

ANNUAL REPORT

2018-2019



SONARGAON TEXTILES LTD.
a member of khansons group

| LETTER OF TRANSMITTAL |

**To
The Members**

Bangladesh Securities and Exchange Commission
Register of Joint Stock Companies & Firms
Dhaka Stock Exchange Ltd.
Chittagong Stock Exchange Ltd.

Subject : Annual Report for the year ended 30 June 2019

Dear Sir(s)

We are pleased to enclose a copy of the Annual Report containing Directors' Report, Auditors' Report along with Audited Financial Statements including Statement of Financial Position as at 30 June 2019, Statement of Profit or Loss and other Comprehensive income, Changes in Equity and Cash Flows for the year ended 30 June 2019 along with notes thereon for your record and necessary measures.

Yours sincerely


Md. Monir Hossain
Company Secretary

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SONARGAON TEXTILES LIMITED

FINANCIAL CALENDAR

Wednesday, 14 November 2018

Quarter One

Adoption of unaudited 1st quarter financial statements ended 30 September 2018

Monday, 29 April 2019

Quarter Three

Adoption of unaudited 3rd quarter financial statements ended 31st March 2019

Monday, 25 November 2019

Record Date

Record date in lieu of Book Closure

Wednesday, 4 December 2019

Annual Report

Issuance of Annual Report

Wednesday, 30 January 2019

Quarter Two

Adoption of unaudited 2nd quarter financial statements ended 31 December 2018

Wednesday, 30 October 2019

Audited Financial Statements

Adoption of audited first financial statements for the year ended 30 June 2018

Wednesday, 30 October 2019

AGM Notice

Notice of 33rd Annual General Meeting

Wednesday, 18 December 2019

AGM Day

33rd Annual General Meeting

FINANCIAL DATA

Gross Revenue	BDT 856.130 million
Net Revenue	BDT 856.130million
Export	BDT 855.703 million
Gross Profit	BDT 154.393 million
Net Profit (After Tax)	BDT 24.519 million
EPS	BDT 0.93
NET Asset Value	BDT 1,792.618 million
Net Asset Value Per Share (NAVPS)	BDT 29.44
Dividend (Cash) / Per Share	BDT 3% (three percent)



Photo Gallery of 32nd AGM

Photo Gallery of 32nd AGM



NOTICE OF THE 33rd ANNUAL GENERAL MEETING

Notice is hereby given that the 33rd Annual General Meeting of the Shareholders of Sonargaon Textiles Ltd. will be held on Wednesday, 18 December 2019 at Barisal Club, Barisal at 11:00am to transact the following business:

AGENDA

01. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 30 June 2019 together with the Reports of the Auditors' and Directors' thereon.
02. To declare dividend for the year ended 30 June 2019 as recommended by the Board of Directors.
03. To elect/re-elect Directors in terms of the relevant provision of Articles of Association.
04. To approve appointment of the Independent Director.
05. To appoint Auditors for the year 2019-2020 and fix their remuneration.
06. To appoint Compliance Auditors for the year 2019-20120 and fix their remuneration.
07. To transact any other business with permission of the Chair.

Dated: 30 October 2019, Dhaka

By order of the Board



Md. Monir Hossain
Company Secretary

Notes:

- i. The 'Record Date' of the Company shall be on Monday, 25 November 2019. The shareholders whose name will appear in the Share Register of the Company as on the 'Record Date' on Monday, 25 November 2019 shall be entitled to attend the AGM.
- ii. The shareholders entitled to attend and vote at AGM may appoint proxy on his/her behalf. The proxy form duly stamped valuing Tk. 20/- must be deposited at the registered office of the company not later than 48 (Forty eight) hours before the time fixed for the meeting.
- iii. Members are requested to notify their changes of address, if any.
- iv. No gift/gift coupon/Food Box etc. will be provided at the 33rd AGM in compliance with the Bangladesh Securities and Exchange Commission's circular no. SEC/CM RRCD/2009-193/154 dated 24 October 2013.
- v. Admission to the AGM venue will be only on presentation of the attendance slip.
- vi. Shareholders bearing BO IDs are requested to update their respective BO IDs with 12-Digit Taxpayer's Identification Number (e-TIN) and address through their Depository Participant (DP).
- vii. The Annual Report 2018-2019 will also be available at the Company's Website: www.khansongroupbd.com.

■ CORPORATE ACIVEMENT ■

1995 Listing with Dhaka Stock Exchange Ltd.

1995 Listing with Chattagram Stock Exchange Ltd.

1995 Initial Public offer(IPO) of Ordinary Shares

1995 Year of Incorporated as a Public Limited Company

1993 Year of Commercial Production

1985 Year of Commencement

1985 Year of Incorporation



CORPORATE INFORMATION

Management Committee

Chairman

Mr. A.K.M Azizur Rahman

Member

Mr. Bazlur Rahman
Mr. Abrar Rahman Khan
Mr. Anwar Hossain
Mr. Md. Monir Hossain
Mr. Md. Mostafa
Mr. Ruhidas Karmakar
Mr. Arjun Chandra Paul

Audit Committee

Chairman

Mrs. Nusrat Hafiz

Member

Mr. Bazlur Rahman
Mrs. Tahmina Akhter
Mr. Md. Monir Hossain

NRC Committee

Chairman

Mrs. Nusrat Hafiz

Member

Mr. A.K.M Azizur Rahman
Mr. Bazlur Rahman
Mr. Md. Monir Hossain

Managing Director

Mr. Bazlur Rahman

Company Secretary & Head of Admin

Mr. Md. Monir Hossain

Chief Financial Officer(CFO)

Mr. Md. Mostafa

Head of Internal Audit & Compliance

Mr. Ruhidas Karmakar

Management Team (Executive Management)

Chairman

Mr. Bazlur Rahman

Managing Director

Member

Mr. Abrar Rahman Khan
Mr. Anwar Hossain
Mr. Salauddin Ahmed
Mr. Md. Monir Hossain
Mr. Md. Mostafa
Mr. Arjun Chandra Paul
Mr. Soumen Kunddu
Mr. Obaidul Gani

Director (Operation)
Executive Director
Project Director
Company Secretary & Admin
Chief Financial Officer
AGM (Marketing & Fund)
AGM (Production & Quality)
Manager(Maintenance)

Statutory Auditors

M/S. G. Kibria & Company
Chartered Accountants
33, Dilkusha C/A
Dhaka-1000

Compliance Auditors

M/S. Shafiq Basak & Co.
Chartered Accountants

Legal Advisor	Mr. Zainal Abedin Advocate, Supreme Court of Bangladesh, Dhakka		
Bankers	Bangladesh Development Bank Ltd. Rupali Bank Ltd. Mutual Trust bank Ltd.		
Insurance	Central Insurance Limited Golden Life Insurance Limited		
Registered Office	Rupatali, Barisal		
Corporate Office	Khansons Centre (8th & 9th Floor) 37, Kawran Bazar Commercial Area Dhaka-1215, Bangladesh		
Telephone(corporate office)	+880-2-55013501 +880-2-55013597 +880-2-55013498(Fax)		
Website	www.khansongroupbd.com		
E-mail	info@khansongroupbd.com		
Legal Status	A Public Limited Company incorporated in Bangladesh under the Companies Act, 1913(now the Companies Act, 1994)		
Authorized Capital	Tk. 5,000,00,000.00		
Paid up Capital	Tk. 264,670,560.00	Face Value	Tk. 10.00
Subsidiary Company	Not Applicable	Number of Shares	26,467,056
Listing	Dhaka Stock Exchange Ltd. Chattagram Stock Exchange Ltd		

FACTORY INFORMATION

Factory Location	Rupatali, Barisal		
Telephone	+0431 71296 +0431 71219(Fax)		
Area of Land	10.25 Acre		
Nature of Product	100% Cotton Yarn		
Nature of Business	100% Cotton Yarn Exporter		
Installed Machinery	Spindles	71,136	
	Rotors	672	
Running Machinery	Spindles	59,270	
	Rotors	672	
Manpower	Staff & Officer	120	
	Workers	1,709	

BOARD OF DIRECTORS



Mr. A.K.M Azizur Rahman
Chairman



Mr. Bazlur Rahman
Managing Director



Mrs. Rosy Rahman
Director



Mrs. Nusrat Hafiz
Independent Director



Mrs. Tahmina Akhter
Nominated Director by RBL

DIVIDEND HISTORY OF THE STL

Cash Dividend

1995	12.50%	1996	12.50%
1997	8.00%	1999	5.00%
2000	7.00%	2001	7.00%
2001	7.00%	2002	7.00%
2003	7.00%	2004	10.00%
2005	10.00%	2006	10.00%
2007	10.00%	2008	5.00%
2018-2019	3.00%		

Stock Dividend

2009	10.00%	2010	10.00%
2011	10.00%	2012	5.00%

No Dividend

1998	0.00%	2013	0.00%
2014	0.00%	2015	0.00%
2016-2017	0.00%	2017-2018	0.00%

Right Issue

2013	1:1
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TOP MANAGEMENT



Abrar Rahman Khan
Director (Operation)



Md. Anwar Hossain
Executive Director



Md. Salauddin Ahmed
Project Director



Md. Mostafa
Chief Financial Officer



Md. Monir Hossain
Company Secretary



Ruhidas Karmakar
Head of Internal Audit & Compliance

PROFILE OF DIRECTORS



Mr. A.K.M Azizur Rahman
Chairman

Chairman

Sonargaon Textiles Ltd.
Continental Insurance Ltd.
Golden Life Insurance Ltd.

Managing Director

Khansons Textiles Ltd.
Khansons Holdings Ltd.
Khansons Automobiles Ltd.
Khansons Group Ltd.

Member

Executive Committee
Bangladesh Insurance Association

Founder

Al-Haj B N Khan Degree College,
Uzirpur, Barisal
Mondopasha Anowara Begum
Girls High School

Other Activities

Former Chairman of the
Central Insurance Ltd.
Former Vice Chairman of the
Bangladesh Textiles Mills
Association(BTMA)
Former Vice Chairman of the
Bangladesh Association of Publicly
Listed Companies

Education

M.A(Sociology)
Dhaka University



Mr. Bazlur Rahman
Managing Director

Dy. Managing Director

Khansons Textiles Ltd.
Khansons Holdings Ltd.
Khansons Automobiles Ltd.
Khansons Group Ltd.

Education

M.A(Political) Science
Dhaka University



Mrs. Rosy Rahman
Director

Director

Central Insurance Ltd.
Khansons Textiles Ltd.
Khansons Holdings Ltd.
Khansons Automobiles Ltd.
Khansons Group Ltd.

Education

Higher Secondary School Certificate



Mrs. Nusrat Hafiz
Director(Independent)

Professional Activities

Lecturer, BRAC Business School
Jury Board Member
Business Plan Competition organization by
Center for Entrepreneurship Development

Academic Degrees

Doctoral Research Candidate, PhD on
Entrepreneurship, Management (to commence on 2019)
-Putra Business School, University of Putra, Malaysia.
Master of Business Administration, Finance and Marketing,
Bachelor in Business Administration, Finance and Marketing,
North South University, Bangladesh.

Awards Honors

Summa Cum Laude, Post-Graduate Academic Distinction of
North South University

Director (Independent)

Continental Insurance Limited



Mrs. Tahmina Akhter
Director (Nominated by RBL)

Professional Activities

General Manager
Rupali Bank Limited
Divisional Office, Barisal.

Academic Degrees

Master of Science(Psychology)
University of Dhaka.
Diplomaed Associate of the Institute of
Bankers, Bangladesh(DAIBB)
The Institute of Bankers, Bangladesh.

FINANCIAL HIGHLIGHTS ON FINANCIAL POSITION

(Five Years Comparative Statistics)

Amount in Taka

Particulars	2018-2019	2017-2018	2016-2017	2015	2014
Total Assets	1,792,618,263	1,699,463,390	1,662,394,071	1,668,958,187	1,770,962,817
Paid up Capital	264,670,560	264,670,560	264,670,560	264,670,560	264,670,560
Number of Shares	26,467,056	26,467,056	26,467,056	26,467,056	26,467,056
Shareholders' Equity	779,193,736	754,673,816	769,655,870	794,264,623	834,385,900
Long Term Loan	523,858,156	520,933,135	245,283,675	349,546,549	351,457,281
Total Debts	1,013,424,527	1,346,603,004	1,085,744,334	1,214,411,869	1,290,241,361
Total Revenue	856,130,508	793,619,018	820,596,598	679,865,642	788,024,557
Gross Profit	154,393,931	133,132,991	115,703,149	94,687,105	88,687,902
Operating Profit	30,176,943	10,776,448	5,919,040	20,085,886	(26,073,088)
Profit before Tax	29,835,487	(9,802,500)	(19,190,770)	(7,204,107)	(54,794,835)
Profit after Tax	24,519,920	(14,982,055)	(24,608,750)	(9,990,107)	(57,385,637)

Liquidity Ratio

Current Ratio	2.58	2.69	1.51	1.84	1.82
Inventory Turnover Ratio	1.1	0.30	0.28	0.21	0.21

Profitability Ratio

Assets Turnover Ratio	0.50	0.12	0.12	0.10	0.11
Gross Margin Ration	18.00	0.17	0.14	0.14	0.11
Operating Income Ratio	3.50	0.01	0.01	0.03	(0.03)
Return on Assets(ROA)	1.40	(0.0022)	(0.0037)	(0.0015)	(0.0080)
Return on Equity(ROE)	3.19	(0.02)	(0.03)	(0.01)	(0.07)
Return on Investment(ROI)	9.26	(0.02)	(0.03)	(0.01)	(0.07)
Earnings Per Share(EPS)	0.93	(0.57)	(0.93)	(1.09)	(2.17)
Dividend	3%	No Dividend	No Dividend	No Dividend	No Dividend
Net Assets Value Per Share	29.44	28.51	29.08	30.44	31.52

Solvency Ratio

Debt Equity Ratio	42.58	43.57	28.72	33.67	31.67
Time Interest Earned Ratio	1.33	0.89	0.73	0.77	0.33

MESSAGE**From the Chairman**

A.K.M Azizur Rahman
Chairman

"Bismillahir Rahmanir Rahim"

In the name of **ALLAH**, the most Merciful, the most Graceful

Dear Shareholders

Ladies and Gentlemen

Assalamu Aalaikum,

We have the pleasure and pride of being able to extend a warm welcome to you at the 33rd Annual General Meeting of Sonargaon Textiles Limited. It also gives me immense pleasure to place before you the Annual Report along with the Audited Financial Statements, Auditors' Report and Directors' Report thereon for the year ended on 30 June 2019.

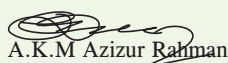
We delightfully inform you that despite challenging local and international market and a highly competitive industry, during the year 2018-2019 the company achieved satisfactory level of sales revenue of Tk. 856.13 million which is 7.88% higher than 2017-2018. Net profit after tax increased by 263.66% from 2017-2018 due to some machines which were added to production after maintenance and at the same time, the presence of workers was normal due to the greater sincerity of the management and electricity break-down was in a tolerable level. Apart from the increasing profit during the period, cost control in some sectors and no write off against damage of raw cotton in our accounts, resulted in increase of profit compared to previous year. Bringing operational excellence through cost saving is now our top priority. The Company expects that in the near future, Barisal will have gas supply from Bhola and our factory will be powered by gas instead of electricity. This will reduce fuel cost by about two-thirds from running fuel cost. Besides, after the inauguration of Padma Bridge it will take less time and money for the transportation of raw materials as well as finished goods from the factory.

We would like to extend our gratitude to our valued shareholders, Bangladesh Securities and Exchange Commission(BSEC), National Board of Revenue(NRB), Registrar of Joint Stock Companies and Firms(RJSC), Dhaka Stock Exchange Limited(DSE), Chittagong Stock Exchange Limited(CSE), Central Depository Bangladesh Limited(CDBL), the regulatory authority, Bangladesh Textiles Mills Association(BTMA) also other regulatory bodies and everyone in the STL family for their valuable guidance, support and co-operation.

I would also like to express my sincerest appreciation to my fellow Board Members for their generous assistance, advice and leadership, the management team and gratitude of our devoted employees who worked very hard to take the Company forward and brought tremendous success during this tough time.

Once again, I convey my heartiest thanks to all our shareholders and look forward to their continued support and co-operation in future.

May the Almighty Allah helps us and be with us always here and hereafter, Ameen,


A.K.M Azizur Rahman
Chairman

Dated: 30 October 2019

MESSAGE

From the Managing Director



Bazlur Rahman
Managing Director

"Bismillahir Rahmanir Rahim"

In the name of ALLAH, the most Merciful, the most Graceful

Dear Shareholders

Ladies and Gentlemen
Assalamu Aalaikum,

It is my great pleasure and honour to welcome to you at the 33rd Annual General Meeting of Sonargaon Textiles Limited and present the financial performance and achievements of the Company for the year ended on 30 June 2019. On behalf of the Board of Directors, I convey my sincere gratitude for your continued support and encouragement towards the Company. It is your kind support and constant assistance that have always resulted in continuing success for this Company. It definitely adds to our delight and dignity to note that we are now a three-decade old company. This fact reminds us about the promise of delivering services to our esteemed customers and satisfaction to our Stakeholders & the Shareholders as well.

I am also pleased to inform you that 2018-2019 marks the highest yearly volume of production in near five years of the STL history. We strongly believe that with no power interruption and normal presence of workers, we could achieve even more. Production of yarn during the year increased by 8.40% and sales volume increased by 7.88% compared to previous year 2017-2018. I would like you to note that the Company has succeeded in increasing output, Turnover and Profit. As a result, the Net Profit and Earning per Share has increased Tk. 263.66% & 263.15% from previous year 2017-2018. The Company's total installed yearly production capacity is 5,953 MTs with 72,114 spindles.

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

Thanking you all.


Bazlur Rahman
Managing Director

Dated: 30 October 2019

DIRECTORS' REPORT**DIRECTORS' REPORT TO THE SHAREHOLDERS****For the year ended 30 June 2019****"Bismillahir Rahmanir Rahim"****Honorable Shareholders,**

Assalamu Alaikum,

In terms of provisions of section 184 of the Companies Act 1994, Rule 12 (and the schedule there under) of the Securities and Exchange Rules 1987, BSEC Notification dated 3 June 2018 on Corporate Governance Code and IAS-1 (International Accounting Standards-1) codes as adopted by The Institute of Chartered Accountants of Bangladesh, it is the pleasure of the Board of Directors to submit its Report to the Shareholders for the year ended 30 June 2019 in the following paragraphs:

Financial Result

For the year ended 30 June 2019, total revenue of STL was Taka 856.13 million which was Taka 793.62 million last comparative year. The gross profit margin has increased by 15.97% in the current year from last comparative year due to some machines which were added to production after maintenance and at the same time, the presence of workers was normal due to the greater sincerity of the management and electricity break-down was in a tolerable level. In the current year, Net operating profit before Tax was Taka 29.84 million and profit after Tax was Taka 24.52 million resulting into Earnings per Share Taka 0.93.

Key Operating & Financial Information

The key operating and financial information for the year 2018-2019 along with the preceding five years are presented below:

Amount in Taka

Financial year					
Particulars	2018-19	2017-2018	2016-2017	2015	2014
Net Turnover	856,130,508	793,619,018	820,596,598	679,865,642	788,024,557
Gross profit	154,393,931	133,132,991	155,703,149	94,687,105	88,687,902
Net Profit before tax	29,835,487	(9,802,500)	(19,190,770)	(7,204,107)	(54,794,835)
Net Profit after Tax	24,519,920	(14,982,055)	(24,608,750)	(9,990,107)	(54,794,835)
Earnings Per Share(Tk.)	0.93	(0.57)	(0.93)	(1.09)	(2017)
Paid up Capital	264,670,560	264,670,560	264,670,560	264,670,560	264,670,560
Shareholders' Equity	779,193,736	754,637,816	769,655,870	794,264,623	834,385,900
Net asset value per share(Tk.)	29.44	28.51	29.08	30.44	21.52

Profitability

We delightfully inform you that despite challenging local and international market and a highly competitive industry, during the year 2018-2019 the company achieved satisfactory level of sales revenue of Tk. 856,130,508.00 which is 7.88 % higher than 2017-2018. Net profit after tax increased by 263.66% from 2017-2018.

Apart from the increasing profit during the period, cost control in some sectors and no write off against damage of raw cotton in our accounts resulted in increased profit compared to previous year.

EPS and NAV per Share

EPS comes to Tk. 0.93 per share & NAV comes to Tk. 29.44 per share for the period ended on 30 June 2019 against EPS Tk. (0.57) per share & NAV Tk. 28.51 per share as on 30 June 2018.

Dividend

The Board of Directors placed to recommend cash dividend @ 3% i.e Taka 0.30 per share for the year ended 30 June 2019 to those shareholders whose names would appear in the Share Register of Members of the Company or in the Depository list of CDBL on the Record Date which is 25 November 2019. This will be considered for approval by the Shareholders at the 33rd Annual General Meeting to be held on 18 December 2019.

Principal Activity

The Company owns and operates a textile spinning mill comprising 3 units, viz, of unit-1, unit-2 and unit-3 and its principal activities and operations are manufacturing of 100% cotton yarn of different counts and sales thereof.

Analysis of Operating Performance

Business Outlook- a general overview

Global Economic Scenario

Global growth is expected to remain at 3.0 per cent in 2019 and 2020; however, the steady pace of expansion in the global economy masks an increase in downside risks that could potentially exacerbate development challenges in many parts of the world, according to the World Economic Situation and Prospects 2019. The global economy is facing a confluence of risks, which could severely disrupt economic activity and inflict significant damage on longer-term development prospects. These risks include an escalation of trade disputes, an abrupt tightening of global financial conditions, and intensifying climate risks.

In many developed countries, growth rates have risen close to their potential, while unemployment rates have dropped to historical lows. Among the developing economies, the East and South Asia regions remain on a relatively strong growth trajectory, amid robust domestic demand conditions. Beneath the strong global headline figures, however, economic progress has been highly uneven across regions. Despite an improvement in growth prospects at the global level, several large developing countries saw a decline in per capita income in 2018. Even among the economies that are experiencing strong per capita income growth, economic activity is often driven by core industrial and urban regions, leaving peripheral and rural areas behind. While economic activity in the commodity-exporting countries, notably fuel exporters, is gradually recovering, growth remains susceptible to volatile commodity prices. For these economies, the sharp drop in global commodity prices in 2014/15 has continued to weigh on fiscal and external balances, while leaving a legacy of higher levels of debt.

Bangladesh Economy

The market-based economy of Bangladesh is one of the fastest growing economies in the world. It's the 39th largest in the world in nominal terms, and 29th largest by purchasing power parity; it is classified among the Next Eleven emerging market middle income economies and a frontier market. In the first quarter of 2019, Bangladesh's was the world's seventh fastest growing economy with a rate of 7.3% real GDP annual growth.[33] Dhaka and Chattagram are the principal financial centers of the country, being home to the Dhaka Stock Exchange and the Chattagram Stock Exchange. The financial sector of Bangladesh is the second largest in the subcontinent.

In the decade since 2004, Bangladesh averaged a GDP growth of 6.5%, that has been largely driven by its exports of ready-made garments, remittances and the domestic agricultural sector. The country has pursued export-oriented industrialization, with its key export sectors include textiles, shipbuilding, fish and seafood, jute and leather goods. It has also developed self-sufficient industries in pharmaceuticals, steel and food processing. Bangladesh's telecommunication industry has witnessed rapid growth over the years, receiving high investment

from foreign companies. Bangladesh also has substantial reserves of natural gas and is Asia's seventh largest gas producer. Offshore exploration activities are increasing in its maritime territory in the Bay of Bengal. It also has large deposits of limestone. The government promotes the Digital Bangladesh scheme as part of its efforts to develop the country's growing information technology sector.

Bangladesh is strategically important for the economies of Northeast India, Nepal and Bhutan, as Bangladeshi seaports provide maritime access for these landlocked regions and countries. China also views Bangladesh as a potential gateway for its landlocked southwest, including Tibet, Sichuan and Yunnan.

As of 2019, Bangladesh's GDP per capita income is estimated as per IMF data at US\$4,992 (PPP) and US\$1,888 (nominal). Bangladesh is a member of the D-8 Organization for Economic Cooperation, the South Asian Association for Regional Cooperation, the International Monetary Fund, the World Bank, the World Trade Organization and the Asian Infrastructure Investment Bank. The economy faces challenges of infrastructure bottlenecks, insufficient power and gas supplies, bureaucratic corruption, political instability, natural calamities and a lack of skilled workers.

Industry Outlook

Textile and clothing sector plays a vital role in the growth of economy; generation of more than 65% of the country's industrial employment and 81% of the export earnings. The industry employs about 5 million workers of whom 80% are women. Until the liberation of Bangladesh, the textile sector was primarily an import-substitution industry. It began exporting ready-made garments (RMG) including woven, knitted and sweater garments in 1978, which grew spectacularly during the next two and a half decades from US\$3.5 million in 1981 to US\$10.7 billion in FY 2007. Apparel exports grew, but initially, the RMG industry was not adequately supported by the growth up and down the domestic supply chain (e.g. spinning, weaving, knitting, fabric processing, and the garment accessories industries). Until FY 1994, Bangladesh's RMG industry was mostly dependent on imported fabrics- the primary textile sector (PTS) was not producing the necessary fabrics and yarn.

It is essential to identify and analyze the problems of primary sectors. Supporting basic textile industries such as spinning, weaving/knitting, dyeing and finishing industries are known as backward linkage industries. RMG sector and printing and packaging sector are known as forward linkage industries. From study of textile sectors; it was found that:

- Most of the textile mills are running with poor capacity utilization.
- We are always dependent on the foreign machinery as well as technicians.
- We have to borrow engineers/ experts from other countries; but this cannot be a long term solution for the economic and technological growth of our country.
- It is the well-known to all of us that Bangladesh lacks of necessary adequate research and development facilities.

Important of Textiles Industry in Bangladesh

The textile has been an extremely important part of socio-economic development for a very long time for a number of reasons:

- The textile industry is connected with meeting the demand for clothing, which is a basic necessary of life.
- It is an industry that is more labor intensive than any other in Bangladesh, and thus plays a critical role in providing employment for people.
- It has contributed to employment creation, poverty reduction as well as women empowerment.
- More than 81% of export earning comes from textile sector.
- Contributes over 13% of GDP, 40% industrial value addition comes from the textile sector.
- Provide huge opportunities for the supporting industry banking, insurance, shipping, transport, toiletries, cosmetics, hotel and other related economical activities.
- Provide 55 lakh of employment where 80% are women
- 150 lakh of peoples in support industries depend on this trade.
- Provides 2 lakh jobs in waste recycling industry related to textiles.

Present Scenario of Textiles Sector in Bangladesh

Different types of yarns are produced at this sector. 100% of yarn is used in domestic and exported oriented weaving and knitting mills in Bangladesh. The situations of spinning sectors are given below:
Number of spinning mills

Ring spinning	97
Ring spinning with open-end capacity	195
Rotor/open-end	51
Synthetic yarn mills	30

- No. of spindle- 87 lakh
- Production capacity-205.0 core Kg
- Strength of Bangladesh spinning sector:
 - Bangladesh spinning factories mostly possess high-tech sophisticated machinery from Europe, Japan and US.
 - Courageousness and resilience of local entrepreneur.
 - Strong export oriented RMG sector- can supply yarn to the factories very fast; can provide great after sales services.
 - Sufficient demand of woven and knit yarn.
 - FDI (foreign direct investment) is legally permitted
 - In-house demand is increasing every year- demand for yarn for the locally sold clothing items are also potentially increasing.
- Weakness of Bangladesh spinning sector:
 - Key raw materials for the sector is almost all imported- cotton, polyester, viscose most used fibers almost all imported.
 - Lack of adequate research and development within the factories- not being able to reduce cost and make sure best value products out of the resources available.
 - Not producing much of value added diversified yarn.
 - Insufficient expertise of optimum use of existing machinery and technologies. Weak in proper adoption of new technologies.
 - Lack of productive and efficient level management- Factory managements are not using modern effective concepts, techniques and tools.
 - Lack of corporate culture.
 - Lack of proper motivation towards employees.
 - Communication gap between local personnel and foreign expertise.
 - Lack of gas and power- utility supply is insufficient and not uninterrupted.
 - Lack of land and infrastructure- land is scarce in Bangladesh and very costly.
 - Lack of consistent and timely policy support- government policy is very important for a sector which is all dependent on foreign raw materials and also most products are sold for foreign buyers.
 - Global and regional economic uncertainties- the sector suffer badly for price fluctuations raw materials and final products.
 - WTO open market policy and recent changes in 'Rules of Origin' policies of European Union and US is putting Bangladeshi spinning mills under huge competition against the mills in India and Pakistan.
 - Fall in consumer demand including closure of outlets of fashion house.
 - Textile education system's curriculum is failed to meet up the demand of 21 century textile world.
 - No development of new fiber spinning process and its application in business arena.
 - With the increasing cost of utilities and cost of doing business in Bangladesh- new investor is not sufficient. Payback from this sector is becoming longer and higher risks are exposed.
 - Negative attitude of investor about diversified product investment.
 - No Capability of local textile machineries production as well as necessary spare parts.
- No. of rotor- 2.3 lakh
- Employment- 4 lakh

Opportunities for Bangladesh Spinning Sector

- Possibility of producing high value diversified yarn.
- Yarn export possibility creation by means of diversified yarn production and exploring new market opportunities.

- Now a day, investors come forward to research and development sector that causes the possibility of increasing economic social and environmental sustainability of the companies.
- Quality cotton production that decreases the dependency to the overseas for quality cotton.
- The opportunity of low grade value added product production because china is falling back from this sector.
- Focusing more to the Public Relation buildup of the companies, doing branding, marketing and promotion of the companies. The companies can showcase their products and developments at global platforms.

Threats for Bangladesh Spinning Sector

- Shortage of skilled manpower and at a high cost.
- Absence of visionary government and political instability.
- Continuous Pressure from ILO (international labor organization) and other agencies to increase the salary of workers.
- Illegal action of accord and alliance towards RMG sector that paves way of many closure of garments industries. As a result, deficiency of yarn demand and supply is happened.
- Though India, China, Pakistan passes out from low value added product, it still produces huge amount of value added yarn.
- India, one of the big competitors of Bangladesh because India exports all types of less or high value and diversified products all over world.
- Vietnam is now becoming a new competitor because they start producing different types value added products.

Performance of STL in 2018-2019

During the financial year, STL utilized its 47.32% capacity without compromising the uppermost quality and finest product. Despite the challenges posed by internal and external economical and political environment, STL tried to maintained sustainable business in its business during the year 2018-2019. Production and Revenue of STL were sustaining during mentioned audited year. Total Revenue of the Company recorded to BDT 856,130,508.00 in 2018-2019 from BDT 793,619,018.00 in 2017-2018. Revenue increased 7.88% during the year compared to last year.

Cost of production of the Company registered at BDT 701.74 million in 2018-2019 as against BDT 660.49 million in 2017-2018. This indicated that cost of production increased by 6.25% compared to the last year. During the year Administration & Selling Expenses decreased to BDT 30.55 million and BDT 33.71 million respectively in last year. This indicated that administrative expenses decreased by 9.36% compared to the last year. Resulting, the profit increased before Tax BDT 24.52 million in 2018-2019 from BDT (14.98) million in 2017-2018. Profit after tax stood at BDT 24.52 million in 2018-2019 which was BDT (14.98) million. Earnings per share recorded at BDT 0.93 during the financial year 2018-2019 which was BDT (0.57) in the last year.

Financial Data for Last Five Years

(Figure in taka)

Particulars	2018-2019	2017-2018	2016-2017	2015	2014
Totals Assets	1,792,618,263	1,699,463,390	1,662,394,071	1,596,292,245	1,770,962,817
Paid up Capital	264,670,560	264,670,560	264,670,560	264,670,560	264,670,560
Number of Shares	26,467,056	26,467,056	26,467,056	26,467,056	26,467,056
Shareholders' Equity	779,193,736	754,673,816	769,655,870	805,611,599	834,385,900
Long term Loan	523,858,156	520,933,135	245,283,675	456,169,338	351,457,281
Total Debts	1,013,424,524	918,140,860	608,258,200	790,680,646	936,576,917
Total Revenue	856,130,508	793,619,018	820,596,598	650,096,155	788,024,557
Gross Profit	154,393,931	113,132,991	115,703,149	87,584,148	88,687,902
Operating Profit	30,176,943	10,776,448	5,919,040	2,331,629	(26,073,088)
Profit before Tax	29,835,487	(9,802,500)	(19,190,770)	(26,420,450)	(54,794,835)
Profit after Tax	24,519,920	(14,981,474)	(24,608,750)	(2,242,866)	(57,385,643)

From the above, it is revealed that total assets and Shareholders' equity of the Company increased during the reporting year. Total assets of the Company recorded BDT1,792.62 million which was registered 5.48% growth over last year. On the other hand Shareholder's Equity increased due to current year added to retained earnings as on 30 June 2019.

Key Performance Ratio

Particulars	2018-2019	2017-2018	2016-2017	2015	2014
Gross Margin Ratio	18	0.17	0.14	0.14	0.11
Operating Income Ratio	3.50	0.01	0.01	0.03	(0.03)
Return on Assets(ROA)	1.40	(0.0022)	(0.0037)	(0.0015)	(0.0080)
Return on Equity(ROE)	3.19	(0.02)	(0.03)	(0.01)	(0.07)
Earnings per Share	0.93	(0.57)	(0.93)	(1.09)	(2.17)
Net Assets Value Per Share	29.44	28.51	29.08	30.44	31.52

Gross Margin Ratio and Operating Income Ratio increased due to decreased of operating expenses. Due to increase financial income, EPS of the Company increases and NAV of the Company increased during the year.

Capital Machinery

The Company couldn't add any capital injection and capital machineries during the year.

Segment Information

Sonargaon Textiles Ltd. produces a single product "Cotton Yarn" of varied count and qualities. Hence, Company's 100% revenue is generated from its only product "Cotton Yarn". As per customers' requirements; on receiving the orders, STL manufactures the products and supplies those to the respective customers' destination.

Production and Sales

During the reporting period, the company produced 2,817 MTs of 100% cotton yarn in various counts. Gross turnover was Tk.856,130,508.

Disclosure on extra-Ordinary Gain or Loss

Extraordinary gains or losses refer to infrequent and unusual gain or loss and which is no part of the Company's ordinary/day to day operations. There are no such a gains or losses during the year under reporting.

Capital Expenditure

There is no capital expenditure during the year under reporting.

Capital Infusion

During the year, there was no equity capital infusion in the Company. The existing Paid up capital of the Company is BDT 264.67056 million. The Company has declared 3% cash dividend in the financial year ended 30 June 2019. As a result, paid up capital of the Company stood at BDT 264.67056 million.

Disclosure Regarding Utilization of proceeds from Public Issues (IPO), Rights Issues

The collected money was invested in the time and the period declared in the prospectus.

Risk Management

Risk management refers to the practice of identifying potential risk in advance, analyzing those and taking precautionary steps to reduce/curb the risk. In the textiles industries, various risk are encompasses around it.

The risk may occur adverse affect to the Company's sales and profit etc. Mostly, the risk arises from falling demand for the product, shortage of power, shortage of worker, workers unrest and Raw material shortage along with other related risk such as Interest Rate Risk, Foreign Exchange Risk, Technology Risk, Market Risk, Political Risk and other regulatory Risk etc. The Company is aware of its risks concern and well prepared to meet those by systematic control.

Financial Risk Management

The management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. Risk management policies, procedures and systems are reviewed regularly to effect changes in market conditions and the Company's activities. The Company has exposure to the following risks for its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk Management Philosophy of oSTL's are

Creating maximum value for the shareholders' depositors and employees in the long term. Managing risk in a forward-looking manner and identifying & analyzing those risks from the beginning with help of steering risk strategies, models and parameters. Besides efficiently managing of inventories, proper sourcing & timing, economic order quantity with the most organized way reduce STL's cost of procurement. For power (electricity), STL is totally dependent on West Zone Power Distribution Company Ltd. (WZPDCL) Khulna. STL capable to meet up the current market's need by delivering the quality products to the valued clients.

Human Resources

STL considers its human resources as the most important asset. Always giving the maximum focus on the right placement of human resources, we strongly believe that the efficient management & skilled workers are our greatest assets and as such recognize them as Building Blocks of the Company for their priceless efforts & performances.

We continue investing to our people for the enhancement and up gradation of their skills sets through conducting research and development and on-the- job internal training programs.

We value the contributions of each employee exerts in the organization and adopt policy to reward them accordingly through providing various financial & non-financial benefits.

The breakdown of your company's human resources is

Period ended 30 June 2019

Worker	1,709
Staff and officer	120

Good Governance

I would like to restate that our Board maintains its effective role in policy formulation and discharging best possible Corporate Governance. The Board has always remained focused on maximizing shareholders' value through formulating policies and guidelines towards ensuring sustainable profitability, minimizing risks and establishing good governance in all spheres of Company's operations. And the Management of the Company highly prioritizes Corporate Governance. In Compliance with Bangladesh Securities and Exchange Commission (BSEC) regulations and to further strengthen our Corporate Governance. A separate report on Corporate Governance is attached with this Annual Report.

Related Party Transaction

Compliant steps have been taken by the Board to avoid any conflict of interests that may arise, in transacting with related parties as per the definitions of IAS & IFRS. A statement of related party transaction has been presented in note 37 on page no. 76 with this report.

Subsidiary Company

STL does not have any subsidiary company.

Management

The Management of STL tries to improve the production process and human resources by conducting R&D and internal training programs. STL's management is led by its Chairman who has achieved multi-dimensional experiences including business policy formulation and strategic management & been rewarded with several awards & recognitions for contributing tremendously in different business arena.

Managing Director keeps the track records in leading the team & of course the Company at this tenure from beginning till present and is responsible to oversee the day to day operations of the business.

Director (Operation) is the Head of the Factory & Head office, including day to day operations of the business; he also oversees Company's merchandising, procurement and production and directly reports to the managing Director.

The Company has different departments to perform different activities. All departments' head have significant experiences in related business areas and are liable to monitor respective operations of STL. The Company is managed by a team of qualified and experienced professionals.

The Company formed various committees to oversee different internal issues. STL has around 1,709 workers in the factory and 120 executive and staff in the head office & factory total 1,829 employees were working in Sonargaon Textiles Ltd. on 30 June 2019. Amongst different fringe benefits: the Company provides residential facility, festival bonus, and profit sharing, group insurances etc.

Appointment of Auditors

Ahmad & Akhtar, Chartered Accountants, BCIC Bhaban (3rd floor), 30-31, Dilkusha Commercial Area, Dhaka-1000 were appointed at the last Annual General Meeting as the statutory auditor of the company to conduct the audit work for the financial year 2018-2019. But later, Bangladesh Securities & Exchange Commission has informed us in the letter no. BSEC/CFD/23/2014/Vol-1/51 dated July 16, 2019, that Ahmad & Akhtar, Chartered Accountants have been declared ineligible to audit and issuing certificate of audit on financial statements of listing companies.

Following the said directives of the Bangladesh Securities & Exchange Commission, according to the Board of Directors of the company, Ahmad & Akhtar, Chartered Accountants was exempted from conducting audit work of the company for the financial year 2018-2019.

At the same meeting, M/s. G. Kibria & Co., Chartered Accountants, Sadharan Bima Sadan (5th floor), 24-25, Dilkusha C/A, Dhaka-1000 was appointed as statutory auditor of the company to complete the audit work for the year ending 30 June 2019. This decision will be made public at the 33rd Annual General Meeting for the consideration of the company's shareholders.

The tenure of existing Auditors of the Company M/s. G. Kibria & Co., Chartered Accountants, retire at this Annual General Meeting on completion of their audit works for the year ended on 30 June 2019. They are, however, eligible for reappointment as per BSEC notification. M/s. G. Kibria & Co., Chartered Accountants, expressed their interest to be appointed as auditors of the Company for the Financial year 2019-2020 at a fee of Tk. 2,60,000/- (taka two lac sixty thousand) plus VAT. The Board requested the Shareholders to confirm the appointment at their 33rd Annual General Meeting.

Appointment of Compliance Auditors

M/S. Shafiq Basak & Co. Chartered Accountant express their interest to be appointed as Compliance Auditors of the company for the year 2019-2020 at a fee of Taka 25,000/- (taka twenty five thousand) only plus VAT. The Board requested the Shareholders to confirm the appointment at their 33rd Annual General Meeting.

Composition of the Board of Directors

The Board comprised of five directors including Managing Director. Among the directors, Mr. Md. Abul Kalam Azad is the nominated directors from Rupali Bank Ltd. (RBL). To comply with BSEC notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018, Mrs. Nusrat Hafiz is the independent Director of the Company for three years term. The Board of Directors embodies a range of talents, skills and expertise to provide prudent guidance with respect to the operations of the Company.

Directors

Retirement and Re-election

Mr. Bazlur Rahman, Director of the Company retires by rotation as per Articles 118 and 119 of the Articles of Association of the Company and being eligible offers himself for re-election.

Appointment of Independent Director

Mr. Mohammad A. Hafiz, Independent Director of the Company, is also the Director of AAA Finance and Investments Limited, which is an intermediary of the capital market that is non-compliance with the BSEC notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 condition no. 1.2(b). Being a Director of an intermediary to the capital market the said person is not eligible to be appointed as an Independent Director of a Listed Company.

As per DSE's Observation and Corporate Governance Guidelines, the Board of Directors of the Company in its 131st Board Meeting held on 28 January 2019 has released as the Independent Director of the Company. Henceforth, Mr. Mohammad A. Hafiz is no longer a Director in the Board of the Company.

As per the Corporate Governance Guidelines issued by the Bangladesh Securities and Exchange Commission dated 7 August 2012, the Board of Directors of the Company has appointed Mrs. Nusrat Hafiz in the vacant place as Independent Director of the Company for an initial tenure of three years with effect from 28 January 2019. Mrs. Nusrat Hafiz has also been appointed as Chairman of the Audit Committee. The Board requested the Shareholders to confirm the appointment at their 33rd Annual General Meeting. The brief resume along with required information of the Independent Director is available under the "Directors Profile" of this report.

Appointment of Nominated Director from RBL

The Board of Directors of the Company has appointed Mr. Md. Abul Kalam Azad, Division Head & General Manager, Divisional Office, Barisal, as Nominated Director represented by Rupali Bank Limited with effect from 28 January 2019. Mr. Abul Kalam Azad has also been appointed as a Member of the Audit Committee. The Board requested the Shareholders to confirm the appointment at their 33rd Annual General Meeting.

Vacation of Office of Directors

Mr. Aminul Quader Khan, Nominated Director, Nominated by ICB (withdraw)

Mr. Aminul Quader Khan, Nominated by Investment Corporation of Bangladesh and Mr. Mohammad A. Hafiz, Nominated as Independent Director was included as the Directors of the Board of Directors of the Company.

Due to the withdrawal from ICB, referring to the earlier letter no. STL/Share & Co. Affairs Dept./18-12/2010 dated on 3 December 2018, we would like to inform you that, The Board of Directors in its meeting dated 20 December 2018 has accepted the withdrawal of Nominated Director of Investment Corporation of Bangladesh (ICB) from the Board of the Company. Henceforth, ICB is no longer a Director in the Board of the Company, rather they will be considered as general Shareholders of the Company.

Mr. Mohammad A. Hafiz, Independent Director (released)

We have received a letter no. DSE/CGFRC/LC-194/2016-17/7459 dated Thursday, 15 November 2018 from Dhaka Stock Exchange Limited. DSE has given the following observations on the appointment of Independent Director of Mr. Mohammad A. Hafiz in the above latter:

It has been observed that Mr. Mohammad A. Hafiz, Independent Director of the Company, is also the Director of AAA Finance and Investments Limited, which is an intermediary of the capital market that is non-compliance with the BSEC notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 condition no. 1.2(b). Being a Director of an intermediary to the capital market, the said person is not eligible to be appointed as an Independent Director of a Listed Company.

As per DSE's Observation and Corporate Governance Guidelines issued by the Bangladesh Securities and Exchange Commission dated 7 August 2012, the Board of Directors of Sonargaon Textiles Limited in its 131st Board Meeting held on 28 January 2019 has proposed Mr. Mohammad A. Hafiz to be released as the Independent Director of the Company. Henceforth, Mr. Mohammad A. Hafiz is no longer a director in the Board of the Company.

Board Meetings, Audit Committee Meetings and NRC Meetings

Five meetings of the Board of Directors, four meetings of the Members Audit Committee and one meeting of the NRC committee were held during the year 2018-2019. Details are given below in comparison to last three years.

Name of the Meeting	2018-2019	2017-2018	2016-2017
Board of Director's	5	4	4
Audit Committee	4	4	4
NRC Committee	1	0	0

Director's Fees and Remuneration

The Director who engaged in the Company's day to day operations are receiving remuneration and other benefits from the Company as disclosed in the Financial Statement at note 35(B) page no. 72. Non Executive Directors including Independent Directors and ICB nominated Directors are paid only attendance fee of BDT 5,000/- (BDT five thousand) for attending per meeting.

Board Meetings and Attendance

During the year 5(five) Board Meetings were held. The attendance record of the Directors is as follows:

Name of Directors	Position	Meeting Held	Attended the Meeting	Remarks
Mr. A.K.M. Azizur Rahman	Chairman	5	5	
Mr. Bazlur Rahman	Managing Director	5	5	
Mrs. Rosy Rahman	Director	5	5	
Mr. Mohammad A. Hafiz	Director (Independent)	5	4	Released
Mrs. Nusrat Hafiz	Director (Independent)	5	1	New appointed
Mr. Md. Aminul Quader Khan	Director (Nominated by ICB)	5	2	Withdraw from ICB
Mr. Abul Kalam Azad	Director (Nominated by RBL)	5	3	New appointed

The proposal would be placed in the upcoming AGM of the Company for the Shareholders' approval.

Board of Audit Committee

The Company had an Audit Committee, which constituted in terms of the provisions of Corporate Governance Guidelines dated 3rd June 2018 issued by Bangladesh Securities and Exchange Commission which as follows:

Mrs. Nusrat Hafiz Independent Director	- Chairperson
Mr. Bazlur Rahman Managing Director	- Member
Mr. Abul Kalam Azad Nominated Director by RBL	- Member
Mr. Md. Monir Hossain Company Secretary	- Secretary

The details of the activities of the audit committee have been provided in "Audit Committee Report".

Nomination and Remuneration Committee (NRC)

In compliance with the Corporate Governance Code, the Board of Directors of the Company in its meeting has constituted a Nomination and Remuneration Committee as a sub-committee of the Board with the following three non-executives Directors:

Mrs. Nusrat Hafiz Independent Director	- Chairperson
Mr. A.K.M Azizur Rahman Chairman	- Member
Mr. Bazlur Rahman Managing Director	- Member
Mr. Md. Monir Hossain Company Secretary	- Member

The Company Secretary will act as the "Secretary" of the NRC. A detailed Terms of Reference (ToR) of the NRC has also been approved by the Board.

Terms of reference (ToR) of NRC committee in line with the corporate governance Condition no. 6(1) and other compliance as per 6(2) to 6(5) of BSEC notification no. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 are as follows:

Statement of Directors on Financial Reports

The Directors in accordance with BSEC Notification NO.BSEC/CMMCD/2006-158/207/Admin/80 dated 3 June 2018 confirms compliance with the financial reporting framework for the following:

- (a) The financial statements together with notes thereon have been drawn up in conformity with the Companies Act 1994, Financial Institution Act 1993 and the Bangladesh Securities and Exchange Commission Rules 1987, the rules and regulations issued by the Bangladesh Bank from time to time and other applicable laws and regulations.

These statements present fairly the Company's state of affairs, the result of its operation, cash flows and statement of changes in shareholders/ equity.

- (b) Proper books of accounts of the Company have been maintained.
- (c) Appropriate Accounting Policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- (d) The International Accounting Standards as applicable in Bangladesh have been followed in preparation of the financial statements.
- (e) Internal Control System is sound in design and has been effectively implemented and monitored.
- (f) There are no significant doubts upon the ability of the Company to continue as a going concern.
- (g) There are no significant deviations in operating result compared to the last year.
- (h) The summarized key operating financial data of last five preceding years on annexed as "Comparative Statistics" in the annual Report.
- (i) The related party transaction has been disclosed in preparation of the financial statement.
- (j) The Pattern of Shareholding

Auditor's Qualified Opinion & Management Response

Auditor's qualified opinion on financial statements for year ended 30 June 2019 (As per Independent Auditor's Report).

Management Response

The Company's Independent Auditor's, after conducting the audit work of our Company's year ended on 30 June 2019, they found that the Company's deferred tax liability calculation did not comply with the appropriate rules and the auditor's provided a qualified opinion on the issue.

The Management authority of the Company has taken this matter very seriously and assures you that in future will be followed by appropriate deferred tax calculation method.

The Pattern of Shareholding

The Shareholding pattern as on 30 June 2019 as per clause 1.4(k) of the Sec notification No. Sec/CMRRCD/2006-158/Admin/02-08 dated 20 February 2006 is shown at below:

Name wise details	Shares held
(i) Parent/Subsidiary/associate Companies and other related parties	Nil
(ii) Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouse and minor children	
Mr. A.K.M Azizur Rahman, Chairman	5,200,851
Mr. Bazlur Rahman	2,211,859
Mrs. Rosy Rahman	3,282,468
Chief Executive Officer : Spouse and minor Children	Nil
Company Secretary : Spouse and minor Children	Nil
Chief Financial Officer : Spouse and minor Children	Nil
Head of Internal Audit : Spouse and minor Children	Nil
(iii) Executive	Nil
(iv) Shareholders holding ten percent(10%) or more voting interest in the Company	
Mr. A.K.M. Azizur Rahman, Chairman	5,200,851
Mrs. Rosy Rahman	3,282,468

Code of Conduct

STL has adopted Codes of Conduct for securing good business ethics and conduct in all aspects of the Company's activities. The Code of Conduct is properly communicated to and with all employees and other activities and is strictly required to abide by it.

Management Committee

The day -to-day Management of the Company is entrusted with the Managing Director and the Management Committee. The Management Committee service the interest of the Company and archives sustainable growth. The members of the Management Committee are jointly accountable for the entire management of the Company and decided on the basic issues of business policy and corporate strategies.

Going Concern

This financial statement has been prepared on the assumption the entry is a going concern and will continue its business for the foreseeable future. Hence it is assumed that despite of consecutive two years losses and changes of key management the entry has neither the intention nor the need to liquidate or curtail materially the scale of its operation. With a bid to augment its revenue followed by its financial position the Company has resorted to some measures which envisage Company's ability to continue as going concern.

Communication with Shareholders

- | | |
|------------------|----------------------|
| Accountable to ► | ▪ Shareholders |
| | ▪ Board of Directors |
| | ▪ Management |

The Company encourages communication with shareholders throughout the year and welcomes their participation at shareholders meeting. The Company is transparent with the stakeholders, including the owners of the Company. Four times each year, STL reports to its shareholders regarding its business, financial position and earnings. These include:

- Quarterly and annual financial statements
- Annual General Meeting
- Price sensitive disclosure and other disclosure to the BSEC and Stock Exchange.

In additional information, the Company is under a legal and regulatory requirement to publish via the newspaper. STL believes in transparency and accountability to the society as a whole through establishment of an efficient and effective Corporate Governance procedure.

Website

Company maintains a website namely www.khansongroupbd.com. All disclosures and financials are available in the website of the Company.

Appreciation

I am grateful to the Almighty Allah for the business success of the Company in the year 2018-2019. The continued endeavors of the management and staff of the Company as well as timely support of the Board of Directors have substantially contributed to reach the Company the newer height of success.

I express my deep appreciation to the management and all members of staff for their dedicated & efficient services, their loyalty and relentless efforts for the Company's improvement.

I also would like to express my gratitude to the Members of the Board for their continuous support and wisdom without which the Company would not have been in its present position.

Again I take the opportunity of expressing my heartfelt gratitude to the Ministry of Commerce, Government of the Peoples' Republic of Bangladesh, Bangladesh Securities & Exchange Commission(BSEC), National Board of Revenue (NRB), Registrar of Joint Stock Companies & Firms(RJSC), Dhaka Stock Exchange Ltd.(DSE), Chittagong Stock Exchange Ltd.(CSE), the regulatory authority -Bangladesh Textiles Mills Association(BTMA) also other regulatory bodies who have supported us and extended their valuable co-operation and some Commercial Bank of Bangladesh namely Bangladesh Development Bank Ltd.(BDBL), Rupali Bank Ltd.(RBL) and others for extending their co-operation and everyone in the STL family for their valuable guidance, support & co-operation.

The Board would like to put on record its appreciation of hard work and dedication of the employees to the Company that contributed to its growth over the year. We look forward to their continued support, co-operation and guidance that are our constant source of encouragement in the days ahead.

I conclude by conveying my very sincere and special thanks and heartfelt felicitations to our respected Shareholders, valued customers/clients, well-wishers and external auditors for their support, assistance & patronage to facilitate our path towards the glory achieved so far by the Company.

We renew to them our promise to remain disciplined, compliant and result-oriented in all our endeavors and in return seek their co-operation.

May Allah bless SWT (Subhanahuwata'ala) us all.

On behalf of the Board of Directors


A.K.M Azizur Rahman
Chairman

Dated: 30 October 2019, Dhaka

CORPORATE GOVERNANCE

Corporate Governance is the system by which Companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the Board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. Corporate governance is therefore about what the Board of a Company does and how it sets the values of the Company, and it is to be distinguished from the day to day operational management of the Company by full-time executives.

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

In accomplishment of the affairs of the company, the Board is guided by the Corporate Governance Principles as stipulated by BSEC notification No. BSEC/CMMRRCD/2006-158/2007/admin/80 dated 3 June 2018 and in compliance with the rules and regulations of the Companies Act 1994, Memorandum and Articles of Association of the Company and the service rules of the Company and other relevant applicable laws and regulations. The Board also remains responsible for efficient and effective implementation of the policies and strategies adopted from time to time.

BOARD OF DIRECTORS

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

Composition of the Board

The Board of Sonargaon Textiles Limited consists of 5(five) Directors, comprising 3(three) Non-Executive Directors, one Independent Director and one nominated Director from Rupali Bank Limited with varied education and experience which provided a balancing character in decision making process.

The present members of the Board of Directors are as follows:

Director

Mr. A.K.M Azizur Rahman	- Chairman
Mr. Bazlur Rahman	- Managing Director
Mrs. Rosy Rahman	- Director
Mrs. Nusrat Hafiz	- Independent Director
Mr. Md. Abul Kalam Azad	- Nominated Director (RBL)

Others Member

Mr. Monir Hossain	- Company Secretary
Mr. Md. Mostafa	- Chief Financial Officer
Mr. Ruhidas Karmakar	- Head of Internal Audit & Compliance

During the Year under review the Board held 5 (five) meeting to transact various agenda. The Board is re-constituted every year at each Annual General Meeting when one third of the sponsor's members retires and seeks re-election. A director is liable to be removed if the conditions of the Article of Association and the provisions of the Companies act 1994 are not fulfilled.

Role & Responsibilities of the Board

The Board is the supreme authority of the Company to oversee its operations through appropriate delegation, monitoring, control and reporting. The Directors hold the activities of the Company in accordance with law and in the interest of its shareowners and other stakeholders, keeping in view the long-term interest and aspirations of the Company, while also discharging Company's legal obligations to its shareowners.

Functioning of the Board

The Directors meet together for the dispatch of the business and regulate the meetings and proceedings according to the needs of the Company. Every Board Meeting is preceded by service of notice well ahead of scheduled time. Notice with agenda supported by working papers for every meeting of the Board are sent to all Directors well in advance so that they can come up with their considered views and can actively participate at the deliberations. During the meeting, the Board gets a thorough review of the performance of the Company by the Managing Director. All pertinent matters are discussed in details and decisions are taken based on thorough considerations. Questions arising at any meeting are decided by a majority of votes. However, there is a procedure supported by the Articles of Associations of the Company which allows taking care of any urgent matter through Resolution by Circulation. Such circular resolution is adopted by the Directors present in Bangladesh, without having to call a formal Board Meeting. To make it transparent, such resolutions passed by circulation are subsequently tabled at the immediate following Board meeting and included in the minute's accordingly.

AUDIT COMMITTEE

Composition of Audit Committee

The Board of Directors has constituted an Audit Committee of the Board consisting of three Members.

The members of present Audit Committee is as follow:

Mrs. Nusrat Hafiz Independent Director	- Chairperson
Mr. Bazlur Rahman Managing Director	- Member
Mr. Abul Kalam Azad Nominated Director by RBL	- Member
Mr. Md. Monir Hossain Company Secretary	- Secretary

The Audit Committee carries out its responsibilities as per the provisions of law and submits its report to the Board of Directors from time to time. The Audit Committee shall also co-ordinate with the Internal and external Auditors as and when required. The Audit Committee ensures that adequate internal checks & balances supported by adequate MIS are in place for detection of errors frauds and other deficiencies. The other responsibilities include inter alia, not being limited to, the prevention of conflict of interest between the Company and its Director's officials, customers, suppliers, government and any other interest groups and detect or remove any scope of insider trading in the Company's compliance of requirements of BSEC and other agencies.

NOMINATION AND REMUNARATION COMMITTEE (NRC)

In compliance with the Corporate Governance Code, the Board of Directors of the Company in its meeting has constituted a Nomination and Remuneration Committee as a sub-committee of the Board with the following three non-executives Directors:

NRC Committee Members

Mrs. Nusrat Hafiz Independent Director	- Chairperson
Mr. A.K.M Azizur Rahman Chairman	- Member
Mr. Bazlur Rahman Managing Director	- Member
Mr. Md. Monir Hossain Company Secretary	- Member

The Company Secretary will act as the "Secretary" of the NRC. A detailed Terms of Reference (ToR) of the NRC has also been approved by the Board.

Terms of reference (ToR) of NRC committee in line with the corporate governance Condition no. 6(1) and other compliance as per 6(2) to 6(5) of BSEC notification no. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 are as follows:

Terms of Reference

1. Purpose

- 1.1** The Committee assists the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of director and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive.

2. Authority

- 2.1** The Nomination and Remuneration Committee is a Committee of the Board of Sonargaon textiles Limited from which it derives its authority and to which it regularly reports.
- 2.2** The Committee has delegated authority from the Board in respect of the functions and powers set out in these Terms of Reference.

3. Constriction

3.1 Chairperson

- a. One member of the NRC to be Chairperson of the Committee appointed by the Board, who Shall be an Independent Director.
- b. In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairpersons for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;
- c. The Chairperson of the NRC shall attend the Annual General Meeting to answer the queries of the Sareholders.

Provided that in absence of Chairperson of the NRC, any other member from the NRC shall be selected to be present in the Annual General Meeting for answering the shareholder's queries and reason for absence of the Chairperson of the NRC shall be recorded in the minutes of the AGM.

3.2 Membership

The Committee shall comprise of at least three members including an Independent Director:

- a. All members of the Committee shall be non executive directors;
- b. Members of the Committee shall be nominated and appointed by the Board;
- c. The Board Shall have authority to remove and appoint any member of the Committee;
- d. In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the Board shall fill the vacancy within 180 days of occurring such vacancy in the Committee;
- e. The Chairperson of the Committee may appoint or co-opt any external expert and / or member(s) of staff to the Committee as advisor who shall be non-voting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee.

3.3 Secretary

The Company Secretary shall act as the Secretary of the NRC.

4. Proceedings of Meetings

4.1 Frequency of Meetings

- a. The NRC shall conduct at least one meeting in a financial year.
- b. The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC.

4.2 Quorum

- a. The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher.
- b. The Quorum of the NRC meeting shall not constitute without attendance of at least an independent director.

4.3 Meeting Fees

No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the Company.

4.4 Minutes of Meeting

The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC.

5.0 Role of NRC

5.1 NRC shall be independent and responsible or accountable to the Board and to the shareholders;

5.2 NRC shall oversee, among others, the following matters and make report with recommendation to the Board:

- a. formulating the criteria for determination qualifications, positive attributes and independence of a director and recommended a policy to the Board, relating to the remuneration of the directors, top level executive, considering the following:
 - 5.2.1.1** the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;
 - 5.2.1.2** the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - 5.2.1.3** remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of
 - a. devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;
 - b. identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommended their appointment and removal to the Board;
 - c. formulating the criteria for evaluation of performance of independent directors and the Board;
 - d. identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and
 - e. developing, recommending and reviewing annually the company's human resources and training policies.
- 5.3** The committee shall report to the Board and disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its Annual Report.

Relationship with shareholders & Public

The Shareholders as owners are required to be provided the material information on the company's operation every quarter and annually, the latter at the Annual General Meeting. They are also provided routine services by the Company affairs division in matters of their various queries, Shares transfer, dematerialization, rematerialization of shares, payment of dividends etc.

The Board is however responsible to the public for publication of any price sensitive information as per BSEC regulation. A qualified Secretary is in charge for all these responsibilities as Company Secretary.

Relationship with Government

In its role on accountability to the government, the Board of Directors ensure payment of all dues to government in the form of import duty, custom duty and port charges, VAT, corporate Taxes and other levels as and when the became due on the basis of actual operations and make sure to avoid corruption. This has enabled the Company to enhance its contribution to the National Exchequer on a progressive rate year after year.

Relationship with Suppliers

As the Company has to import plant, machinery and spare parts and almost all the raw materials from abroad, it maintains cordial and mutually beneficial interest with its international as well as local suppliers. This has enabled the Company to avoid any legal disputes in international / local courts and enhanced the Company's image as a good customer.

Corporate Social Responsibilities (CSR)

The Board of Directors is also a woken of the Corporate Social Responsibilities (CSR) especially in the areas of gender equality, race-religion, regionalequality, non-employment of child labor, human rights, environmental pollution, social-marketing, social activities (promotion of sports & culture, health care and participation in charitable activities etc.)

Separate role of the Chairman and Managing Director

The positions of the Chairman and Managing Director are held separate persons. Mr. A.K.M Azizur Rahman is the Chairman of the Company and responsible for the functions of the Board while Mr. Bazlur Rahman is the Managing Director serves as the Chief Executive officer of the Company.

Chief Financial Officer, Company Secretary and Head of Internal Audit and Compliance

The Company has appointed Mr. Md. Mostafa, MBA as Chief Financial Officer, Mr. Md. Monir Hossain as Company Secretary and Mr. Ruhidas Karmakar CA (CC), ITP as Head of Internal Audit and Compliance of the Company as per requirement of the Corporate Governance Code of Bangladesh Securities and Exchange Commission.

Role of Chief Financial officer

Sonargaon Textiles Limited has a Chief Financial Officer (CFO). He is a professional Accountant. He is responsible for accounting and financial activities of the Company. The Board of Directors clearly defined the roles, responsibilities and duties of the CFO. In compliance with the corporate governance code of the BSEC, the CFO attends meetings of the Board of Directors.

Role of Company Secretary

As part of statutory requirement the Board of Directors of Sonargaon Textiles Limited has appointed a Company Secretary. He is responsible for dealing with various corporate matters of the Sonargaon Textiles Limited and acts as officer of the Board, bridge in between Board and other Stakeholders, custodian of the Shareholders and also conducts the statutory functions pursuant to the applicable laws and regulations. The Board of Directors clearly defined the rules, responsibilities and duties of the Company Secretary.

Role of Head of Internal Audit & Compliance

Sonargaon Textiles Limited has a Head of Internal Audit and Compliance. He has completed his Chartered Accountant (CC) under the Institute of Chartered Accountants of Bangladesh (ICAB) and ITP. The Board of Directors clearly defined respective roles, responsibilities and duties of the Head of Internal Audit & Compliance. In compliance with the corporate governance code of the BSEC, he attends meetings of the Board of Directors.

Executive Management

The Executive Management is led by the Managing Director who is appointed by the Board of Directors for a term of five years (renewable) with the approval of shareholders in the Annual General Meeting.

The Managing Director is supported by professional, well educated, trained and experienced team consisting of Executive Directors, General Manager and a host of Senior Executives in the hierarchy of management. The Board has approved an organogram with the modern features ensuring clear lines of delegation of authority and reporting for accountability for effective decision making evaluation of performance on merit for both rewarding and disciplinary action.

The Executive Management is responsible for preparation of budgetary segment plans / sub-segment plans of every cost/profit cents and are held accountable for performance there for. The Executive Management is aided by committee(s)/sub-committee(s) in carrying out its functions.

Other Governance Apparatus

The Company, in its efforts for corporate Good Governance Practices, uses a series of top ranking professional service providers including Legal experts, bankers, Insurers and Technical experts who continuously assist the Board of Directors and the Executive management in properly discharging their duties to all the shareholders, stakeholders, the Government and the Public as highlighted below:

Independent Director

In Compliance of the BSEC Regulations on Good Governance, the Board of Directors as empowered by the Regulations, appointed Mrs. Nurat Hafiz, Lecturer, BRAC Business School as the non-shareholding Independent Director with an exception that their expertise would help contribute to the further disclosure and protect the interest of the stakeholders, investors in general and smaller investors in particular.

Legal Advisor

In order to avail the best legal service for Good Corporate Governance, the Company has empanelled the following top ranking legal professionals:

Mr. Zainal Abedin	- Advocate, Supreme Court of Bangladesh
Mr. Masudur Rahman	- Advocate, Supreme Court of Bangladesh

The expertises of the above named professionals have had long term fundamental support to the Company's Good Governance efforts.

Statutory Auditors

The role of the auditors in certification of the financial statement is the most significant aspect of Corporate Governance and protection of interest of investors. As evident from the Annual Reports, the company rigidly follows the code of International Accounting Standards (IAS) and International Auditing (ISA) with legally required disclosures of Accounts and Financial Statements. This has been possible due to the high level capability and integrity of M/s. G. Kibria & Co.; Chartered Accountants whose unchallenging performance has played a very trustworthy role in the protection of interest of the investors.

Internal Audit and Control

Sonargaon Textiles Limited considers that internal audit is one of the important regular functions of the Company. The Company has an independent internal audit department under control of the Audit Committee of the Board. This department gives effort to bring a methodical and disciplined approach to evaluate and improve the effectiveness of the organizations risk management process, system of internal control and governance.

Compliances

STL has established procedures to ensure compliance with all applicable statutory and regulatory requirements. Respective officers are responsible for ensuring proper compliance with applicable laws and regulations.

Dividend Policy

Moral principles is an ingredient of Good Governance and involves a determination of what is right and what is wrong and deals with things to be sought and things to be avoided with way of life and the end of life. Moral principles invokes the management of the environment within which we function from a perspective broader than, but obviously inclusive of, the current cohort. Since the corporate environment is in theory an infinitely lived entity owned by finitely lived shareholders, a governance ethic must represent a system that serves the needs of the current ownership while preserving the ability of the corporation to sustain it and benefit future

cohorts. The corporate ethic must necessarily promote efficiency in coexisting with the environment to generate the quality of life for a current cohort and yet also provide an equity that does not disadvantage a future cohort by the decision of a current cohort. As an environment ethic analogy, those living today naturally believe in dividend payouts today with less regard for the consequence tomorrow and those living tomorrow would prefer dividend payouts tomorrow without sacrifices we make today to allow their greater consumption tomorrow.

Based on the above concept, the Company is committed to show a stable policy of distribution (cash outlay) of the accretion wealth (profits) between the current and the future generation of shareholders. This would enable the company to enhance its capital wealth and sustain for perpetuity of existence, benefiting both the present cohorts and the progeny.

Shareholders' Relationship

Corporate Governance issues include how major policy decisions are made in business corporations, how various stakeholders can influence the process, who is held accountable for performance and what performance standards are applied. In a nutshell power and influence are crucial in corporate governance. As shareholders, ownership structure has an impact on the balance of power among shareholders. Though sponsors usually hold majority shares required for ordinary regulations, public shareholders have a definite role and influence in the passing of special regulations required for changes the business object, sale of business/productive assets, merger and amalgamation, winding up or dissolution and amendments to Memorandum and Articles of Association for protection of interest up to 55.45% shareholdings.

This position of shareholders as on 30 June 2019 indicates that the sponsors of the company do not hold the required shareholding for passing special resolutions. This allows the public shareholders (individuals & institutions) to play an effective role in protecting their legal corporate rights.

The company holds regularly as per law the Annual General Meeting with adequate notice and disclosures in the Directors' Report and the Auditors' Report on Accounts/Notes and resolutions are passed with consensus and unanimity. All reasonable and practicable suggestions are implemented with good grace.

Special resolution is passed in General Meeting with due notice period. All enquiries are attended by the Company Secretary. Where necessary, Internal Audit Committee investigates matters of significant merit for consideration by the management Committee/Managing Director/Audit Committee of Board/Board of Directors as the case may be.

Corporate Socialization

In order to play a model role for Good Governance characteristics in the corporate sector, the Company has become members of country's leading Chamber Metropolitan Chamber of Commerce & Industries (MCCL), Bangladesh Association of Publicly Listed Companies (BAPLC), Central Depository Bangladesh Limited (CDBL), Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited (CSE). These memberships have provided scope to the Company for improvement of Corporate Governance Practices for the benefit of the shareholders/Stakeholders.

INVOLVE OF DIRECTORS IN OTHER ORGANIZATION

	Particulars	Directorship	Position of the Company
1	Mr. A.K.M. Azizur Rahman Chairman	Continental Insurance Ltd. Golden Life Insurance Ltd. Khansons Group Ltd. Khansons Holdings Ltd. Khansons Textiles Ltd. Khansons Automobiles Ltd.	Chairman Chairman Managing Director Managing Director Managing Director Managing Director
2	Mrs. Rosy Rahman Director	Central Insurance Ltd. Khansons Group Ltd. Khansons Holdings Ltd. Khansons Textiles Ltd. Khansons Automobiles Ltd.	Director Director Director Director Director
3	Mr. Bazlur Rahman Managing Director	Khansons Group Ltd. Khansons Holdings Ltd. Khansons Textiles Ltd. Khansons Automobiles Ltd.	Dy. Managing Director Dy. Managing Director Dy. Managing Director Dy. Managing Director
4	Mrs. Nusrat Hafiz Independent Director	BRAC Business School Continental Insurance Ltd.	Lecturer Director (Independent)
5	Mr. Abul Kalam Azad Director (Nominated by RBL)	Rupali Bank Limited (RBL)	General Manager

BANGLADESH ASSOCIATION OF PUBLICLY LISTED COMPANIES

Ref. No: CM-2019/10

Date of issue : January 20, 2019



Renewed Certificate

This is to certify that

SONARGAON TEXTILES LIMITED

is an Ordinary Member of Bangladesh Association of Publicly Listed Companies and is entitled to all the rights and privileges appertaining thereto.

This certificate remains current until 31st December 2019.




Secretary-General

REPORT OF THE AUDIT COMMITTEE

The Audit Committee

The Board of Directors of STL has constituted an Audit committee in terms of the conditions of Bangladesh Securities and Exchange Commission's (BSEC) Guidelines. All Members of the Audit Committee are financially literate and are able to analyze and interpret financial statements to effectively discharge their duties and responsibilities as Members of the Audit Committee. The Audit Committee assists the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.

Audit Committee Comprises as follows:

Name of the Members	Designation	Position
Mrs. Nusrat Hafiz	Independent Director	Chairperson
Mr. Bazlur Rahman	Managing Director	Member
Mrs. Tahmina Akther	Nominated Director	Member
Mr. Md. Monir Hossain	Company Secretary	Secretary

Activities Of Audit Committee

The committee is reporting to the Board of Directors on performing of the clearly set forth responsibilities by the Board of Directors. Main activities of the audit committee are summarized below.

1. **Overseeing and monitoring of financial reporting process adoption of reporting standards and control risk management process**

Audit Committee is assisting in the oversight of the financial reporting process, including monitoring the adoption of reporting standards and internal control risks management process to ensure that appropriate financial reporting process and standards used and adequate activities/measures control to high risk areas are periodically evaluated and tested.

2. **Review of Periodic Financial Statements**

During the period, Audit Committee reviewed all periodical financial statements of the company.

This review was made along with the Management and other stakeholders. Their review ensured that the financial statements are prepared in compliance with legal and accounting standards requirements and that the financial statements were disclosed accurate, reliable and timely information of the company.

3. **Review of Internal Control Assessment**

During the period, the committee revised and reviewed the internal control system and internal audit plan with an emphasis on minimizing of defect, losses and fraud. The committee also reviewed that the internal control was both adequate and effective.

4. **Review of Internal Audit Report**

During the period, the committee reviewed the activities of Internal Audit Departement and take necessary actions on the basis of internal audit report.

5. Review the Related Party Transactions

The Committee also reviewed the related party's transactions submitted by management.

Meeting And Attendance

During the reporting period under review, the Committee held four meetings. The attendance of the members at these meeting is as under.

Name of the Members	No. of meeting held	Attended	Remarks
Mr. Mohammad A. Hafiz	4	3	Released
Mrs. Nusrat Hafiz	4	1	New appointed
Mr. Bazlur Rahman	4	4	
Mr. Md. Aminul Quader Khan	4	1	Withdraw from ICB
Mr. Abul Kalam Azad	4	3	New appointed
Mr. Md. Monir Hossain	4	4	

Reporting Of The Committee

On discharging its responsibilities, the audit committee has ensured the followings:

- Financial statements have been prepared and presented in compliance with all laws, regulations & standards as applicable.
- Adequate risk controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and that the financial position of the Company is adequately managed.
- Observations, findings and suggestions of the committee were communicated to the Board of Directors and the Directors had taken appropriate measures on the report.

On behalf of the Committee



Mrs. Nusrat Hafiz
Independent Director
&
Chairperson of the Audit Committee

DECLARATION BY CEO AND CFO

Date: 30 October 2019

The Board of Directors
Sonargaon Textiles Ltd.
Rupatali, Barisal.

Annexure-A
[As per condition No. 1(5) (xxvi)]

Subject : **Declaration on Financial Statements for the year ended on 30 June 2019.**

Dear Sirs,

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

01. The Financial Statements of Sonargaon Textiles Limited for the year ended on 30 June 2019 have been prepared in compliance with International Accounting Standards(IAS) or International Financial Reporting Standards(IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
02. 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;
03. The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
04. To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
05. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed and
06. The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that:-

- i. We have reviewed the financial statements for the year ended on 30 June 2019 and that to the best of our knowledge and belief:
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- ii. There are to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,


Bazlur Rahman
Chief Executive Officer (CEO)/
Managing Director


Md. Mostafa
Chief Financial Officer (CFO)

Compliance Certificate

Annexure-B
[Certificate as condition No. 1(5) (xxvii)]



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CHARTERED ACCOUNTANTS

Partners:
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Sampad Kumar Basak, FCA
Md. Enayet Ullah, FCA
Sarwar Mahmood, FCA
Sheikh Zahidul Islam, MBA, FCA

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shafiq@shafiqbasak.com

Ref. No. : SB/STL-232/2019

Report to the Shareholders of Sonargaon Textiles Limited on compliance on the Corporate Governance Code

We have examined the compliance status to the Corporate Governance Code by **Sonargaon Textiles Limited** for the year ended on 30 June 2019. 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 Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required, and after due scrutiny and verification thereof, we report that, in our opinion:

- 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 except 1(7)(a), 5(2)(b) and 6(2)(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;
- Proper books and records have been kept by the company as required under the Companies Act, 1994, the securities laws and other relevant laws;
- The governance of the company is satisfactory.

Place: Dhaka
Dated: 28 November, 2019


(Md. Enayet Ullah, FCA)
Partner
SHAFIQ BASAK & CO.
CHARTERED ACCOUNTANTS



INDEPENDENT MEMBER OF
ABACUS
WORLDWIDE

DHAKA OFFICE -(2): House - 42 (1st Floor), Road - 01, Block - A, Niketan, Gulshan - 01, Dhaka.
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STATEMENT OF CORPORATE GOVERNANCE

Annexure-C
[As per condition No. 1(5) (xxvii)]

CORPORATE GOVERNANCE COMPLIANCE REPORT

Status of compliance with the conditions imposed by the Commission's Notification No. SEC/CMRRCD/2006-158/207/Admin/80, dated 3 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969;

(Report under Condition No. 9)

Condition No.	Title	Compliance Status (Put (√) in the appropriate column)		Remarks (if any)
		Complied	Non Complied	
1	Board of Directors			
1(1)	Size of the Board of Directors The total number of members of a Company's Board of Directors (hereafter referred to as "Board") shall not be less than 5 (five) and more than 20 (twenty).	√		
1(2)	Independent Directors			
	All companies shall have effective representation of Independent Directors on their Boards, so that the Board, as a group, include score competencies considered relevant in the context of each Company, for this purpose, the Companies shall comply with the following:-			
1(2)(a)	At least one-fifth (1/5) of the total number of directors in the Company's Board shall be Independent Directors; any fraction shall be considered to the next integer or whole number for calculating number of Independent Director(s);	√		Complied with the BSEC Guidelines
1(2)(b)	For the purpose of this clause 'Independent directors' means Director;			
1(2)(b)(i)	Who either does not any hold any share in the Company or holds less than one percent (1%) shares of the total paid-up shares of the Company;	√		Independed Director do not hold any shares of the company
1(2)(b)(ii)	Who is not a sponsor of the Company or is not connected with the Company's any sponsor or director or nominated director, shareholder of the Company or any of its associates, sister concerns, subsidiaries and parents or holding entities who hold one percent (1%) or more shares of the total paid-up shares of the Company on the basis of family members also shall not hold above mentioned shares in the Company; Provided that spouse, son, daughter, father, mother, brother, sister, son-in-law and daughter-in law shall be considers as family members;	√		
1(2)(b)(iii)	Who has not been an executive of the Company in immediately preceding 2 (two) financial years;	√		

Condition No.	Title	Compliance Status (Put (√) in the appropriate column)		Remarks (if any)
		Complied	Non Complied	
1(2)(b)(iv)	Who does not have any other relationship, whether pecuniary or otherwise, with the Company or its subsidiary or associated Companies;	√		
1(2)(b)(v)	Who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock Exchange.	√		
1(2)(b)(vi)	Who is not a shareholder, director excepting independent director or officer of any member or TREC holder of Stock Exchange or an intermediary of the capital market;	√		
1(2)(b)(vii)	Who is not a partner or executive or was not a partner or an executive during the preceding 3(three) years of the concerned company's statutory audit firm or audit firm engaged in internal audit services or audit firm conducting special audit or professional certifying compliance of this Code;	√		
1(2)(b)(viii)	Who is not independent director in more than 5(five) listed companies;	√		
1(2)(b)(ix)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan or any advance to a bank or a Non- Bank financial Instituting (NBFI); and	√		
1(2)(b)(x)	Who has not been convicted for a criminal offence involving moral turpitude;	√		
1(2)(c)	The independent director(s) shall be appointed by the Board and approved by the shareholders in the Annual General Meeting(AGM);	√		
1(2)(d)	The post of independent director(s) cannot remain vacant for more than 90(ninety) days; and	√		
1(2)(e)	The tenure of office of an independent director shall be for a period of 3(three) years, which may be extended for 1(one) tenure only;	√		
1(3)	Qualification of Independent Director			
1(3)(a)	Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial laws, regularity requirements and corporate laws and can make meaningful contribution to the business;	√		
1(3)(b)	Independent director shall have following qualification:			
1(3)(b)(i)	Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up-capital of Tk. 100.00 million or any listed company or a member of any national or international chamber of commerce or business association; or			N/A
1(3)(b)(ii)	Corporate Leader who is or was a top level executive not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid-up-capital of Tk. 100.00 million or of a listed company; or	√		

Condition No.	Title	Compliance Status (Put (√) in the appropriate column)		Remarks (if any)
		Complied	Non Complied	
1(3)(b)(iii)	Former official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or business or Law; or			N/A
1(3)(b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law; or			N/A
1(3)(b)(v)	Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Account or Chartered Management Accountant or Chartered Secretary or equivalent qualification;			N/A
1(3)(c)	The independent director shall have at least 10(ten) years of experiences in any field mentioned in clause(b);	√		
1(3)(d)	In special cases, the above qualifications or experiences may be relaxed subject to prior approval of the Commission.			N/A
1(4)	Duality of Chairpersons of the Board of Directors and Managing Director or Chief Executive Officer:			
1(4)(a)	The positions of the Chairpersons of the Board and the Managing Director(MD) and /or Chief Executive Officer (CEO) of the company shall be filled by different individuals;	√		
1(4)(b)	The Managing Director (MD) and / or Chief Executive Officer (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 form among the non-executive directors of the company;	√		
1(4)(d)	The Board shall clearly define respective roles and responsibilities of the Chairpersons and the Managing Director and / or Chief Executive Officer;	√		
1(4)(e)	In the absence of the Chairpersons of the Board, the remaining members may elect one of themselves from non-executive directors as Chairpersons for that particular Board's meeting; the reason of absence of the regular Chairpersons shall be duly recorded in the minutes.			N/A
1(5)	The Directors' Report to Shareholders:			
	The Board of the Company shall include the following additional statements or disclosures in the Directors' Report prepared under section 184 of the Companies Act, 1994(Act No. XVIII of 1994)			
1(5)(i)	An industry outlook and possible future developments in the industry;	√		
1(5)(ii)	The segment-wise or product-wise performance;	√		
1(5)(iii)	Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any;	√		
1(5)(iv)	A discussion on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin, where applicable;	√		

Condition No.	Title	Compliance Status (Put (√) in the appropriate column)		Remarks (if any)
		Complied	Non Complied	
1(5)(v)	A discussion on continuity of any extraordinary activities and their implications(gain or loss)	√		
1(5)(vi)	A detailed discussion on related party transactions along with a statement showing amount, nature of related party, nature of transaction and basis of transactions of all related party transactions;	√		
1(5)(vii)	A statement of utilization of proceeds raised through public issues, rights issues and / or any other instruments;			N/A
1(5)(viii)	An explanation if the financial results deteriorate after the company goes for initial Public Offering(IPO), Repeat Public Offering(RPO), Rights Share Offer, Direct Listing, etc;			N/A
1(5)(ix)	An explanation on any significant variance that occurs between Quarterly Financial performances and Annual Financial Statements;			N/A
1(5)(x)	A statement of remuneration paid to the directors including independent directors;	√		
1(5)(xi)	A statement that the financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;	√		
1(5)(xii)	A statement that proper books of account of the issuer company have been maintained;	√		
1(5)(xiii)	A statement that appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;	√		
1(5)(xiv)	A statement that International Accounting Standards(IAS) or International Financial Reporting Standards(IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;	√		
1(5)(xv)	A statement that the system of internal control is sound in design and has been effectively implemented and monitored;	√		
1(5)(xvi)	A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;	√		
1(5)(xvii)	A statement that there is no significant doubt upon the issuer company's ability to continue as a going concern, if the issuer company is not considered to be a going concern, the fact along with reasons there of shall be disclosed;	√		
1(5)(xviii)	An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof shall be explained;	√		
1(5)(xix)	A statement where key operating and financial data of at least preceding 5(five) years shall be summarized;	√		

Condition No.	Title	Compliance Status (Put (√) in the appropriate column)		Remarks (if any)
		Complied	Non Complied	
1(5)(xx)	An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year;			N/A
1(5)(xxi)	Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend;			N/A
1(5)(xxii)	The total number of Board meeting held during the year and attendance by each director;	√		
1(5)(xxiii)	A report on the pattern of shareholding disclosing the aggregate number of shares(along with name-wise details where stated below) held by:	√		
1(5)(xxiii)(a)	Parent or Subsidiary or Associated Companies and other related parties(name-wise details);	√		
1(5)(xxiii)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children(name-wise details);	√		
1(5)(xxiii)(c)	Executives; and			N/A
1(5)(xxiii)(d)	Shareholders holding ten percent(10%) or more voting interest in the company (name-wise details);	√		
1(5)(xxiv)	In case of the appointment or reappointment of a director, a disclosure on the following information to the shareholders:	√		
1(5)(xxiv)(a)	A brief resume of the director;	√		
1(5)(xxiv)(b)	Nature of his her expertise in specific functional areas; and	√		
1(5)(xxiv)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the Board;	√		
1(5)(xxv)	A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on;	√		
1(5)(xxv)(a)	Accounting policies and estimation for preparation of financial statements;	√		
1(5)(xxv)(b)	Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes;	√		
1(5)(xxv)(c)	Comparative analysis(including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof;	√		
1(5)(xxv)(d)	Compare such financial performance or results and financial position as well as cash flows with the peer industry scenario;	√		
1(5)(xxv)(e)	Briefly explain the financial and economic scenario of the country and the globe;	√		
1(5)(xxv)(f)	Risks and concern issues related to the financial statements, explaining such risk and concerns mitigation plan of the company; and	√		

Condition No.	Title	Compliance Status (Put (√) in the appropriate column)		Remarks (if any)
		Complied	Non Complied	
1(5)(xxv)(g)	Future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM;	√		
1(5)(xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A; and	√		
1(5)(xxvii)	The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per Annexure-B and Annexure-C.	√		
1(6)	Meetings of the Board of Directors:			
	The company shall conduct its Board Meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Code.	√		
1(7)	Code of Conduct for the Chairperson, other Board members and Chief Executive Officer			
1(7)(a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee(NRC) at condition No. 6, for the Chairperson of the Board, other Board members and Chief Executive Officer of the Company;			Under Process
1(7)(b)	The code of conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behavior; confidentially; conflict of interest, compliance with laws, rules and regulations; probation of insider trading; relationship with environment, employees, customers and suppliers; and independency.			Under Process
2	Governance of Board of Directors of Subsidiary Company:			
2(a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company;			N/A
2(b)	At least 1(one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company;			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 and Compliance (HIAC) and Company Secretary:			

Condition No.	Title	Compliance Status (Put (√) in the appropriate column)		Remarks (if any)
		Complied	Non Complied	
3(1)	Appointment			
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 position of the 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 shall be filed by different individuals;	√		
3(1)(c)	The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time;	√		
3(1)(d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS;	√		
3(1)(e)	The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s).	√		
3(2)	Requirement to attend Board of Directors' Meeting			
	The MD or CEO, Cs, CFO and HIAC of the company shall attend the meetings of the Board;	√		
3(3)	Duties of Managing Director(MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)	√		
3(3)(a)	The MD or CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief;	√		
3(3)(a)(i)	These statement do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and	√		
3(3)(a)(ii)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;	√		
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 member;	√		
3(3)(c)	The certification of the MD or CEO and CFO shall be disclosed in the Annual Report.	√		
4	Board of Directors' Committee			
	For ensuring good governance in the company. The Board shall have at least following sub – committees;	√		
4(i)	Audit Committee; and	√		
4(ii)	Nomination and Remuneration Committee.	√		

Condition No.	Title	Compliance Status (Put (√) in the appropriate column)		Remarks (if any)
		Complied	Non Complied	
5	Audit Committee:			
5(1)	Responsibility to the Board of Directors			
5(1)(a)	The company shall have an Audit Committee as a sub-committee of the Board;	√		
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	√		
5(2)	Constitution of the Audit Committee			
5(2)(a)	The Audit Committee shall be composed of at least 3(three) members	√		
5(2)(b)	The Board shall appoint members of the Audit Committee who shall be non-executive directors of the company excepting Chairpersons of the Board and shall include at least 1(one) independent director;		√	
5(2)(c)	All members of the audit committee should be "financially literate" and at least 1(one) member shall have accounting or related financial management background and 10(ten) years of such experience;	√		
5(2)(d)	When the term of service of any Committee member expires or there is any circumstance causing any committee member to be unable to hold office before expiration of the term of service, thus making the number of the committee members to be lower than the prescribed number of 3(three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 1(one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee;	√		
5(2)(e)	The company secretary shall act as the secretary of the Committee;	√		
5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without at least 1(one) independent director.	√		
5(3)	Chairperson of Audit Committee			
5(3)(a)	The Board shall select 1(one) member of the Audit Committee to be Chairperson of the Audit Committee, who shall be an independent director;	√		
5(3)(b)	In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		
5(3)(c)	Chairperson of the Audit Committee shall remain present in the Annual General Meeting(AGM);			Will be ensured by the Management
5(4)	Meeting of the Audit Committee			

Condition No.	Title	Compliance Status (Put (√) in the appropriate column)		Remarks (if any)
		Complied	Non Complied	
5(4)(a)	The Audit Committee shall conduct at least its four meetings in a financial year;	√		
5(4)(b)	The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two-third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must.	√		
5(5)	Role of Audit Committee			
	The Audit Committee shall:	√		
5(5)(a)	Oversee the financial reporting process;	√		
5(5)(b)	Monitor choice of accounting policies and principles;	√		
5(5)(c)	Monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report;	√		
5(5)(d)	Oversee hiring and performance of external auditors;	√		
5(5)(e)	Hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;	√		
5(5)(f)	Review along with the management, the annual financial statements before submission to the Board for approval;	√		
5(5)(g)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;	√		
5(5)(h)	Review the adequacy of internal audit function;	√		
5(5)(i)	Review the Management's Discussion and Analysis before disclosing in the Annual Report;	√		
5(5)(j)	Review statement of all related party transactions submitted by the management;	√		
5(5)(k)	Review Management Letters or Letter of Internal Control weakness issued by the statutory auditors;			N/A
5(5)(l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors; and	√		
5(5)(m)	Oversee whether the proceeds raised through Internal Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purpose stated in relevant offer document or prospectus approved by the Commission.			N/A
5(6)	Reporting of the Audit Committee			
5(6)(a)(i)	The Audit Committee shall report on its activities to the Board.	√		
5(6)(a)(ii)	The Audit Committee shall immediately report to the Board on the following findings, if any			No Such Event Occurred
5(6)(a)(ii)(a)	Report on conflicts of interests;			No Such Event Occurred
5(6)(a)(ii)(b)	Suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements;			No Such Event Occurred

Condition No.	Title	Compliance Status (Put (√) in the appropriate column)		Remarks (if any)
		Complied	Non Complied	
5(6)(a)(ii)(c)	Suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations; and			No Such Event Occured
5(6)(a)(ii)(d)	Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately;			No Such Event Occured
5(6)(b)	Reporting to the Authorities			
	If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonable ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period 6(six) months from the date of first reporting to the Board, whichever is earlier.			No Such Event Occured
5(7)	Reporting to the Shareholders and General Investors			
	Report on activities carried out by the Audit Committee, including any report made to the Board under condition No. 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.			No Such Event Occured
6	Nomination and Remuneration Committee (NRC):			
6(1)	Responsibility to the Board of Directors			
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 formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive;	√		
6(1)(c)	The Terms of Reference (ToR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5)(b).	√		
6(2)	Constitution of NRC			
6(2)(a)	The Committee shall comprise of at least three members including an independent director;	√		
6(2)(b)	All members of the Committee shall be non-executive directors;		√	
6(2)(c)	Members of the Committee shall be nominated and appointed by the Board;	√		
6(2)(d)	The Board shall have authority to remove and appoint any member of the Committee;	√		
6(2)(e)	In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180(one hundred eighty) days of occurring such vacancy in the Committee;			No Such Event Occured

Condition No.	Title	Compliance Status (Put (√) in the appropriate column)		Remarks (if any)
		Complied	Non Complied	
6(2)(f)	The Chairperson of the Committee may appoint or co-opt any external expert and/ or member(s) of staff to the Committee as advisor who shall be non-voting member, if the Chairperson feels that advice or suggestion from such external expert and / or member(s) of staff shall be required or valuable for the Committee;			No Such Event Occured
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 or consultancy role or otherwise, other than Director's fees or honorarium from the company.	√		
6(3)	Chairperson of the NRC			
6(3)(a)	The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director;	√		
6(3)(b)	In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;	√		
6(3)(c)	The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders;			Will be Ensured by Management
6(4)	Meeting of NRC			
6(4)(a)	The NRC shall conduct at least one meeting in a financial year;	√		
6(4)(b)	The Chairperson of the NRC may convey any emergency meeting upon request by any member of the NRC;			N/A
6(4)(c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h);	√		
6(4)(d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC.	√		
6(5)	Role of the NRC			
6(5)(a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders;	√		
6(5)(b)	NRC shall oversee, among others, the following matters and make report with recommendation to the Board:	√		

Condition No.	Title	Compliance Status (Put (√) in the appropriate column)		Remarks (if any)
		Complied	Non Complied	
6(5)(b)(i)	Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, relating to the remuneration of the directors, top level executive, considering the following:	√		
6(5)(b)(i)(a)	The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;	√		
6(5)(b)(i)(b)	The relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and	√		
6(5)(b)(i)(c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflection short and long-term performance objectives appropriate to the working of the company and its goal;			
6(5)(b)(ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;	√		
6(5)(b)(iii)	Identification persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommended their appointment and removal to the Board;	√		
6(5)(b)(iv)	Formulating the criteria for evaluation of performance of independent directors and the Board;	√		
6(5)(b)(v)	Identification the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and	√		
6(5)(b)(vi)	Developing, recommending and reviewing annually the company's human resource and training policies;	√		
6(5)(c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report.	√		
7	External or Statutory Auditors:			
7(1)	The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely:	√		
7(1)(i)	Appraisal or valuation service or fairness opinions;	√		
7(1)(ii)	Financial information systems design and implementation;	√		
7(1)(iii)	Book-keeping or other services related to the accounting records or financial statements;	√		
7(1)(iv)	Broker-dealer services;	√		
7(1)(v)	Actuarial services;	√		
7(1)(vi)	Internal audit services or special audit services;	√		
7(1)(vii)	Any services that the Audit Committee determines;	√		

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

COMPOSITION OF SHRE HOLDING

The distributions schedule showing the number of shareholders and their shareholding in percentage is as follow:

Shareholding Range in Number of Shares	Number of Holders		% of Total Holders		Number of Shares		% of Total Shares	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
1 to 5,000	2,846	4,241	85.16	92.85	2,602,301	3,060,946	9.83	12.18
5,001 to 50,000	447	414	13.37	6.52	6,404,404	5,896,670	24.20	21.47
50,001 to 100,000	26	18	0.81	0.32	1,773,132	1,322,674	6.70	5.47
100,001 to 200,000	14	9	0.39	0.16	1,891,568	1,218,421	7.15	4.79
200,001 to 400,000	3	3	0.12	0.05	702,351	870,593	2.65	2.82
400,001 to 500,000	0	0	0	0	0	0	0	0
500,001 to 1,000,000	2	0	0.03	0	1,320,315	0	4.99	0
Over 1, 000,000	4	4	0.12	0.07	11,772,985	14,097,752	44.48	53.27
Total	3,342	4,689	100	100	26,467,056	26,467,056	100	100



G. KIBRIA & CO.
CHARTERED ACCOUNTANTS



Independent Auditor's Report

To the Shareholders of Sonargaon Textiles Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of SonargaonTextiles Limited which comprise the statement of financial position as at 30 June 2019, 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.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

1. As per Note 16 to the Financial Statements, the Company has recorded a deferred tax liability of BDT 53,854,640 on the statement of financial position and a deferred tax expense of BDT 1,78,784 on the Statement of Profit & Loss. Due to limitation of the Company's financial records and information systems, the Company was unable to provide adequate and reliable audit evidence to determine the temporary differences between the accounting and tax values of the Company's assets and liabilities. Consequently, we were unable to quantify the necessary adjustment amount for the relevant financial line items.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' 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 ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

1. We would like to draw your attention to Note 11 and 14 which describes the Company's on-going legal proceedings with two of their financial institutions: Mutual Trust Bank Limited and Bangladesh Development Bank Limited. Our audit opinion is not qualified in respect to this matter emphasized.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report

RISK	OUR RESPONSE TO THE RISK
Revenue Recognition	
Revenue of approximately BDT 85.61 Crore is recognized in the Statement of Profit & Loss and Comprehensive Income of Sonargaon Textiles Limited. The Company's revenue recognition policies and procedures are not complex and revenue is recognized at a point in time when the performance obligation related to the good or service has been completed. However, Revenue is highly material to the financial statement users and is the primary driver of key investor metrics such as Earnings per Share etc. Details of the Revenue Section are summarized in Note 17 to the Financial Statements Our audit procedures included:	Understanding the process of estimating, recording and reassessing going concern. ▶ Obtain an understanding of Company's internal controls specifically geared towards adoption of the new accounting standard. ▶ Examine the customer contract to determine key arrangements between the Customer and Company to understand when control of the goods manufactured transfer from Company to Customer. ▶ Reviewing Invoices, other supporting documentation to ensure revenue recognition is occurring appropriately ▶ Examine Payment documentation to ensure completion of revenue cycle is documented appropriately

Other Matter

The financial statements of Sonargaon Textiles Limited for the year ended 30 June 2018 was audited by Ahmed & Akhtar, Chartered Accountants who expressed unqualified opinion on those statements on 28 October 2018

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the 2019 Annual Report. The Annual Report comprises of the Director's Report, Corporate Governance Compliance Report and Management Discussion and Analysis.

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

In connection with our audit of the consolidated and the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 and Internal Controls

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 skepticism 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.
- ▶ 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 were 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

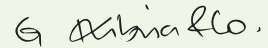
communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, the Securities and Exchange Rules 1987 and relevant notifications issued by Bangladesh Securities and Exchange Commission, we also report that:

- ▶ We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- ▶ In our opinion, proper books of accounts, records and other statutory books as required by law have been kept by the Company so far as it appeared from our examinations of those books;
- ▶ 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;
- ▶ The expenditures incurred were for the purpose of the Company's business

Date: 30 October, 2019
Dhaka, Bangladesh


G. KIBRIA & CO.
Chartered Accountants

SONARGAON TEXTILES LIMITED

Notes, Comprising a Summary of Significant Accounting Policies and
Other Explanatory Information
For the year ended 30 June 2019

1.0 Legal status and nature of the company**1.1 Domicile, Legal Form and Country of Incorporation**

Sonargaon Textiles Limited was incorporated in Bangladesh as a Public Limited Company under the Companies Act 1913 currently 1994 in the year 1984. The shares of the Company are listed with the Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange Ltd. (CSE).

1.2 Nature of Business Activities

The Company owns and operates a textile spinning mill comprising 3 Units, viz, of Unit-I, Unit-2 and Unit-3 and its principal activities and operations are manufacturing of cotton yarn of different counts and sales thereof.

1.3 Address of Registered Office and Mills

The principal place of business is situated at Khansons Centre, 37, Kawran Bazar, Dhaka-1215. Bangladesh and the Factory Mills is located at Rupatali, Barisal.

1.4 Number of Employees

The number of employees 1829 in the year 30.06.19.

2.0 Basis of Preparation of Financial Statements**2.1 Statement of Compliance**

The financial statements have been prepared in compliance with the requirements of the Companies Act 1994, the Securities & Exchange Rules 1987, the Listing Regulations of Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) and other relevant local laws as applicable and in accordance with the applicable International Financial Reporting Standards (IFRSs) including International Accounting Standards (IAS) as issued by International Accounting Standards Board (IASB) and adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). Prior year financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) which were adopted accounting standards from IASB. Management has made an assessment of the difference between these IFRS and BFRS and concluded that there are no differences which would impact any numerical amounts or disclosures for the financial statements.

2.02 Regulatory Compliances

As required by the company, the management complies with the following major legal provisions in addition to the Companies Act 1994 and other applicable laws and regulations:

- i. The Income Tax Ordinance 1984;
- ii. The Income Tax Rules 1984;
- iii. The Value Added Tax Act 1991;
- iv. The Value Added Tax Rules 1991;
- v. The Customs Act 1969;
- vi. Bangladesh Labour Law, 2006;
- vii. Listing Rules 2015;
- viii. The Securities and Exchange Ordinance 1969;
- ix. The Securities and Exchange Rules 1987; and
- x. Securities and Exchange Commission Act 1993.

2.03 Structure, content and presentation of financial statements

According to the International Accounting Standards (IAS)-1 adopted by ICAB "Presentation of Financial Statements" the complete set of financial statements includes the following components.

- i. Statement of financial position as at 30 June 2019;
- ii. Statement of profit or loss and other comprehensive income for the financial year ended 30 June 2019;
- iii. Statement of cash flows for the financial year ended 30 June 2019;
- iv. Statement of changes in equity for the financial year ended 30 June 2019;
- v. Accounting policies and other explanatory notes for the financial year ended 30 June 2019.

2.04 Applicable Accounting Standards & Financial Reporting Standards

The financial statements have been prepared accordance with International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB). The compliance status of these IASs/IFRSs is as follows:

IAS's no.	Name of the IAS	Compliance Status
1	Presentation of Financial Statements	Complied
2	Inventories	Complied
7	Statement of Cash Flows	Complied
8	Accounting Policies, Changes in Accounting Estimates and Errors	Complied
10	Events after the Reporting Period	Complied
12	Income Taxes	Complied
16	Property, Plant & Equipment	Complied
17	Leases	Complied
19	Employee Benefits	Complied
20	Accounting for Government Grants and Disclosure of Governments Assistance	Not Applicable
21	The Effects of Changes in Foreign Exchange Rates	Complied
23	Borrowing Costs	Complied

IAS's no.	Name of the IAS	Compliance Status
24	Related Party Disclosures	Complied
26	Accounting and Reporting by Retirement Benefit Plans	Not Applicable
27	Separate Financial Statements	Not Applicable
28	Investment in Associates and Joint Ventures	Not Applicable
29	Financial Reporting in Hyperinflationary Economies	Not Applicable
32	Financial Instruments: Presentation	Complied
33	Earnings Per Share	Complied
34	Interim Financial Reporting	Complied
36	Impairment of Assets	Complied
37	Provision, Contingent Liabilities and Contingent Assets	Complied
38	Intangible Assets	Complied
39	Financial Instruments: Recognition and Measurement	Complied
40	Investment Property	Not Applicable
41	Agriculture	Not Applicable

IFRS no.	Name of the IFRS	Compliance Status
1	First-time Adaption of International Financial Reporting Standards	Complied
2	Share-based Payment	Not Applicable
3	Business Combinations	Not Applicable
4	Insurance Contracts	Not Applicable
5	Non-current Assets held for Sale and Discontinued Operations	Not Applicable
6	Exploration for and Evaluation of Mineral Resources	Not Applicable
7	Financial Instruments: Disclosures	Complied
8	Operating Segments	Not Applicable
9	Financial Instruments	Complied
10	Consolidated Financial Statements	Not Applicable
11	Joint Arrangements	Not Applicable
12	Disclosure of Interests in Other Entities	Not Applicable
13	Fair Value Measurement	Complied
14	Regulatory Deferred Accounts	Not Applicable
15	Revenue from Contracts with Customers	Complied
16	Leases	Complied
17	Insurance Contracts	Not Applicable

2.05 **Basis of Measurement of Elements of Financial Statements**

The financial statements have been prepared on the historical cost basis, except for Investment in Shares which is measured in fair value, and therefore, do not take into consideration the effect of inflation. The accounting policies, unless otherwise stated, have been consistently applied by the company and are consistent with those of the previous year.

2.06 **Functional and presentation currency**

The financial statements are presented in Bangladeshi currency (Taka), which is the Company's functional currency. All financial information presented in Taka has been rounded off to the nearest Taka.

2.07 **Preparation and Presentation of Financial Statements of the Company**

The Board of Directors of the company is responsible for the preparation and presentation of financial statements of Sonargaon Textiles Limited.

Specific accounting policies selected and applied for significant transactions and events are depicted below:

2.7.1 **Recognition of Properties Plant and Equipment and Depreciation-IAS-16.**

Property, Plant and Equipment are stated at their cost less accumulated depreciation in accordance with IAS 16 "Property, Plant & Equipment". Cost represents cost of acquisition or construction and capitalization of pre-production expenditure including interest during construction year, capitalized in compliance with the requirements of Companies Act 1994. Expenditure for repairs and maintenance are recognized as expenses major replacements renewals and betterment's are capitalized.

2.7.2 **Statement of Cash Flows**

Cash flow statement is prepared in accordance with IAS 7: "Cash Flow Statement", as recommended by the Securities and Exchange Rules 1987. The cash flow statement shows the structure of and changes in cash and cash equivalents during the financial year. Cash and cash equivalents include notes and coins on hand, unrestricted balance held with the commercial banks. It is broken down into operating activities, investing activities and financing activities. The direct method is used to show the operating activities.

According to IAS 7: "Cash Flow Statements", cash comprises cash in hand and demand deposits and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Considering the provisions of IAS 7 and IAS 1, cash in hand, fixed deposits and bank balances have been considered as cash and cash equivalents. In addition, management disclosed indirect method under IAS-7 statement of cash flows from audit activities as per circular no. Clause No. 5 (2) (e) of Notification No. BSEC/CMRRCD/2006-158/208/ Admin/81, dated: 20 June 2018: Reconciliation of Net operating cash flow under Indirect Method.

2.7.3 **Going Concern**

This financial statement has been prepared on the assumption that the entity is a going concern and will continue its business for the foreseeable future. Hence it is assumed that despite of consecutive two years losses and changes of key management the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operation. With a bid to augment its revenue followed by its financial position the company has resorted to some measures which envisage company's ability to continue as a going concern.

2.7.4 Property, Plant and Equipment:**Depreciation**

No depreciation has been charged on Land and Land development. Full year's depreciation has been charged on additions irrespective of date when the related assets are put into use. Depreciation on Property, Plant and Equipment is computed using diminishing balance method which has been considered sufficient to write off depreciable assets over their estimated useful economic lives. The rates at which assets are depreciated per annum, depending on the nature and estimated useful life of assets are given below:

Building & Construction	5 %
Plant & Machinery	7 %
Furniture & Fixture	15 %
Motor Vehicles	20 %
Sundry Assets	20 %

Depreciation has been charged to cost of goods sold and administrative overheads proportionately on a consistent IAS is.

Impairment

In accordance with the provisions of IAS 36, the carrying amount of non-financial assets other than inventories of the company involved in the manufacturing of the products. If any such indication exists, then the asset's recoverable amount is estimated and impairment losses are recognized in profit and loss account. No such indication of impairment has been observed till the end of the year.

2.7.5 Inventories- IAS-2

Inventories comprise of Raw Materials, Work in Process, Finished Goods, Packing Materials, Stores and Spares and Goods in Transit. Cost of inventory other than finished goods held is generally calculated and stated on the weighted average method on a consistent basis. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its present location and condition. Finished goods are valued at lower of cost or net realizable value and include allocation of production overheads based on normal level of activity while work in process are valued at material cost plus proportionate allocation of production overheads based on estimated completion basis. Net realizable value is based on estimated selling price less any further costs anticipated to be incurred for completion and disposal.

2.7.6 Financial Instruments:**Derivative**

According to IFRS 7: "Financial Instruments: Disclosures", the company was not a party to any derivative contract (financial instruments) at reporting date, such as forward exchange contracts, currency swap agreement or contract to hedge currency exposure related to import of capital machinery to be leased to lessees in future.

Non-Derivative

A non-derivative financial instrument comprises of accounts and other receivable, borrowings and other payables and is shown at transaction cost as per IAS 39 "Financial Instruments: Recognition and Measurement".

2.7.7 Trade Debtors

These are carried at original invoice amount. This is considered good and collectible, and therefore, no amount was written off as bad debt and no debt was considered doubtful of recovery.

2.7.8 Creditors and Accrued Expenses

Liabilities are recognized for amounts to be paid in the future for goods and services received, whether or not billed by the supplier.

2.7.9 Assets Revaluation Reserve

When assets carrying amount is increased as a result of a revaluation, the increase amount should be credited directly to equity under the heading of revaluation surplus/reserve as per Bangladesh Accounting Standards IAS-16: Property, Plant and Equipment. The tax effects on revaluation gain are measured and recognized in the financial statements as per Bangladesh Accounting Standards IAS-12 "Income Taxes".

2.7.10 Taxation

IAS 12: "Income Taxes" and Income Tax ordinance 1984 have been used for the calculation of deferred tax and current tax expense respectively. Provision for income tax represents the sum of the current tax expenses and deferred tax expenses.

Current Tax expenses

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in succeeding years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using Turnover Tax rates that have been enacted or substantively enacted on the reporting date.

Deferred Tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using reporting liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which such differences can be utilized.

2.7.11 Borrowing Cost

Borrowing costs are charged as expenses as shown under the head Financial Expenses (IAS-23).

2.7.12 Revenue Recognition

The revenue during the year represents revenue arising out of the sale of yarn (domestic sales and deemed export) net off excise duty and commission, which are recognized when invoices are made, satisfying all the conditions for revenue recognition as provided in IFRS-15 "Revenue from Contracts with Customers".

2.7.13 Earning Per Share (EPS)

Earning per Share (EPS) is calculated in accordance with the International Accounting Standard (IAS-33) "Earning per Share".

"Earning per Share" has been calculated by dividing the earnings/ (Loss) incurred attributable to the shares (ordinary) held by the members during the year. No diluted EPS was required to be calculated for the year under review as there was no change in the paid up shares.

2.7.14 Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into Bangladesh Taka and recorded at rates of exchange ruling on the date of transaction in accordance with IAS-21.

In respect of loss or gain on fluctuation of foreign currency the company adjusts the loss or gain in fluctuation of the foreign currency directly with the sales accounts, through credited the sales amount as and when the sales executed whenever the sales proceeds are realized. This policy consistently followed by the company.

2.7.15 Leases

In compliance with the IAS 17: Leases, cost of assets acquired under finance lease along with related obligation has been accounted for as assets and liabilities respectively of the company, and the interest element has been charged as expenses. Lease payments made under finance leases are apportioned between the finance expenses and the reduction of the outstanding liability.

2.7.16 VAT

The company's trading income is subject to VAT and these VAT liabilities are accounted for as per VAT Act 1991 having been maintaining a VAT Current Account.

2.7.17 Events after the Reporting date:

As per IAS-10 "Event after reporting Date" are those event favorable and unfavorable, that occur between the end of the reporting year and the date when the financial statements are authorized for issue. Two types of event can be identified: those that provide evidence of conditions that existed at the end of the reporting year (adjusting events after balance sheet date); and those that are indicative of conditions that arose after the reporting year (Non-adjusting events after balance sheet date).

3.0 Additional Information on Financial Statements

3.1 Approval of the financial statements

These financial statements were authorized for issue in accordance with a resolution of the company's Board of Directors on 30 October 2019.

3.2 Risk and Uncertainties for use of estimates in preparation of the Financial Statements.

The preparation of Financial Statements in conformity with the Bangladesh Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the year reported. Actual results could differ from those estimates. Estimates are use for accounting of certain items such as long term contracts, provision for doubtful accounts, depreciation and amortization, employees, benefit plans, taxes, reserve and contingencies.

3.3 Reporting Year

Financial Statements of the Company cover one year from July 01, 2018 to June 30, 2019.

3.4 Comparative Information

Figures of the year 2018 have been rearranged whenever considered necessary to ensure comparability with the current year.

32. Credit Facility Not Availed

There was no credit facility available to the company under any contract, but not availed as on 30 June 2019 other than trade credit available in the ordinary course of business.

33. Segment Reporting

As there is single business and geographic segment within the company operates as such no segment reporting is felt necessary.

34. Attendance Status of Board Meeting of Directors

During the year from 01.07.2018 to 30.06.2019 there were 5 (five) Board Meetings were held. The attendance status of all the meetings is as follows:

Name of Directors	Position	Meeting Held	Attended	Remarks
Mr. A.K.M Azizur Rahman	Chairman	5	5	
Mr. Bazlur Rahman	Managing Director	5	5	
Mrs. Rosy Rahaman	Director	5	5	
Mr. Mohammad A. Hafiz	Director (Independent)	5	4	Released
Mrs. Nusrat Hafiz	Director (Independent)	5	1	New Appointed
Mr. Md. Aminul Quader Khan	Director (Nominated by ICB)	5	2	Withdraw from ICB
Mr. Abul Kalam Azad	Director (Nominated by RBL)	5	3	

For Board Meeting, attendance fees were paid to the Directors of the Company.

35. Disclosure as per requirement of Schedule XI, Part 11 of the Company Act 1994

A. Disclosure as per requirement of Schedule XI, Part 11, Note 5 of Para 3

Employee Position for Sonargaon Textiles Limited (As at 30 June 2019)

Salary Office (Monthly)	Office & Staff		Worker	Total
	Factory	Head Office		Employee
Below Tk 3,000/-	-	27	1,480	1,507
Above Tk 3,000/-	229	93	-	322
Total	229	120	1,480	1,829

B. Disclosure as per requirement of Schedule XI, Part 11, Para 4

Name of Directors	Designation	Remuneration	Festival Bonus	Total Payment
Mr. A.K.M Azizur Rahman	Chairman	600,000	67,500	667,500
Mr. Bazlur Rahman	Managing Director	360,000	29,008	389,008
Mrs. Rosy Rahaman	Director	82,000	-	82,000
Mrs. Nusrat Hafiz	Director (Independent)	-	-	-
Mr. Abul Kalam Azad	Director (Nominated by RBL)	-	-	-
Total		10,42,000	96,508	11,38,508

Period of payment to Directors is from 1st July 2018 to 30th June 2019.

The above Directors of the company did not take any benefit from the company other than the remuneration and:

- a) Expense reimbursed to the managing agent - Nil
- b) Commission or other remuneration payable separately to a managing agent or his associate - Nil
- c) Commission received or receivable by the managing agent or his associate as selling or buying agent of other concerns in respect of contracts entered into such concerns with the company - Nil
- d) The money value of the contracts for the sale or purchase of goods and materials or supply of services, entered into by the company with the managing agent or his associate during the financial year.
- e) Any other perquisites or benefit in cash or in kind stating - Nil
- f) Other allowances and commission including guarantee commission - Nil.

Pensions, etc.

- 1) Pensions - Nil
- 2) Gratuities - Nil
- 3) Payment from Provident Fund - Nil
- 4) Compensation for loss of office - Nil
- 5) Consideration in connection with retirement from office - Nil.

C. Disclosure as per requirement of Schedule X1, Part 11, Para 7

Details of production capacity utilization

Particulars	License Capacity	Installed Capacity in MTs	Actual Production from July 2018 to 30 June 2019	Capacity utilization from July 2018 to June 2019
Annual Production Capacity of Yarn in Lbs	Not Mentioned in the License	5,953	2,817	47.32%

D. Disclosure as per requirement of Schedule XI, Part II, Para 8

Raw Materials, Spare Parts, Packing Materials and Capital Machinery

Items	Purchase (BDT)			Consumption (BDT)	% of Consumption Of Total Purchase
	Import	Local	Total		
Raw Materials	-	647,966,659	647,966,659	505,734,372	78.05%
Spare Parts	-	9,679,038	9,679,038	3,630,454	37.51%
Packing Materials	-	7,153,866	7,153,866	6,723,667	93.99%
Capital Machinery	-	-	-	-	-
		664,799,563	664,799,563	516,088,493	77.63%

Value of Export

Particulars	In Foreign Currency (US \$)	In BDT
Export	10,296,035	855,703,469

- The value of imported raw materials is calculated on CIF basis.
- The Company has not incurred any expenditure in foreign currency for the period from July 2018 to 30th June 2019 on account of royalty, know-how, professional fee, consultancy fees and interest.
- Foreign exchange earning USD 10,296,035.00 equivalent of BDT 855,703,469.00 in respect of export has been calculated on FOB basis.
- The Company has not earned any foreign exchanges for royalty, know how, professional fees and consultancy fees
- The value of export from the period from 1 July 2018 to 30 June 2019.

E. Disclosure as Per Requirement of Schedule XI, Part II, Para 3

Sl.	Requirements under condition No.	Compliance status of Disclosure Schedule XI Part 11, Para 3
3(i)(a)	The turnover	Complied
3(i)(b)	Commission paid to selling agents	Not Applicable
3(i)(c)	Brokerage and discount of sales, other than the usual trade discount	Not Applicable
3(i)(d)(i)	The value of the raw materials consumed, giving item-wise as possible	Complied
3(i)(d)(ii)	The opening and Closing stocks of goods produced	Complied
3(i)(e)	In the case of trading companies, the purchase made and the opening and closing stock	Not Applicable
3(i)(f)	In the case of Companies rendering or supplying services, the gross income derived from services rendered or supplied	Not Applicable
3(i)(g)	Opening and closing stocks, purchases, sales and consumption of raw materials with value and quantity breakup for the Company, which falls under one or more categories i.e. manufacturing and/or trading	Complied
3(i)(h)	In the case of other companies, the gross income derived under different heads	Not Applicable
3(i)(i)	Work-in-progress, which have been completed at the commencement and at the end of the accounting period	Complied
3(i)(j)	Provision for depreciation, renewals or diminution in value of fixed assets	Complied
3(i)(k)	Interest on the debenture paid or payable to the Managing Director, Managing Agent and the Manager	Not Applicable
3(i)(l)	Charge for income tax and other taxation on profits	Complied
3(i)(m)	Reserved for repayment of share capital and repayment of loans	Not Applicable
3(i)(n)(i)	Amount set aside or proposed to be set aside, to reserves, but not including provisions made to meet any specific liability, contingency or commitment, know to exist at the date as at which the balance sheet is made up.	Not Applicable
3(i)(n)(ii)	Amount withdrawn from above mentioned reserve	Not Applicable
3(i)(o)(i)	Amount set aside to provisions made for meeting specific liabilities, contingencies of commitments.	Not Applicable
3(i)(o)(ii)	Amount withdrawn from above mentioned provisions as no longer required.	Not Applicable
3(i)(p)	Expenditure incurred on each of the following items, separately for each item: (i) Consumption of stores and spare Parts (ii) Power and Fuel (iii) Rent (iv) Repairs of Buildings (v) Repairs of Machinery (vi) (1) Salaries, wages and bonus (2) Contribution to provident and other funds (3) Workmen and staff welfare expenses to the ext	Complied

F. Disclosure of Advance, Deposit and Prepayment of Schedule XI of Companies Act. 1994

The details breakup of Advance, Deposit and Prepayments as per requirement of Schedule XI of the Companies Act 1994 stated below:

	30.06.2019	31.12.2018
Advance, Deposit and Prepayments exceeding 6 months	Nil	Nil
Advance, Deposit and Prepayments not exceeding 6 months	24,329,173	27,103,402
Other Advance, Deposits & Prepayments less provision	Nil	Nil
Advance, Deposits and Prepayments considered Good and Secured	Nil	Nil
Advance, Deposits and Prepayments considered Good without Security	Nil	Nil
Advance, Deposits and Prepayments considered Doubtful or Bad	Nil	Nil
Advance, Deposits and Prepayments due by Directors	Nil	Nil
Advance, Deposits and Prepayments due by Other Officers (against Salary)	85,500	91,000
Advance, Deposits and Prepayments due from Companies under same management	Nil	Nil
Maximum Advance, Deposits & Prepayments due by Directors	Nil	Nil
Maximum Advance, Deposits & Prepayments due by Officers at any time	Nil	Nil

36. Subsequent Disclosure of Events after the Balance Sheet Date Under IAS 10

There is no adjusting post balance sheet event of such importance, non disclosure of which would affect the ability to the users of the financial statements to proper evaluation and decision.

37. Disclosure on Related Party Transaction as per IAS 24 "Related Party Disclosure"

Related parties	Relationship	Nature of Transaction	Balance as on 30.06.19	Balance as on 31.12.18
Mr. A.K.M Azizur Rahman	Chairman	Short term Loan	1,13,00,000	1,13,00,000
Mrs. Rosy Rahaman	Director	Short term Loan	47,75,000	47,75,000
Mr. Bazlur Rahman	Managing Director	Short term Loan	12,45,197	12,45,197
		Total	1,73,20,197	1,73,20,197

38. Details of Lease Agreement

Product Name	Lease From	Finance Amount	Lease Term	Monthly Rental	Rental Paid	Future Payment
Capital Machinery	-	-	-	-	-	-

39. **Disclosure as per requirement of schedule XI, Part I (A. Horizontal Form) of Companies Act 1994 Accounts Receivable.**

In regard to sundry debtors the following particulars shall be given separately:

1. Debt considered good in respect of which the company is fully secured:

The debtors occurred in the ordinary course of business are considered good and secured against confirmed L/C. The details of Accounts Receivable are given below:

Customers Name	Amount (BDT)
K.C Apparels Ltd.	126,143,290
KC Print Ltd.	-
Trasco Apparels Ltd.	45,070,188
Knit concern Ltd.	158,419,755
Total	329,633,233

i. **Debt considered good for which the company hold no security other than the debtors personal security**

There is no such debt in this respect as on 30 June 2019.

ii. **Debt considered doubtful or bad**

The company does not make any provision for doubtful debts as on 30 June 2019 because of the fact that sales/export are being made on 100% confirmed L/C basis with fixed maturity dates.

iii. **Debt due by directors or other officers of the company**

There is no such debt in this respect as on 30 June 2019.

iv. **Debt due by Common Management**

There are no amount due from sister company under common management as on 30 June 2019.

v. **The maximum amount due by directors or other officers of the company**

There are no such debts in this respect as on 30 June 2019.

40. **Presentation currency**

The annexed financial statements are presented in Bangladeshi currency (Taka), which have been rounded off to the nearest Taka.

41. **Events after the Balance Sheet date**

The Board of Directors at the Board Meeting held on 30 October 2019, has recommended to the shareholders a cash dividend @ 3% Cash i.e. Tk. 0.30 per share (amounting to Tk. 79,40,117). This will be considered for approval by the shareholders at the 33rd Annual General Meeting (AGM) to be held on December 18, 2019.

42. **Internal Control**

The following steps have been taken for implementation of an effective internal control procedure of the Company:

- a) A strong internal control and compliance division has been formed with a view to establish a well designated system of internal control.
- b) Regular review of internal audit reports with view to implement the suggestion of internal auditors in respect if internal control technique.
- c) To establish an effective management system that includes planning, organizing and supervising culture in the factory as well as at Head Office.

43. **Contingent liability**

There is no contingent liability of the Company for the year ended on 30 June 2019.

44. **Capital Expenditure Commitment**

There was no contingent liability as on 30.06.2019 except L/C liabilities.

There was no credit facility available to the company under any contract, other than trade credit available in the ordinary courses of business and not availed as on 30.06.19.

45. **Payment of Foreign Currency**

Import of Machinery & Spare parts of the Machinery, Import of Raw Materials. No other expense included consultancy fee, royalty, technical expert and professional advisory fee, interest etc. was incurred or paid in foreign currencies except as started above.

46. **Foreign Exchange Earned**

Exported in USD. No other expense included consultancy fee, royalty, technical expert and professional advisory fee, interest etc. was incurred or paid in foreign currencies except as started above.

47. **Commission, Brokerage or Discount against sales**

No commission was incurred or paid to distributors, agents or any brokerage or discount was incurred or paid against sales.

48. **General Comments and Observations**

- a) All shares have been fully called and paid up.
- b) Auditor's are paid only statutory audit fees.
- c) No foreign exchange remitted to the relevant shareholders during the period under audit.
- d) No amount of money was expended by the company for compensating any members of the Board for special service rendered.
- e) There was no bank guarantee issued by the company on behalf of Directors.

49. **Financial Risk Management**

The management of company has overall responsibility for the establishment and oversight of the company's risk management framework. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company has exposure to the following risks for its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk

49.01 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. Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. As at 30 June, 2019 substantial part of the receivables are those from its related company and subject to insignificant credit risk. Risk exposures from other financial assets, i.e. Cash at bank and other external receivables are nominal.

49.02 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 equivalent to meet expected operational expenses including financial obligations through preparation of the cash flow forecast with due consideration of time line of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date. In extreme stressed conditions the company may get support from the related company in the form of short-term financing.

49.03 Market Risk

Market risk is the risk that any change in market prices such as foreign exchange rates and interest will affect the company's income or the value of its holdings financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

(a) Currency Risk

The company is exposed to currency risk on certain revenues and purchases such as revenue from foreign customers and import of raw materials, machineries and equipment. Majority of the company's foreign currency transactions are denominated in USD and relate to procurement of raw materials, machineries and equipment from abroad. The company has received foreign currency against export of finished goods. The effect of gain or losses regarding currency risk will be minimal of the gain or loss will be offsetting through the foreign currency receivable & payable. Moreover, Bangladesh is a country where the fluctuations of spot rate of BDT against USD is minimal also.

(b) Interest rate risk:

Interest rate risk is the risk that arises due to changes in interest rates on borrowing. The company's exposure to the risk of changes market interest rate relates primarily to the company's short-term finance and term loan. The company's policy is to keep its short-term running finance at lowest level by effectively keeping the positive bank balances. The company made fixed interest rate borrowing from the financial institution under finance lease.

SONARGAON TEXTILES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

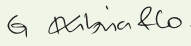
	Notes	30 June, 2019 Taka	30 June, 2018 Taka
Assets			
Non-Current Assets :			
Property, Plant and Equipment	4.00	711,574,383	748,921,151
		711,574,383	748,921,151
Current Assets :			
Inventories	5.00	704,702,926	530,673,097
Trade & Other Receivables	6.00	329,633,233	392,042,293
Advances, Deposits and Prepayments	7.00	24,414,673	25,624,952
Investment in Shares Central Depository BD. Ltd. (CDBL)	7.03	1,569,450	1,569,450
Cash and cash equivalent	8.00	20,723,598	632,447
		1,081,043,880	950,542,239
Total Assets		1,792,618,263	1,699,463,390
Equity and Liabilities :			
Shareholders' Equity			
Share Capital	9.00	264,670,560	264,670,560
Capital Reserve		5,373,570	5,373,570
Share Premium		54,560,000	54,560,000
Revaluation Reserve	13.00	437,904,833	453,000,955
Retained Earnings		16,684,773	(22,931,269)
		779,193,736	754,673,816
Non-Current Liabilities			
Long Term Loan	14.00	523,858,156	520,933,135
Director's and Other Loans and Advances	15.00	17,320,197	17,320,197
Deferred Tax Liability	16.00	53,854,640	53,675,856
		595,032,993	591,929,188
Current Liabilities			
Short Term Loans	10.00	10,956,479	10,519,331
Current Portion of Long Term Loan	11.00	348,821,599	263,424,661
Trade & Other Payables	12.00	51,695,858	73,728,104
Workers Profit Participation and Welfare Fund		1,780,815	200,000
Provision for Income Tax	27.00	5,136,783	4,988,291
		418,391,534	352,860,386
Total Equity & Liabilities		1,792,618,263	1,699,463,390
Net Assets Value Per Share (NAVPS)	29.00	29.44	28.51

The accounting policies and other notes form an integral part of these financial statements.


A.K.M Azizur Rahman
Chairman


Bazlur Rahman
Managing Director


Md. Monir Hossain
Company Secretary

As per report Annexed.

G. KIBRIA & CO.
Chartered Accountants

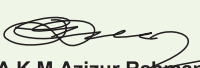
Dated: 30 October 2019, Dhaka

SONARGAON TEXTILES LIMITED
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE, 2019**

	Notes	AMOUNT IN TAKA			30 June, 2019	30 June, 2018
		UNIT - 1	UNIT - 2	UNIT - 3	Taka	Taka
Turnover	17.00	119,858,271	308,206,983	428,065,254	856,130,508	793,619,018
Cost of Goods sold	18.00	(100,993,586)	(256,980,198)	(343,762,793)	(701,736,577)	(660,486,040)
Gross Profit		18,864,685	51,226,785	84,302,461	154,393,931	133,132,991
Operating Expenses :						
Administrative Expenses	21.00	(4,277,082)	(10,998,212)	(15,275,294)	(30,550,588)	(33,707,057)
Selling & Distribution Expenses	23.00	(329,140)	(846,360)	(1,175,500)	(2,351,000)	(2,031,050)
Financial Expenses	24.00	(12,784,156)	(32,873,544)	(45,657,700)	(91,315,400)	(78,435,165)
Total Expenses		(17,390,378)	(44,718,116)	(62,108,494)	(124,216,988)	(114,173,272)
Operating Profit/(Loss)		1,474,307	6,508,669	22,193,967	30,176,943	18,959,719
Write off on damage Raw cotton	19.00	-	-	-	-	(30,000,000)
Non Operating Income	26.00	201,510	518,169	719,679	1,439,359	1,437,782
Net Profit/(Loss)		1,675,817	7,026,838	22,913,647	31,616,302	(9,602,500)
Provision for WPPF		(221,314)	(569,093)	(790,408)	(1,580,815)	-
Provision for WWF		-	-	(200,000)	(200,000)	(200,000)
Net Profit/(Loss) before tax (G-H)		1,454,503	6,457,745	21,923,239	29,835,487	(9,802,500)
Provision for Taxation						
Current Tax		(719,150)	(1,849,242)	(2,568,392)	(5,136,783)	(4,988,291)
Deferred Tax		(25,030)	(64,362)	(89,392)	(178,784)	(191,264)
Net Profit/Loss after tax		710,324	4,544,141	19,265,455	24,519,920	(14,982,055)
Other comprehensive income		-	-	-	-	-
Total comprehensive income		710,324	4,544,141	19,265,455	24,519,920	(14,982,055)
Earning Per Share (EPS)	28.00				0.93	(0.57)

The accounting policies and other notes form an integral part of these financial statements.

As per report Annexed.


A.K.M Azizur Rahman
Chairman


Bazlur Rahman
Managing Director


Md. Monir Hossain
Company Secretary


G. KIBRIA & CO.
Chartered Accountants.

Dated: Dhaka

SONARGAON TEXTILES LTD.
STATEMENT OF CHANGES IN EQUITY
For the year ended 30th June, 2019

Particulars	Share Capital	Share Premium	Capital Reserve	Revaluation Reserve	Retained Earnings	Total Taka
As at 1 July, 2018	264,670,560	54,560,000	5,373,570	453,000,955	(22,931,269)	754,673,816
Share Capital Increase (Bonus)	-	-	-	-	-	-
Adjustment in Revaluation Reserve	-	-	-	(15,096,122)	15,096,122	-
Net profit/Loss- 2019	-	-	-	-	24,519,920	24,519,920
Previous year adjustment	-	-	-	-	-	-
Dividend 2018	-	-	-	-	-	-
As at 30th June, 2019	264,670,560	54,560,000	5,373,570	437,904,833	16,684,773	779,193,736

STATEMENT OF CHANGES IN EQUITY
For the Half year ended 30th June, 2018

Particulars	Share Capital	Share Premium	Capital Reserve	Revaluation Reserve	Retained Earnings	Total Taka
As at 1 July, 2017	264,670,560	54,560,000	5,373,570	472,017,009	(26,965,269)	769,655,870
Share Capital Increase (Bonus)	-	-	-	-	-	-
Adjustment in Revaluation Reserve	-	-	-	(19,016,054)	19,016,054	-
Net profit/(Loss)- 2018	-	-	-	-	(14,982,055)	(14,982,055)
Dividend 2017	-	-	-	-	-	-
As at 30th June, 2018	264,670,560	54,560,000	5,373,570	453,000,955	(22,931,269)	754,673,816


A. K. M Azizur Rahman
Chairman


Baziur Rahman
Managing Director


Md. Monir Hossain
Company Secretary

Dated: Dhaka

SONARGAON TEXTILES LIMITED
STATEMENT OF CASH FLOWS
For the year ended 30th June, 2019

Particulars	Note	30 June, 2019 Taka	30 June, 2018 Taka
A. Cash Flows from Operating Activities :			
Collection from Turnover & Others		919,978,927	673,465,471
Payment to Suppliers and Employees		(899,255,991)	(655,672,326)
Cash Generated from Operation		20,722,936	17,793,145
Collection from Non-operation Income		1,439,359	1,437,782
Interest Paid		(3,710,000)	(5,685,609)
Income Tax paid		(3,783,512)	(4,988,291)
Net Cash Flows from Operating Activities		14,668,783	8,557,027
B. Cash Flows from Investing Activities :			
Acquisition of property Plant & Equipment		-	-
Acquisition of Long Term Assets		-	(69,420)
Sale Proceeds of Long Term Assets		-	-
Net Cash Flows from Investing Activities		-	(69,420)
C. Cash Flows from Financing Activities :			
Long Term Loan received		-	(1,268,007)
Other Loans and Advances Received /(Paid)		-	-
Short Term Loan Paid		-	(6,964,884)
Net cash flow from Financing Activities		-	(8,232,891)
Increase/(decrease) in Cash and Cash Equivalent (A+B+C)		14,668,782	254,716
Cash and Cash Equivalent at Opening		632,447	377,731
Unrealized gain or (loss) on foreign exchange fluctuation		5,422,369	-
Cash and Cash Equivalent at Closing		20,723,598	632,447
		377,731	
Net Operating Cash Flow Per Share (NOCFPS)	30.00	0.55	0.32

The accounting policies and other notes form an integral part of these Financial statements.


A. K. M Azizur Rahman
Chairman


Bazlur Rahman
Managing Director


Md. Monir Hossain
Company Secretary

Dated: Dhaka

30 June, 2019 Taka	30 June, 2018 Taka
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4.00 Property, Plant and Equipment (Unit 1,2 & 3) : TK. 711,574,383

This is made up as follows :

Cost / Fair value as on 01.07.2018	1,262,472,671	1,262,403,251
Add: Addition during the year	-	69,420
	1,262,472,671	1,262,472,671
Less: Disposal during the year	-	-
	1,262,472,671	1,262,472,671
Less: Accumulated Depreciation as on 01.07 .2018	513,551,519	473,335,952
	748,921,152	789,136,719
Less: Depreciation during the period.	37,346,768	40,215,568
Balance as at 30.06.2019	711,574,383	748,921,151

Details are shown in the Schedule-1, 2, 3 & 4

5.00 Inventories: TK. 704,702,926

This is made up as follows :

Raw Cotton (Note 19.00)	568,484,433	426,252,146
Finished Goods (Note 18)	78,768,120	59,568,148
Work in Process (Note 18)	10,258,661	7,676,763
Spare Parts	18,717,866	12,669,282
Packing Materials	3,130,120	2,699,921
Waste Cotton (Note 18)	25,343,725	21,806,837
	704,702,926	530,673,097

6.00 Trade & Other Receivables : TK. 329,633,233

The above balances are made up as follows :

Details are Shown in the following schedule:

Name	Address		
K.C Apparels Ltd	Godnail, Narayangonj	126,143,290	211,417,830
KC Print Ltd.	Godnail, Narayangonj	-	28,310,850
Trasco Apparels Ltd	B.B Road , Narayangonj	45,070,188	48,085,063
Knit concern Ltd.	Godnail, Narayangonj	158,419,755	104,228,549
		329,633,233	392,042,292

Receivable Aging:

Above 180 days	95,231,041	278,781,273
Below 180 days	234,402,192	113,261,018
	329,633,233	392,042,292

7.00 Advance, Loan, Deposits & Prepayments: TK. 24,414,673

This is made up as follows :

Advance Income Tax (7.01)	22,465,633	23,670,412
Security Deposit (Note: 7.02)	1,863,540	1,863,540
Advance against Salary	85,500	91,000
VAT/Excise duty paid in advance	-	-
	24,414,673	25,624,952

7.01 Advance Income Tax
TK. 22,465,633

		30 June, 2019 Taka	30 June, 2018 Taka
Opening Balance		23,670,412	25,484,243
Less : Previous year provision for Taxation		4,988,291	6,802,122
		18,682,121	18,682,121
Add: Current year Tax deducted at sources :			
Income Tax paid as advance			
On Export proceeds	3,496,626		4,701,429
Income Tax paid as advance.			
On Bank Interest	1,295		1,112
On Dividend	285,591		285,750
		3,783,512	4,988,291
		22,465,633	23,670,412

7.02 Security Deposit
TK. 1,863,540

Security Deposit to Bangladesh Oxyzen Ltd.	4,000	4,000
Security Deposit to PDB(U-1)	409,800	409,800
Security Deposit to PDB(U-2)	240,000	240,000
Security Deposit to PDB(U-3)	985,200	985,200
Security Deposit to Telephone(BTTB)	125,500	125,500
BTME (Special fund)	99,040	99,040
	1,863,540	1,863,540

7.03 Investment in Shares

The Company holds shares of Central Depository BD Ltd.(CDBL) which are measured at cost. The total value of shares as at June 30, 2019 are Shares of Central Depository BD Ltd. (CDBL), held at cost:

1,569,450	1,569,450
1,569,450	1,569,450

8.00 Cash and Cash Equivalent:
TK. 20,723,598

This is made up as follows :

Cash in hand	321,238	37,184
Cash at Bank (Note-8.01)	20,402,360	595,264
	20,723,598	632,447

Name of the Bank	Branch	A/C No		
Dutch Bangla Bank Ltd.	Kawran Bazar Branch	107-120-2912	9,087	402,812
National Bank Ltd.	Tanbazar Branch	0010-33009916	20,226,653	6,309
Trust Bank Ltd.	SKB Br., Motijheel	3300-3143	793	1,943
Basic Bank Ltd.	Main Branch	216010000398	13,109	13,790
Rupali Bank Ltd.	Local Office	18024000171	28,857	30,007
Dutch Bangla Bank Ltd.	Motijheel Foreign Exc	1051201231	115,584	115,418
Rupali Bank Ltd.	Barisal Branch	20005021	1,678	14,391
Dutch Bangla Bank Ltd.	Barisal Branch	127110855	6,600	10,595
			20,402,360	595,264

9.00 Share Capital:
TK. 264,670,560

The break up is as follows

	Holders	Shares		
a) 11,790,404 ordinary shares of Tk.10/- each	7	11,790,404	117,904,040	117,904,040
paid by sponsors				
b) Group summary of other shareholders				
Description of the group				
Financial Institutions (ICB & others)	88	1,247,123	12,471,230	10,660,520
General Public	3,244	13,348,135	133,481,350	99,954,890
ICB unit Fund	-	-	-	33,446,720
Investment Corporation of Bangladesh	1	184	1,840	-
Investment Account, ICB, Sylhet	-	-	-	811,270
ICB Suspension for fraction	1	83	830	131,560
ICB Securities Trading Co.	-	-	-	911,180
ICB Capital Management Ltd	1	81,127	811,270	850,380
Sub Total	3,335	14,676,652	146,766,520	146,766,520
Grand Total	3,342	26,467,056	264,670,560	264,670,560

30 June, 2019 Taka	30 June, 2018 Taka
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10.00 Short Term Loan From Bank (Secured): TK. 10,956,479

This is made up as follows :

Loan Account and type	Nature of securities	Rate of Interest		
Rupali Bank, CC Hypo, A/C # 52-9-0	Hypothecation of General stores	13.00%	10,956,479	10,391,473
Rupali Bank, CC Pledge, A/C # 51-1-2	Pledge of Raw Materials and Finished Goods.	16.00%	-	127,858
			10,956,479	10,519,331

During the year the company charged any interest on the cash credit facilities (CC Pledge) availed from the Rupali Bank Ltd. due to Re-Schedule.

11.00 Current Portion of Long Term Loan (Secured): Tk. 348,821,599

This is made up as follows :

Long Term Loan with BDBL	291,678,689	261,373,103
Long Term Loan with RBL	57,142,910	2,051,558
	348,821,599	263,424,661

In respect of the loan facilities availed from Bangladesh Development Bank Ltd. (BDBL) (Former Bangladesh Shilpa Bank) for Unit No. 1,2 & 3, the loan amount presented in the statement of financial position equals Tk. 29,16,78,689. However, the bank has made a suit through "Artha Rin Adalat" vide suit no. 7 of 2017 with suit value 34,62,91,000. The company is currently contesting this claim in the courts. The loan balance presented in the statement of financial position represent the original principle amount due plus accrued interest calculated as per the original interest and not the interest rate claimed by the bank. Due to the ongoing litigation with the courts, the loan balance is subject to confirmation.

12.00 Trade & Other Payables : TK. 51,695,857

This is made up as follows :

Accrued Expenses payable (Note 12.01)	22,851,646	20,648,443
Outstanding Audit fees	230,000	201,250
Trade Payables (Note 12.02)	22,413,736	46,677,936
Outstanding claim for Raw cotton(Olam International)	6,200,475	6,200,475
	51,695,857	73,728,104

12.01 Accrued Expenses payable TK. 22,851,646

This is made up as follows :

Electricity bill (Factory) June,19	7,330,098	9,032,383
Salary & Wages (Factory) for June,19	3,398,207	4,607,492
Salary & Allowance employees	2,450,915	1,015,378
Office Rent	9,442,926	5,763,690
Barisal City Corporation Tax	229,500	229,500
	22,851,646	20,648,443

30 June, 2019 Taka	30 June, 2018 Taka
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12.02 Schedule of Trade Payables
Tk. 22,413,736

Name	Address	Amonut (Tk.)	Amonut (Tk.)
P.N Enterprise (Raw cotton)	2, S.M Maleh Road, Tanbazar ,N.gonj	1,328,752	14,652,773
Ratan Enterprise (Raw cotton)	103 S.M Maleh Road, Tanbazar ,N.gonj	4,227,155	19,046,301
Master Yarn Trading (Raw cotton)		4,344,615	3,065,648
Rashid Enterprise (Raw Cotton)		3,390,329	3,390,329
Salma Traders (Raw Cotton)		6,245	6,245
Hoq Yarn Ltd. (Raw Cotton)		178,701	178,701
Tex trade (Raw cotton)		156,414	156,414
The Cotbiz Trading (Raw cotton)		91,584	91,584
AD Media Printers		32,000	32,000
Airtech Compressor		25,000	25,000
A.I.S Enterprise	Shop # 35,125, Iqble Road,M.pur , Dhaka	35,795	35,795
Axis Textiles engineering	H # 2, L # 13,B # A,Sec-10,Mirpur,Dhaka.	27,700	27,700
Azad Store	69, B.B. Road, Ukil para,Dhaka	84,983	84,983
Bengal Roots		47,200	47,200
Cargo Control (BD) Pet Ltd	69 Dilkusha C/A , Dhaka.	143,084	143,084
C.H Graphics	75,Arambagh, Motijheel,Dhaka-1208	197,542	197,542
China Plastics BD. Ltd.		62,200	62,200
Chittagong Fibre Board	125,Andor Killa,Chittagong	196,740	196,740
Euro Trade	Road#7Block#plot#52,Eastern Banasree,Dhaka	249,737	249,737
Forman Enterprise		82,500	82,500
Friends Electric House		8,498	8,498
Gazi Tank		8,200	8,200
IC System & Service		23,000	23,000
IHS Inspection Serices(BD) ltd.	66, Dilkusha C/A Dhaka	6,562	6,562
Lipika (Spare Importer)		276,017	276,017
Madona Enterprise		55,000	-
Mahin Enterprise	130, B.C Road,Nawabpur Road,Dhaka	166,300	55,000
Musum Enterprise	Shop # 6,107, Nawabpur Road, Dhaka	25,745	166,300
Micro Electronic Ltd.		-	25,745
New Diamond Plastic	Shop # 9,218, Nawabpur Road, Dhaka	321,885	-
NSR Enterprise		840,118	321,885
NSR Enterprise (HDPE Bags)		-	840,118
Nuhan Engineering	128,Bonogram Road,Dhaka	2,400	2,400
Pacific Trading		150,337	150,337
Popular Trades(Narayangong)	46/1 Old Jimkhana, Narayangonj	206,341	206,341
Quality Tex		9,262	9,262
Quality Traders		234,020	234,020
Riyad Light House		91,440	91,440
Rumman Spring & Eng. Works	128,Bonogram, Nawabpur Road,Dhaka	2,798,438	198,438
Sail International		420,800	420,800
Satata Enterprise		497,995	497,995
SD Tax Promoters Ltd.		25,810	25,810
Sinobangla Industries Ltd.		39,071	39,071
Spinning world		265,253	265,253
Simul Traders	63/A,Railway Commercial Plot,Shajahanpur,Dhaka	272,661	272,661
Square Informatix Ltd.		5,000	5,000
Standard Sprung Industries	78,Nawabpur Road, Dhaka	24,350	24,350
Yusuf Trader		3,290	3,290
Yezsin Enterprise		482,250	482,250
ZSZ Engineering		218,100	218,100
Others Party (Factory)		27,317	27,317
		22,413,736	46,677,936

		30 June, 2019 Taka	30 June, 2018 Taka
13.00 Revaluation Reserve: (Schedule-5)	TK. 437,904,833		
This is made up as follows :			
Opening balance		453,000,955	472,017,009
Less : Adjustment for depreciation for this year		15,096,122	19,016,054
Closing balance		437,904,833	453,000,955

This amount represents as per last years accounts

14.00 Long Term Loan (Not due secured) ;	TK. 523,858,156		
This is made up as follows			
BDBL Term Loan # 59/237/00105		-	-
MTBL-Term loan-1		80,853,222	68,329,218
MTBL-Term loan-2		55,403,054	46,370,060
MTBL-Term loan-3		155,823,954	136,919,899
Rupali Bank Loan account (Principal)		231,777,926	269,313,958
Grand Total (Unit 1+2+3)		523,858,156	520,933,135

Note :

The Company availed loan from Rupali Bank Limited (RBL) for Unit 3 through mortgage of Company's Fixed Assets and personal guarantee of all sponsor Directors. The bank performed a reschedule for the loan in the current year. The bank charges interest on the loan facilities @ 13% of CC Hypo & 16% of the Term Loan. In the current year, the bank performed a reschedule for the loan due and the difference between the old and updated loan balance was accrued by the Company as interest expense to ensure the carrying value of the loan matches the amount confirmed by the bank.

Long Term Loan includes a classified loan availed from Mutual Trust Bank (MTB) with a loan balance representing taka 29,20,80,230. However, the bank made a suit through "Artha Rin Adalat" vide suit no. 878 of 2015 against the company for recovery of money with suit value taka 219,501,331 the company is currently contesting this claim in the courts. The loan balance presented in the statement of financial position represent the original principle amount due plus accrued interest calculated as per the original interest and not the interest rate claimed by the bank. Due the ongoing litigation with the courts, the loan balance is subject to confirmation.

15.00 Director's and Other Loans and Advances:	TK. 17,320,197		
This is made up as follows			
Opening balance		17,320,197	17,320,197
Add: Received during the year		-	-
Less: Paid during the year		-	-
Closing balance		17,320,197	17,320,197

These represent loan from directors which do not carry any interest.

16.00 Deferred Tax Liabilities:	TK. 53,854,640		
This is made up as follows			
Opening balance		53,675,856	53,484,592
Add: Addition during the year		178,784	191,264
		53,854,640	53,675,856
Less: Adjustment during the year		-	-
Closing balance		53,854,640	53,675,856

17.00 Turnover/Sales:

TK. 856,130,508

This is made up as follows :

Particulars	30 June, 2019		30 June, 2018	
	Qty. In Lb.	Taka	Quantity Lbs	Taka
Local Sales of Yarn/Waste cotton	258,399	491,096	108,412	421,474
Less : Vat on Sales of Waste cotton	-	64,057	-	63,221
	258,399	427,039	108,412	358,253
Add : Export of Yarn	6,162,298	855,703,469	5,814,677	793,260,765
Total turnover (Net)	6,420,697	856,130,508	5,923,089	793,619,018

18.00 Cost of Goods Sold : TK. 701,736,577

This is made up as follows :

Particulars	Quantity	AMOUNT IN TAKA			30 June, 2019	30 June, 2018
	Lbs	Unit-1	Unit - 2	Unit - 3	Taka	Taka
WIP as on 01.07.2018	75,532	1,074,747	2,763,635	3,838,382	7,676,763	8,187,650
Add: Raw cotton input (Note- 19)	7,685,788	70,802,812	101,146,874	333,784,686	505,734,372	456,582,720
	7,761,320	71,877,559	103,910,509	337,623,067	513,411,135	464,770,370
Less :WIP as on 30.06.2019	100,935	1,436,213	3,693,118	5,129,331	10,258,661	7,676,763
Wastage recovery	1,449,696	3,548,122	9,123,741	12,671,863	25,343,725	21,806,837
	1,550,631	4,984,334	12,816,859	17,801,193	35,602,386	29,483,600
Raw Material Consumed	6,210,689	66,893,225	91,093,650	319,821,874	477,808,749	435,286,770
Add: Factory Overhead (Note -25)		34,037,892	87,526,008	121,563,900	243,127,800	243,258,704
Cost of Production	6,210,689	100,931,117	178,619,658	441,385,774	720,936,549	678,545,474
Add : Stock of Yarn as on 01.07.2018	286,267	8,339,541	21,444,533	29,784,074	59,568,148	41,508,715
	6,496,956	109,270,658	200,064,191	471,169,848	780,504,697	720,054,188
Less: Stock of Yarn as on 30.06.2019 (Note-20)	269,071	(11,027,537)	(28,356,523)	(39,384,060)	(78,768,120)	(59,568,148)
Cost of Goods Sold	6,227,885	120,298,194	228,420,715	510,553,908	701,736,577	660,486,040

19.00 Raw Cotton Input : TK. 505,734,372

This amount comprises as follows :

Particulars	30 June , 2019		30 June , 2018	
	Quantity (lbs)	Value	Quantity (lbs)	Value
Stock of Raw cotton as on 01.07.2018	4,436,341	426,252,146	4,597,612	489,400,081
Add : Raw cotton purchased during the year	6,957,347	647,966,659	7,337,181	423,434,785
	11,393,688	1,074,218,805	11,934,793	912,834,866
Less : Stock of raw cotton	(3,707,900)	(568,484,433)	(4,787,218)	(456,252,146)
Stock of slow moving raw materials written off	-	-	(350,877)	(30,000,000)
Stock of raw cotton as on 30.06.2019	(3,707,900)	(568,484,433)	(4,436,341)	(426,252,146)
Input of Raw cotton during the year	7,685,788	505,734,372	7,147,575	456,582,720

20.00 Stock : 269,071 Lbs.

This is made up as follows :

Particulars	30 June, 2019		30 June, 2018	
	Quantity in Lbs	Quantity in Lbs	Quantity in Lbs	Quantity in Lbs
Opening balance	-	203,484	-	286,267
Add: Production during the year		6,227,885	-	5,731,894
		6,431,369	-	6,018,161
Less: Sales during the year :				
Local	-	-	-	-
Export	-	6,162,298	-	5,814,677
Closing balance		269,071		203,484

21.00 Administrative Expenses: TK. 30,550,588

This is made up as follows :

Particulars	AMOUNT IN TAKA			30 June, 2019	30 June, 2018
	Unit-1	Unit - 2	Unit - 3	Taka	Taka
Directors' Remuneration	159,391	409,863	569,254	1,138,508	1,138,508
Salary & allowances (Note -22)	1,616,106	4,155,702	5,771,808	11,543,616	12,980,270
Overtime	347,713	894,120	1,241,834	2,483,667	2,483,667
Bonus (Note - 22)	376,372	967,813	1,344,185	2,688,370	3,022,950
Board Meeting fee	17,500	45,000	62,500	125,000	145,000
Notice pay	552	1,420	1,973	3,945	3,945
Traveling & conveyance	50,579	130,060	180,640	361,279	706,535
Printing & Stationery	20,495	52,701	73,196	146,391	118,402
Vehicle Maintenance	9,972	25,644	35,616	71,232	276,068
Cleaning expenses	29,190	75,060	104,250	208,500	209,130
Subscription (BTMA)	13,671	35,154	48,825	97,650	97,856
Subscription (BCI & BAPLC)	7,000	18,000	25,000	50,000	30,000
Newspaper & Periodicals	1,742	4,480	6,223	12,445	-
Uniform	19,006	48,872	67,878	135,756	154,160
Postage	1,459	3,752	5,211	10,422	18,348
Entertainment	4,332	11,140	15,473	30,945	80,641
Electricity	53,464	137,479	190,943	381,887	352,166
Employees Lunch	63,790	164,030	227,820	455,640	499,223
Fees & Renewal	2,232	5,740	7,973	15,945	451,476
Gardening	5,005	12,870	17,875	35,750	22,178
lfter bill	9,901	25,460	35,362	70,723	73,584
Telephone & Mobile Bill	11,387	29,282	40,669	81,338	157,551
License & renewals	9,807	25,217	35,024	70,048	88,216
Work Permit Fee	1,400	3,600	5,000	10,000	10,000
City Corporation Tax	31,715	81,553	113,268	226,535	240,656
Advertisement	23,265	59,824	83,089	166,177	167,550
WASA Bill/Water Bill	6,896	17,732	24,628	49,256	243,212
Internet connection (WiFi)	12,043	30,967	43,010	86,020	138,740
Ceremonial expenses	9,200	23,657	32,857	65,714	69,782
Carring & Handling	18,554	47,711	66,265	132,530	138,140
Miscellaneous Expenses	68,705	176,670	245,375	490,750	351,940
Office Rent	515,093	1,324,525	1,839,618	3,679,236	3,679,236
Office expenses	1,190	3,060	4,250	8,500	6,882
Donation & others	633	1,627	2,260	4,520	329,100
Group Insurance	146,803	377,494	524,297	1,048,594	579,165
Repairs & maintenance (Building)	2,201	5,659	7,860	15,720	5,172
Repairs & maintenance (Others)	3,702	9,518	13,220	26,440	300,074
AGM Expenses	57,576	148,052	205,628	411,255	201,250
Audit fees with 15% Vat	32,200	82,800	115,000	230,000	201,250
Leave benefits	21,601	55,544	77,145	154,290	100,709
Subscription for DSE, CSE & Others	33,367	85,801	119,168	238,335	132,335
E-mail expenses/IT	-	-	-	-	4,200
Medical expenses	42	109	151	302	140,334
Training expenses	1,862	4,788	6,650	13,300	12,500
Welfare	10,026	25,781	35,808	71,615	70,630
Depreciation (Schedule-4/A)	418,284	1,075,587	1,493,871	2,987,741	3,217,245
Website maintenance	6,300	16,200	22,500	45,000	90,000
Sundry expenses	23,758	61,092	84,850	169,700	167,081
Total	4,277,082	10,998,212	15,275,294	30,550,588	33,707,057

22.00 Salaries ,Allowances & Bonus: TK. 14,231,986

This amount comprises as follows :

Particulars	30 June, 2019		30 June, 2018	
	Employees	Amount in Taka	Employees	Amount in Taka
a) Up to Tk. 3,000 Per Month	27	1,893,000	29	1,641,728
b) Above Tk. 3,000 Per Month	93	12,338,986	102	14,361,492
	120	14,231,986	131	16,003,220

23.00 Selling & Distribution Expenses: TK. 2,351,000

Particulars	AMOUNT IN TAKA			30 June , 2019	30 June , 2018
	Unit-1	Unit - 2	Unit - 3	Taka	Taka
Carriage outward & Discount	329,140	846,360	1,175,500	2,351,000	2,031,050
Total	329,140	846,360	1,175,500	2,351,000	2,031,050

24.00 Financial Expenses: TK. 91,315,400

This amount comprises as follows :

Particulars	AMOUNT IN TAKA			30 June , 2019	30 June , 2018
	Unit-1	Unit-2	Unit - 3	Taka	Taka
Interest on BDBL Term Loan	4,242,782	10,910,011	15,152,793	30,305,585	27,156,797
Interest on MTBL Term Loan	5,664,547	14,565,979	20,230,527	40,461,053	34,581,336
Interest on RBL Term Loan	2,902,973	7,464,788	10,367,762	20,735,523	23,436,320
Interest on CC Loan	135,372	348,100	483,473	966,945	1,400,061
Realized (gain) or Loss in foreign exchange	594,703	1,529,235	2,123,938	4,247,875	-
Un realized (gain) or Loss in foreign exchange	(759,132)	(1,952,053)	(2,711,185)	(5,422,369)	(8,183,271)
Bank charges & commission	2,910	7,484	10,394	20,788	43,922
Total	12,784,156	32,873,544	45,657,700	91,315,400	78,435,165

25.00 Factory Overhead: TK. 243,127,800

This amount comprises as follows :

Particulars	AMOUNT IN TAKA			30 June, 2019	30 June , 2018
	Unit-1	Unit - 2	Unit - 3	Taka	Taka
Salary & allowance and wages (Note : 25.01)	9,332,073	23,996,759	33,328,833	66,657,665	67,131,139
Bonus	672,422	1,729,085	2,401,508	4,803,015	4,418,010
Carriage Inward	13,161	33,843	47,004	94,008	102,668
Electricity	17,205,961	44,243,900	61,449,861	122,899,721	124,301,335
Stores & Spares	508,264	1,306,963	1,815,227	3,630,454	2,888,538
Packing Materials	941,313	2,420,520	3,361,834	6,723,667	4,897,924
Insurance (Fire policy of Machinery, Building, Raw cotton Godown)	146,803	377,494	524,297	1,048,594	378,944
Oil & lubricant	221,534	569,659	791,193	1,582,385	1,445,516
Overtime expenses	81,567	209,744	291,311	582,621	334,931
Repair & Maintenance	67,589	173,800	241,390	482,779	260,668
Leave benefits & gratuity	36,941	94,991	131,933	263,865	100,709
Depreciation (Schedule-4/A)	4,810,264	12,369,249	17,179,513	34,359,026	36,998,322
Total	34,037,892	87,526,008	121,563,900	243,127,800	243,258,704

25.01 Salary , Allowances and Wages : Tk. 66,657,665

This amount comprises as follows :

Particulars	30 June , 2019		30 June , 2018	
	Employees	Amount in TAKA	Employees	Amount in TAKA
a) Up to Tk. 3,000 Per Month	1,480	53,312,980	1,495	52,592,261
b) Above Tk. 3,000 Per Month	229	13,344,685	231	14,538,878
	1,709	66,657,665	1,726	67,131,139

26.00 Non-Operating Income TK. 1,439,359

30 June, 2019 Taka	30 June, 2018 Taka
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This amount comprises as follows :

Dividend Received from CDBL	1,427,955	1,427,955
Interest Income	11,404	9,827
	1,439,359	1,437,782

27.00 Provision for Income Tax TK. 5,136,783

Particulars	30 June, 2019 Taka	30 June, 2018 Taka
Opening Balance	4,988,291	6,802,122
Add: during the year	5,136,783	4,988,291
Balance after addition	10,125,074	11,790,413
Less : Adjustment during the year	4,988,291	6,802,122
Closing Balance	5,136,783	4,988,291

As per IAS 12, Paragraph 81, a numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate(s) is provided below:

Net Income:	29,835,487
Tax: 15% of Net Income [A]	4,475,323
Minimum Tax as per Section 82/C: 0.6% of Revenue [B]:	5,136,783
Tax Deducted at Source [C]	3,496,626
Tax Provision: Greater of [A], [B] and [C]	5,136,783

28.00 Earning Per Share (EPS):

Particulars	30 June, 2019 Taka	30 June, 2018 Taka
The computation of EPS is given below:		
(a) Earning attributable to the ordinary shareholders (Net Profit after income tax)	24,519,920	(14,982,055)
(b) Weighted average number of ordinary shares outstanding during the year	26,467,056	26,467,056
(c) Basic Earning Per Share	0.93	(0.57)

29.00 Net Assets Value Per Share (NAVPS)

Particulars	30 June, 2019 Taka	30 June, 2018 Taka
a) Net assets value	779,193,736	754,673,816
b) Number of ordinary shares outstanding during the year	26,467,056	26,467,056
Net Assets Value Per Share (NAVPS)	29.44	28.51

30.00 Net Operating Cash Flow Per Share (NOCFPS)

Particulars	30 June, 2019 Taka	30 June, 2018 Taka
A. Net Operating Cash Flow (Numerator)	14,668,783	8,557,027
B. No. of Shares Outstanding	26,467,056	26,467,056
Net Operating Cash Flow Per Shares (A/B)	0.55	0.32

31.00 Reconciliation of cash flows from operating activities through Indirect method

As per Clause No. 5 (2) (e) of Notification No. BSEC/CMRRCD/2006-158/208/Admin/81, Dated: 20 June 2018: A Reconciliation of Net operating cash flow under Indirect Method is provided below:

Net Income after Tax

Particulars	30 June, 2019 Taka	30 June, 2018 Taka
Net Income after tax	24,519,920	(14,982,055)
Non - Cash Adjustments		
Depreciation	37,346,768	40,215,568
Inventory Write Off		30,000,000
Deferred Tax Expense	178,784	191,264
	62,045,471	55,424,777
Working capital adjustments		
Increase in Trade & Other Receivables	62,409,060	(120,153,547)
Decrease in Inventory (excluding the inventory write-off)	(174,029,829)	15,971,982
Increase in Advances, Deposits and Prepayments	1,210,279	(58,500)
Decrease in Trade & Other Payables	(22,032,246)	(15,377,240)
Increase in WPPF	1,580,815	
Decrease in Provision for Income Tax	148,492	
Increase in Bank Interest Payable	88,759,109	80,932,827
	20,091,152	16,740,299
Less: Unrealized gain on exchange rate fluctuation	(5,422,369)	(8,183,271)
Net cash flow from Operating activities	14,668,783	8,557,028
Net Operating cash flow per Share	0.55	0.32

SONARGAON TEXTILES LTD.

SCHEDULE OF PROPERTY PLANT AND EQUIPMENT

As at 30th June 2019.

UNIT - 1

SL. No.	PARTICULARS	COST			RATE OF DEP.	DEPRECIATION					Written Down Value	
		As on 01-07-2018	Additions during the year	Disposal/ Adjustment during the year		As on 01-07-2018	Charged During the year	Adjustment/ Transferred	Disposal/ Adjustment during the year	As on 30-06-2019	As on 30-06-2019	As on 30-06-2018
1	Land & Land Development	103,803,963	-	-	-	-	-	-	-	-	103,803,963	103,803,963
2	Building & Construction	64,478,714	-	-	5%	20,709,976	2,188,437	-	-	22,898,413	41,580,301	43,768,738
3	Plant & Machinery	240,978,096	-	-	7%	115,610,969	8,775,720	-	-	124,386,389	116,591,707	125,367,427
4	Furniture & Fixture	1,152,613	-	-	15%	1,114,962	5,648	-	-	1,120,610	32,003	37,651
5	Motor Vehicles	5,019,620	-	-	20%	3,933,310	217,262	-	-	4,150,572	869,048	1,086,310
6	Sundry Assets	6,218,436	-	-	20%	6,014,915	40,704	-	-	6,055,619	162,817	203,521
	Total	421,651,442	-	-		147,383,832	11,227,771	-	-	158,611,603	263,039,839	274,267,610

Schedule - 1
Amount in Taka

SONARGAON TEXTILES LTD.

SCHEDULE OF PROPERTY PLANT AND EQUIPMENT

As at 30th June 2019.

UNIT - 2

SL. No.	PARTICULARS	COST			RATE OF DEP.	DEPRECIATION					Written Down Value	
		As on 01-07-2018	Additions during the year	Disposal/ Adjustment during the year		As on 01-07-2018	Charged During the year	Adjustment/ Transferred	Disposal/ Adjustment during the year	As on 30-06-2019	As on 30-06-2019	As on 30-06-2018
1	Land & Land Development	29,806,774	-	-	-	-	-	-	-	-	29,806,774	29,806,774
2	Building & Construction	43,972,124	-	-	5%	14,331,713	1,482,021	-	-	15,813,734	28,158,390	29,640,411
3	Plant & Machinery	215,104,404	-	-	7%	106,936,485	7,571,754	-	-	114,508,239	100,596,165	108,167,919
4	Furniture & Fixture	5,377,188	-	-	15%	5,079,026	44,724	-	-	5,123,750	253,438	298,162
5	Motor Vehicles	12,813,366	-	-	20%	9,465,940	669,485	-	-	10,135,425	2,677,941	3,347,426
6	Sundry Assets	7,063,764	-	-	20%	6,799,020	52,949	-	-	6,851,969	211,795	264,744
	Total	314,137,620	-	-		142,612,184	9,820,933	-	-	152,433,117	161,704,503	171,525,436

Schedule - 2

SONARGAON TEXTILES LTD.

SCHEDULE OF PROPERTY PLANT AND EQUIPMENT

UNIT- 3

As at 30th June 2019.

Schedule - 3

SL. No.	PARTICULARS	COST			RATE OF DEP.	DEPRECIATION					Written Down Value	
		As on 01-07-2018	Additions during the year	Disposal/ Adjustment during the year		As on 30-06-2019	Charged During the year	Adjustment/ Transferred	Disposal/ Adjustment during the year	As on 30-06-2019	As on 30-06-2018	As on 30-06-2018
1	Land & Land Development	56,436,763	-	-	-	56,436,763	-	-	-	56,436,763	56,436,763	56,436,763
2	Building & Construction	77,717,462	-	-	5%	77,717,462	2,662,223	-	-	27,135,231	50,582,231	53,244,454
3	Plant & Machinery	384,562,189	-	-	7%	384,562,189	13,487,318	-	-	205,373,540	179,188,649	192,675,967
4	Furniture & Fixture	817,966	-	-	15%	817,966	16,981	-	-	721,738	96,228	113,209
5	Sundry Assets	7,149,229	-	-	20%	7,149,229	131,542	-	-	6,623,061	526,168	657,710
	Total	526,683,609	-	-		526,683,609	16,298,064	-	-	239,853,568	286,830,041	303,128,105

SONARGAON TEXTILES LTD.

CONSOLIDATED SCHEDULE OF PROPERTY PLANT AND EQUIPMENT

As at 30th June 2019.

Schedule - 4

SL. No.	PARTICULARS	COST			RATE OF DEP.	DEPRECIATION					Written Down Value	
		As on 01-07-2018	Additions during the year	Disposal/ Adjustment during the year		As on 30-06-2019	Charged During the year	Adjustment/ Transferred	Disposal/ Adjustment during the year	As on 30-06-2019	As on 30-06-2018	As on 30-06-2018
1	Unit 1 (Sch-1)	421,651,442	-	-	-	421,651,442	11,227,771	-	-	158,611,603	263,039,839	274,267,610
2	Unit 2 (Sch-2)	314,137,620	-	-	-	314,137,620	9,820,933	-	-	152,433,117	161,704,503	171,525,436
3	Unit 3 (Sch-3)	526,683,609	-	-	-	526,683,609	16,298,064	-	-	239,853,568	286,830,041	303,128,105
	Grand Total	1,262,472,671	-	-		1,262,472,671	37,346,768	-	-	550,898,288	711,574,383	748,921,151

Apportionment of Depreciation :

Schedule-4/A

SL. No.	Unit/Division	30 June, 2019			30 June, 2018
		Factory	Head Office	Taka	
1	Unit -1	10,329,549	898,222	11,227,771	12,068,978
2	Unit -2	9,035,259	785,675	9,820,933	10,657,352
3	Unit -3	14,994,219	1,303,845	16,298,064	17,489,238
		34,359,026	2,987,741	37,346,768	40,215,568

Schedule of Revaluation Reserve :

SL. No.	PARTICULARS	Revaluation Reserve			RATE OF DEP.	Adjustment			Carring Value as on 30.06.2018	
		Balance as on 01.07.2018	Revaluation surplus during the year	Deletion during the year		Balance as on 01-07-2018	During the year	Adjustment/ Transferred	Balance as on 30.06.2019	Carring Value as on 30.06.2018
1	Land & Land Development	178,869,655	-	-	-	-	-	-	-	178,869,655
2	Building & Construction	100,525,034	-	-	5%	29,072,665	3,572,619	-	32,645,273	71,452,379
3	Plant & Machinery	328,425,585	-	-	7%	125,746,686	14,187,524	-	139,934,189	202,678,920
	Total	607,820,274	-	-		154,819,319	17,760,143	-	172,579,463	453,000,955

Related party discloser

Related party is the party who has significant power on the company's management affairs and cast a significant on the company's management

Following are the parties who have made transactions with the company and have a significant power to influence the company's affairs:

Sl. No.	Name of the party	Designation	Nature of transacon	Amount in Taka
1	Md. A. K. M Azizur Rahman	Chairman	Short Term Loan	4,775,000
2	Mr. Bazlur Rahman	Managing Director	Short Term Loan	11,300,000
3	Mrs. Rosy Rahman	Director	Short Term Loan	1,245,197

Notes: _____

Sonargaon Textiles Ltd.

Khansons Centre (8th & 9th floor), 37, Kawran Bazar, Dhaka-1215.
33rd Annual General Meeting

PROXY FORM

I/We _____

of _____

being a Member of Sonargaon Textiles Ltd. do hereby appoint

Mr./Ms: _____

of _____

as my/our proxy, to attend and vote on me/us on my/our behalf at the 33rd Annual General Meeting of the company to be held on Wednesday, 18 December 2019 and at any adjournment thereof.

As witness I put my hand this _____ day of _____ 2019

(Signature of proxy)

(Signature of Shareholder)

BO ID NO.																	
Folio NO.																	

No. of shares _____

Revenue
Stamp
Tk. 20.00

Important:

- (1) This proxy form, duly stamped, must be deposited at the Corporate Office of the Company at least 48 (Forty Eight) hours before the time fixed for holding the meeting and in default, the instrument appointing the proxy shall not be treated as valid.
- (2) Signature of the shareholder the proxy must conform to specimen signature recorded with the company.

Signature Verified

Authorized Signature

Sonargaon Textiles Ltd.

Khansons Centre (8th & 9th floor), 37, Kawran Bazar, Dhaka-1215.
33rd Annual General Meeting

ATTENDANCE SLIP

I do hereby confirm my attendance at the 33rd Annual General Meeting of the Company.

Name of the shareholder/proxy _____

BO ID No.																	
Folio No.																	

Date:

Signature

Note: Shareholder attending the meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.



Corporate Office

SONARGAON TEXTILES LTD.

a member of khansons group

Khansons Centre (8th & 9th Floor), 37 Kawran bazar, Dhaka-1215
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