

Director's Report

Dear Shareholders,
Assalamu Alaikum,

The Board of Directors of National Feed Mill Limited is pleased to present the Audited Financial Statements of the Company for the year ended 30th June 2023, Notes of Accounts, the Statutory Auditors' Report thereon along with Company's Performance, Corporate Governance Statement, Compliance Report, Nomination and Remuneration Committee Report and other matters in terms of Companies Act 1994, International Accounting Standards, the guideline issued by Bangladesh Securities and Exchange Commission, Listing Regulations of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited and other applicable Rules and regulations for your valued consideration, approval and adoption.

BACKGROUND

National Feed Mill Limited was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) on December 22, 1999 [Registration No. C-39289(1247)/99] and has been converted into a Public Limited Company on June 22, 2011 under the Companies Act, 1994. The Authorized capital of the company is Tk. 2,000.00 million and paid up taka 933.61 million.

INDUSTRY OUTLOOK

As per the Ministry of Fisheries & Livestock of Bangladesh, the per capita meat consumption is 830 grams and the feed industry's contribution to the GDP is 1.90 percent. Moreover 20% (twenty percent) of the country's population is directly and 50% (fifty percent) of the population are indirectly dependent on this sector.

The growth opportunity for the feed sector in our country is immense. This industry can provide various opportunities to increase GDP growth rate and promote equitable distribution through arranging food security as well as ensuring self-employment, creating purchasing power and reducing poverty at a large scale.

As Bangladesh is one of the high density Countries of the world with a population of 160 million, the demand of feed products will increase continuously to meet the huge protein requirement of the people. The major portion of this increasing demand for feed items will have to be met by mechanized feed millers whereas the home mix producers will have to take care of the rest. However, the industry is going through a stress test because of the currency devaluation, increased raw material and finished goods price, that contracted demand momentarily for this year, but we remain optimistic as we operate in an essential industry which plays a vital role in providing the food security of the country.

Financial results

The Company's reported sales of Taka 576,624,723 in 30th June 2023, against Taka 645,628,451 reported in 30th June 2022. Gross profit Taka 69,507,088 in 30th June 2023 against Taka 69,297,574 reported in 30th June 2022. Net profit after tax Taka 1,874,805 in 30th June 2023 stood against Taka 7,656,743 achieved in 30th June 2022.

National Feed Mill Limited

The company's financial performances for the year period from 1st July 2022 to 30th June 2023 as compared to previous year are summarized hereunder:

Particulars	1 st July 2022 to 30 th June 2023	1 st July 2021 to 30 th June 2022
Turnover	576,624,723	645,628,451
Gross Profit	69,507,088	69,297,574
Provision for Tax	1,887,580	2,869,085
Net Profit After Tax	1,874,805	7,656,743
Gross Profit Margin	12.05	10.73
Net Profit Margin	0.33	1.19
Earnings Per Share	0.02	0.08
Number of Shares used to compute EPS	93,361,324	93,361,324

During this year, EPS has decreased significantly against the prior period, due to Company's negative revenue growth, due to slowdown in the global economies and increase of materials cost due to disruption in international supply chain for crisis of US Dollar and also Russia & Ukraine War. Moreover, Gas & Electricity price hike affecting the cost of production. Earnings per Share (EPS) are Tk. 0.02 & Tk. 0.08 for the financial year 2022-2023 & 2021-2022 the current year's EPS has decreased significantly against the last Year.

NOCFPS has increased due to collection against sales being higher than payment to suppliers and realization of advance, deposit and prepayment, taxes paid and loan installments were lower than the previous year.

Net Asset Value Per Share has also been decreased due to declining of net profit during the year.

Segment- wise Revenue Earning.

Particulars	1 st July 22 – June'23	1 st July 21 – June'22
Broiler Feed	229,816,726	281,751,367
Layer Feed	197,648,852	221,571,066
Fish Feed	63,818,561	49,728,627
Cattle Feed	29,612,397	31,562,745
Feed Processing	4,659,041	25,760,237
Floating Feed	51,069,146	35,254,409

Risk and concerns

The company is always identifying the key business risks and ensures the mitigation plans of those risks. The management of the company reviewed and adopted the best practices of the industry that enable the company to achieve its ultimate objectives. We gave a detailed discussion regarding various types of risk & the mitigating procedures of risk and action taken in line with that in Page No 28-29 of the Annual Reports.

Explanation on any reservation, qualification or adverse remarks

In the Audited Financial Statements for the Years 2022-2023 Auditor's given qualified Opinion and express emphasis of matter as under:

Basis for Qualified Opinion

1. We draw attention to note no. 7.00 in the Statement of Financial Position where “**Accounts Receivables**” shown amount Tk. 885,742,293 as at June 30, 2023 but the management of the company did not write-off or make any provision against the uncollectible receivable amount according to the IFRS-9 Para-5.5.1 & 5.5.9. This amount is Certified by management. We have sent the balance confirmation to the client about the Receivable and Payable amount of Tk. 40,430,719 but not yet received any confirmation till the reporting date.
2. The management of the company made a provision as **WPPF** of 5% on its Net Profit Before Tax according to the Bangladesh Labor Act 2006 (Amended 2013) but no payment has been made as per provisions of the law which is a non-compliance of the said act. The Company is required to pay to the Participation Fund, The Welfare Fund, and the Fund established under section 14 of Bangladesh Workers Welfare Foundation Act, 2006, not later than six months from the end of the financial year at the ratio of 80:10:10 respectively.
3. We draw attention to note no. 12.00 in the Statement of Financial Position where “**General Reserve**” shows the amount Tk. 6,190,000 but no documents were found during the audit. According to notes disclosure about the General Reserve it was invested in Govt. Bonds but no documents were found and also was not shown as Investment either.

Emphasis of Matters

Without qualifying our opinion, we would like to draw attention to the following matters:

1. As per **Note: 8.01** of Advance, Deposits and Prepayments (Balance with Related Parties), Tk. 15,920,621 has been given to Related Parties as Advances. Out of the balance Tk. 1,281,605 is of **Karnopur Agro Industries Ltd.** and Tk. 14,639,016 is of **National Hatchery Ltd.** which has been given without business consideration. However, we have seen the balance to be in a decreased trend.
2. We draw attention note no. 6.00 where “**Inventory**” shows an amount Tk. 583,189,555 as at June 30, 2023 in the Statement of Financial Position. Due to the huge inventory in stock in the Factory, we physically counted the Inventory on a test basis and management of the company certified the inventory balances shown in the financial statements.

Our Explanation regarding Qualified audit opinion and Emphasis of Matters:

1. **Accounts Receivable:** As on June 30, 2023 Accounts Receivable (Note 7.00) Taka 885,742,293. During the global turmoil situation (crisis of the US Dollar along with the Russia & Ukraine War), the consumers of feed and dealers have been negatively impacted. So the consumer and dealer are not in a position to buy on cash and adjust their credit. As per management assertion, the above receivable represents due from various parties against sales and considered as collectable. During the period the Company didn't write-off or make any provision against the uncollectible receivable amount.
2. **WPPF:** Company made a provision as WPPF of @5% on its net Profit Before Tax according to Bangladesh Labor Act 2006 (Amended 2013), but no payment has been made as per provisions of law, which is noncompliance with the Said Act. The Company was trying to accommodate this

National Feed Mill Limited

payment, but due to financial hardship, it has not happened. we can pay the said WPPF as soon as possible In Shaa Allah.

- 3. General Reserve:** As per Government Policy (SRO-206/আইন/আয়কর/2005) the Company enjoyed Tax Holiday until June, 2010 and as per SRO terms & conditions during that time the Company invested @5% of its Net Profit in Government Bonds. After maturity of these Bonds the total investment amount with profit was kept as General Reserve and these amounts were absorbed in the Working Capital.
- 4. Related Parties Advance:** Company provided some Advance to related parties KAIL & NHL. The Company has been gradually realizing these related parties' advances, and hopes that in the year 2023-2024 there will be no such advance in the Accounts of NFML. As per Audited Financial Statements of 2022-2023 the present outstanding amount is as under.

	30.06.2023 Taka	30.06.2022 Taka
Karnapur Agro Industries Limited	1,281,605	3,032,641
National hatchery Limited	14,639,016	35,808,129
Total Taka	15,920,621	38,840,770

- 5. Inventory:** Inventory amount stands at Taka 583,189,555. Due to the huge Inventory in Stock in the factory, the Auditor conducted test basis physically count. After the test basis physical verification, the Company Certified the Inventory balance.

A discussion on Cost of Goods Sold, Gross Profit and Net Profit

Particulars	1 st July 22 – 30 th June'23	1 st July 21 – 30 th June'22
Cost of Goods Sold	507,117,635	576,330,877
Gross Profit	69,507,088	69,297,574
Net Profit	1,874,805	7,656,743

Discussion on continuity of extraordinary gain or loss

Extraordinary gains or losses refer to infrequent and unusual gain or loss. As for the Company, there was no such gain or loss during the year under reporting.

Related Party Transaction

Related party transactions are presented in note no 8.01 of the financial statements.

Compliance of Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018.

Board Size:

The number of members of the Board of Directors stands at 07 (including Two Independent Director) which are within the limits given by BSEC.

National Feed Mill Limited

Company Secretary, Chief Financial Officer, Head of Internal Audit & Compliance as follows:

Company Secretary	: Md. Arifur Rahman
Chief Financial Officer	: Md. Firoj Alam
Head of Internal Audit & Compliances	: Mahamudullah

External Statutory Auditors

The BSEC guidelines are being strictly followed in engaging statutory Auditors for the company.

Maintaining a website

The company has been maintaining an official website, i.e. www.nationalgroup-bd.com which is linked with the website of the stock exchange.

Subsidiary Company

The company has no subsidiary company.

Duties of CEO & CFO

The provision of BSEC regulations have been compiled in the Annual Report.

Directors' Appointment and Re-Appointment

With regard to the appointment, retirement and re appointment of directors, the company is governed by its Articles of Association, the Companies Act. 1994 and other related legislations. Accordingly, the following Directors of the Board will retire in the annual general meeting and both are eligible for re-appointment. The directors are:

1. Mr. Adib Hossain Babul
2. Mr. Rezaul Karim

The Pattern of Shareholding

As per condition 1(5)(xxiii) of the corporate governance code issued by BSEC, the shareholding pattern as on 30 June, 2023 is shown as below:

Name of the shareholders	Position	Shares Held	%
A. Parent/Subsidiary/Associated companies and other related parties			
B. Directors Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit & Compliances and their Spouse and Minor Children			
Farida Jahan Babul	Chairman	4,005,157	4.29%
Akther Hossain Babul	Managing Director	16,283,330	17.44%
Adib Hossain Babul	Director	4,324,370	4.63%
Rezaul Karim	Director	1,884,530	2.02%
Lipy Sultana Karim	Director	1,884,530	2.02%

National Feed Mill Limited

Md. Ziaur Rahman Mazumder	Independent Director	Nil	-
Mahbub Hasan	Independent Director	Nil	-
Md. Firoj Alam	Chief Financial Officer	Nil	-
Md. Arifur Rahman	Company Secretary	Nil	-
Mahamudullah	Head of internal Audit & Compliances	Nil	-
C. Executives (Top 5 Salaried employees)			-
Md. Khalequzzaman	Nil	Nil	Nil
Md. Anower Hossain	Nil	Nil	Nil
Mirza Nurul Amin	Nil	Nil	Nil
Nur Muhammad Nayeem Siddique	Nil	Nil	Nil
Md. Jahidul Islam	Nil	Nil	Nil
D. Shareholders holding 10% or more voting interest in the company:			
Akther Hossain babul	Managing Director	16,283,330	17.44%

Board Meeting and Attendance

During the year 7 (Eight) Board Meetings were held. The attendance record of the directors is as given below.

Name of the Directors	Attendance
Mrs. Farida Jahan Babul	7
Mr. Akther Hossain Babul	7
Mr. Adib Hossain Babul	7
Mr. Rezaul Karim	7
Mrs. Lipi Sultana Karim	7
Mr. Md. Ziaur Rahman Mazumder	6
Mr. Mahbub Hasan	6

Code of conduct

In compliance with the conditions of the corporate governance code, the Board has laid down a code of conduct for the Chairman of the Board and other Board members of the Company and annual compliance of the code is recorded accordingly. The code of conduct on Page 30-31 of this annual report.

Management Dissuasion and Analysis:

A detailed management's discussion and analysis is given in page no 24-26 of the annual report.

Declaration by MD and CFO

In accordance with the conditions of corporate governance code, a declaration on financial statements for the year ended June 30, 2023 duly signed by the MD and CFO is included on Annexure-A of this annual report.

Reporting and Compliance of Corporate Governance

The company has complied with the condition of the corporate governance code 2018 of the Bangladesh Securities and Exchange Commission Dated June 03, 2018. Details Compliance Status on Corporate governance code along with the corporate governance code Certificate is shown as corporate governance Annexure B & C of this annual report.

Directors Remuneration

Directors Remuneration shown in accounts note # 35.02. During the year ended 30 June 2023, the Company did not pay any remuneration to the independent director except Board meeting attendance fees.

Directors statements on Financial reports:

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

- i. The financial statements together with notes thereon have been drawn up in conformity with the Companies Act. 1994 and Bangladesh Securities and Exchange Rules 1987. These statements present fairly the company's state of affairs, the result of its operations, cash flow and changes in equity.
- ii. Proper books and accounts of the company have been maintained.
- iii. Appropriate accounting policies have been applied consistently in preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment.
- iv. The International Financial Reporting standards, as applicable in Bangladesh, have been followed in the preparation of the financial statements.
- v. The system of internal control is sound and has been implemented and monitored effectively.
- vi. No bonus shares or stock dividend has been or shall be declared as interim dividend.
- vii. 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.

Internal Control

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

Going Concern

While approving the financial statements, the directors have made appropriate enquiries and analyzed the significant financial, operating as well as other indicators for enabling them to understand the ability of the

National Feed Mill Limited

company to continue its operation for a foreseeable period. Directors are convinced and have a reasonable expectation that the company has adequate resources to continue its operation consistently for the foreseeable future 'In Shaa Allah'. Therefore, the company adopted the going concern basis in preparing the financial statements.

Significant deviation of Operating Result

Significant deviation from the last year's operating result of the Company has been discussed in the accounts note *No. 2.13 & 2.14*

Dividend

The board of directors declared no dividend for the shareholders for the year ended June 30, 2023, which 'In Shaa Allah' will be approval of shareholders at the ensuing Annual General Meeting.

Reason for No Dividend

Last Financial Year i.e 2022-2023 Company's net profit after tax was only Taka 1,874,805 which was not enough to declare any cash dividend for the valued Shareholders against their investment. To meet growing Working Capital Demand and to overcome the present financial challenges (FOREX Crisis) Company retained this net profit and declared no cash dividend for this year.

Statutory Auditors

The Auditors of the Company, M/s. Islam Quzi Shafique & Co, Chartered Accountant, Al-Haj Shamsuddin Mansion, 4th Floor, Room # C, 17 New Eskaton Road, Mogbazar, Dhaka-10000, was appointed as Auditor of the Company in the 22nd Annual General Meeting of the Company that carried out the audit for the year ended 30 June 2023.

M/s. Islam Quzi Shafique & Co, Chartered Accountant, Al-Haj Shamsuddin Mansion, 4th Floor, Room # C, 17 New Eskaton Road, Mogbazar, Dhaka-1000, the auditor of the Company retired at this meeting and expressed their willingness to be re-appointed for the year 2023-2024. The Board after due consideration of the proposal made by the Audit Committee recommends for appointment to M/s. Islam Quzi Shafique & Co, Chartered Accountant, Al-Haj Shamsuddin Mansion, 4th Floor, Room # C, 17 New Eskaton Road, Mogbazar, Dhaka-10000, as statutory audit for the year 2023-2024.

Professionals for Compliance of Corporate Governance Code

The board has appointed M/s Dewan Nazrul Islam Chartered Accountants, Hasan Court(10th floor), 23/A Motijheel C/A, Dhaka-1000 who were appointed as professional as for Report on Compliance of Corporate Governance Codes of the company in the 22nd Annual General Meeting of the Company has carried out for the year ended 30 June 2023. They also expressed their willingness for Report on Compliance of Corporate Governance Codes of the company for the financial year 2023-2024. The Board after due consideration of the proposal made by Audit Committee recommends for appointment M/s Dewan Nazrul Islam Chartered Accountants, Hasan Court(10th floor), 23/A Motijheel C/A, Dhaka-1000 as a professional for Report on Compliance of Corporate Governance Codes of the company for the financial year 2023-2024.

National Feed Mill Limited

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

I also thank the Registrar of Joint Stock Companies & Firms (RJSC), Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange Ltd. (DSE), Chittagong Stock Exchange Ltd. (CSE), Government and private sector Organization and many others for their sincere support and whole hearted cooperation to our company.

I, on behalf of the Board, also put on record my deep appreciation for the services and loyalty of the executives, officers and employees of the company at all levels without which we could not have achieved this result. Thanks are also due to all directors, all executives, officers, staff and workers of the company for their excellent, sincere, dedicated efforts in achieving the company's target during the year. To ensure financial security we always welcome your suggestions and opinion to improve present and future services of the company. Considering the current economic situation of the country, we have to Increase working capital at the moment

I would like to appeal to the valued shareholders to kindly accept and approve the Auditors' Report, Annual Audited Financial Statements for the year of 1st July 2022 to 30th June 2023 and Directors' Report placed before you.

Thanking you,
On behalf of the Board of Directors,



Farida Jahan Babul
Chairman