

Director's Report

Dear Shareholders,
Assalamu Alaikum,

On behalf of the Board of Directors of National Feed Mill Limited, I am pleased to present 21st Annual Report with the Audited Financial Statement for the financial year 2020-2021, 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. Placing Annual Report to you for your kind 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 924.37 million.

INDUSTRY OUTLOOK

As per Ministry of Fisheries & Livestock of Bangladesh, the per capita meat consumption on an average Bangladesh is amounted to be 45.62 Kg. More than six million people in our country are directly or indirectly involved in poultry and fish production. The growth opportunity for the feed sector in our country is immense. This industry can provide various opportunities to increase GDP growth rate and equitable distribution through arranging food security as well as ensuring self-employment, creating purchasing power and reducing poverty at a large scale.

As Bangladesh in 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.

REVENUE

The Company has been producing quality feeds for consumptions of commercial poultry hatcheries & farms, fish hatcheries & farms, commercial cattle farms and pet animals. At present it markets the products all over Bangladesh, the sale proceeds stood at 1,207 million. The company's financial performances for the year period from 1st July 2020 to 30th June 2021 as compared to previous year are summarized hereunder:

Particulars	1 st July 2020 to 30th June 2021	1 st July 2019 to 30th June 2020
Turnover	1,207,557,628	762,847,130
Gross Profit	182,201,641	103,445,927
Provision for Tax	3,420,391	2,533,330
Net Profit After Tax	16,804,050	14,715,790
Gross Profit Margin	15.09%	13.56%
Net Profit Margin	1.39%	1.93%
Earnings Per Share	0.18	0.17
Number of Shares used to compute EPS	92,436,955	85,589,773

During the year, the Company achieved a significant revenue growth, which was mainly contributed by the growing sales both in price and volume, after the relaxation of lock down in the country during the pandemic. Company's turnover and the gross profit have been increased by 58.30% and 76.13% respectively. But the growth of basic EPS was only 14.19% which is not in line with the growth of Revenue and Gross profit growth due to the adverse financial impact written off the irrecoverable account receivable in the financial statements.

The company has written off the irrecoverable account receivable of Tk. 95,627,134 during the 4th quarter for the purpose of fair representation of financial statements. It resulted a significant deviation between the EPS up to 3rd quarter and final quarter.

NOCFPS has also been increased as the collection against Sales was higher than the payment to supplier and lower investment in Working Capital and realization of Advance, deposit and Pre-payments. As a result, NOCFPS was positive in comparing with the prior year.

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Segment- wise Revenue Earning.

Particulars	1 st July 20 – June'21	1 st July 19 – June'20
Broiler Feed	565,426,814	365,295,752
Layer Feed	419,368,889	307,896,696
Fish Feed	98,714,952	56,948,506
Cattle Feed	35,049,497	12,702,993
Feed Processing	13,226,914	-
Floating Feed	75,770,562	20,003,183

Risk and concerns

Changes in the existing global or national policies can have either positive or negative impacts for the company. Any scarcity or price hike of raw materials due to change in policy in the international market might hamper the production and profitability.

Moreover, the performance of the company may be affected by the political and economic instability both in Bangladesh and worldwide. Any instance of political turmoil and disturbance in the country may adversely affect the economy in general.

Similarly, risks and concern of the industry depends on the upcoming Government policy as well. However, the increasing awareness as well as continuing branding campaigns for the product the total sale is expected to increase in future. The company took initiative to moderate its production capacity with the latest technology to minimize the market and technological risk.

For COVID-19 Countrywide frequent lockdown measures by the Government have had negative impact on overall business in 2020-2021. We have faces many challenges to sustain the Company's business growth. This year after lifting of country wide lockdown, we have been able to resume our normal business activities. Hope, company will return its normal states as there is growing demand of poultry products. We are always striving to expand the Company's business and achieve the ultimate goal for the Company.

Explanation on any reservation, qualification or adverse remarks above Matter of Emphasis

In the Audited Financial Statements for the Years 2020-2021 Auditor express emphasis of matter as under

1. We draw attention in the notes # 8 of the financial statements as the company has written off Tk. 95,627,134 against receivable amount according to IFRS -9 Para-5.5.1 & 5.5.9.
2. In the notes # 9.01 Advance, Deposit & Prepayment includes Tk. 49,072,514 out of which Tk. 51,20,299 relates to Karnopur Agro Industries Ltd. and Tk. 43,952,215 to National Hatchery Ltd. which is given as advance without business consideration.
3. The Bangladesh Labor (amended) act 2013 requires the company to contribute 5% of its net profit to WPPF. The management has ascertained the amount and made necessary provision but not made any payment which is apparent as noncompliance of the said act. The company shall pay to the Participation fund, the welfare fund, and fund established under section 14 of Bangladesh Workers Welfare Foundation Act, 2006, not later than six months from the close of that year, five percent (5%) of its net profits during such year, the proportion of the Payment to above mentioned funds shall be 80:10:10 respectively.

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

Particulars	1 st July 20 – 30th June'21	1 st July 19 – 30th June'20
Cost of Goods Sold	1,025,355,988	659,401,203
Gross Profit	182,201,641	103,445,927
Net Profit	16,804,050	14,715,790

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.9.01 of the financial statements.

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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.

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.

Managing Directors' Appointment and Re-Appointment

With regard to the appointment, retirement and re appointment of Managing Directors, the company is governed by its Articles of Association, the Companies Act. 1994 and other related legislations. Accordingly, the Managing Directors of the Board will retire in the annual general meeting and are eligible for re-appointment. As per Articles of Association he applied for re-appointment for another five-year term. Board also recommended and forwarded his proposal to the up-coming 21st Annual General Meeting for approval. Board also proposes that terms & conditions for this tenure will remain same.

Directors' Appointment and Re-Appointment

With regard to the appointment, retirement and re appointment of Managing 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**

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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, 2021 is shown as below:

Name of the shareholders	Position	Shares Held	%
A. Parent/Subsidiary/Associated companies and other related parties		N	-
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	3,965,502	4.29%
Akther Hossain Babul	Managing Director	16,122,109	17.44%
Adib Hossain Babul	Director	4,281,555	4.63%
Rezaul Karim	Director	1,865,872	2.02%
Lipy Sultana Karim	Director	1,865,872	2.02%
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. Shakil Parvez	Nil	Nil	Nil
Md. Anwar Hossain	Nil	Nil	Nil
Mirza Nurul Amin	Nil	Nil	Nil
Bablu Kumar Dey	Nil	Nil	Nil
Md. Abu Bakar Siddeque	Nil	Nil	Nil
D. Shareholders holding 10% or more voting interest in the company:			
Akther Hossain babul	Managing Director	16,122,109	17.44%

Board Meeting and Attendance

During the year 8 (Eight) Board Meetings were held. The attendance record of the directors is as given below.

Name of Directors	Attendance
Mrs. Farida Jahan Babul	8
Mr. Akther Hossain Babul	8
Mr. Adib Hossain Babul	8
Mr. Rezaul Karim	8
Mrs. Lipi Sultana Karim	8
Mr. A. Mannan Mir (Retired on December 2020)	2
Mr. SM Nurul Alam Chowdhury (Retired on December 2020)	2
Mr. Md. Ziaur Rahman Mazumder (Appointed on December 2020)	4
Mr. Mahbub Hasan (Appointed on December 2020)	4

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 # 24.02.02 (Managing Director remuneration) and note # 25 (Director Remuneration)

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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 companies 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 company to continue its operation for a foreseeable period. Directors are convinced and have a reasonable expectation that the company has adequate resource to continue its operation consistently for the foreseeable future. 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 has recommended @1% stock dividend for all Shareholders for the existing shareholders for the year of 1st July 2020 to 30th June 2021 subject to the approval of Shareholders in the upcoming AGM subject to approval of the BSEC and the dividend entitled to the persons whose names will appear in the share register of the company and/or depository register of CDBL which record date will be notified after BSEC permission.

Statutory Auditors

The Auditors of the Company, M/s. Ahmed Zaker & Co. Chartered Accountants, Green City Edge(Level-10),89 Kakrail, Dhaka-1000, were appointed as Auditor of the Company in the 20th Annual General Meeting of the Company has carried out the audit for the year ended 30 June 2021.

M/s. Ahmed Zaker & Co. Chartered Accountants, Green City Edge(Level-10),89 Kakrail, Dhaka-1000, the auditor of the Company retires at this meeting and expressed their willingness for to be re-appointed for the year 2021-2022. The Board after due consideration of the proposal made by the Audit Committee recommends for re-appointment to M/s. Ahmed Zaker & Co. Chartered Accountant, Green City Edge(Level-10),89 Kakrail, Dhaka-1000, as statutory audit for the year 2021-2022

Professionals for Compliance of Corporate Governance Code

The board has appointed M/s. Mazumdar Sikder and Associates Cost & Management Accounts, 105/A 3rd Floor, Kakrail, Dhaka 1000 who were appointed as professionalas for Report on Compliance of Corporate Governance Codes of the company in the 20th Annual General Meeting of the Company has carried out for the year ended 30 June 2021.They will retire this General meeting and M/s Dewan Nazrul Islam Chartered Accountants, Hasan Court(10th floor), 23/A Motijheel C/A, Dhaka-1000 has expressed

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their willingness for Report on Compliance of Corporate Governance Codes of the company for the financial year 2021-2022. 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 2021-2022

Acknowledgment

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 abroad for their wholehearted co-operation and active support in discharging the responsibilities reposed on me and the Board during the year.

I also thank 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 co-operation 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 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.

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 2020 to 30th June 2021 and Directors' Report placed before you.

Thanking you,

On behalf of the Board of Directors,

Farida J. Babul

Farida Jahan Babul

Chairman