,343 | 501,030,283 |
| Operating Profit | 183,206,106 | 303,459,940 |
| Profit Before Tax | 68,230,173 | 166,128,112 |
| Net Profit | 38,014,465 | 113,574,239 |
| Retained earnings brought forward | 1,088,194,234 | 1,013,168,740 |
| Profit available for appropriation | 1,087,372,765 | 1,088,194,234 |
| Appropriation: | | |
| Proposed cash dividend | 44,292,518 | 44,292,518 |
| Retained earnings carried forward | 1,043,080,247 | 1,043,901,716 |

Dividend

The Board of Directors of the Company is pleased to recommend dividend @10% cash for general shareholders only for the year 2019-20 i.e. for the Shareholders other than Directors.

Additional statements by the Board of Directors as per notification dated 3 June 2018 of Bangladesh Securities and Exchange Commission

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

The textile sector of the Country is passing a critical time now. Stiff competition with peers in the Country as well as with other countries in this region, the sector shows a declining trend of export for some time. Yet, means and ways are being devised by the industry and the local entrepreneurs to address the challenges ahead with past experience and stay competitive. The recent global trade war has created scope for better business prospect.

The government is providing fiscal and other incentives for the RMG sector to stay competitive in the changing global business arena. The entrepreneurs along with their association, BGMEA are devising ways and means that include more involvement in research and development activities, product diversification and value addition. Good news is that globally demand of readymade garments is increasing, but there is a shift of consumption pattern that needs to be adapted timely.

(ii) Segment/Unit wise or product wise performance

Hamid Fabrics Limited has three production units: 1) Woven Fabric, 2) Gray Fabric and 3) Yarn Dyeing which are interdependent. Woven Fabric has installed capacity to produce 32.40 million yards of finished dyed fabrics annually. Weaving unit is a renovated unit having annual capacity of 9.88 million yards of gray fabrics and Yarn Dyeing unit has an annual capacity of dyeing 1.37 million kg of yarn.

The following table illustrates the production capacity of different units and its utilization:

| Particulars | Unit | Installed capacity | Utilization during the period | Utilization |
|----------------|------|--------------------|-------------------------------|-------------|
| Woven Fabric * | Yard | 21,600,000 | 13,040,460 | 60.37% |
| Gray Fabric * | Yard | 9,878,000 | 6,551,981 | 66.33% |
| Yarn Dyeing | Kg. | 1,368,750 | 620,854 | 45.36% |

*Production capacity for two shifts.

iii) Risks and concerns

Risk refers to the variability of expected outcome, which is a complex and multifaceted phenomenon. Investment in equity securities involves a high degree of risk, which needs to be explicitly evaluated while making an investment decision. Hamid Fabrics Ltd is operating in an industry that is subject to both external and internal risks. Some of these risks can be managed while some are beyond control, which may result in loss for investors. However, the management of the Company constantly explores ways and means for mitigating such risks.

MANAGEMENT RISK

The textile industry of Bangladesh already experiences a great shortage of skilled management personnel. Because of high demand from employers they tend to switch between jobs for financial and other benefits. Hence, if a key manager, executive or employee quits his/her job, it could affect business continuity, operating results and future growth of HFL. Management risk also arises from succession crisis if subsequent teams of leadership are not created within the organization.

Management perception about this Risk

The Company places a great importance to human resource and leadership development. The staff is brought under relevant on-the-job, in-house and external training programs. HFL recognizes the commitment and contribution of employees for the growth of the Company. A culture of objective performance appraisal and effective reward system has helped to create job-security and motivation of employees. As a result, HFL has relatively low employee turnover in key management positions. Key management team of HFL is almost unchanged for more than five years, which shows the general loyalty to the organization. HFL has developed layers of alternative leaderships in all critical areas of its activities.

OPERATIONS RISK

This involves the risk of not being able to maintain the expected performance by the Company. Such risk could arise from both internal and external factors discussed above such as industry, management, technology, regulations, utilities etc.

Management perception about this Risk

As explained above, operations risk could arise from a variety of factors. The risk mitigation strategies for such factors have been explained separately above. The experienced management team continuously monitors the new developments in these areas in order to take proactive measures to minimize any negative implications to the Company and capitalize on potential opportunities.

MARKET RISK

Market risk arises from adverse market conditions affecting sales and profitability of any Company. A few factors may trigger market risk for HFL such as changes in consumer behaviours, demographics, introduction of substitute products, competition and other unfavourable global conditions such as economic depression, wars etc.

Management perception about this Risk

HFL is a textile manufacturer producing inputs for the export oriented Ready Made Garment units in Bangladesh. Because of established track record of shorter lead time and quality of products, the Company enjoys a steady growth in supply orders. In addition to this, strong research & development, marketing and brand management have helped the Company to increase its customer base. As a result, HFL has already achieved recognition from globally renowned buyers like Marks & Spencer, H&M, PVH, Tema, Next, C&A, S'Oliver etc. and remains as one of the market leaders in Bangladesh for solid dyed fabrics.

INDUSTRY RISKS

Unexpected technological developments and regulatory changes that are specific to the Textile & Apparel industry might have an adverse impact on the business performance of the Company. It also involves the risk of increased competition arising from foreign and domestic textile manufacturers resulting in contraction of profit margin and loss of market share. Further, the textile industry is heavily dependent on the performance of RMG industry, which faces threats stemming from international competitors viz. China, India and Vietnam etc. Hence the textile industry of Bangladesh is always under pressure to deliver cost-efficient and quality fabrics.

Management perception about this Risk

HFL keeps pace with technological advancements using modern machineries and equipment. Moreover, the modern technology has not cannibalized the traditional manufacturing methods such as hand looms indicating a lower level of obsolescence risk. The Textile & Apparel is a priority sector for the Government and it is unlikely that the Government will impose unfavorable regulatory changes to this industry.

(iv) Discussion on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin

| Particulars | 2019 -20 (Taka) | 2018-19 (Taka) |
|--------------------|-----------------|-----------------|
| Revenue | 1,595,120,149 | 1,969,434,335 |
| Cost of goods sold | (1,211,760,806) | (1,468,404,052) |
| Gross profit | 383,359,343 | 501,030,283 |
| Profit before tax | 68,230,173 | 66,128,112 |
| Net profit | 38,014,465 | 113,574,239 |

Revenue, gross profit and net profit of current year have reduced by 19.01%, 23.49% and 66.53% respectively compared to that of last year due to COVID-19 pandemic, which has been disclosed in the Financial Statements under note no. 41.

(v) Discussion of continuity of any Extra Ordinary gain or loss

No such material gain or loss during the year.

(vi) Basis for related party transactions

Related party transactions are stated in note 34 of the Financial Statements.

(vii) Utilization of proceeds from Public Issue

No such incidence during this financial year.

(viii) Explanation if the financial results deteriorate after the Company goes for IPO

Explained under note no. 41 of the Financial Statements.

(ix) Explanation of significant variance occurs between Quarterly Financial Performance and Annual Financial Statements

During First Quarter ended on September 30, 2020; Revenue has reduced to Tk. 256.16 million from previous year of Tk. 440.37 million due to impact of COVID- 19 pandemic. As a result, profitability during the quarter has affected significantly.

(x) Remuneration paid to Directors including Independent Directors

Remuneration to Directors has been shown in note no. 27 of the Financial Statements.

(xi) Fairness of Financial Statement

The Financial Statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity. A declaration by the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) in this regard is published on page 20.

(xii) Maintenance of proper books of account

Proper books of account have been maintained by the Company.

(xiii) Adoption of appropriate accounting policies and estimates

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

(xiv) Compliance with Accounting and Financial Reporting Standards

International Accounting Standard (IAS), Bangladesh Accounting Standard (BAS), International Financial Reporting Standard (IFRS) and Bangladesh Financial Reporting Standard (BFRS), as applicable in Bangladesh, have been followed in preparation of the Financial Statements.

(xv) Soundness of Internal Control System

Internal Control System is sound in design and has been effectively implemented and monitored.

(xvi) Protection of interest of minority shareholders

The Board of Directors is very concerned of and committed to protection of interest of minority shareholders. Management has been instructed to take sincere and timely measures to address any valid grievances raised by the shareholders. Contact numbers with email address of the concerned person have been published on the website of the Company for communication.

(xvii) Ability to continue as going concern

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

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

Revenue, gross profit and net profit of current year have reduced by 19.01%, 23.49% and 66.53% respectively compared to that of last year due to COVID-19 pandemic, which has been disclosed in the Financial Statements under note no. 41.

(xix) Key operating and financial data of preceding 5 (five) years

Provided on page no. 17

(xx) Reasons for not declaring dividend

Not applicable.

(xxi) No bonus share or stock dividend has been declared or shall be declared as interim dividend

Management asserts that no bonus share or stock dividend has been declared or shall be declared as interim dividend.

(xxii) Number of Board Meetings held during the year and attendance

| Name of Directors | Meetings held | Meetings attended |
|--------------------|---------------|-------------------|
| Abdullah Al Mahmud | 6 | 5 |
| AHM Mozammel Hoque | 6 | 6 |
| Salina Mahmud | 6 | 5 |
| Nusrat Mahmud | 6 | 4 |
| Nabila Mahmud | 6 | 5 |
| Farhana Danesh | 6 | 6 |
| Riaz Ur Rahman | 6 | 4 |
| Dr. M. Waliuzzaman | 6 | 5 |

(xxiii) Shareholding pattern as on June 30, 2020

(a) Parent/Subsidiary/Associated Companies and other related parties

| Name | No. of Shares held | % of holdings |
|--|--------------------|---------------|
| Crystal Insurance Co. Ltd. (Common Director) | 2,015,000 | 2.21 |

(b) Shareholding position:

| | | |
|---------------------|-------------------|---------------|
| Directors/ Sponsors | 46,786,161 | 51.38 |
| Institute | 26,097,763 | 28.66 |
| General Public | 18,176,388 | 19.96 |
| Total | 91,057,312 | 100.00 |

(c) Directors, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children

| Name | Status | No. of Shares held | % of holdings |
|---------------------|-------------------------|--------------------|---------------|
| Abdullah Al Mahmud | Managing Director | 28,975,635 | 31.82 |
| AHM Mozammel Hoque | Chairman | 1,837,166 | 2.02 |
| Salina Mahmud | Director | 4,809,131 | 5.28 |
| Nusrat Mahmud | Director | 4,647,431 | 5.10 |
| Nabila Mahmud | Director | 4,647,431 | 5.10 |
| Farhana Danesh | Director | 1,848,000 | 2.03 |
| ASM Mijanur Rahman | Company Secretary | - | - |
| Md. Mushaddeque Ali | Chief Financial Officer | - | - |
| Md. MarufShahria | Head of Internal Audit | - | - |

(d) Shareholdings of top five executives

| Name | Status | No. of Shares held | % of holdings |
|-----------------------|-------------------------|--------------------|---------------|
| Mir Azharul Islam | Chief Operating Officer | - | - |
| Mahmudul Alam Jewel | Dy. General Manager | 10,000 | 0.01 |
| Md. Rezaul Haque | Dy. General Manager | - | - |
| Sharif Mohammad Baree | Dy. General Manager | - | - |
| Ashok Kumar Das | Dy. General Manager | - | - |

(e) Shareholders holding 10% or more voting interest in the Company

| Name | Status | No. of Shares held | % of holdings |
|--------------------|-------------------|--------------------|---------------|
| Abdullah Al Mahmud | Managing Director | 28,975,635 | 31.82 |

(xxiv) Appointment/ re-appointment of Directors

The following Director will retire as per Articles of Association of the Company and be eligible for re-appointment:

Mr. AHM Mozammel Hoque will retire in the AGM to be held on 26-12-2020 and is eligible for re-election as per Articles of Association of the Company.

Brief resume of the Director:

Mr. AHM Mozammel Hoque is a Sponsor Director of Hamid Fabrics Limited (HFL). He completed his Bachelors of Commerce degree from Jagannath College in 1960. He has been actively involved in the textile sector for more than 21 years. Prior to joining HFL, he was Deputy Chief Accountant in Bangladesh Jute Mill Corporation (BJMC) for 25 years. After that, he entered the RMG business in 1993. Apart from being a founder director of HFL, Mr. Hoque is also founder Director of Hamid Weaving Mills Limited, Tazrian Weaving Mills Limited and Crystal Insurance Company Limited.

Directors Responsibilities for Financial Statements

The Financial Statements together with 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 operation, cash flow and changes in equity.

- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been applied consistently in preparation of the Financial Statements and the accounting estimates are based on reasonable and prudent judgment.
- The International Financial Reporting Standard, as applicable in Bangladesh, has been followed in the preparation of the financial statements.
- The systems of internal control are sound and have been implemented and monitored effectively.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- The key operating data and financial data for the last 5 (Five) years stated on page – 17

Chief Financial Officer, Head of Internal Audit and Company Secretary

The Company has distributed clearly defined responsibilities to the following positions for smooth functioning of activities of the respective departments:

| | |
|-------------------------|-----------------------|
| Chief Financial Officer | : Md. Mushaddeque Ali |
| Head of Internal Audit | : Md. Maruf Shahria |
| Company Secretary | : ASM Mijanur Rahman |

Credit Rating

Credit Rating Agency of Bangladesh Limited (CRAB) has assigned the following ratings to Hamid Fabrics Limited:

| Long Term | Short Term | Outlook |
|-----------------|------------|---------|
| AA ₃ | ST - 2 | Stable |

AA₃ implies that companies rated in this category have very strong capacity to meet financial commitments. These companies have judged to be of very high quality, subject to very low credit risk.

ST – 2 indicates that the degree of safety regarding timely payment on loans/ facilities is strong. The outlook of the Company is projected to be stable.

Corporate Social Responsibilities

The Company provided financial support to the poor for medical treatment.

The Company provided financial support for performing holy Hajj.

Financial support made to poor and deserving people.

Priority of employment of facilities for eligible member of the deceased employees' families.

Statutory Auditors

The auditors, M/S Zoha Zaman Kabir Rashid & Co., Chartered Accountants will retire and being not eligible for reappointment, the Board recommended M/S Hoda Vasi Chowdhury and Co., Chartered Accountants for appointment as Auditors of the Company for the year 2020-21.

Compliance Auditors

The Board of Directors has recommended M/S Shafiq Mizan Rahman & Augustine, Chartered Accountants as Compliance Auditors for certification on Corporate Governance Code for the year 2020-21.

The Shareholders are now requested to consider and adopt the annual Financial Statements, Auditors' report, Directors' report, and other reports for the year 2019-20.

Thank you very much!

On behalf of the Board of Directors,

Sd/-

AHM Mozammel Hoque

Chairman

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hamid Fabrics Limited (HFL) is one of the leading manufacturers of high quality fabrics in Bangladesh. It is engaged in producing and marketing of gray and finished fabrics of various qualities.

Business outlook of the Company

The Company is committed to produce and supply high quality fabrics to the globally reputed buyers. It has got a basket of renowned brand houses for acquiring its fabrics since long. The Company has expanded its capacity recently to tap future potential. The business of the Company reduced during this year due to the impact of COVID-19 pandemic in addition to a turmoil in global business arena caused by trade war between the US and China. Yet with the right leadership and equipped with young, motivated and experienced workforce, the Company is thriving continuously to become a competitive and sustainable one.

Accounting Policies and Estimation

The accounting policies used in preparation of the Financial Statements have been followed consistently. The policies are based on the framework for the preparation and presentation of financial statements issued by the International Accounting Standards Committee (IASC).

Management need to make judgments, estimates and assumptions that affect the application of accounting policies for preparation of financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

Changes in Accounting Policies and Estimation

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimated are recognized in the period in which the estimate is revised and in any future periods affected. However, there are no major changes in accounting policies and estimation used in preparation of the Financial Statements during this year.

Comparative Analysis of Financial Results for current Financial Year with immediately preceding five years

| Operational Result | 2019-20 (Taka) | 2018-19 (Taka) | 2017-18 (Taka) | 2016-17 (Taka) | 2015-16 (Taka) |
|--------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue | 1,595,120,149 | 1,969,434,335 | 2,335,482,932 | 1,322,686,460 | 1,371,915,641 |
| Gross Profit | 383,359,343 | 501,030,283 | 646,207,917 | 408,865,964 | 412,875,801 |
| Operating Profit | 83,206,106 | 303,459,940 | 365,998,481 | 218,590,698 | 219,473,115 |
| Profit Before Tax | 68,230,173 | 166,128,112 | 216,697,218 | 86,944,522 | 104,732,197 |
| Net Profit | 38,014,465 | 113,574,239 | 182,840,047 | 72,057,481 | 92,146,149 |

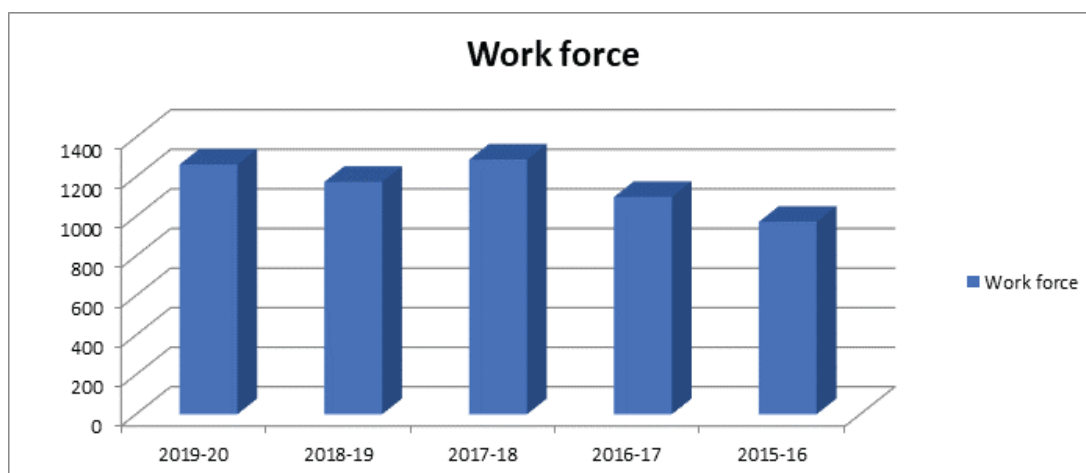
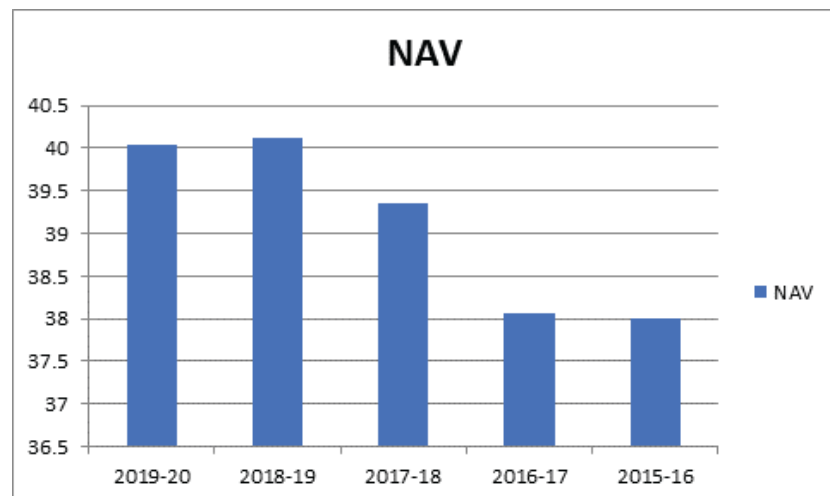
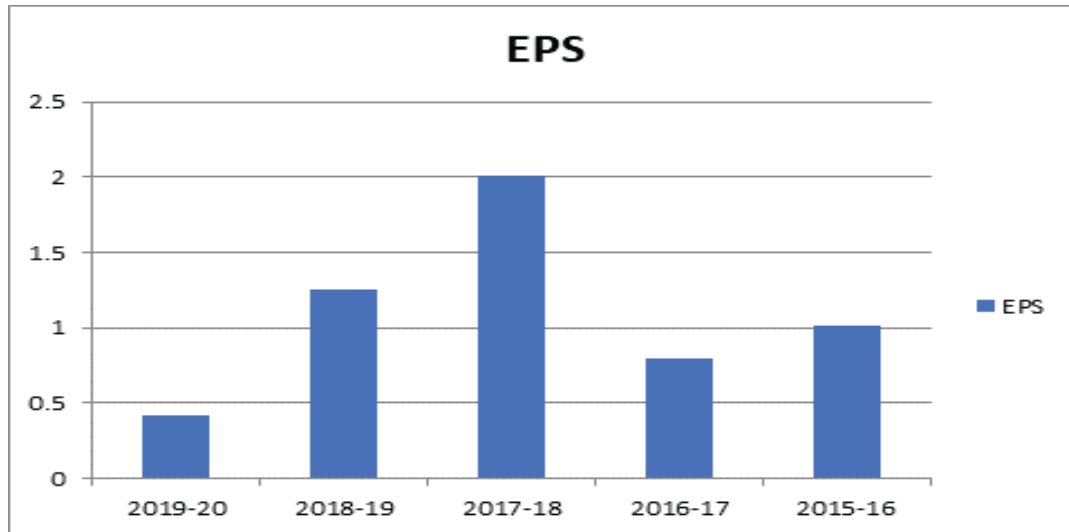
Financial Position

| | | | | | |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| Non-current Assets | 3,105,213,760 | 3,227,604,216 | 3,337,070,597 | 3,454,209,997 | 3,271,077,424 |
| Current Assets | 1,654,264,923 | 1,609,332,834 | 1,869,061,391 | 1,398,042,498 | 1,501,891,541 |
| Shareholders' Equity | 3,652,050,985 | 3,652,050,985 | 3,582,769,264 | 3,466,367,994 | 3,460,749,290 |
| Non-current Liabilities | 150,685,954 | 217,729,983 | 348,440,433 | 522,464,801 | 594,078,697 |
| Current Liabilities | 963,019,798 | 967,156,082 | 1,274,922,291 | 863,419,700 | 718,140,978 |

Financial Ratios

| | | | | | |
|---------------------|--------|--------|--------|--------|-------|
| Gross Margin ratio | 0.24 | 0.25 | 0.28 | 0.31 | 0.30 |
| Net Income ratio | 0.02 | 0.06 | 0.08 | 0.05 | 0.07 |
| Return on Assets | 0.01 | 0.02 | 0.04 | 0.01 | 0.02 |
| Return on Equity | 0.01 | 0.03 | 0.05 | 0.02 | 0.03 |
| Current ratio | 1.72 | 1.66 | 1.47 | 1.62 | 2.09 |
| Quick ratio | 0.77 | 0.87 | 0.77 | 0.64 | 0.92 |
| Debt-Equity ratio | 0.31 | 0.32 | 0.45 | 0.40 | 0.38 |
| EPS | 0.42 | 1.25 | 2.01 | 0.79 | 1.01 |
| NAV | 40.04 | 40.11 | 39.35 | 38.07 | 38.01 |
| Dividend | *C-10% | *C-10% | *C-10% | *C-15% | C-15% |
| Number of employees | 1262 | 1174 | 1287 | 1098 | 972 |

* Only for general shareholders.



Comparison with peer Industry

Hamid Fabrics Limited produces high quality finished fabrics in Bangladesh. After achieving buyers' orders at desired level from the new machinery, we shall be able to match our performance with peer industries in our country. It needs some time. Presently our machinery is completely ready to produce world class yarn dyed fabrics.

Auditor's opinion on the Financial Statements

The Auditors of the Company put two issues in their report under "Emphasis of Matter". The issues are:

- i) The company valued inventory Tk. 598,011,523 consists of yarn, work in progress-yarn, finished fabrics, grey fabrics, spare parts, chemicals, dyes, work in progress finished goods, lubricant, WTP Materials, packing materials and store transits with a number of different values that is comparatively higher in line with revenue generation during the year. With the consideration of notes to the financial statements no.26.02 closing stock of dyes & chemicals and Spare parts higher than year consumption of those.
- ii) The company figure out a value of advance for Enterprise Resource Planning (ERP) systems Tk. 43,770,254 (note no. 9.01) carried out continuatively last four years with an addition of Tk. 4,773,670 in the year 2018 with a limited level of appropriate sufficient documents. Refers to the contract with system developer identified installation process should be held within three years from the day of contract signing that's not complied.

Management has reviewed the above issues and provided explanations as under:

Inventory consisting of, among others, raw materials, dyes, chemicals, packing materials, store transits etc. are kept for revenue generation by supporting continuous production process. In this regard, maintaining sufficient level of inventory is a normal business practice. During this year, inventory remained higher than last year due to fall in sale proceeds caused by COVID-19 pandemic, which is disclosed under note 25 to the financial statements. Hopefully, this will be adjusted in the next year.

The ERP is being used partially at present. Implementation of full ERP, an integrated and sophisticated software, is under process.

Financial and Economic Scenario

Bangladesh has stood an example among the developing nations in terms of growth rate and other human indicators. The Country has been maintaining GDP growth rate of more than 6% for many years continuously and the growth rate is more than 7% for the past few years. This year the growth rate by the Government was badly affected by COVID-19 pandemic. Foreign currency reserve is at a comfortable stage despite a reduction in export projection. Inflation rate is almost steady for quite some time though it increases marginally in recent time.

Global economy is really backlashed by the impact of COVID-19 besides recent decision of America concerning global trade policy and system. The BREXIT decision that could not be implemented still now is another reason for slow or stagnant situation of the global trade especially in the European Union. US-China trade war in one hand is disrupting normal business trend and on the other hand, it is unleashing scopes of doing more business with the developed countries by the developing ones. Bangladesh has been facing stiff competition with some of her peer like Vietnam, Cambodia and some African countries. Having resilient and determined entrepreneurs, Bangladesh bears vast potentials to enhance its export base with product diversification and more value addition.

Future plan

The Company being one of the suppliers of best quality fabrics to the global buyers has revised its capacity level recently. To continue supplying with customers' satisfaction is a real challenge in today's changing business environment. The management is always responsive to the changing business scenario and devising means and measures to go ahead by addressing the circumstances aptly to be sustainable in the coming days.

Sd/-

Abdullah Al Mahmud

Managing Director

DECLARATION OF CEO AND CFO

Date: October 28, 2020

The Board of Directors
Hamid Fabrics Limited
Hamid Tower (5th & 6th floor),
24 Gulshan C/A, Circle 2, Dhaka 1212.

Subject: Declaration on Financial Statements for the year ended on June 30, 2020.

Dear Sirs,

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

- (1) The Financial Statements of Hamid Fabrics Limited for the year ended on June 30, 2020 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh and any departure therefrom 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 reasonable 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 June 30, 2020 and to the best of our knowledge and belief:
 - a. These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading;
 - b. These statements collectively present a 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 our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violation of the code of conduct for the Company's Board of Directors or its members.

Sincerely yours,

Sd/-
Abdullah Al Mahmud
Managing Director

Sd/-
Md. Mushaddeque Ali
Chief Financial Officer

REPORT ON THE ACTIVITIES OF AUDIT COMMITTEE

For the year 2019-20

The Board of Hamid Fabrics Limited formed an Audit Committee as sub-committee of the Board. The Audit Committee assists the Board of Directors to ensure its supervisory responsibilities.

The Audit Committee comprised of:

| | |
|---|-----------|
| Dr. M. Waliuzzaman, Independent Director | Chairman |
| Mr. Abdullah Al Mahmud, Managing Director | Member |
| Mrs. Salina Mahmud, Director | Member |
| Mr. ASM Mijanur Rahman, Company Secretary | Secretary |

Role and responsibilities of Audit Committee

The role and responsibilities of the Audit Committee are clearly stated in the Corporate Governance Guideline issued by Bangladesh Securities and Exchange Commission (BSEC). The roles of the Committee are:

- To oversee the financial reporting process;
- To monitor selection of accounting policies and principles;
- To monitor Internal Audit and Compliance process to ensure adequacy of internal auditing and compliances by reviewing the related reports;
- To oversee hiring and performance of external auditors;
- To hold meeting with external auditors and review the annual financial statements before submission to the Board for approval;
- To review the quarterly and half yearly financial statements before submission to the Board for approval;
- To review the adequacy of internal audit function;
- To review the management's discussion and analysis before disclosing in the Annual Report;
- To review statement of all related party transactions submitted by the management;
- To review Management Letters/ Letter of Internal Control weakness issued by statutory auditors;
- To oversee determination of audit fees based on scope, magnitude and expertise of the external auditors.

Activities

The Audit Committee held four meetings and discharged the following responsibilities during the year:

- Reviewed the interim financial statements.
- Reviewed the Company's draft financial statements for the year ended on June 30, 2020 and recommended that the same be placed before the Board for approval.
- Reviewed management's discussion and analysis before disclosing in the Annual Report;
- Reviewed the quarterly financial statements.
- Reviewed hiring and performance of external auditors.
- Recommended that the report of the Committee be adopted by the Board for publishing in the Annual Report 2020.

Sd/-

Dr. M. Waliuzzaman

Chairman, Audit Committee

Date: 28.10.2020

REPORT ON THE ACTIVITIES OF NOMINATION AND REMUNERATION COMMITTEE (NRC)

For the year 2019-20

The Board of Hamid Fabrics Limited formed a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board. The NRC Committee assists the Board of Directors in framing criteria or policy for appointment and remuneration for the directors and top level executives of the Company.

The Committee comprised of:

| | |
|---|-----------|
| Dr. M. Waliuzzaman, Independent Director | Chairman |
| Mrs. Salina Mahmud, Director | Member |
| Ms. Nabila Mahmud, Director | Member |
| Mr. ASM Mijanur Rahman, Company Secretary | Secretary |

Role and responsibilities of Nomination and Remuneration Committee

The role and responsibilities of the NRC are clearly stated in the Corporate Governance Guideline issued by Bangladesh Securities and Exchange Commission. The roles of the Committee are to oversee:

- Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, relating to remuneration of the directors and top level executives with consideration that remuneration is reasonable and sufficient to attract, retain and motivate suitable directors and top level executives;
- Devising a policy on Board's diversity of age, gender, experience, ethnicity, educational background and nationality;
- Identifying persons qualified to be directors and be appointed in top level executive positions;
- Framing the criteria for evaluation of performance of independent directors and the Board;
- Identifying the company's needs for employees at different levels and determine their selection, transfer and promotion criteria;
- Developing, recommending and reviewing annually the company's human resources and training policies.

Activities

The NRC held one meeting during this year. The Committee performed the following activities during the year:

- Framed a code of conduct for the Board;
- Reviewed company's human resources and training requirements; and
- Initiated a process of identifying qualified persons within the organization to be promoted to hold senior level executive positions with better remuneration to retain and prosper;
- Initiated formulating a policy on Board's diversity of age, gender, experience, ethnicity, educational background and nationality.

Sd/-

Dr. M. Waliuzzaman

Chairman

Nomination and Remuneration Committee

Date: 28.10.2020

REPORT TO THE SHAREHOLDERS OF HAMID FABRICS LIMITED ON COMPLIANCE WITH CORPORATE GOVERNANCE CODE

We have examined the compliance status to the Corporate Governance Code by Hamid Fabrics Limited for the year ended on June 30, 2020. This Code relates to the Notification No. BSEC/CMRRCD/ 2006-158/207/Admin/80 dated 3 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 the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of the 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;
- (d) The governance of the company is satisfactory.

Sd/-

A. K. M. Mizanur Rahman, FCA

Managing Partner

SHAFIQ MIZAN RAHMAN & AUGUSTINE

CHARTERED ACCOUNTANTS

Dated, Dhaka
October 31, 2020

STATUS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Status of compliance with the conditions in the Corporate Governance Code by the Bangladesh Securities and Exchange Commission (BSEC):

| Condition No. | Title | Compliance Status (Put ✓ in the appropriate column) | | Remarks |
|---------------|--|--|--------------|--------------------------|
| | | Complied | Not Complied | |
| 1 | Board of Directors | | | |
| 1.1 | Board size (number of Board members - minimum 5 and Maximum 20) | √ | | Board size is 08 persons |
| 1.2 | Independent Directors | | | |
| 1.2 (a) | At least one fifth (1/5) of the total number of Directors shall be Independent Directors | √ | | |
| 1.2 (b) | Independent Director means a Director: | | | |
| 1.2 (b) (i) | who either 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) | who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total relationship. His/her family members also should not hold paid-up shares of the company on the basis of family above mentioned shares in the company | √ | | |
| 1.2 (b)(iii) | who has not been an executive of the company 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/associated companies | √ | | |
| 1.2 (b)(v) | who is not a member or TREC 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 company's statutory audit firm or audit firm engaged in internal audit or 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 to a bank or any advance to a Bank or a Non-Bank Financial Institution (NBFI) | √ | | |

| Condition No. | Title | Compliance Status (Put ✓ in the appropriate column) | | Remarks |
|----------------|---|--|--------------|-------------------|
| | | 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 BoD 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 | ✓ | | |
| 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 (ID) | | | |
| 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 the business | ✓ | | |
| 1.3 (b)(i – v) | Independent Director shall have: a Business Leader/Corporate leader or former official of govt. /statutory/autonomous/ regulatory body in position not below of 5th grade, who has at least bachelor degree in economics or commerce or business studies or University Teacher with Economics or Business Studies or Law background or Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries and Advocate of High Court division. | ✓ | | |
| 1.3 (c) | The independent director shall have at least 10 (ten) years of experiences in any field mentioned above | ✓ | | |
| 1.3 (d) | In special cases the above qualifications or experiences may be relaxed subject to prior approval of the Commission | | | N/A |
| 1.4 | Duality of Chairperson of the Board and Managing Director of Chief Executive Officer | | | |
| 1.4 (a) | The positions of the Chairperson of the Board and the MD and or CEO of the company shall be filled by different individuals | ✓ | | |
| 1.4 (b) | The MD and or CEO 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 MD and or CEO | ✓ | | |
| 1.4 (e) | In the absence of Chairperson of the Board, the members may elect one of themselves from non-executive directors as Chairperson for that particular Board meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes | | | No such incidence |

| Condition No. | Title | Compliance Status (Put ✓ in the appropriate column) | | Remarks |
|---------------|--|--|--------------|---------|
| | | Complied | Not Complied | |
| 1.5 | The Director's Report shall include the following additional statements: | | | |
| 1.5 (i) | Industry outlook and possible future developments in the industry | ✓ | | |
| 1.5 (ii) | Segment-wise or product-wise performance | ✓ | | |
| 1.5 (iii) | Risks and concerns | ✓ | | |
| 1.5 (iv) | A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin | ✓ | | |
| 1.5 (v) | Discussion on continuity of any Extra-Ordinary gain or loss | | | N/A |
| 1.5 (vi) | Basis for related party transactions - a statement of all related party transaction should be disclosed in the annual report | ✓ | | |
| 1.5 (vii) | Utilization of proceeds from public issues, rights issues and/or through any other instrument | | | N/A |
| 1.5 (viii) | An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO) | ✓ | | |
| 1.5 (ix) | An explanation on any significant variance occurs between Quarterly Financial performance and Annual Financial Statements | ✓ | | |
| 1.5 (x) | A statement of remuneration paid to directors including independent directors | ✓ | | |
| 1.5 (xi) | The financial statements present fairly its state of affairs, the result of its operations, cash flows and changes in equity | ✓ | | |
| 1.5 (xii) | Proper books of account have been maintained | ✓ | | |
| 1.5 (xiii) | Adoptation of appropriate accounting policies & estimates | ✓ | | |
| 1.5 (xiv) | IAS/BAS/IFRS/BFRS, as applicable in Bangladesh, have been followed and adequate disclosure for any departure | ✓ | | |
| 1.5 (xv) | The system of Internal control is sound in design and has been effectively implemented and monitored | ✓ | | |
| 1.5 (xvi) | Minority shareholders have been protected and have effective means of redress | ✓ | | |
| 1.5 (xvii) | Going Concern (ability to continue as going concern) | ✓ | | |
| 1.5 (xviii) | Highlight and explain significant deviations from the last year's operating results | ✓ | | |
| 1.5 (xix) | Key operating and financial data of at least preceding 5(five) years shall be summarized | ✓ | | |
| 1.5 (xx) | Reason for non-declaration of Dividend | | | N/A |

| Condition No. | Title | Compliance Status (Put ✓ in the appropriate column) | | Remarks |
|-----------------|--|--|--------------|---------|
| | | Complied | Not Complied | |
| 1.5 (xxi) | No bonus share or stock dividend has been or shall be declared as interim dividend | ✓ | | |
| 1.5 (xxii) | The number of Board meetings held during the year and attendance by each director | ✓ | | |
| 1.5 (xxiii) | Pattern of shareholding and name wise details (disclosing aggregate number of shares): | | | |
| 1.5 (xxiii) (a) | Parent/Subsidiary/Associated Companies and other related parties | ✓ | | |
| 1.5 (xxiii) (b) | Directors, Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO), Head of Internal Audit (HIA) and their spouses and minor children | ✓ | | |
| 1.5 (xxiii) (c) | Executives (top five salaried employees other than Directors, CEO, CS, CFO & HIAC) | ✓ | | |
| 1.5 (xxiii) (d) | Shareholders holding ten percent (10%) or more voting interest in the company | ✓ | | |
| 1.5 (xxiv) | In case of the appointment/re-appointment of a director, disclose: | | | |
| 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 held the directorship and the membership of committees of the board | ✓ | | |
| 1.5 (xxv) | Management's discussion and detailed analysis of the Company's position and operations signed by CEO or MD: | | | |
| 1.5 (xxv) (a) | Accounting policies and estimation | ✓ | | |
| 1.5 (xxv) (b) | Changes in accounting policies and estimation, if any | | | N/A |
| 1.5 (xxv) (c) | Comparative analysis of financial results for current financial year with immediate preceding five years | ✓ | | |
| 1.5 (xxv) (d) | Compare such financial results and position with peer industry | ✓ | | |
| 1.5 (xxv) (e) | Brief explanation on the financial and economic scenario of the country and the globe | ✓ | | |
| 1.5 (xxv) (f) | Risks and concerns issues related to the financial statements with explanation and mitigation plan | ✓ | | |
| 1.5 (xxv) (g) | Future plan for company's operation, performance and financial position | ✓ | | |
| 1.5 (xxvi) | Declaration by the CEO and the CFO to the Board as per 3(3) disclosed under Annexure - A | ✓ | | |
| 1.5 (xxvii) | This report and certificate regarding compliance of condition of this Code as per condition 9 disclosed under Annexure – B and Annexure – C. | ✓ | | |

| Condition No. | Title | Compliance Status (Put ✓ in the appropriate column) | | Remarks |
|---------------|---|--|--------------|-----------------|
| | | Complied | Not Complied | |
| 1.6 | The Board meeting shall be conducted and minutes of the meeting shall be recorded as per Bangladesh Secretarial Standards (BSS) as adopted by the ICSB. | ✓ | | |
| 1.7 (a) | A code of conduct prepared by the Board based on the recommendation of the NRC for the Chairperson, other board members and CEO of the Company | ✓ | | |
| 1.7 (b) | The code of conduct to be posted on the Company that includes 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. | | | To be complied. |
| 2. | Subsidiary Company | | | |
| 2. (a) | Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company. | | | N/A |
| 2. (b) | At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company. | | | N/A |
| 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. | | | N/A |
| 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. | | | N/A |
| 2. (e) | The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company. | | | N/A |
| 3. | Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit & 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 MD or CEO, CS, CFO and 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; | ✓ | | |

| Condition No. | Title | Compliance Status (Put ✓ in the appropriate column) | | Remarks |
|---------------|---|--|--------------|-------------------|
| | | Complied | Not Complied | |
| 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). | | | No such incidence |
| 3.2 | 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: | | | |
| | (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; | ✓ | | |
| | (ii) these statements together present a true and fair view of the company's and are in compliance with existing accounting standards and applicable laws; | ✓ | | |
| 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. (i) | For ensuring good governance in the company, the Board shall have – Audit Committee; | ✓ | | |
| 4. (ii) | For ensuring good governance in the company, the Board shall have – Nomination and Remuneration Committee; | ✓ | | |
| 5 | Audit Committee | | | |
| 5.1 | Responsibility to the Board of Directors | | | |
| 5.1. (a) | The Audit Committee shall be a sub-committee of the Board of Directors (BOD); | ✓ | | |
| 5.1. (b) | The Audit Committee shall assist the Board 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; the duties of the Audit Committee shall be clearly set forth in writing. | ✓ | | |

| Condition No. | Title | Compliance Status (Put √ in the appropriate column) | | Remarks |
|---------------|---|--|--------------|---------|
| | | Complied | Not Complied | |
| 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 except 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 one member shall have accounting or related financial management experience for ten years; | √ | | |
| 5.2 (d) | Expiration of term of service of the Committee members making the number lower than 3 (three) and fill up the vacancy by the Board not later than one month from the date of vacancy. | √ | | |
| 5.2 (e) | The Company Secretary act as the secretary of the Audit Committee. | √ | | |
| 5.2 (f) | The quorum of the Audit Committee shall not constitute without at least one Independent Director. | √ | | |
| 5.3 | Chairperson of the Audit Committee: | | | |
| 5.3 (a) | The Board shall select the Chairperson of the Audit Committee who shall be an Independent Director. | √ | | |
| 5.3 (b) | In the absence of Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting; | | | N/A |
| 5.3 (c) | Chairman of the Audit Committee shall remain present in the Annual General Meeting (AGM). | √ | | |
| 5.4 | Meeting of the Audit Committee | | | |
| 5.4 (a) | The Audit Committee (AC) shall conduct at least four meetings in a financial year; | √ | | |
| 5.4 (b) | The quorum of the meeting of Audit Committee shall be either two members or two third of the members of AC present including an independent director is a must; | √ | | |
| 5.5 | Role of Audit Committee | | | |
| 5.5 (a) | Oversee the financial reporting process; | √ | | |
| 5.5 (b) | Monitor choices of accounting policies and principles; | √ | | |
| 5.5 (c) | Monitor Internal Audit and Compliance process to ensure adequacy; | √ | | |
| 5.5 (d) | Oversee hiring and performance of external auditors; | √ | | |
| 5.5 (e) | Hold meeting with external or statutory Auditors to review the annual financial statements before submission to the board for approval; | √ | | |

| Condition No. | Title | Compliance Status (Put ✓ in the appropriate column) | | Remarks |
|------------------|--|--|--------------|-------------------|
| | | Complied | Not Complied | |
| 5.5 (f) | Review along with the management to review 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/ 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 performance of external auditors; | ✓ | | |
| 5.5 (m) | Oversee whether the proceeds raised through IPO or RPO or Right Share Offer have been utilized as per relevant document or prospectus approved by the Commission. | | | N/A |
| 5.6 | Reporting of the Audit Committee: | | | |
| 5.6 (a) | Reporting to the Board of Directors: | | | |
| 5.6 (a)(i) | Reporting to the Board on the activities of the Audit Committee; | ✓ | | |
| 5.6 (a) (ii) (a) | Reporting to the Board on conflicts of interests; | | | No such incidence |
| 5.6 (a) (ii) (b) | Reporting to the Board on suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements ; | | | No such incidence |
| 5.6 (b) | Reporting to the Commission on anything has material impact on financial condition and results, if such thing reported to the Board for rectification and such rectification was ignored reasonably, within six months or reports to the Board three times whichever is earlier. | | | No such incidence |
| 5.7 | Reporting to the Shareholders and General Investors through report on activities of the Audit committee signed by its Chairperson disclosing in the Annual Report. | ✓ | | |
| 6 | Nomination and Remuneration Committee | | | |
| 6.1 | Responsibility to the Board of Directors: | | | |

| Condition No. | Title | Compliance Status (Put ✓ in the appropriate column) | | Remarks |
|---------------|---|--|--------------|-------------------|
| | | Complied | Not Complied | |
| 6.1 (a) | The Company shall have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board; | ✓ | | |
| 6.1 (b) | The NRC shall assist the Board in framing criteria or policy for directors and top level executives as well as policy for considering remuneration of directors, top level executives; | ✓ | | |
| 6.1 (c) | Terms of Reference (ToR) of the NRC shall be clearly defined in writing as per condition 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 shall be nominated and appointed by the Board; | ✓ | | |
| 6.2 (d) | The Board shall have authority to remove and appoint any member of the Committee; | ✓ | | |
| 6.2 (e) | In case of vacancy (death, resignation, disqualification, or removal), the Board shall fill the vacancy within 180 days of such vacancy; | | | No such incidence |
| 6.2 (f) | The Chairperson of the Committee may appoint or co-opt any external expert and or member of staff as advisor being non-voting member; | ✓ | | |
| 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 (i) | No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory 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 one person being independent director from the NRC to be Chairperson; | ✓ | | |
| 6.3 (b) | In the absence of the Chairperson, the remaining members may elect one from themselves as Chairperson for that particular meeting; | | | No such incidence |
| 6.3 (c) | The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders; any other member from the NRC shall be present at the AGM in case of absence of Chairperson of the NRC. | ✓ | | |

| Condition No. | Title | Compliance Status (Put √ in the appropriate column) | | Remarks |
|----------------|---|--|--------------|-------------------|
| | | Complied | Not Complied | |
| 6.4 | Chairperson of the NRC: | | | |
| 6.4 (a) | The NRC shall conduct at least one meeting in a financial year; | √ | | |
| 6.4 (b) | The Chairperson may convene any emergency meeting upon request by any member of the NRC; | | | No Such incidence |
| 6.4 (c) | The quorum of the meeting shall be constituted in presence of two members or two-third of the members, whichever is higher; where presence of an independent director is must; | √ | | |
| 6.4 (d) | The proceedings of each meeting 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; | √ | | |
| 6.5. (b) | NRC shall oversee, among others, the following matters and make report with recommendation to the Board: | | | |
| 6.5. (b) (i) | The criteria to determine qualifications, positive attributes and independence of a director and recommend a policy to the Board about remuneration of the directors, top level executive considering - | √ | | |
| | (a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully; | | | |
| | (b) The relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and | | | |
| | (c) Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives; | | | |
| 6.5. (b) (ii) | A policy on Board's diversity considering age, gender, experience, ethnicity, educational background and nationality; | √ | | |
| 6.5. (b) (iii) | Selection of persons who are qualified to be directors and may be appointed in top level executive position as per the criteria and recommend their appointment and removal to the Board; | √ | | |
| 6.5. (b) (iv) | The criteria to evaluate performance of independent directors and the Board; | | | To be complied. |

| Condition No. | Title | Compliance Status (Put ✓ in the appropriate column) | | Remarks |
|---------------|---|--|--------------|---------|
| | | Complied | Not Complied | |
| 6.5. (b) (v) | Identification of Company's needs for employees and determine their selection, transfer or replacement and promotion criteria; | ✓ | | |
| 6.5. (b) (vi) | Development, recommendation and review of the Company's human resources and training policies annually; | ✓ | | |
| 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. | ✓ | | |
| 7 | External/Statutory Auditors : | | | |
| 7.1. (i) | Non-engagement in appraisal or valuation services or fairness opinions | ✓ | | |
| 7.1. (ii) | Non-engagement in financial information systems design and implementation | ✓ | | |
| 7.1. (iii) | Non-engagement in book keeping or other services related to the accounting records or financial statement | ✓ | | |
| 7.1. (iv) | Non-engagement in broker-dealer services | ✓ | | |
| 7.1. (v) | Non-engagement in actuarial services | ✓ | | |
| 7.1. (vi) | Non-engagement in internal audit or special audit services | ✓ | | |
| 7.1. (vii) | Non-engagement in any other services that the Audit Committee determines; | ✓ | | |
| 7.1. (viii) | Non-engagement of certification services on compliance of Corporate Governance Guidelines as per condition 9(1). | ✓ | | |
| 7.1. (ix) | Non-engagement of any other service that creates conflict of interest. | ✓ | | |
| 7.2 | No partner or employees of the external audit firms shall possess any share of the company during the tenure of their assignment | ✓ | | |
| 7.3 | Representative of external or statutory auditors shall remain present in the AGM 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 exchanges. | ✓ | | |
| 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 exchanges. | ✓ | | |

| Condition No. | Title | Compliance Status (Put √ in the appropriate column) | | Remarks |
|---------------|---|--|--------------|---------|
| | | Complied | Not Complied | |
| 9 | Reporting and compliance of Corporate Governance | | | |
| 9.1 | The company shall obtain certificate from a practicing Professional Accountant/ Secretary regarding compliance of conditions of Corporate Governance Code of the Commission and include in the Annual Report. | √ | | |
| 9.2 | The professional who will provide the certificate on compliance on this Corporate Governance Code shall be appointed by the shareholders in the AGM. | √ | | |
| 9.3 | The Directors of the Company shall state in the directors' report whether the company has complied with these conditions as per Annexure – C. | √ | | |

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HAMID FABRICS LTD

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hamid Fabrics Ltd (the Company), which comprise the statement of financial position as at June 30, 2020, 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 notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give true and fair view, in all material respects, of the financial position of the Company as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

- The company valued inventory Tk. 598,011,523 consists of yarn, work in progress-yarn, finished fabrics, grey fabrics, spare parts, chemicals, dyes, work in progress finished goods, lubricant, WTP Materials, packing materials and store transits with a number of different values that is comparatively higher in line with revenue generation during the year. With the consideration of notes to the financial statements no.26.02 closing stock of dyes & chemicals and Spare parts higher than year consumption of those.
- The company figure out a value of advance for Enterprise Resource Planning (ERP) systems Tk. 43,770,254 (note no. 9.01) carried out continuatively last four years with an addition of Tk. 4,773,670 in the year 2018 with a limited level of appropriate sufficient documents. Refers to the contract with system developer identified installation process should be held within three years from the day of contract signing that's not complied.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements for 2019-2020. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

| Risk | Our response to the risk |
|--|--|
| Revenue Recognition | |
| <p>At year end recognized turnover Tk. 1,595,120,149 reported in the income statement of the company (2019: 1,969,434,335)</p> <p>Revenue is recognized when the performance obligation is satisfied by transferring goods or services to a customer, either at a point in time or over time. Goods or services are "transferred" when the customer obtains control of it.</p> <p>This material item is subject to considerable inherent risk due to the impact of price movement, strategic decisions of competitors and related indirect taxes, along with identifying, recording and properly accounting for variable consideration elements in the contracts with customers. Against this background, the proper application of the accounting standards is considered to be complex and to a certain extent based on estimates and assumptions made by management.</p> <p>Furthermore, revenue is measured at net of trade discounts, returns and allowances. Within a number of the Company's business categories, the estimation of discount recognized based on sales made during the year is material and considered to be complex and judgmental. Therefore, it is a matter of concern that revenue may be misstated as a result of faulty estimations over discounts.</p> <p>The application of the new standard on revenue recognition, "International Financial Reporting Standard 15 – Revenue from Contracts with Customers" (IFRS 15), will have a significant impact which has been presented in the Note 2.18 to the financial statements for the financial year 2020.</p> | <p>We have tested the design and operating effectiveness of key controls focusing on the followings:</p> <ul style="list-style-type: none"> • We assessed the appropriateness of revenue recognition accounting policy in line with IFRS 15 Revenue from contracts with customers • Authorization of credit terms to customers; • Timing of revenue recognition; and Calculation of discounts. • Performed walkthroughs to understand the adequacy and the design of the revenue cycle; • Tested the internal controls over financial reporting, we also assessed the existence and accuracy of the sales recorded, based among other things on inspection of sales contracts, final acceptances, and the allocation of variable consideration to the various elements in the contracts; <p>Our substantive procedures in relation to the revenue recognition comprise the followings:</p> <ul style="list-style-type: none"> • Obtaining supporting documentation for sales transactions; • recorded either side of year end as well as credit notes issued after the year end date to determine whether revenue was recognized in the correct period; • recognition accounting policies, including those relating to discounts by comparing with applicable accounting standard; • Testing the effectiveness of the Group's controls over the calculation of discounts and appropriate timing of revenue recognition; • We also tested journal entries recognised to |

| Risk | Our response to the risk |
|--|---|
| | revenue focusing on unusual or irregular transactions; • Finally, assessing the appropriateness and presentation of disclosures against relevant accounting standards |
| Please refer to Note 25 “Revenue” of the notes to the financial statements. | |
| Measurement of Deferred Tax Liabilities | |
| <p>The company reported net deferred tax liabilities Tk. 96,971,991 with the charge of deferred tax provision TK. 19,981,182as at 30 June 2020.</p> <p>Significant judgement is required in relation to deferred tax liabilities as it's recoverability is depend on forecasts of future profitability over a number of years.</p> | <ul style="list-style-type: none"> • We obtained an understanding, evaluated the design and tested the operational effectiveness of the company's key controls over the recognition and measurement of deferred tax income and the assumptions used in estimating the company's future taxable income. • We also assessed the completeness and accuracy of the data used for the estimations of future taxable income. • We involved tax specialist to assess key assumptions, controls, recognition and measurement of deferred tax income. • We also assessed the appropriateness of presentation of disclosures against IAS-12: Income Tax. |
| Please refer to Note 17 “Deferred Tax Liabilities” of the notes to the financial statements. | |
| Advance, Deposit and Prepayments | |
| <p>Advance, deposit and prepayments Tk. 234,338,295 consists of advances for salaries, expenses, Tax deduction at source prepaid insurance, services specially for enterprise resource planning Tk. 43,770,254 since 2017.</p> | <ul style="list-style-type: none"> • We assessed the completeness and accuracy of the data used for the Advance, Deposit and Prepayments. • We understand and calculate the advance tax in line with Bill of entry and withheld tax and assure of accuracy and completeness. • We have obtained the contract detail of installation of Enterprise Resource Planning(ERP). • We have physically verified the progress of installation of the program with our CISA personnel with limited level of assurance of its functioning. • We also assessed the appropriateness of presentation of disclosures against IAS-12: Income Tax. • Verified the reasonableness of the FC Deposit with bank and confirm the existence of the value. |

| Please refer to Note 9 “Advance, Deposit and Prepayments” of the notes to the financial statements | |
|--|---|
| Risk | Our response to the risk |
| Inventory | |
| <p>Inventory is carried in the statement of financial position at the lower of cost and net realizable value. Sales in the manufacturing industry can be extremely volatile based on significant changes in consumer demand. As a result, there is a risk that the carrying value of inventory exceeds its net realizable value.</p> <p>Moreover, the process of estimating provision for inventories is judgmental and complex. Due to high level of judgment involved and use of some manual process in estimating the provision and net realizable value of inventories, we considered this to be a key audit matter.</p> | <ul style="list-style-type: none"> • Corroborating on a sample basis that items on the stock ageing by items were classified in the appropriate ageing bracket; • Assessing the appropriateness of the provision percentages applied to each item and challenged the assumptions made by the management on the extent to which old inventory can be sold through various channels; • Considering the historical accuracy of provisioning and using the information obtained as evidence for evaluating the appropriateness of the assumptions made in the current period; and • We have also considered the adequacy of the Company’s disclosures in respect of the levels of provisions against inventory. • Verified the comparatively higher inventory preservation in against of revenue generation. |
| Please refer to Note 10 “Advance, Deposit and Prepayments” of the notes to the financial statements | |

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, separate financial statements and our auditor’s report thereon. The annual report is expected to be made available to us after the date of this auditor’s report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope

and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that are of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the Companies Act 1994 and the Securities and Exchange Rules 1987, we also report the following:

- i) we have obtained all the 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;
- ii) 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 these books;
- iii) the statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- iv) the expenditure incurred was for the purposes of the company's business.

Dhaka,
28 October 2020

Sd/-
Zoha Zaman Kabir Rashid & Co.
Chartered Accountants

Md Iqbal Hossain FCA
Enrolment no. 596 (ICAB)

HAMID FABRICS LIMITED
Statement of Financial Position
As on June 30, 2020

| Particulars | Notes | 30-06-2020 Amount in Taka | 30-06-2019 Amount in Taka |
|---|-------|------------------------------|------------------------------|
| ASSETS | | | |
| Non-Current Assets: | | | |
| Property, Plant and Equipment | 5 | 3,066,935,558 | 3,190,906,221 |
| Intangible Assets | 6 | 956,300 | 1,195,375 |
| Investment | 7 | 37,321,902 | 35,502,620 |
| | | 3,105,213,760 | 3,227,604,216 |
| Current Assets: | | | |
| Trade Debtors | 8 | 812,192,341 | 937,247,349 |
| Advances, Deposits and Prepayments | 9 | 234,338,295 | 120,594,101 |
| Inventories | 10 | 598,011,523 | 539,878,303 |
| Cash and Cash Equivalents | 11 | 9,722,764 | 11,613,081 |
| | | 1,654,264,923 | 1,609,332,834 |
| Total Assets | | 4,759,478,683 | 4,836,937,050 |
| EQUITY AND LIABILITIES | | | |
| Shareholders' Equity: | | | |
| Share Capital | 12 | 910,573,120 | 910,573,120 |
| Share Premium | 13 | 973,600,000 | 973,600,000 |
| Revaluation Reserves | 14 | 674,227,047 | 679,683,631 |
| Retained Earnings | 15 | 1,087,372,765 | 1,088,194,235 |
| | | 3,645,772,932 | 3,652,050,986 |
| Non-Current Liabilities: | | | |
| Loans and Borrowings - Net of Current Maturity | 16 | - | 92,454,724 |
| Lease - Net of Current Maturity | 17 | 96,971,991 | 76,990,808 |
| Deferred Tax Liabilities | 18 | 53,713,963 | 48,284,451 |
| Provision for Gratuity | | 150,685,954 | 217,729,983 |
| Current Liabilities: | | | |
| Loans and Borrowings - Current Maturity | 19 | 224,555,131 | 228,771,399 |
| Lease - Current Maturity | 20 | - | 2,375,132 |
| Short Term Loans and Borrowings | 21 | 444,090,981 | 357,985,694 |
| Trade Creditors | 22 | 91,953,979 | 133,140,748 |
| Others Payable | 23 | 109,941,890 | 145,083,515 |
| Income Tax Provision | 24 | 92,477,817 | 99,799,594 |
| | | 963,019,798 | 967,156,082 |
| Total Shareholders' Equity and Liabilities | | 4,759,478,683 | 4,836,937,050 |
| Net Assets Value Per Share | 33 | 40.04 | 40.11 |

The annexed notes form an integral part of these Financial Statements.

Sd/-
Managing Director

Sd/-
Director

Sd/-
Company Secretary

Signed as per annexed report of even date.

Dated: Dhaka
October 28, 2020

Sd/-
Zoha Zaman Kabir Rashid & Co.
Chartered Accountants

HAMID FABRICS LIMITED
Statement of Profit or Loss and Other Comprehensive Income
For the year ended June 30, 2020

| Particulars | Notes | 30-06-2020 Amount in Taka | 30-06-2019 Amount in Taka |
|---|-------|------------------------------|------------------------------|
| Revenue | 25 | 1,595,120,149 | 1,969,434,335 |
| Cost of Goods Sold | 26 | (1,211,760,806) | (1,468,404,052) |
| Gross Profit | | 383,359,343 | 501,030,283 |
| Operating Expenses | | | |
| Administrative Expenses | 27 | (173,481,795) | (169,742,523) |
| Selling and Distribution Expenses | 28 | (26,671,442) | (27,827,820) |
| | | (200,153,237) | (197,570,343) |
| Operating Profit | | 183,206,106 | 303,459,940 |
| Finance Costs | 29 | (113,695,434) | (130,768,570) |
| Contribution to WPPF | 30 | (3,411,509) | (8,306,406) |
| | | (117,106,943) | (139,074,975) |
| Non-Operating Income | 31 | 66,099,164 | 164,384,965 |
| | | 2,131,009 | 1,743,147 |
| Net Profit Before Tax | | 68,230,173 | 166,128,112 |
| Income Tax Provision | | | |
| Provision for Current Tax | 24 | (10,234,526) | (24,919,217) |
| Provision for Deferred Tax | 17 | (19,981,182) | (27,634,655) |
| | | (30,215,708) | (52,553,872) |
| Net Profit for the Year | | 38,014,465 | 113,574,239 |
| Other Comprehensive Income | | | |
| Extra Ordinary Items | | - | - |
| | | - | - |
| Total Comprehensive Income for the Year | | 38,014,465 | 113,574,239 |
| Basic Earning Per Share (Par value Tk. 10/=) | 32 | 0.42 | 1.25 |

The annexed notes form an integral part of these Financial Statements.

Sd/-
Managing Director

Sd/-
Director

Sd/-
Company Secretary

Signed as per annexed report of even date.

Dated: Dhaka
October 28, 2020

Sd/-
Zoha Zaman Kabir Rashid & Co.
Chartered Accountants

HAMID FABRICS LIMITED
Statement of Changes in Equity

As on June 30, 2020

Amount in Taka

| Particulars | Share Capital | Share Premium Account | Revaluation Reserve | Retained Earnings | Total Taka |
|---|--------------------|-----------------------|---------------------|----------------------|----------------------|
| Balance as at July 01, 2019 | 910,573,120 | 973,600,000 | 679,683,631 | 1,088,194,234 | 3,652,050,985 |
| Profit for the year | - | - | - | 38,014,465 | 38,014,465 |
| Cash Dividend for 2018-2019 | - | - | - | (44,292,518) | (44,292,518) |
| Depreciation adjustment of Revaluation Assets | - | - | (5,456,584) | 5,456,584 | - |
| Balance as at June 30, 2020 | 910,573,120 | 973,600,000 | 674,227,047 | 1,087,372,765 | 3,645,772,932 |

Statement of Changes in Equity

As on June 30, 2019

Amount in Taka

| Particulars | Share Capital | Share Premium Account | Revaluation Reserve | Retained Earnings | Total Taka |
|---|--------------------|-----------------------|---------------------|----------------------|----------------------|
| Balance as at July 01, 2018 | 910,573,120 | 973,600,000 | 685,427,404 | 1,013,168,740 | 3,582,769,264 |
| Profit for the year | - | - | - | 113,574,239 | 113,574,239 |
| Cash Dividend for 2017-2018 | - | - | - | (44,292,518) | (44,292,518) |
| Depreciation adjustment of Revaluation Assets | - | - | (5,743,773) | 5,743,773 | - |
| Balance as at June 30, 2019 | 910,573,120 | 973,600,000 | 679,683,631 | 1,088,194,234 | 3,652,050,985 |

Net Assets Value Per Share as on 30-06-2020 (Note - 33)

40.04

Net Assets Value Per Share as on 30-06-2019 (Note - 33)

40.11

The annexed notes form an integral part of these Financial Statements.

Sd/-
Managing Director

Sd/-
Director

Sd/-
Company Secretary

Dated: Dhaka
October 28, 2020

Sd/-
Zoha Zaman Kabir Rashid & Co.
Chartered Accountants

HAMID FABRICS LIMITED
Statement of Cash Flows
For the year ended June 30, 2020

| Particulars | 30-06-2020 Amount in Taka | 30-06-2019 Amount in Taka |
|--|------------------------------|------------------------------|
| Cash Flows from Operating Activities | | |
| Cash Receipts from Customers | 1,722,306,166 | 2,129,186,311 |
| Cash Paid to Suppliers and Employees | (1,539,839,050) | (1,616,001,089) |
| Cash Generated from Operations | 182,467,116 | 513,185,222 |
| Income Tax Paid | (10,576,729) | (15,195,054) |
| Interest Paid | (111,342,185) | (131,670,501) |
| Net Cash Flows from Operating Activities | 60,548,202 | 366,319,667 |
| Cash Flows from Investing Activities | | |
| Acquisition of Property, Plant and Equipment | (3,385,882) | (21,833,619) |
| (Addition)/Realisation of Investment (FDR) | (1,819,282) | (4,553,819) |
| Net Cash Flows from Investing Activities | (5,205,164) | (26,387,438) |
| Cash Flows from Financing Activities | | |
| (Decrease)/Increase in Long Term Borrowings | (99,046,124) | (145,375,036) |
| Increase in Short Term Borrowing | 444,090,981 | 357,985,694 |
| (Decrease) in Short Term Borrowing | (357,985,694) | (505,771,478) |
| Dividend Paid | (44,292,518) | (44,292,518) |
| Net Cash Flows from Financing Activities | (57,233,355) | (337,453,338) |
| Net Cash Flows from Operating, Investing & Financing Activities | (1,890,317) | 2,478,891 |
| Opening Cash and Cash Equivalent | 11,613,081 | 9,134,190 |
| Closing Cash and Cash Equivalents | 9,722,764 | 11,613,081 |
| Net Operating Cash Flow per Share (Note - 41.vi) | 0.66 | 4.02 |

Sd/-
Managing Director

Sd/-
Director

Sd/-
Company Secretary

Dated: Dhaka
October 28, 2020

Sd/-
Zoha Zaman Kabir Rashid & Co.
Chartered Accountants

HAMID FABRICS LIMITED
Notes to the Financial Statements
For the year ended June 30, 2020

SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATERIAL INFORMATION:

1. Status of the Reporting Entity

1.1. Legal Status:

Hamid Fabrics Ltd. (the "Company") is a public company limited by shares. The Company was incorporated in Bangladesh on 27 April 1995 in the name of Siddique Fabrics Ltd., as a private company limited by shares under the Companies Act, 1994. Subsequently on 23 May 2000, the name was changed to Hamid Fabrics Limited. The Company was converted to public company on 25 February 2010 vide special resolution passed in the extra ordinary general meeting after observance of required formalities. The Registered office of the Company is situated at Hamid Tower, 24 Gulshan Commercial Area, Circle – 2, Dhaka – 1212. The factory of the Company is located at Shilmondi, Narshindi. The Company is listed with Dhaka Stock exchange and Chittagong Stock exchange.

1.2. Nature of business

The Principal activity of this Company is engaged in manufacturing and marketing of gray and finished fabrics of various qualities. This is a 100% export oriented company.

The management of the company will continue its operational existence for the foreseeable future on the basis of improved profitability and continued support of its bankers, equipment vendors and other contractors, suppliers as well as related stakeholders.

2. Basis of Preparation:

2.1. Statement of Compliance

The financial statements have been prepared in accordance with the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as adopted by the Institute of Chartered Accountants of Bangladesh.

2.2. Other Regulatory Compliances

The company is also required to comply with the following major laws and regulation in addition to the Companies Act 1994:

- The Income Tax Ordinance 1984
- The Value Added Tax and Supplementary Duty Act, 2012
- The Customs Act 1969
- Bangladesh Labor Act 2006 and Rules 2015
- Bangladesh Securities and Exchange Rules 1987 along with all related regulations
- Other applicable regulations.

2.3. Measurement bases used in Preparing the Financial Statements

The financial statements have been prepared on a Going Concern basis. Except the carrying value of Land & Land Development and Building & Construction which are measured at fair value, the financial statements have been prepared on "Historical Cost" convention basis, which is one of the most commonly adopted bases provided in "the framework for the preparation and presentation of financial statements" issued by the International Accounting Standard Committee (IASC).

2.4. Going Concern

The Company has adequate resources to continue in operation for foreseeable future. For this reason, the Directors continued to adopt going concern basis in preparing the Financial Statements. The current credit facilities and resources of the company provide sufficient fund to meet the present requirements of its existing businesses and operations.

2.5. Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are reflected in measuring fair value of Land and Building, calculation of deferred tax liabilities and gratuity provision.

2.6. Functional and presentational currency and level of precision

The financial statements are prepared and presented in Bangladesh Taka, which is the company's functional currency. All financial information presented has been rounded off to the nearest Taka except where indicated otherwise.

2.7. Reporting period

The financial period of the company covers one year from 1 July to 30 June and followed consistently. For this Report, Financial Statement covers for the period from July 01, 2019 to June 30, 2020 along with related applicable comparative information.

2.8. Change in Accounting Policy

There is no major change in accounting policies for preparation of the Financial Statements for this year.

2.9. Date of Authorization:

This Financial Statements has been authorized for publication by the Board of Directors of Hamid Fabrics Limited on 28-10-2020.

2.10. Components of the Financial Statements

According to the International Accounting Standard (IAS) 1 "Presentation of Financial Statements" the complete set of financial statements includes the following components:

- i) Statement of Financial Position
- ii) Statement of Profit or Loss and Other Comprehensive Income
- iii) Statement of Changes in Equity
- iv) Statement of Cash Flows
- v) Notes to the Financial Statements

3. Principal Accounting Policies:

The accounting policies set out below have been applied in preparations of these financial statements:

3.1. Property, Plant and Equipment**3.1.1. Recognition and Measurement**

Property, plant and equipment except land and building are measured at cost less accumulated depreciation and impairment losses, if any. Land & Land Development and Building & Construction are measured at fair value. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable expenses, inward freight, duties and non-refundable taxes.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of

replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the entity and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

3.1.2. Disposal of Fixed Assets

On disposal of fixed assets, the cost and accumulated depreciation are eliminated and gain or loss on such disposal is reflected in the income statement, which is determined with reference to the net book value of the assets and net sales proceeds.

3.1.3. Depreciation on Fixed Assets

Depreciation on fixed assets is charged on reducing balance method. Depreciation continues to be charged on each item of fixed assets until the written down value of such fixed assets is reduced to Taka one. Depreciation on addition to fixed assets is charged on daily product basis from the date of acquisition and depreciation has been charged on fixed assets ceases on the same way of their date of disposal and it has no significant impact on the previous financial statements relating to such change from yearly basis and days basis. The residual value, if not insignificant, is reassessed annually. Amount of depreciation on Revaluation of Building & Other Construction has been adjusted against Revaluation Reserve.

Rates of depreciation on various classes of fixed assets are as under:

| <u>Category of fixed asset</u> | <u>Rate (%)</u> |
|--------------------------------|-----------------|
| Building & Construction | 5 |
| Plant & Machinery | 5 |
| Electrical & Gas Installation | 10 |
| Furniture and Fixtures | 15 |
| Office equipment | 15 |
| Vehicles | 20 |

Land is not depreciated as it deems to have an infinite life. Depreciation is charged on all assets of the company.

3.1.4. Revaluation:

During the period no assets were revalued but it was estimated that fair value of above assets justified with was higher than the book value.

3.1.5. Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the profit and loss account as incurred.

3.1.6. Impairment of Assets

No fact and circumstances indicate that company's assets including property, plant and equipment may be impaired.

3.2. Intangible Asset

3.2.1 Recognition and measurement

Intangible assets are measured at cost less accumulated amortization and accumulated impairment loss, if any. Intangible asset is recognized when all the conditions for recognition as per IAS 38: Intangible assets are met. The cost of an intangible asset comprises its purchase price, import duties and non-refundable taxes and any directly attributable cost of preparing the asset for its intended use.

3.2.2 Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in the profit and loss account when incurred.

3.2.3 Amortization

Amortization is recognized in the statement of comprehensive income on reducing balance method. Amortization rate for intangible assets (computer software) is 20 % per year.

3.3 Leased Assets

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition these leased assets are measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3.4 Investment in FDR

Investment in FDR includes fixed deposits held with various banking and non-banking financial institutions in the name of Hamid Fabrics Limited. The fixed deposits are renewed upon maturity at the option of the company.

3.5 Inventories

Inventories are stated at the lower of cost and net realizable value in accordance with IAS -2 "Inventories". The cost of inventories is based weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Adequate allowance is made for obsolete, damaged and slow-moving inventories.

3.6 Trade Debtors

Accounts receivable has been stated at its original invoiced amount supported by L/C. This is considered good and is falling due within one year. 25% provision for bad/doubtful debts is made on the receivable amount against trade debtors over one year to two years of aging and over two years of aging 50% provision is made and if its three years or more 100% is provided. Related party transactions relating to sales/purchase are made on arm length basis. Rate of sale/purchase of related party transactions are fixed as applicable to other outsider parties.

3.7 Advance, Deposits and Prepayments

Advances are initially measured at cost. After initial recognition advances are carried at cost less deductions, adjustments or charges to other account heads such as PPE or inventory etc.

Deposits are measured at payment value.

Prepayments are initially measured at cost. After initial recognition prepayments are carried at cost less charges to profit and loss account.

3.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Amount of Cash and Cash Equivalent under USD has been reflected in BDT and exchange rate fluctuation has been recognized accordingly.

3.9 Other Current Assets

Other current assets have a value on realization in the ordinary course of the company's business which is at least equal to the amount at which they are stated in the balance sheet.

3.10 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as deduction from equity, net of any tax effects. Paid up capital represents total amount contributed by the shareholders and bonus shares, if any issued by the company to the ordinary

shareholders. Holders of ordinary shares are entitled to receive dividend as declared from time and are entitled to vote at shareholders meetings. In the event of a winding up of a winding up of the company, ordinary shareholders rank after all other shareholders and creditors and fully entitled to any residual proceeds of liquidation.

3.11 Trade Creditors and Accruals

Trade and other payables are stated at cost.

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Trade Creditors under foreign currency has been presented in BDT and fluctuation loss has been charged to Profit and Loss Account.

3.12. Loans and Borrowing

Principal amounts of loans and borrowings are stated at their outstanding amount. Borrowings repayable after twelve months from the reporting date are classified as non-current liabilities whereas the portion payable within twelve months, unpaid interest and other charges are classified as current liabilities.

3.13. Revenue Recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably as provided in IAS 18 "Revenue" and there is no continuing management involvement with the goods. The timing of the transfer of risk and rewards depends on the individual terms of the sales agreement. Normally, revenue is recognized when the fabrics is supplied to the buyer or its agents. Scrape and wastage sales are included as part of revenue.

3.14 Foreign Exchange

Transactions in foreign currencies are translated at the average rate of the month. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Bangladesh Taka at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translate on are recognized in the income statement in accordance with IAS 21 "The effects of Changes in Foreign Currency Rates."

3.15 Employee Retirement Benefits

Defined Contribution Plan

Obligations for the Company's contributions to defined contribution plans Provident Fund and Workers Profit Participation Fund) are recognized as an expense in the income statement as incurred.

Defined Benefit Plan

The Company operates an unfunded Gratuity Scheme which is considered as Defined Benefit Plan. The present value of the obligation for a defined benefit plan is measured using the Projected Unit Credit method. As the Gratuity Scheme is fairly new and the numbers of staffs, who have completed the required service qualification period of five years, are limited, no professional actuarial assessment of the Gratuity obligation is performed at Reporting Date. However, based on the review of undiscounted value of the present gratuity obligation Management is confident that the actuarial assessment will not result in any significant difference with the gratuity provision recorded.

3.16 Finance Income and Expenses

Finance income comprises interest income on funds invested. Interest income is recognized on maturity.

Finance expenses comprise interest expenses on loan, overdraft and bank charges. All borrowing costs are recognized in the Statement of Profit or loss and other Comprehensive Income using effective interest

method except to the extent that they are capitalized during constructions period of the plants in accordance with IAS-23 Borrowing cost.

3.17 Earnings Per Share (EPS)

The Company calculates Earning per Share (EPS) in accordance with IAS 33: Earning per Share, which has been shown on the face of Statement of Comprehensive Income account, and the computation of EPS is stated in related note.

Basic earnings

This represents earnings for the year attributable to ordinary shareholders. As there was no preference dividend, minority or extra ordinary items, the net profit after tax for the year has been considered as fully attributable to the ordinary shareholders.

Weighted average number of ordinary shares outstanding during the year

This represents the number of ordinary shares outstanding at the beginning of the year plus the number of shares issued during the year multiplied by a time-weighting factor. The time weighting factor is the numbers of days the specific shares are outstanding as a proportion of the total number of days in the year.

Basic earnings per share

This has been calculated by dividing the basic earnings by the number of ordinary shares outstanding for the year.

Diluted/restated earnings per share

In case of issuing bonus share the Company dilute the prior period's financial statement accordingly.

3.18. Cash flows statement

Cash Flow Statement is prepared in accordance with IAS 7 "Cash Flow Statement". The cash flow from the operating activities have been presented under Direct Method as prescribed by the Securities and Exchange Rules 1987 and considering the provisions of Paragraph 18(a) of IAS-7 which provides that "Enterprises are encouraged to report Cash Flow from Operating Activities using the Direct Method".

3.19 Responsibility for Preparation and Presentation of Financial Statements:

The Management is responsible for the preparation and presentation of Financial Statements under section 183 of the Companies Act, 1994 and as per the Provision of "The Framework for the preparation and presentation of Financial Statements" issued by the International Accounting Standard Board (IASB) as adopted by the Institute of The Chartered Accountants of Bangladesh (ICAB).

3.20 Risk and uncertainties for the use of estimates in preparing financial statements

Preparation of Financial Statements in conformity with the International Accounting Standards requires management to make estimates and assumption that effect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement and revenues and expenses during the period reported. Actual result could differ from those estimates. Estimates are used for accounting of certain items such as depreciation and amortization, taxes, reserves and contingencies.

3.21. Comparative Amounts

Certain comparative amounts have been re-classified & rearranged to confirm with the current year's presentation.

3.22. Event after the reporting period

Events after the reporting period that provide additional information about the company's positions at the balance sheet date are reflected in the financial statements if any. The Board of Directors in its meeting held on October 28, 2020 recommended 10% cash dividend for the year ended June 30, 2020.

3.23 Related Party Transactions

The objective of Related Party Disclosure IAS 24 is to ensure that an entity's Financial Statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss

may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operating decisions. The Company transacts with related parties and recognize as per IAS 24 'Related Party Disclosures'. Related party transactions have been disclosed under Note – 34.

3.24. Contingent Liabilities and Assets

Contingent liabilities and assets are current or possible obligations or assets, arising from past events and whose existence is due to the occurrence or non-occurrence of one or more uncertain future events which are not within the control of the company. No contingent liabilities and assets were recognized in the financial statements for the year as no such event existed.

3.25. Segment reporting

The Company has three interdependent units such as weaving, yarn dyeing and finishing units. These are process units of its finished products i.e. finished fabrics of different qualities. No price is available for its intermediate product and it is also not saleable. Therefore, Segment reporting is not applicable for the company.

4. Taxation

4.1. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

It is a publicly traded Company in Textile business. Provision for corporate income tax is made @ 15% on estimated taxable profit in accordance with the income tax laws. The corporate income tax assessment of the Company is completed up to the assessment year 2018-2019 (accounting year ended 30 June 2018) and assessment for the year 2019-20 in under process.

4.2 Deferred Tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or sub-attentively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

| | 30-06-2020 Amount in Taka | 30-06-2019 Amount in Taka |
|--|------------------------------|------------------------------|
| 5 Property, Plant and Equipment | | |
| Land & Land Development | 855,709,891 | 855,709,891 |
| Building & Construction | 590,102,465 | 621,160,490 |
| Plant & Machinery | 1,444,621,119 | 1,511,645,230 |
| Vehicles | 11,828,808 | 14,786,011 |
| Electricity Installation | 79,030,542 | 87,811,713 |
| Gas Line Installation | 11,406,512 | 12,673,902 |
| Office Equipment | 33,511,263 | 38,991,964 |
| Furniture & Fixtures | 9,337,961 | 10,985,836 |
| Capital Work in Progress | 31,386,997 | 37,141,183 |
| | 3,066,935,558 | 3,190,906,221 |

Capital Work-in-progress represents Building & Construction Tk. 30,191,270 and Plant & Machinery Tk. 1,195,727 of the Company on which no depreciation was charged.

For further details please refer to Annexure-A

The aforesaid assets of the company are mortgaged with various banks and financial institutions to secure different current and long-term loans and borrowings.

| | | |
|--|--------------------|--------------------|
| 6 Intangible Assets | | |
| This amount represents the value of Computer Software. | | |
| Cost | 5,700,000 | 5,700,000 |
| Less: Accumulated amortization (@20%) | (4,743,700) | (4,504,625) |
| | 956,300 | 1,195,375 |
| 7 Investment | | |
| Security Deposit against Titas Gas 7.01 | 18,569,675 | 17,660,240 |
| Lien against Loan 7.02 | 18,752,227 | 17,842,380 |
| | 37,321,902 | 35,502,620 |
| 7.01 Security Deposit against Titas Gas | | |
| Janata Bank Limited (Lien to Titas Gas) - Unit-1 | 3,527,598 | 3,356,234 |
| Janata Bank Limited (Lien to Titas Gas) - Unit-2 | 11,718,164 | 11,168,399 |
| Bank Asia Limited (Lien to Titas Gas) - Unit-2 | 3,323,913 | 3,135,607 |
| | 18,569,675 | 17,660,240 |
| 7.02 Lien against Loan | | |
| Janata Bank Limited (Lien against SOD Loan) | 18,312,605 | 17,425,573 |
| Bank Asia Limited (Lien against Term Loan) | 439,622 | 416,807 |
| | 18,752,227 | 17,842,380 |
| 8 Trade Debtors | 812,192,341 | 937,247,349 |
| | | |
| 8.01 Age Analysis of Trade Debtors | | |
| Less than 06 months | 800,076,962 | 937,247,349 |
| More than 06 months | 12,115,379 | - |
| | 812,192,341 | 937,247,349 |

Receivable amount against Trade Debtors has been reflected in BDT and exchange rate fluctuation has been recognised accordingly. The above amount is considered good and secured by Letter of Credit (L/C).

For further details please refer to Annexure-B

No amount was due by the Director (including Managing Director), Managing Agent, Manager & other Officers of the Company and any of them severally or jointly with any other person.

Management considered the trade debts are collectable, however an amount of Tk. 30,28,845 has been kept as provision for doubtful debts for this year against which no provision was made in last year.

Hamid Fabrics Limited

Trade Debtors includes Tk.81,894,699 and 68,765,795 due from Hamid Weaving Mills Limited and Tazrian Weaving Mills Ltd. respectively, which are related party transaction against Tk. 100,415,205 and Tk. 153,251,931 on 30-06-2019 which has been done on arm length basis. The said amount is considered good and secured by Letter of Credit (L/C). Additional discloser also give in Note - 34.

| | | 30-06-2020 Amount in Taka | 30-06-2019 Amount in Taka |
|-------------|---|------------------------------|------------------------------|
| 9 | Advances, Deposits and Prepayments | | |
| | Advances | 9.01 75,656,210 | 81,906,297 |
| | Security Deposits | 9.02 15,462,400 | 15,462,400 |
| | FC Deposit with Banks | 9.03 143,219,685 | 23,225,404 |
| | | 234,338,295 | 120,594,101 |
| 9.01 | Advances: | | |
| | Salary (Head Office) | 1,289,150 | 1,712,400 |
| | Salary (Factory) | 1,439,582 | 1,097,800 |
| | Advance against ERP | 43,770,254 | 43,770,254 |
| | Advance against Expenses | 993,236 | 839,962 |
| | Tax Deduction at Source | 23,371,784 | 30,351,358 |
| | Prepaid Insurance | 3,457,851 | 3,869,585 |
| | Advance against Services | 1,334,352 | 264,938 |
| | | 75,656,210 | 81,906,297 |
| 9.02 | Security Deposits: | | |
| | Titas Gas Transmission Co Ltd. | 8,560,507 | 8,560,507 |
| | Rural Electrification Board (REB) | 4,476,657 | 4,476,657 |
| | Bank Guarantee margin - Titas Gas | 2,388,236 | 2,388,236 |
| | Gas Cylinder | 32,000 | 32,000 |
| | Mobile Company | 5,000 | 5,000 |
| | | 15,462,400 | 15,462,400 |
| 9.03 | FC Deposit with Bank: | | |
| | BTB L/C Deposit - Janata Bank Limited | 3,916 | 3,916 |
| | Foreign Currency Held for BTB L/C - Bank Asia Limited | 16,690,951 | 14,080,343 |
| | Foreign Currency Held for BTB L/C - UCBL | 126,524,818 | 9,141,145 |
| | | 143,219,685 | 23,225,404 |

- All advances and deposits amount are considered good and recoverable.
- There is no amount due from directors or officers of the Company other than Advance Against Salary & Expenses to the employees.

| | | | |
|-----------|--------------------------------|--------------------|--------------------|
| 10 | Inventories | | |
| | Yarn | 113,683,930 | 84,380,120 |
| | Work In Process - Yarn | 6,722,874 | 9,168,720 |
| | Finished Fabrics | 31,072,789 | 22,351,175 |
| | Gray Fabrics | 63,415,664 | 80,299,713 |
| | Spare Parts | 93,391,406 | 88,122,657 |
| | Chemicals | 80,576,186 | 80,417,876 |
| | Dyes | 135,773,353 | 108,668,130 |
| | Work In Process Finished Goods | 47,310,155 | 63,604,337 |
| | Lubricant | 176,580 | 139,000 |
| | WTP Materials | 733,300 | 573,300 |
| | Packing Materials | 370,487 | 596,023 |
| | Store in Transit | 24,784,800 | 1,557,252 |
| | | 598,011,523 | 539,878,303 |

A) The above inventories are as per physical checking made, valued and certified by inventory team consists of management staff and Auditors.

B) Inventories in hand have been valued at lower of cost and net realizable value.

C) Quantitative reconciliation shown in Annexure - D.

| | | 30-06-2020 Amount in Taka | 30-06-2019 Amount in Taka |
|--------------|---|------------------------------|------------------------------|
| 11 | Cash and Cash Equivalent | | |
| | Cash in Hand 11.01 | 382,370 | 257,345 |
| | Cash at Bank 11.02 | 9,340,394 | 11,355,736 |
| | | 9,722,764 | 11,613,081 |
| 11.01 | Cash in Hand | | |
| | Head Office | 47,525 | 33,639 |
| | Factory | 184,845 | 73,706 |
| | Petty Cash (Imprest) | 150,000 | 150,000 |
| | | 382,370 | 257,345 |
| 11.02 | Cash at Banks | | |
| | Janata Bank CD A/C # 8534 | 6,971 | 96,445 |
| | United commercial Bank Limited -CD#20092/898 | 442,963 | 586,235 |
| | United commercial Bank Limited ERQ A/C#160 | 1,146,346 | 1,996,392 |
| | Prime Bank CD A/C # 749 | 15,513 | 11,513 |
| | Prime Bank CD A/C # 546 | 61,954 | 1,198,594 |
| | Brac Bank CD A/C # 9001 | 30,845 | 10,566 |
| | Bank Asia CD A/C # 5473 | 94,682 | 766,460 |
| | United commercial Bank Limited -SND#365 | 631,603 | 141,944 |
| | Bank Asia (STD) Account # 960 | 255,133 | 250,989 |
| | Uncleared Share Application Account | 1,001,912 | 981,006 |
| | Uncleared Divedend Account | 1,913,320 | 1,579,263 |
| | Janata Bank CD A/C # 346 | - | 43,535 |
| | Janata Bank Retention Quota | 39,841 | 39,800 |
| | Prime Bank CD A/C # 266 (Gulshan) | 497,448 | 196,511 |
| | Prime Bank STD # 2032 | - | 430,455 |
| | Prime Bank STD # 1026 (Madhobdi) | 16,701 | 9,902 |
| | Brac Bank CD A/C # 1001 | 2,921 | 4,456 |
| | United commercial Bank Limited -CD#20071/1030 | 2,262,766 | 3,396 |
| | Bank Asia CD#0023 | 30,938 | 356,604 |
| | Bank Asia ERQ#361 | 887,891 | 699,786 |
| | United commercial Bank Limited ERQ A/C#182 | 646 | 1,951,884 |
| | | 9,340,394 | 11,355,736 |

Amount of Cash and Cash Equivalent under USD has been reflected in BDT and exchange rate fluctuation has been recognised accordingly.

12. Share Capital

Authorised Share Capital

200,000,000 Ordinary Shares of Tk. 10 each.

2,000,000,000

2,000,000,000

Issued and Paid Up Capital

910,573,120

910,573,120

91,057,312 Ordinary Shares of Tk. 10 each. The composition of the share capital of the Company is as follows:

| Name | No. of Shares | % | 30-06-2020 | 30-06-2019 |
|-----------------------------|-------------------|-------------|--------------------|--------------------|
| Mr. Abdullah Al-Mahmud | 28,975,635 | 31.82% | 289,756,350 | 289,756,350 |
| Mr. A. H. M. Mozammel Hoque | 1,837,166 | 2.02% | 18,371,660 | 18,371,660 |
| Mrs. Salina Mahmud | 4,809,131 | 5.28% | 48,091,310 | 48,091,310 |
| Mrs. Nusrat Mahmud | 4,647,431 | 5.10% | 46,474,310 | 46,474,310 |
| Mrs. Nabila Mahmud | 4,647,431 | 5.10% | 46,474,310 | 46,474,310 |
| Mrs. Farhana Danesh | 1,848,000 | 2.03% | 18,480,000 | 18,480,000 |
| Other Shareholders | 44,292,518 | 48.64% | 442,925,180 | 442,925,180 |
| | 91,057,312 | 100% | 910,573,120 | 910,573,120 |

Shareholding status as on June 30, 2020

| Shares | No. of Sh. holders | % | Total No. of Shares as on 30-06-2020 | Total No. of Shares as on 30-06-2019 |
|----------------------|--------------------|-------------|--------------------------------------|--------------------------------------|
| Less than 500 | 9,883 | 2.10% | 1,910,836 | 2,053,128 |
| 500 to 5,000 | 1,222 | 2.47% | 2,252,554 | 2,690,146 |
| 5,001 to 10,000 | 213 | 1.79% | 1,631,349 | 1,921,967 |
| 10,001 to 20,000 | 113 | 1.87% | 1,705,692 | 2,078,334 |
| 20,001 to 30,000 | 38 | 1.06% | 963,535 | 1,204,118 |
| 30,001 to 40,000 | 31 | 1.21% | 1,097,560 | 984,580 |
| 40,001 to 50,000 | 14 | 0.72% | 657,130 | 905,410 |
| 50,001 to 100,000 | 40 | 2.98% | 2,709,839 | 2,699,912 |
| 100,001 to 1,000,000 | 46 | 14.22% | 12,949,414 | 12,709,314 |
| Above 1,000,000 | 15 | 71.58% | 65,179,403 | 63,810,403 |
| | 11,615 | 100% | 91,057,312 | 91,057,312 |

13 Share Premium Account

973,600,000 **973,600,000**

This is related to Pre-IPO and IPO share issue as per approval of the regulatory authorities.

14 Revaluation Reserve

Assets Revaluation Reserve-

| | | |
|---|--------------------|--------------------|
| Opening balance | 679,683,631 | 685,427,404 |
| Depreciation adjustment of Revaluation Assets | (5,456,584) | (5,743,773) |
| | 674,227,047 | 679,683,631 |

No assets were revalued during the the year.

15 Retained Earnings

| | | |
|---|----------------------|----------------------|
| Opening balance | 1,088,194,235 | 1,013,168,740 |
| Cash Dividend | (44,292,518) | (44,292,518) |
| Depreciation adjustment of Revaluation Assets | 5,456,584 | 5,743,773 |
| Profit for the year | 38,014,465 | 113,574,239 |
| Closing Balance | 1,087,372,765 | 1,088,194,235 |

16 Loans & Borrowings-Net off Current Maturity

The portion of Long term loans which is repayable after twelve months from the balance sheet date.

| | | | |
|---|-------|----------|-------------------|
| UCB Term loan - against acquisition of Property | 16.01 | - | 5,526,699 |
| UCB Term loan - 01 | 16.02 | - | 4,379,581 |
| UCB Term loan - 02 | 16.03 | - | 82,548,444 |
| | | - | 92,454,724 |

16.01 The loan of Tk. 119,300,000 was taken from United Commercial Bank, Foreign Exchange Branch, Dhaka on August 30, 2014 for acquisition of property. This Term Loan is secured by Mortgage of the Land, Personal Guarantee of all Directors and creation of First Charge on fixed and floating assets. The grace period of the loan is one year. The rate of interest has been reduced to @9% per annum. The loan is payable by 60 monthly Installment of Tk. 27,93,325.90 each, including interest, started from September 30, 2015. The remaining balance of Tk.2,49,16,519 become due and shown under the head "Loans & Borrowing - Current Maturity " Note-19.

16.02 The loan of Tk. 3,95,85,000 was taken from United Commercial Bank, Foreign Exchange Branch, Dhaka against a Term Loan sanctioned for import of a Biological ETP Machinery. The rate of interest has been reduced to @9% per annum. The loan is payable by 54 monthly Installment of Tk. 9,82,825.02 each, including interest, starting from July 31, 2016. The remaining balance of Tk.1,15,35,527 become due and shown under the head "Loans & Borrowing - Current Maturity " Note-19.

16.03 The loan of Tk. 44,66,34,850.50 was taken from United Commercial Bank, Foreign Exchange Branch, Dhaka against a Term Loan sanctioned for import of Capital Machinery. This Term Loan is secured by hypothecation of the machineries. The grace period of the loan is one year. The rate of interest has been reduced to @9% per annum. The loan is payable by 60 monthly Installment of Tk. 1,09,91,063 each, including interest, starting from May 31, 2016. The remaining balance of Tk.17,85,91,706 become due and shown under the head "Loans & Borrowing - Current Maturity " Note-19.

16.04 These loans of Tk. 2,42,00,000 and Tk. 95,00,000 was taken from Bank Asia, Principal Office Branch, Dhaka against Term Loan sanctioned for installation of a ERP System. The rate of interest is @9% per annum of each. Both loans are payable by 36 monthly equal Installment. The remaining balance of Tk. 33,22,908 and Tk. 19,72,176 respectively shown under the head "Loans & Borrowing - Current Maturity " Note-19.

17 Deferred Tax Liabilities/(Assets)

| | Carrying Amount in Balance Sheet | Tax Base | Taxable/(Deductible) Temporary Difference |
|---|-------------------------------------|----------------------|--|
| 30-Jun-20 | | | |
| Property, Plant and Equipment - assets | 1,877,584,846 | 1,178,347,245 | 699,237,600 |
| Intangible Assets (Computer Software) | 956,300 | - | 956,300 |
| Gratuity Provision | (53,713,963) | - | (53,713,963) |
| | 1,824,827,183 | 1,178,347,245 | 646,479,937 |
| Applicable rate | | | 15% |
| Deferred Tax Liability-(A) | | | 96,971,991 |
| 30-Jun-19 | | | |
| Property, Plant and Equipment | 1,995,801,320 | 1,435,440,189 | 560,361,131 |
| Intangible Assets (Computer Software) | 1,195,375 | - | 1,195,375 |
| Gratuity Provision | (48,284,451) | - | (48,284,451) |
| | 1,948,712,244 | 1,435,440,189 | 513,272,055 |
| Applicable rate | | | 15% |
| Deferred Tax Liability-(B) | | | 76,990,808 |
| Net increase/ (Decrease) in deferred tax liability (A-B) | | | 19,981,182 |

18 Provision for Gratuity

| | 30-06-2020 Amount in Taka | 30-06-2019 Amount in Taka |
|-------------------------|------------------------------|------------------------------|
| Opening Balance | 48,284,451 | 42,422,074 |
| Provision for the year | 7,656,362 | 6,597,125 |
| Less : paid during year | (2,226,850) | (734,748) |
| | 53,713,963 | 48,284,451 |

19 Loans & Borrowing - Current Maturity

The portion of long term loans which is repayable within twelve months from the balance sheet date

| | | | |
|---|-------|--------------------|--------------------|
| UCB Term loan - against acquisition of Property | 16.01 | 24,916,519 | 36,737,980 |
| UCB Term loan - 01 | 16.02 | 11,535,527 | 13,923,126 |
| UCB Term loan - 02 | 16.03 | 178,591,706 | 158,081,920 |
| UCB Term loan - 03 | | 4,216,295 | 4,784,674 |
| BA Term loan - 01 | 16.04 | 1,972,176 | 4,562,824 |
| BA Term loan - 02 | 16.04 | 3,322,908 | 10,680,875 |
| | | 224,555,131 | 228,771,399 |

20 Lease - Current Maturity

The portion of Lease which is repayable within twelve months from the balance sheet date

| | | |
|----------------------------|---|------------------|
| Bank Asia - Transport Loan | - | 2,375,132 |
|----------------------------|---|------------------|

21 Short Term Loans & Borrowings

| | | |
|--|--------------------|--------------------|
| Janata Bank Limited Limited - CCH | 122,291,512 | 21,029,865 |
| Janata Bank Limited CC (Hypo) A/C# 0958 | - | 40,866,958 |
| Janata Bank Limited CC (Pledge) A/C# 0966 | - | 61,321,604 |
| Bank Asia Limited O/D A/C # 2721 | 30,147,659 | 30,567,880 |
| United Commercial Bank Limited O/D | 83,753,644 | 41,156,686 |
| United Commercial Bank Limited LTR A/C | 7,821,033 | 15,118,105 |
| United Commercial Bank Limited - Bills Discounted | 4,017,001 | 41,663,336 |
| Bank Asia Limited - Bill Discounted | 48,633,502 | 53,513,518 |
| Bank Asia Limited PC A/C | 32,469,226 | 26,939,841 |
| Bank Asia Limited LTR A/C | 42,881,931 | 18,075,693 |
| United Commercial Bank Limited - Cash Incentive loan | - | 4,619,173 |
| Bank Asia Limited - Cash Incentive loan | - | 3,113,035 |
| United Commercial Bank Limited - loan general | 18,469,760 | - |
| Bank Asia Limited - Demand loan | 53,605,713 | - |
| | 444,090,981 | 357,985,694 |

30-06-2020
Amount in Taka

30-06-2019
Amount in Taka

These loans are taken from various local banks mainly for the purpose of working capital financing. To secure these facilities the Company has mortgaged its property, plant and equipment and hypothecated its Stocks and Debtors to the relevant Banks and Financial Institutions. Other information shown in Annexure - E.

22 Trade Creditors

| | | |
|--|-------------------|--------------------|
| Trade Creditors (Payable to Suppliers) | 24,753,746 | 28,352,525 |
| BTB Liabilities to Banks | 67,200,233 | 104,788,223 |
| | 91,953,979 | 133,140,748 |

For further details please refer to Annexure-C

- i) Trade Creditors under foreign currency has been presented in BDT and fluctuation loss has been charged to profit and loss account.
- ii) This represents amount payable to regular suppliers of raw materials, chemicals, packing materials etc.
- iii) All suppliers were paid on a regular basis.

23 Other Payable

| | | | |
|----------------------------|-------|--------------------|--------------------|
| Gas Bill | | 30,451,163 | 13,068,628 |
| Electricity Bill | | 8,345,151 | 9,564,290 |
| Salary - HO | | 8,465,548 | 8,655,234 |
| Salary - Factory | | 24,439,259 | 42,398,314 |
| Audit Fee | | 250,000 | 250,000 |
| Interest Payable | 23.01 | 5,417,532 | 3,064,283 |
| WPPF - Non-Current portion | 23.02 | 20,644,811 | 19,598,616 |
| WPPF - Current portion | 23.02 | 2,365,313 | 5,759,108 |
| Others | | 9,563,113 | 42,725,042 |
| | | 109,941,890 | 145,083,515 |

- i) These payable were incurred from normal business operation and paid regularly.

23.01 Interest Payable

| | | |
|---|------------------|------------------|
| UCB Term loan - against acquisition of Property | 622,326 | 444,054 |
| UCB Term loan - 01 | 276,698 | 182,313 |
| UCB Term loan - 02 | 4,301,797 | 2,411,778 |
| UCB Term loan - 03 | 216,711 | 26,138 |
| | 5,417,532 | 3,064,283 |

23.02 Provision for WPPF (Non-current portion):

| | | |
|--|-------------------|-------------------|
| Opening Balance | 19,598,616 | 17,051,318 |
| Provision for the year (5% of Net Profit before Tax) | 3,411,509 | 8,306,406 |
| Less : Current Portion | (2,365,313) | (5,759,108) |
| | 20,644,811 | 19,598,616 |

24 Income Tax Provision

| | | | |
|--------------------------------------|-------|--------------------|--------------------|
| Opening Balance | | 99,799,594 | 77,280,377 |
| Add : Provision made during the year | 24.01 | 10,234,526 | 24,919,217 |
| | | 110,034,120 | 102,199,594 |
| Less : Tax settled (2017-2018) | | (17,556,303) | (2,400,000) |
| Closing Balance | | 92,477,817 | 99,799,594 |

24.01 Income Tax Provision for the year

| | | | |
|--|--|-------------------|-------------------|
| Profit before income tax | | 68,230,173 | 166,128,112 |
| Income Tax provision for the year (@15%) | | 10,234,526 | 24,919,217 |

| | 2019-2020 Amount in Taka | 2018-2019 Amount in Taka |
|---------------------------------------|-----------------------------|-----------------------------|
| 25 Revenue | | |
| Sale of Fabrics | 1,257,376,483 | 1,259,992,651 |
| Dyeing, Finishing & Processing charge | 318,427,763 | 689,642,946 |
| Cash Subsidy | 16,544,453 | 15,229,900 |
| Others Sales | 2,771,450 | 4,568,838 |
| | 1,595,120,149 | 1,969,434,335 |

Revenue has reduced to Tk. 1,595.12 million from previous year of Tk. 1,969.43 million mainly due to COVID-19 pandemic. As a result, profitability during the year has decreased significantly.

25.01 Revenue in Foreign Currency

| | | |
|-----------------------|----------------------|----------------------|
| Sale of Fabric in USD | \$ 18,549,785 | \$ 24,370,445 |
|-----------------------|----------------------|----------------------|

26 Cost of Goods Sold

| | | | |
|---|-------|----------------------|----------------------|
| Material Consumed | 26.01 | 478,531,773 | 466,330,569 |
| Manufacturing Overhead | 26.02 | 723,210,619 | 1,008,369,291 |
| Manufacturing costs for the year | | 1,201,742,392 | 1,474,699,860 |
| Add : Opening Stock of Work in Process | | 72,773,057 | 63,624,104 |
| | | 1,274,515,449 | 1,538,323,964 |
| Less : Closing Stock of Work in Process | | 54,033,029 | 72,773,057 |
| Cost of Goods Manufactured | | 1,220,482,420 | 1,465,550,907 |
| Add : Opening Stock of Finished Goods | | 22,351,175 | 25,204,320 |
| | | 1,242,833,595 | 1,490,755,227 |
| Less : Closing Stock of Finished Goods | | 31,072,789 | 22,351,175 |
| Cost of Goods Sold | | 1,211,760,806 | 1,468,404,052 |

26.01 Material Consumed :

| | | |
|--|--------------------|--------------------|
| Opening Stock of Raw Materials | 164,679,833 | 204,898,105 |
| Add : Purchase during the year through L/c | 490,951,534 | 426,112,297 |
| | 655,631,367 | 631,010,402 |
| Less : Closing Stock of Raw Materials | 177,099,594 | 164,679,833 |
| Material Consumed | 478,531,773 | 466,330,569 |

26.02 Manufacturing Overhead :

| | | |
|------------------|--------------------|----------------------|
| Direct Labour | 252,469,733 | 266,172,744 |
| Factory Overhead | 470,740,886 | 742,196,547 |
| | 723,210,619 | 1,008,369,291 |
| Direct Labour | | |
| Wages | 240,649,896 | 250,901,107 |
| Bonus | 11,819,837 | 15,271,637 |
| | 252,469,733 | 266,172,744 |

Factory Overhead

| | | |
|---|--------------------|--------------------|
| Dyes & Chemicals | | |
| Opening Stock | 189,086,006 | 165,883,264 |
| Add: Purchase during the year through L/C | 172,282,313 | 415,521,155 |
| | 361,368,319 | 581,404,419 |
| Less: Closing Stock | 216,349,539 | 189,086,006 |
| Dyes & Chemicals Consumed | 145,018,780 | 392,318,413 |
| Electricity Bill | 29,789,211 | 53,190,758 |
| Gas Bill | 102,571,115 | 93,273,131 |
| External Processing Cost through L/C | 12,898,117 | 15,481,657 |
| Exchange Rate fluctuation loss | 4,976,517 | 313,379 |
| Welfare Expenses | 1,904,298 | 4,391,893 |
| Packing Materials through L/C | 12,600,465 | 9,443,824 |
| Fuel & Vehicle maintenance | 5,169,526 | 5,272,013 |

Water Treatment Expenses through L/C
Workers' Fooding etc.
Medical Expenses
Fuel, Oil & Lubricants
Repairs & Maintenance
Carrying & Handling
Spare Parts (Electrical & Mechanical) through L/C
Depreciation

| 2019-2020 Amount in Taka | 2018-2019 Amount in Taka |
|-----------------------------|-----------------------------|
| 12,442,792 | 22,769,450 |
| 17,959,349 | 23,047,258 |
| 256,850 | 847,004 |
| 3,531,607 | 144,020 |
| 4,836,572 | 418,487 |
| 377,673 | 142,064 |
| 16,740,641 | 15,059,852 |
| 99,667,373 | 106,083,344 |
| 470,740,886 | 742,196,547 |

27 Administrative Expenses

Directors Remuneration
Salary
Bonus
Printing & Stationery
Entertainment
Factory Insurance Premium
Group Insurance Premium
Establishment
Newspaper & Periodicals
Subscription & Donation
Rent, Rates & Taxes
Fuel
Travelling & Conveyance (Local)
Travelling & Conveyance (Foreign)
Medical Expenses
Gratuity
Vehicle Maintenance
Miscellaneous Expenses
Telephone
AGM Expenses
Board Meeting Fee
Legal Fees
Welfare Expenses
Utility Bills
Contribution to Provident Fund
Trade Promotion
Audit Fee
Guest House Expenses
Gardening
Postage & Parcel
Repairs & Maintenance
Provision for Bad Debt
Amortization of Computer Software
Depreciation

| | |
|--------------------|--------------------|
| 1,800,000 | 3,600,000 |
| 81,441,438 | 88,720,525 |
| 4,038,467 | 4,129,722 |
| 718,087 | 630,860 |
| 252,697 | 280,500 |
| 7,059,472 | 7,499,489 |
| 741,551 | 804,776 |
| 3,312,000 | 2,770,800 |
| 54,825 | 62,062 |
| 1,543,901 | 336,664 |
| 7,713,144 | 3,913,448 |
| 2,713,457 | 3,531,219 |
| 1,991,373 | 458,776 |
| 4,539,374 | 3,235,964 |
| 617,854 | 216,009 |
| 7,656,362 | 6,597,125 |
| 139,880 | 145,987 |
| 400,997 | 206,055 |
| 3,467,635 | 3,462,882 |
| 1,256,509 | 202,000 |
| 110,000 | 60,000 |
| 701,675 | 137,140 |
| 625,334 | 33,400 |
| 2,435,374 | 2,992,856 |
| 3,885,447 | 4,302,744 |
| 565,050 | 446,618 |
| 250,000 | 250,000 |
| 30,015 | 10,577 |
| 202,750 | 265,955 |
| 404,079 | 133,171 |
| 1,855,957 | 534,725 |
| 3,028,845 | - |
| 239,075 | 298,844 |
| 27,689,172 | 29,471,630 |
| 173,481,795 | 169,742,523 |

| | 2019-2020 Amount in Taka | 2018-2019 Amount in Taka |
|---|-----------------------------|-----------------------------|
| 28 Selling and Distribution Expenses | | |
| Selling & distribution expenses | 20,400,330 | 20,007,781 |
| C & F expenses | 181,768 | 411,328 |
| Advertisement - Free sample | 482,411 | 644,250 |
| Trade promotion expenses | 4,181,122 | 3,847,736 |
| Local carrying cost - Fuel Bills | 1,425,811 | 2,916,725 |
| | 26,671,442 | 27,827,820 |
| 29 Financial Expenses | | |
| Janata Bank | 9,248,924 | 15,839,024 |
| Bank Asia | 28,460,209 | 32,520,074 |
| Brac Bank | - | 4,200 |
| UCBL | 35,972,143 | 30,847,461 |
| Bank Charge & Commission | 7,227,962 | 5,871,112 |
| Interest on Term loan | 32,786,196 | 45,686,699 |
| | 113,695,434 | 130,768,570 |
| 30 Contribution to WPPF | | |
| This amount represents the provision @ 5% on the Profit Before Income Tax | 3,411,509 | 8,306,406 |
| 31 Non-operating Income | | |
| Interest Income | 2,131,009 | 1,743,147 |
| | 2,131,009 | 1,743,147 |
| 32 Earnings Per Share (EPS) | | |
| (a) Profit after tax | 38,014,465 | 113,574,239 |
| (b) Numbers of Shares Outstanding | 91,057,312 | 91,057,312 |
| Basic EPS (a/b) | 0.42 | 1.25 |
| 33 Net Assets Value Per Share | | |
| (a) Shareholders' Equity | 3,645,772,933 | 3,652,050,986 |
| (b) No of Share outstanding | 91,057,312 | 91,057,312 |
| Net Assets Value Per Share (a/b) | 40.04 | 40.11 |

34 Related Party Transactions

List of related parties with whom transactions have taken place and their relationship as identified and certified by Management is as under:

| Name of Party | Name of the Common Directors | Relationship | Nature of transaction | Amount as on 01-07-2019 | Transaction during the Year | | Balance as on 30-06-2020 |
|-------------------------------|--|------------------------------|---------------------------|-------------------------|-----------------------------|-------------|--------------------------|
| | | | | | Addition | Adjustment | |
| Hamid Weaving Mills Limited | 1) Mr. Abdullah Al Mahmud 2) Mr. A. H. M. Mozammel Hoque 3) Ms. Nusrat Mahmud 4) Mrs. Salina Mahmud 5) Ms. Nabila Mahmud | Common Directors | Trade Debtors | 100,415,205 | 143,230,105 | 161,750,611 | 81,894,699 |
| Tazrian Weaving Mills Limited | 1) Mr. Abdullah Al Mahmud 2) Mr. A. H. M. Mozammel Hoque 3) Ms. Nusrat Mahmud 4) Mrs. Salina Mahmud 5) Ms. Nabila Mahmud | Common Directors | Trade Debtors | 153,251,931 | 132,965,932 | 217,452,068 | 68,765,795 |
| Crystal Insurance Co. Limited | 1) Mr. Abdullah Al Mahmud 2) Mr. A. H. M. Mozammel Hoque 3) Ms. Farhana Danesh 4) Ms. Nusrat Mahmud 5) Ms. Nabila Mahmud | Common Directors | Insurance Premium Payable | - | 9,735,728 | 9,735,728 | - |
| Mr. Abdullah Al-Mahmud | | Director | Remuneration | | | 1,800,000 | |
| Mr. Abdullah Al-Zahir | | Brother of Managing Director | Office Rent | | | | 1,600,611 |

35 Contingent Liabilities

This has been considered as per IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets". As on 30 June 2020 following dues revealed as contingent liability of the company.

| <u>Particulars</u> | <u>Amount (BDT)</u> |
|--------------------|---------------------|
| Letter of Credit | 796,589,000 |
| Bank Guarantee | 31,189,000 |

36 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

The Company management has overall responsibility for the establishment and oversight of the Company's risk management framework. the Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

36.1 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of the customers. Receivables are normally paid within very short time from when they are invoiced and credit risk from these receivables is very minimal.

The Company generally does not sell goods other than Export L/C confirmed by concerned Banks being a deemed exporter.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(a) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | 30 June 2020 | 30 June 2019 |
|--------------------------|-----------------------|-----------------------|
| | <u>Amount in Taka</u> | <u>Amount in Taka</u> |
| Trade receivables | 661,531,848 | 683,580,213 |
| Intercompany receivables | 150,660,493 | 253,667,136 |
| | 812,192,341 | 937,247,349 |

Intercompany receivable is also through L/C confirmed by respective Banks.

(b) Ageing of receivables

The ageing of trade receivables and intercompany receivables at the end of the reporting period were:

| | 2019-2020 Amount in Taka | 2018-2019 Amount in Taka |
|---|-----------------------------|-----------------------------|
| (i) The ageing of trade receivable as at the date of the statement of financial position was: | | |
| Invoiced 0-30 days | 112,855,246 | 84,557,042 |
| Invoiced 31-60 days | 66,029,910 | 122,944,409 |
| Invoiced 61 days and above | 482,646,692 | 476,078,762 |
| | 661,531,848 | 683,580,213 |
| (ii) The ageing of intercompany receivable as at the statement of financial position was: | | |
| Invoiced 0-30 days | 20,684,526 | 23,046,079 |
| Invoiced 31-60 days | 2,747,010 | 83,063,339 |
| Invoiced 61 days and above | 127,228,957 | 147,557,718 |
| | 150,660,493 | 253,667,136 |

The Company's export L/C is made for 04 months credit period.

36.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity (cash and cash equivalents) 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. Typically, the Company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow 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 lines with banks are negotiated accordingly.

36.3 Market risk

Market risk is the risk that any change in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters. As stated earlier, 100% of the Company's sales revenue and substantial part of payments are denominated in USD, creating natural hedge in foreign exchange risk exposure.

| Particulars | Amount (BDT) |
|---------------------------------------|--------------|
| Value of import:- | |
| Raw materials | 350,788,303 |
| Spare parts | 22,001,243 |
| Foreign Travel for Company's Business | 4,539,374 |

37 Capacity Utilisation

| Particulars | Unit | Installed Capacity | Utilisation during the period | % of Utilisation | Over/(Under) utilisation |
|---------------|-------|--------------------|-------------------------------|------------------|--------------------------|
| *Woven Fabric | Yards | 21,600,000 | 13,040,460 | 60.37% | (8,559,540) |
| *Gray Fabric | Yards | 9,878,000 | 6,551,981 | 66.33% | (3,326,019) |
| Yarn Dye | Kgs. | 1,368,750 | 620,854 | 45.36% | (747,896) |

*Production Capacity for 2 shifts.

38 Payments/ Perquisites to Directors/Officers

No director gets any remuneration from the Company other than Managing Director Mr. Abdullah Al-Mahmud. He was paid Tk. 960,000 during the year.

The number of staff and their drawing criteria mentioned below:

| | 30-06-2020 | 30-06-2019 |
|--|--------------|--------------|
| Number of staff drawing Tk 36,000 and above per year | 1,262 | 1,174 |
| Number of staff drawing below Tk 36,000 per year | - | - |
| Total number of staff | 1,262 | 1,174 |

39 Post Balance Sheet Events

The Board of Directors of the Company in its meeting dated 28-10-2020 recommended 10% Cash Dividend for general shareholders only for the year 2019-2020.

40 Status of Tax Assessment

Tax assessment of the company has been completed up to the Assessment Year 2018-2019.

41 General

- Figures in the notes and annexed financial statements have been rounded off to the nearest taka.
- These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.
- Figures relating to the previous year included in this report have been rearranged, wherever considered necessary, to make them comparable with those of the current year without, however, creating any impact on the operating result and value of assets and liabilities as reported in the financial statement for the current year.
- Turnover (Deemed Export) has reduced to Tk. 1,595.12 million from previous year of Tk. 1,969.43 million mainly due to COVID -19 pandemic. As a result profitability during the year has decreased significantly.
- Reconciliation of net income with cash flows from operating activities:

| | 2019-2020 Amount in Taka | 2018-2019 Amount in Taka |
|--|-----------------------------|-----------------------------|
| Cash flows from operating activities | | |
| Net Profit | 38,014,465 | 113,574,239 |
| Add: Depreciation | 127,356,545 | 135,554,974 |
| Total | 165,371,010 | 249,129,213 |
| Changes in non cash item and others | (104,822,809) | 117,190,454 |
| Net Cash Flow from operating activities | 60,548,202 | 366,319,667 |

vi) Net Operating Cash Flow per Share

| | | |
|---|-------------|-------------|
| <u>Net Cash Flows from Operating Activities</u> | 60,548,202 | 366,319,667 |
| <u>Number of Share</u> | 91,057,312 | 91,057,312 |
| | 0.66 | 4.02 |

Cash flows during the year decreased due to the impact of COVID-19 pandemic on revenue and resultantly on collection from debtors, whereas payments to suppliers, employees and other payments did not reduce that much. This is why, net cash flows from operating activities declined significantly compared to previous year.

HAMID FABRICS LIMITED
Schedule of Property, Plant & Equipment
As on June 30, 2020

Annexure-A

| SL No | Particulars | Cost | | | | Dep. Rate | Depreciation | | | | W.D.V as on 30.06.2020 |
|-------|-------------------------|---|--|--|------------------------|-----------|--------------------------|-----------------------|-------------------------|------------------------|------------------------|
| | | Balance as on 01.07.2019 (Acquisition Cost/ Revised Amount) | Addition/ adjustment during the period | Disposal/ Capitalisation during the period | Total as on 30.06.2020 | | Balance as on 01.07.2019 | Charge for the period | Adjustment for Disposal | Total as on 30.06.2020 | |
| 01 | Land & Land Development | 855,709,891 | - | - | 855,709,891 | - | - | - | - | - | 855,709,891 |
| 02 | Building & Construction | 755,977,121 | - | - | 755,977,121 | 5% | 134,816,631 | 31,058,024 | - | 165,874,656 | 590,102,465 |
| 03 | Plant & Machinery | 2,072,639,391 | 8,738,914 | - | 2,081,378,305 | 5% | 560,994,161 | 75,763,025 | - | 636,757,186 | 1,444,621,119 |
| 04 | Vehicles | 45,272,908 | - | - | 45,272,908 | 20% | 30,486,897 | 2,957,203 | - | 33,444,100 | 11,828,808 |
| 05 | Electrical Installation | 151,202,305 | - | - | 151,202,305 | 10% | 63,390,592 | 8,781,171 | - | 72,171,763 | 79,030,542 |
| 06 | Gas Line Installation | 61,442,016 | - | - | 61,442,016 | 10% | 48,768,114 | 1,267,390 | - | 50,035,504 | 11,406,512 |
| 07 | Office Equipment | 79,910,468 | 401,157 | - | 80,311,625 | 15% | 40,918,506 | 5,881,856 | - | 46,800,362 | 33,511,263 |
| 08 | Furniture & Fixtures | 28,656,491 | - | - | 28,656,491 | 15% | 17,670,655 | 1,647,875 | - | 19,318,530 | 9,337,961 |
| | Sub-total | 4,050,810,591 | 9,140,071 | - | 4,059,950,662 | | 897,045,556 | 127,356,545 | - | 1,024,402,101 | 3,035,548,561 |

Capital Work in Progress

| | | | | | | | | | | | |
|----|----------------------------------|----------------------|-------------------|--------------------|----------------------|----------|--------------------|--------------------|----------|----------------------|----------------------|
| 01 | Building & Construction | 28,402,269 | 1,789,001 | - | 30,191,270 | 0% | | | | | 30,191,270 |
| 02 | Plant & Machinery | 8,738,914 | 1,195,727 | (8,738,914) | 1,195,727 | 0% | | | | | 1,195,727 |
| | Sub-total | 37,141,183 | 2,984,728 | (8,738,914) | 31,386,997 | - | - | - | - | - | 31,386,997 |
| | Grand Total at 30-06-2020 | 4,087,951,774 | 12,124,799 | (8,738,914) | 4,091,337,659 | - | 897,045,556 | 127,356,545 | - | 1,024,402,101 | 3,065,935,558 |

| | | | | | | | | | | | |
|--|----------------------------------|----------------------|-------------------|----------|----------------------|----------|--------------------|--------------------|----------|--------------------|----------------------|
| | Grand Total at 30-06-2019 | 4,066,118,155 | 21,833,619 | - | 4,087,951,774 | - | 761,490,580 | 135,554,974 | - | 897,045,553 | 3,190,906,221 |
|--|----------------------------------|----------------------|-------------------|----------|----------------------|----------|--------------------|--------------------|----------|--------------------|----------------------|

Allocation of Depreciation:**Depreciation (Tk.)**

| | |
|-------------------------|--------------------|
| Cost of Production | 99,667,373 |
| Administrative Expenses | 27,689,172 |
| Total | 127,356,545 |

HAMID FABRICS LIMITED
List of Trade Debtors

Annexure-B

| Name of Debtors | 30-06-2020 Amount in Taka | 30-06-2019 Amount in Taka |
|-----------------------------------|------------------------------|------------------------------|
| A. K. M. Knit Wear Ltd. | 60,044,275 | 82,036,097 |
| Aman Graphics & Designs Ltd. | 1,028,330 | 3,762,372 |
| Atlantic Garments Ltd. | 1,649,703 | 1,649,703 |
| Babylon Casual Wear Ltd. | 450,317 | 450,317 |
| Hamid Weaving Mills Ltd. | 81,894,699 | 100,415,205 |
| Interco Design Ltd. | 374,870 | 374,870 |
| Islam Garments Ltd. | 1,926,017 | 1,926,017 |
| Kanpark Bangladesh App.(Pvt) Ltd. | 1,244,826 | 1,244,826 |
| Pioneer Apparels Ltd. | 231,680 | 7,437,800 |
| Russel Garments Ltd. | 36,207,600 | 25,315,474 |
| Sams Attire Ltd. | 800,651 | 137,728 |
| Sharmin Apparels Ltd. | 45,849,763 | - |
| Tazrian Weaving Mills Ltd. | 68,765,795 | 153,251,931 |
| That'S It Sportswear Ltd. | 54,941,059 | 234,773,770 |
| Tiffany,S Wear Ltd. | 1,806,901 | 1,806,912 |
| Tarasima Apparels Ltd. | 1,581,240 | - |
| Tusuka Trousers Ltd. | - | 760,954 |
| Ananta Apparels Ltd. | 51,045,350 | 35,754,211 |
| Sterling Creation Ltd. | 3,721,538 | 3,721,538 |
| Panaroma App. Ltd. | 88,600 | 88,600 |
| Tasniah Fabrics Ltd. | 659,656 | 663,028 |
| Shanta Expressions Ltd. | 593,505 | 593,505 |
| Anupom Hosiery (Pvt) Ltd. | 7,096,314 | 10,349,448 |
| Binni Garments Ltd. | 101,910 | 101,910 |
| Creative Collection Ltd. | - | 738,720 |
| Dekko Apparels Ltd. | 6,182,861 | 1,029,440 |
| Dekko Readywears Ltd. | - | 1,102,746 |
| Maxcom International (Bd) Ltd. | 1,525,777 | 1,510,480 |
| Natural Denims Ltd. | - | 37,152 |
| Snowtex Apparels. Ltd. | - | 5,688 |
| Vertex Wear Ltd. | 1,519,896 | - |
| Windy Apparels Ltd. | 44,262,127 | 43,518,976 |
| United Knit wear (Pvt) Ltd. | 2,008,304 | 2,444,362 |
| Mascotex Ltd. | 969,048 | 7,621,211 |
| Brandix Apparels Ltd. | 48,354,003 | 35,402,469 |
| Wear mag Ltd. | 2,095,534 | - |
| Adams Apparels Ltd | 85,843 | - |
| AKH Fashion Ltd | 44,442,774 | 30,038,567 |
| Babylon Garments | 796,880 | 490,828 |
| Global Shirts Ltd. | 8,715 | - |
| IFL Factory Ltd. | 6,732,303 | 7,728,184 |
| Interfab Shirt Ltd. | 992,410 | 317,440 |
| Designer Fashion Ltd. | 279,622 | 4,333,810 |
| Natural Apparels Ltd | 21,760 | 22,896 |

| Name of Debtors | 30-06-2020 Amount in Taka | 30-06-2019 Amount in Taka |
|---------------------------------------|------------------------------|------------------------------|
| Shahi Export Pvt Ltd. | 119,695 | - |
| Shanta Industries Ltd. | 1,706,924 | 382,666 |
| Supreme Smart Wear Ltd. | - | 2,754 |
| Talisman Ltd. | 207,002 | - |
| Desh Garments Ltd. | 259,765 | - |
| Globus Garments Limited | 4,056,716 | 7,357,468 |
| Orbitex Knitwear Ltd. | 2,792,593 | 92,340 |
| Prime Solution Asia Beratungs Psa | 8,577,040 | 13,447,487 |
| Supreme Knit Wear Ltd. | - | 5,353,992 |
| Liz Apparels Ltd. | 157,192 | 157,192 |
| Goldtex Garments Ltd. | 54,757,557 | 41,578,558 |
| LZ Fashionwear Ltd. | - | 1,881,600 |
| LZ Textiles Ltd. | - | 3,449,208 |
| Ananta Garments Ltd. | 7,277,542 | 9,279,119 |
| Angora Fashion Ltd. | - | 1,393,200 |
| Ananta Casual Wear Ltd | 5,475,012 | - |
| Apparel Export Ltd | 545,435 | - |
| Asrotex | 298,414 | - |
| Bit Bobby Bangladesh Ltd | 217,497 | - |
| Crown Wear Pvt Ltd. | 372,262 | - |
| Eco-Fab Limited | 1,049,886 | - |
| Laila Styles Ltd. | 13,510,459 | - |
| Mens Fashion Ltd. | 3,533,569 | - |
| MG Shirtex Ltd. | 3,504,696 | - |
| Millennium Textiles (Sournthern) Ltd. | 7,858,781 | - |
| Refat Garments Limited | 93,681,890 | - |
| Utah Fashion Ltd. | 19,713 | - |
| Vision Apparels Pvt Ltd | 1,186,630 | - |
| Fluctuation Gain On Debtors. | 18,643,615 | 49,912,581 |
| Sub Total | 812,192,341 | 937,247,349 |

HAMID FABRICS LIMITED

List of Trade Creditors

Annexure- C

| Name of Creditors | 30-06-2020 Amount in Taka | 30-06-2019 Amount in Taka |
|----------------------------------|------------------------------|------------------------------|
| <u>HFL-1</u> | | |
| S S Enterprise | 399,457 | 399,457 |
| Gaowsia Trading | 386,004 | 386,004 |
| The Portland carrier | 138,000 | 238,000 |
| The Nizampur Agency | 365,689 | 332,385 |
| Al Helal transport Agency | 160,000 | 284,000 |
| Anowara Logistics | 3,724,644 | 2,904,880 |
| Safe Express | 13,921 | 157,193 |
| Kalkini Commercial Pvt Ltd | 115,416 | - |
| Xplore Enterprise | 76,737 | 37,857 |
| M. Shaheen & Co. Ltd | 153,153 | 67,396 |
| Shakiat Construction | 1,296 | 979,750 |
| Lion Trading coropration | 86,801 | 129,759 |
| K.N.W Transport | 364,500 | - |
| S. S Syndicate Ltd | 876,806 | - |
| <u>HFL-2</u> | | |
| Emon/Harun Paper Tube | 1,951,552 | 2,198,382 |
| M. Shaheen & Co. Ltd | 2,791 | 2,791 |
| Al Helal transport Agency | 247,000 | 411,000 |
| Anowara Logistics | 658,499 | 2,139,083 |
| N.P. Chemical | 5,203,817 | 7,815,257 |
| Safe Express | 231,448 | 133,253 |
| The Nizampur Agency | 869,671 | 632,671 |
| The Portland carrier | 221,500 | 221,500 |
| Taxsource international | 3,795,359 | 2,894,959 |
| Sparkle colors | 168,400 | 168,400 |
| Shakiat Construction | 1,856,156 | 1,370,919 |
| SK Texsourcing | - | 2,130,000 |
| Uniplus Trading | 2,310,000 | 2,295,000 |
| K.N.W Transport | 352,500 | - |
| Xplore Enterprise | 22,629 | 22,629 |
| Sub-total | 24,753,746 | 28,352,525 |
| BTB Liabilities to Banks: | | |
| Bank Asia Limited | 36,157,522 | 71,714,081 |
| United Commercial Bank Limited | 27,794,896 | 24,418,850 |
| Brac Bank Limited | 3,247,815 | 3,074,854 |
| Exchange Rate Fluctuation loss | - | 5,580,438 |
| Sub-total | 67,200,233 | 104,788,224 |
| Grand Total | 91,953,979 | 133,140,749 |

HAMID FABRICS LIMITED
Itemwise Quantity and Value of Inventory
As on June 30, 2020

Annexure- D

| Items Name | Opening as on 01 July, 2019 | | Purchase/Production | | Consumption/Sales | | Closing as on 30 June, 2020 | |
|-------------------------|--------------------------------|--------------------|---------------------|----------------------|-------------------|----------------------|--------------------------------|--------------------|
| | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
| Yarn (Kgs) | 425,222 | 93,548,840 | 1,763,827 | 490,951,534 | 1,755,931 | 464,093,570 | 433,118 | 120,406,804 |
| Gray Fabrics (Yrds) | 943,667 | 143,904,049 | 6,551,981 | - | 6,785,182 | - | 710,466 | 110,725,819 |
| Finished Fabrics (Yrds) | 127,721 | 22,351,175 | 6,481,857 | 1,266,098,097 | 6,435,987 | 1,257,376,483 | 173,591 | 31,072,789 |
| Total | | 259,804,064 | | 1,757,049,631 | | 1,721,470,053 | | 262,205,412 |

Note:

1. The Management certified that all stocks are in good condition and does not include any wastage & defective materials.
2. The Management carried out physical verification of stock as on the close of the year and found right in terms of quality and weight.

HAMID FABRICS LIMITED
The Loan and Security details of the Bank facilities
 As on June 30, 2020

Annexure- E

| Name of Bank | Limit (in Million Taka) | | | | | | | | | Nature of Securities |
|-------------------------------|-------------------------|----------------|-----------------|-------|----------------|-------------------------|-----------------------------|-----------|----------------|--|
| | Letter of Credit | Overdraft (OD) | Cash Credit (H) | WCSP | Cash Incentive | Bill Purchase/ Discount | Loan Against Trust Receipts | Time Loan | Packing Credit | |
| Janata Bank | 269.90 | - | 120.60 | - | - | - | - | - | - | Export L/C, Directors' Personal Guarantee, Hypothecation & Pledge of Imported materials, FDR Lien, Land Mortgage |
| Rate of Interest | | | 9.00% | | | | | | | |
| Renewal date | | | 30-Sep-20 | | | | | | | |
| Bank Asia | 610.00 | 30.00 | - | - | 5.00% | 250.00 | 81.00 | - | 40 | Export L/C, Directors' Personal Guarantee, Hypothecation of fixed and floating assets |
| Rate of Interest | | 9.00% | | | 9.00% | 9.00% | 9.00% | | 7.00% | |
| Renewal date | | | 30-Sep-20 | | | | | | | |
| United Commercial Bank | 1000.00 | 80.00 | - | 30.00 | - | 570.00 | 63.00 | 10.00 | - | Corporate Guarantee of Sister Concern, Directors' Personal Guarantee, Mortgage of land, Hypothecation of fixed and floating assets |
| Rate of Interest | | 9.00% | | 9.00% | | 9.00% | 9.00% | 9.00% | | |
| Renewal date | | | 31-Jan-2021 | | | | | | | |



HAMID FABRICS LTD.

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Email: info@mahingroup.com, Web site: www.mahingroup.com

PROXY FORM

I/We _____

of _____

being a member of **Hamid Fabrics Limited** do hereby appoint

Mr. /Ms. _____

of _____

as my/our proxy, to vote for me/us and on my/our behalf at the Twenty Sixth Annual General Meeting of the Company to be held on Saturday, December 26, 2020 on Digital Platform at 11:00 a.m. through the link <https://hfl.bdvirtualagm.com>

Signed this _____ day of _____ 2020 Signature of Shareholder _____

Signature of Proxy

Folio/BO ID No _____

No. of Shares _____

Revenue
Stamp
TK 20/-

Note :

- (1) The Proxy Form duly filled, signed and stamped with Tk.20 must be deposited at the Registered Office of the Company at least 48 hours before the time fixed for the meeting.
- (2) Signature of the Shareholder must agree with the specimen Signature registered with the Company and depository register.



HFL HAMID FABRICS LTD.

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