

## DIRECTORS' REPORT

**Bismillahir Rahmanir Rahim,**

Dear Shareholders,  
Assalamu Alykum,

On behalf of the Board of Directors of your company, I welcome you all to the 17th Annual General Meeting of R.N. Spinning Mills Ltd. We, the members of the Board are pleased to present Directors' Report, Auditors' Report and Audited Financial Statements for the financial year ended on 30th June 2021 before you for your consideration and approval. 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 and IAS-1 (International Accounting Standard-1) codes as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), these reports have been prepared and being presented before the shareholders for the financial year ended on 30th June 2021.

**Principal Activity:** The Principal Activity of the company was that of production and sales of high quality Acrylic and Cotton yarn through export. In the year under review, there was no production due to shut down of factory for fully destruction by fire incident but there were only sales of Acrylic and Cotton raw.

**Company's Operational Activity:** The Company's production capacity in Acrylic plant was 30,000 spindles and in Cotton Plant was 41,040 spindles in the year of 2018-2019 before fire accident. After fire accident it is nil. The production during the year ended on 30th June, 2021 was nil. During the year under review, the company was able to sell Tk. 3.45 Crore in comparison to Tk. 52.91 Crore of previous year. And the company generated Net Loss after Tax Tk.6.99 Crore in comparison to Net loss Tk.34.49 Crore of previous year. The loss was happened because the company had no production during the year, disposal of raw materials at a lower price than the acquisition value, fixed costs have been continuing that resulting the ultimate loss. The company management has utmost intention to start reconstruction of factory building and structures, once completion of fire damaged disposal and necessary financing arrangements thereon. Meantime, Company management has already opened some machinery's L/C with the intention to restore the entire plant. However the inspection and survey from concerned authorities have been still under process and respective report is still pending.

### CAPACITY / PRODUCTION:

The total installed production capacity during the year ended 30th June, 2020 was as follows:

2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
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#### (i) No. of Spindles (Installed):

A	Acrylic	-	-	30,000	30,000	30,000
B	Cotton	-	-	41,040	41,040	41,040

After fire accident dated 8<sup>th</sup> April 2019, the capacity stood nil.

2020-2021 12 months	2019-2020 12 months	2018-2019 12 months	2017-2018 12 months	2016-2017 12 months
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**(i) No. of Spindles (in operation):**

A	Acrylic	-	-	30,000	30,000	30,000
B	Cotton	-	-	41,040	41,040	41,040

After fire accident dated 8<sup>th</sup> April 2019, the capacity stood nil.

**(ii) Production (kg):**

A	Installed Capacity	-	-	13,260,000	13,260,000	13,260,000
B	Actual Production	-	-	12,948,670	10,297,087	12,376,654
C	Efficiency (%)	-	-	97.65	77.66	93.34

After fire accident dated 8<sup>th</sup> April 2019, the capacity and production stood nil. Production has been shut down due to destruction of full production facilities.

**1. COST OF PRODUCTION:**

The cost of production has varied during the past years primarily due to wide fluctuations in the price and availability of raw materials, packing materials, fuel & power, and spare parts which were beyond the control of Management. In the year the effect of fire incident also affected the measurement. The level of costs and their incidences are given below:

2020-2021 12 months	2019-2020 12 months	2018-2019 12 months	2017-2018 12 months	2016-2017 12 months
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a)	<b>Production</b>	-	-	12,948,670	10,297,087	12,376,654
b)	<b>Cost of Production (BDT):</b>					
	Raw Materials Consumed/disposal	42,442,741	256,495,108	1,807,427,810	1,510,342,098	1,824,110,169
	Packing Materials Consumed	-	4,651,413	17,822,047	17,375,686	21,550,339
	WIP-Opening	-	-	16,541,569	15,982,502	11,030,259
	WIP-Closing	-	-	-	16,541,569	15,982,502
	Manufacturing Overhead	8,818,556	75,297,664	342,164,650	282,735,272	280,679,264
	Depreciation	15,856,764	16,456,824	310,376,134	436,574,473	384,604,052
	Fire Damaged	-	-	16,928,159	-	-
	<b>Total</b>	<b>64,118,061</b>	<b>352,901,009</b>	<b>2,477,404,051</b>	<b>2,246,468,462</b>	<b>2,505,991,581</b>

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

RMG sector is the highest revenue generating sector in Bangladesh. Spinning sector is playing a vital part of RMG value chain, for stabilizing supply chain and control the major costs. The products of spinning are cotton yarn, polyester, synthetic yarn, woolen yarn and blended yarn mixed of cotton with polyester of different counts. Out of total demand of yarns in Bangladesh, almost 85% demand of cotton yarns and 50% demand for synthetic and blended yarn of export-oriented fabric producing mills are being met by the private sector spinning mills.

**Contribution of Textiles in Bangladesh:**

- Investment in the Primary Textile Sector: over 6.00 billion US\$.
- Value addition in knit & woven RMG are over 70% & 35% respectively.
- Textile sector contributes more than 13% in GDP.
- Over 86% of the export earning comes from Textiles & Textile related products.
- Around 90% yarn demand for knit RMG & 35-40% yarn demand for woven RMG are met by Primary Textile Sector (PTS).
- Local fabric demand & the yarn demand for handloom are also met by Primary Textile Sector (PTS).
- Backward & Forward linkage industries provide employment for more than 5 million people where 80% are female. (Source: Bangladesh Textile Mills Association).

The ongoing global economic crisis including COVID 19 effect having an impact on overall export dependent economies worldwide. Even high performing countries like China and India have recorded slowdowns. Other high performing economies like those of Thailand, Philippines and Indonesia are also suffering badly because of the ongoing crisis. In contrast, export of textile products from Bangladesh surprisingly remains quite buoyant. Readymade Garments exports have affected by significant percent during the year and over the corresponding period of last year.

You know that your company experienced producing Acrylic and cotton yarns and has 15 years of experiences in yarn spinning. The Company was one of the largest yarns producers in the textile sector of Bangladesh. It experienced producing around 30 ton of synthetic yarn and 22 ton of cotton yarn per day in the year of 2018-2019 before fire incident dated 8th April 2019. R.N. Spinning Mills Ltd. always focuses on more sustainable and eco-friendly products. The Company has recognized by its valued customers through quality products with committed services. Unfortunately, an unwanted incident like a fire accident destroyed the journey of the company. Moreover, management intends to restore the entire plant after necessary financing arrangements once necessary formalities from Comilla EPZ and other regulatory authorities is obtained.

**(ii) Segment-wise or product –wise performance:**

The following table indicates revenue of major products and its contribution percentage for the last two comparative periods:

Products	12 months ended 30-06-2021		12 months ended 30-06-2020	
	Taka	Percentage	Taka	Percentage
Acrylic	34,533,557	100.00%	94,506,095	17.86%
Cotton	-	-	434,619,754	82.14%
Total	<b>34,533,557</b>	100.00%	<b>529,125,850</b>	100.00%

**(iii) Risks and concerns:**

You know that your company's products selling is directly depends on the production of garments and textile sector. All sectors of the garments and textile industries face many of the same challenges. The main problems are lack of power and problem with labor unrest causing disruption of production. Price of grid electricity for industries is likely to increase as well. Gas price has increased for the industries but the government has further hinted the raise as well. In the year risk from Covid 19 has already undertaken worldwide. Hence, coming year could be a year when the industries may need to be prepared to pay more for energy and fuel. So, this forcing the sector to be more cost effective in the ever challenging international market.

**(iv) Analysis of Cost of Goods sold, Gross Profit Margin and Net Profit Margin:**

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

Cost of Goods Sold (COGS) is the expenses a company incurred in order to manufacture, create or to sell a product. It includes the purchase price of the raw materials as well as the expenses turning it into finished product. The Cost of goods sold for the 12 months ended on 30.06.2021 was Tk. 67.12 million as compared to the previous same period's cost of goods sold of Tk. 762.36 million. Production capacity utilized during the 12 months ended 30.06.2021 was 0.00% whereas during the 12 months ended 30.06.2020 it was 0.00%. Company's factory have been shut down since 8 April 2019 due to fire incident.

**(b) Gross Profit:**

Gross Profit is the difference between sales and the cost of goods sold.

Gross Profit = (Sales-Cost of Goods Sold)

The Gross Profit margin is one indicator to diagnose the financial health of a business. Larger gross profit margins are better for business-the higher the percentage, the more the business retains of each Taka of sales for other expenses and net profit.

Gross Profit Margin % = (Gross Profit/Sales) X 100

The company has achieved an export turnover of Tk. 34.53 million during the 12 months ended 30th June, 2021 which was Tk. 529.13 million in the last year. The decrease in turnover is 93.47% compared to the last year. The company has operated its uninterrupted usual business along with production as on 8th April, 2019, till the date of fire incident, and thereafter production has been shut down, overall effect in the business of the company affected adversely, due to that turnover and profitability decreased. Gross profit/loss earned during the 12 months ended 30th June, 2021 was Tk.(32.58) million as compared to last year's gross profit/(loss) of Tk.(233.23) million.

**(c) Net Profit or loss:**

Net Profit or loss is calculated by subtracting expenses including tax from the gross profit, showing what the business has earned (or lost) in a given period of time.

Net Profit or loss= Gross Profit-Expenses with tax

Net loss (after tax) earned during the 12 months ended 30th June, 2021 was Tk.69.87 million as compared to last year's Net loss (after tax) of Tk.344.94 million. The company has operated its uninterrupted usual business along with production as on 8th April, 2019, till the date of fire incident,

and thereafter production has been shut down, overall effect in the business of the company affected adversely, due to that profitability decreased. The loss was happen because the company has recognized the full amount of fire affected assets, inventories and items as a fire loss and has charged whole losses in the Statement of Profit or Loss and other Comprehensive Income and it was opined by the company management that the company may be able to start reconstruction of factory building and structures within few months once completion of fire damaged disposal and necessary financing arrangements thereon. Meantime, building drawing approval has already been obtained from BEPZA for onward start of construction. Whereas report of survey from concerned authorities have been still under process.

**(v) Extra-Ordinary gain or loss:**

There is no extraordinary gain or loss occurred during the reporting period except scrap sale as disclosed in note- 26.00 of the financial statements.

**(vi) Related party transactions:**

During the year the company has carried out transactions with related parties besides the normal course of business, details are given below:

**Director Remuneration & Fees:**

Particulars	Amount in Taka
Remuneration & Benefits to the Managing Director	600,000
Meeting attending fees	9,600
<b>Total</b>	<b>609,600</b>

**Other Transaction:**

Name of related party	Relationship	Nature of transaction	Transaction type at the end of the period	Outstanding balance as on 30.06.2021
S.F. Textile Industries Ltd.	Common Ownership	Sale of Goods	Bills Receivable	14,854,280
F&S Industries Limited	Director	Short term loan	Short term loan	43,650,000
Rahman & Nesa Hospital and Research Center Ltd.	Common Ownership	Short term loan	Short term loan	135,888,000
Samin Food and Beverage Ind. & Textile Mills Ltd.	Common Ownership	Short term loan	Short term loan	31,201,275

M. L. Dyeing Limited owns 34,589,966 number of ordinary shares of Tk. 10/- each at total amounting Tk. 345,899,660 being 8.81% of total ordinary shares of R.N. Spinning Mills Ltd.

Related Party Transactions are depicted in Note No. 33.00 in the Notes of Accounts.

**(vii)** The Company has no issue of utilization of proceeds raised through public issues, rights issues and/or any other instruments during the year ended 30 June 2021.

**(viii)** There is no event of deterioration of the financial results during the year ended 30 June 2021 because none of event incurred in connection with Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing etc. in the reporting period.

**(ix) Variance between Quarterly Financial performance and Annual Financial Statements:**

There is no significant variance between the Quarterly Financial performance and Annual Financial Statement

(ix) Variance between Quarterly Financial performance and Annual Financial Statements:  
There is no significant variance between the Quarterly Financial performance and Annual Financial Statements.

(ix) Remuneration to directors including independent directors:  
The remunerations of Directors for the 12 months ended 30.06.2021 are as follows:

**Director Remuneration & Fees:**

Particulars	Amount in Taka
Remuneration & Benefits to the outgoing Managing Director	300,000
Remuneration & Benefits to the New Managing Director	300,000
Meeting attending fees	9,600
Total	609,600

Remuneration of Directors including Independent Directors has been shown in Note no. 33.00 in the Notes of Accounts.

**(xi) Statement of Directors on Financial Reports:**

- The financial statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- 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 have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- 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;
- There are significant doubts upon the issuer company's ability to continue as a going concern with present resources that the fire incident results the inability to continue until restart of factory by further arrangements.

**(xii) Deviation from the last year's operating results:**

Apparently, operating results have been improved i.e. loss have been decreased in compared to last year which is because of reduction of operating expenses. Apart from that there is no such other type of deviation in operating results compared to the previous period. Company's production have been shut down since the date of fire incident i.e.; 8th April, 2019. Moreover, management intends to restore the entire plant after necessary financing arrangements once necessary formalities from Comilla EPZ and other regulatory authorities is obtained and for this reason the management of the company adopted the going concern concept in preparing and presenting this financial statements.

**(xiii) Key operating and financial data of last preceding 5 (five) years:****Operational Data:**

Particulars	Year ended on				
	30.06.2021	30.06.2020	30.06.2019	30.06.2018	30.06.2017
Turnover (Tk)	34,533,557	529,125,850	1,929,393,690	2,188,498,612	3,283,934,508
Gross Profit (Tk)	(32,584,504)	(233,231,472)	204,159,950	340,225,278	414,527,861
Net Operating Profit (Tk)	(82,438,290)	(347,618,209)	53,225,936	241,500,956	337,161,747
Net Profit or loss before tax (Tk)	(74,536,465)	(335,152,719)	(6,068,944,073)	243,026,096	338,224,138
Net Profit or loss after tax (Tk)	(69,865,896)	(344,939,466)	(6,071,114,792)	206,267,154	338,224,138
Dividend on Preference Share	-	-	-	-	39,287,430
Net Profit or loss for ordinary shareholders	(69,865,896)	(344,939,466)	(6,071,114,792)	206,267,154	298,936,708
Basic EPS (Tk)	(0.18)	(0.88)	(15.47)	0.53	0.84
Dividend per share (%)	-	-	-	10%	20%

**(xiv) Key operating and financial data of last preceding 5 (five) years:****Financial Data:**

Particulars	Year ended as on				
	30.06.2021	30.06.2020	30.06.2019	30.06.2018	30.06.2017
Authorized Capital (Tk)	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000
Paid up Capital (Tk)	3,925,448,340	3,925,448,340	3,925,448,340	3,568,589,400	2,973,824,500
Preference Shares (TK.)	-	-	-	-	-
Face value per share (Tk)	10	10	10	10	10
Retained Earnings (Tk)	(4,466,852,335)	(4,396,986,439)	(4,052,046,972)	2,375,926,760	2,764,424,506
Current Assets (Tk)	90,815,488	168,204,603	1,155,696,168	2,484,079,556	2,298,612,409
Current Liabilities (Tk)	341,897,014	356,146,430	1,014,377,938	921,395,623	1,253,804,323
Current Ratio	0.27	0.47	1.14	2.70	1.83
Quick Ratio	0.23	0.28	0.37	1.10	0.83

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Debt-Equity Ratio	5.29	3.24	2.17	0.14	0.20
Time Interest Earned Ratio	(1.78)	(3.37)	(94.59)	11.80	60.91
Return on Assets	(14.04%)	(8.44%)	(33.79%)	0.68%	1.01%
Return on Equity	(74.88%)	(268.97%)	(1283.04%)	5.78%	10.05%
Earnings per share	(0.18)	(0.88)	(15.47)	0.58	0.84
Dividend per share	-	-	-	10%	20%
Inventory Turnover	3.16	0.51	0.41	0.36	0.54
Asset Turnover	0.069	0.13	0.11	0.07	0.11
Number of Shares	392,544,834	392,544,834	392,544,834	356,858,940	297,382,450
Number of Shareholders	27,639	29,939	31,294	31,090	32,376

**(xv) Dividend:** Our Policy was/is to offer consistent dividends that closely reflect business performance. But due to fire incident, the company has to carry on huge amount of losses which impacted on the profitability and profit position of the company for the year ended 30th June 2020 and 30 June 2021. Retained Earnings balance has become negative. Considering to the overall situations, the Company Board on 27 October 2021, has recommended No Dividend for all shareholders for the year ended on 30 June 2021 which will be placed before the shareholders for approval in the Annual General Meeting of the Company as per respective shareholding position on the record date i.e. 25 November 2021. Company declare No dividend due to negative balance in retained earnings and future planning for re-investment and business growth.

**(xvi) Interim Dividend:** Board of Directors confirm that no bonus share or stock dividend or cash dividend has been declared as interim dividend and shall not be declared any stock or bonus share as interim dividend in future.

**(xvii) Number of Board Meetings:**

The Board met 6 times during year ended 30th June, 2021. The members who could not attend the meeting were granted leave and outside of the country.

**(xviii) The pattern of shareholding:**

a) Parent/ Subsidiary/ Associated Companies and other related parities

**Number of shares held:** M. L. Dyeing Limited owns 34,589,966 number of ordinary shares of Tk. 10/- each at total amounting Tk. 345,899,660 being 8.81% of total ordinary shares of R.N. Spinning Mills Ltd.

b) Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit and Compliance and their spouses and minor children:



Name	Position	Number of share held
Mr. Md. Humayun Kabir (Rep. Director of M.L. Dyeing Ltd.)	Chairman	M.L. Dyeing Ltd. holds 34,589,966 shares in R.N. Spinning Mills Ltd.
Mr. Md. Abul Kashem	Managing Director	-
Md. Abdul Kader Faruk	Director	7,854,255
Mrs. Shirin Faruk	Director	58,227,840
Mr. Md. Obaydul Huq (Rep. Director of F & S Industries Limited)	Director	16,073,000
Mr. Omar Faruque	Independent Director	-
Mr. A. Raquibul Islam	Company Secretary	-
Mr. Muhammed Mizanur Rahman	CFO	-
Mr. Md. Mizanur Rahman	Head of Internal Audit	-
Other than above, none of the spouse and minor children hold any shares of the company		

b) Senior Corporate Executives :

Number of shares held : Nil

c) Shareholders holding ten percent (10%) or more voting interest in the company

Mrs. Shirin Faruk : 58,227,840 Shares (14.83%)

**(xix) Appointment / re-appointment of directors of the company:**

**Retirement:**

1. Mr. Md. Abdul Kader Faruk Director and Mrs. Shirin Faruk, Director of the Company will retire.

**Appointment/Re-appointment:**

1. Mr. Md. Abdul Kader Faruk Director being eligible, offering himself for re-election as Director.

2. Mrs. Shirin Faruk, Director being eligible, offering herself for re-election as Director.

**Re-appointment of Independent Director:**

As per provision of Corporate Governance Guidelines notification no: BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 by Bangladesh Securities and Exchange Commission (BSEC), Mr. Omar Faruque re-appointed by Board of Directors on 29.05.2021 as Independent Director of the Company for a period of additional 3 (three) years, subject to the approval of shareholders in the AGM. Short bio-data of the director is enclosed herewith in the section of Director's Profile.

**(xx) Director's involvement in other companies:**

Sl. No.	Name of Directors	Position at R.N. Spinning Mills Ltd.	Entities where they have interests	Position in other Companies
1	Md. Abdul Kader Faruk	Director	M.L. Dyeing Limited	Sponsor shareholder
			S.F. Textile Industries Limited	Sponsor shareholder
			Samin Food & Beverage Inds. And Textile Mills Ltd.	Sponsor Director
2	Mrs. Shirin Faruk	Director	M.L. Dyeing Limited	Sponsor shareholder
			S.F. Textile Industries Limited	Sponsor shareholder
			Samin Food & Beverage Inds. And Textile Mills Ltd.	Sponsor Director

**(xxi) Auditors:**

a) In last AGM Shiraz Khan Basak & Co., Chartered Accountants was approved for appointment for the year ended 30th June 2021. But due to ineligibility of the Engagement Partner to perform the audit, Board of Directors then appointed Kazi Zahir Khan & Co, Chartered Accountants as auditors for the year ended 30th June 2021 on 16th August, 2021 which require approval in the 17th AGM. Kazi Zahir Khan & Co., Chartered Accountants retired after completing the audit of 1st year for the year ended 30th June 2021 and Kazi Zahir Khan & Co, Chartered Accountants has expressed their interest for re-appointment as Auditors for the year ended 30th June 2022 with an honorarium as per fees structure of the ICAB.

b) Mujibur Rahman & Co., Cost & Management Accountants acted as auditors to audit compliance conditions on the Corporate Governance code for the financial year ended 30th June, 2021 and reported accordingly. Mujibur Rahman & Co., Cost & Management Accountants expressed their interest for re-appointment as auditors to audit compliance conditions on the Corporate Governance code for the financial year ended 30th June, 2022 with an honorarium Tk. 50,000/- (taka fifty thousand) only.

**(xxii) Corporate Governance Compliance Report:**

In accordance with the requirement of the Bangladesh Securities and Exchange Commission, Corporate Governance Report is annexed.

**(xxiii) Going Concern:**

As the company's production plants have been destroyed by fire and company's production have been shut down since the date of fire incident i.e.; 8th April, 2019 and the Board of Directors has utmost intention to reconstruct the buildings and import & install new machineries for going to production by disposing of the fire damaged structures and machineries. Company management has already opened some machinery's L/C with the intention to restore the entire plant whereas necessary financing arrangements, necessary formalities from Comilla EPZ and other regulatory authorities is to obtain and however the management of the company adopted the going concern concept in preparing and presenting this financial statements. The company has now limited available assets to reconstruct the buildings and import & install new machineries for going to production. For restart, necessary financing may be required by otherwise financing arrangement(s) if the claim from insurance company does not fulfill the requirements.

**(xxiv) Internal Control System:**

The Company has an internal control system, commensurate with the size, scale and complexity of its operations. The scope and authority of the Internal Audit function is defined in the Internal Audit Charter. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Board.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Board.

**(xxv) Minority Shareholders' Protection:**

The Board is and shall be committed to respect the rights of the minority shareholders to voting, right to information, dividends and appraisal of any alteration in Memorandum and Articles.

**(xxvi) Management discussion and analysis:**

The Board of Directors converse on the increase /decrease of revenue, cost of goods sold, gross and net profit margin. The Board also takes instant actions on the inquiry as required. A detailed report on discussion in this regard is comprised in the Annual Report.

**(xxvii) Subsequent events:**

Amounts recognized in the financial statements are adjusted for events after the reporting period that provide evidence of conditions that existed at the reporting period. No adjustment is given in the financial statements for events after the reporting period that are indicative of conditions that arose after the reporting period. Material non-adjusting events, if any, are disclosed in the financial statements.

Fire damaged disposal is still going on till to the date of authorization of the financial statements. Determination of recoverable value of scrap sale is going on as per weight (kg) which will be confirmed once the full disposal will be completed. Meantime, some machinery L/C has been opened.

There are no other events identified after the date of the statement of financial position which require adjustment or disclosure in the accompanying financial statements.

**(xxviii) Audit Committee:**

The Board has constituted the Audit Committee as follows:

Chairman & Independent Director	: Mr. Omar Faruque
Member	: Mr. Md. Obaydul Huq
Member	: Mrs. Shirin Faruk
Member Secretary	: Mr. A. Raquibul Islam

During the reporting period under review, the Committee held four meetings. A detail of the roles and activities of the Audit Committee has been provided in "The Report of The Audit Committee".

**(xxix) Nomination and Remuneration Committee (NRC):**

Nomination and Remuneration Committee (NRC) has been formed as follows as per provision of Corporate Governance Guidelines notification No: BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 by Bangladesh Securities and Exchange Commission (BSEC).

This policy on nomination and remuneration of Directors and top level executives of the company has been formulated by the Nomination and Remuneration Committee (NRC) and has been approved by the Board of Directors. This is a subcommittee of the Board which encompasses by the following:

Chairman	: Mr. Omar Faruque
Member	: Mrs. Shirin Faruk
Member	: Mr. Md. Abdul Kader Faruk
Member Secretary	: Mr. A. Raquibul Islam

**Nomination and remuneration policy:**

The Nomination and Remuneration Policy is prepared and adopted in compliance with Corporate Governance Code 2018 of Bangladesh Securities and Exchange Commission in view to formulate and recommend proper, fair, transparent and non-discriminatory nomination and remuneration for the Directors and Top Level Executives of the R.N. Spinning Mills Ltd. The Nomination and Remuneration Policy of Directors and Top Level Executives have been formulated by the Nomination and Remuneration Committee and have been approved by the Board of Directors of R.N. Spinning Mills Ltd.

The Nomination and Remuneration Committee has been constituted by the Board of Directors of the Company as a subcommittee to assist the Board under the Condition No. 6 of the Corporate Governance Code 2018 of Bangladesh Securities and Exchange Commission.

NRC is independent and responsible or accountable to the Board of Directors and to the Shareholders of Company.

**Terms of Reference and objective of the NRC:**

The Terms of Reference of the NRC have been defined and adopted by the Board of Directors of the Company. The objective of the NRC is to oversee, assist and guide the Board of Directors:-

- To formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy relating to the remuneration of Directors and Top Level Executives.
- To devise policy on Board's diversity taking into consideration of age, gender, experience, ethnicity, educational background and nationality.
- To the appointment, fixation of remuneration and removal of Directors and Top Level Executives.
- To formulate the criteria in respect to evaluate performance of the Independent Director and the Board.
- To identify the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria.
- To develop, recommend and review the company's human resources and training policies.
- To retain, motivate and promote talent and to ensure long term sustainability of talented Top Level Executive and create competitive advantage.
- To recommend Code of Conduct for the Chairman and other Members of the Board and Managing Director.
- To Implement and monitor policies and processes regarding principles of corporate governance.

**Nomination and Appointment of Directors and Top Level Executives:**

The committee is responsible to ensure that the procedures for nomination and appointment of Directors and Top Level Executive are taken place in transparent, rigorous and non-discriminatory way. The committee also responsible to identify and ascertain the combination of age, gender, educational background, experience, knowledge, ethnicity, diversity, nationality and other relevant personal values & attributes for nomination and appointment of Director and Top Level Executives.

**Remuneration for Directors and Top Level Executives:**

The committee shall oversee, review and make report with recommendation to the Board the level and composition of remuneration is reasonable and sufficient to attract, motivate and retain suitable, dependable and skilled Director and Top Level Executive. They also consider and review the relationship of remuneration to performance is clear and meets appropriate performance benchmarks, remuneration to Director and Top Level Executive involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals.

**Validation of the Policy:**

This policy on Nomination and Remuneration of Directors and Top Level Executives of the Company has been formulated by the Nomination and Remuneration Committee and has been approved by the Board of Directors of R.N. Spinning Mills Ltd.

**Amendments to the Policy:**

The Board preserves the rights to amend and review time to time the provisions of the policy depending on the legal and other requirements or for a bonafide purpose.

**Evaluation of Performance:**

Evaluation of performance of Directors be carried out through completion of a preset confidential questionnaire and/or collective feedback or any other effective criteria adopted by the Board yearly or at such intervals of its work, function and performance as may be considered necessary in order to ascertain the effectiveness and to measure the contribution of the Directors as well as the Top Level Executives of the Company.

**Activities of the NRC carried out during the reporting period:**

The NRC carried out the following activities in line with Committee's Terms of Reference during the reporting period:

- i. Reviewed and recommended the Code of Conduct for the Chairman, other Members of the Board and Managing Director.
- ii. Reviewed the Company's existing policy relating to the remuneration of Directors and Top Level Executives.
- iii. Discussed and decided in regard to formulate the criteria of evaluation of performance of the Board and Independent Directors.
- iv. Reviewed the Company's existing Human Resource and Training policies.

**(xxx) Contribution to national exchequer:**

Being a responsible business entity, R.N. Spinning Mills Limited is contributing and facilitating to Government's revenue. In the reporting period, we have contributed significant amount in this regards.

**(xxxi) Corporate social responsibility (CSR):**

Over the years, your company's commitment to Corporate Social Responsibility (CSR) activities is part and parcel of the Company's business model. Your Company has been contributing to the welfare of the community, research and development and protection of environment.

**(xxxii) Certification, Awards & Recognition:**

Since starting your Company received the following certifications, awards and recognitions:

1. Achieved Membership of the Cotton LEADS™
2. Achieved Verified Cotton USA License from Cotton Council International, COTTON USA.
3. Got authorization to use trademark according to STANDARD 100 by OEKO-TEX®
4. Membership of the International Cotton Association Limited, England
5. Membership of the BCI (Better Cotton Initiative)

**(xxxiii) WEBSITE:**

Company maintains a website namely [www.rnspinningmills.com](http://www.rnspinningmills.com) which is linked with the websites of the stock exchanges and it is functional from the date of listing and all disclosures and financials are available in the website of the company.

**(xxxiv) Human Resources:**

Human Resources are a fundamental asset across the entire business model. The development of the company builds its competitive advantage on the skills and commitment of its employees, promoting and rewarding pro-activity, goal orientation and teamwork. The HR Department of your company operates with specific policy, manual and plan which is approved by the Board of Directors. We provide on-the-job training and development opportunities to enhance our employees' career progression. Through different training, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. R.N. Spinning Mills Limited is an equal opportunity employer and does not discriminate on the basis of personal characteristics. Company has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behavior, employees right and benefits. We establish and implement policies that promote a harmony and respectful workplace.

**(xxxv) Code of conduct:**

The underlying philosophy of R.N. Spinning Mills Limited's code is to conduct the business in an ethical manner as well as create a work environment that is conducive for members and stakeholders alike, based on the Company's values and beliefs. Code of Conduct for Board of Directors was framed and followed accordingly in discharging their duties and responsibilities.

**(xxxvi) Directors' responsibilities statement**

Pursuant to the BSEC notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 the Directors confirm that:

- i) The financial statements prepared by the management of R.N. Spinning Mills Limited fairly present its state of affairs, the result of its operations, cash flows and changes in equity.
- ii) Proper books of Account of the company have been maintained.
- iii) 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.
- iv) International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) as applicable in Bangladesh have been followed in preparation of the financial statements and any departure therefrom has been adequately disclosed.
- v) The system of internal control is sound in design and has been effectively implemented and monitored.
- vi) As the company's production plants have been destroyed by fire and company's production have been shut down since the date of fire incident i.e.; 8th April, 2019 and the Board of Directors now estimated that additional 1 (one) year may be required to reconstruct the buildings and import & install new machineries for going to production by disposing of the fire damaged structures and machineries but management intends to restore the entire plant after necessary financing arrangements once necessary formalities from Comilla EPZ and other regulatory authorities is obtained and for this reason the management of the company adopted the going concern concept in preparing and presenting this financial statements. So, there is a doubt upon the Company's ability to continue as a going concern.

- vii) The significant deviations from previous period in the operating results of the company have been highlighted in the report and the reasons thereof have been explained.
- viii) The key operating and financial data of last 5 years have been disclosed in this report.
- ix) The number of Board Meeting held during the reporting period and the attendance by each director have been disclosed in this report.
- x) The pattern of shareholding is disclosed in this report.
- xi) A compliance status report with requirements of Corporate Governance as required by BSEC is disclosed in Corporate Governance Report and is disclosed in this report.
- xii) Directors' profile is attached in this report and their directorship and business interest in other organizations have been disclosed adequately.

**Appreciation:**

The board of directors wishes to place on record their appreciation of thanks to shareholders, customers and suppliers for their continued support. Your Directors also wish to place on record their appreciation for the contribution made by the employees at all levels to the continued growth and prosperity of the company.

The Board would also like to thanks all stakeholders including banks, Insurance Companies, BEPZA, BSEC, DSE, CSE, CDBL, RJSC and various government authorities, trade bodies for their extended co-operation.

We look forward to brighter future for all of us.

On behalf of the Board



Md. Humayun Kabir  
Chairman