



DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Fellow Shareholder(s),

It is my great pleasure to welcome you all at the 28th Annual General Meeting of **Hakkani Pulp and Paper Mills Limited** and on behalf of the Board of Directors I am presenting the Annual Report of the company which includes Directors' Report along with the Audited Financial Statements and Auditors' Report for the year ended 30 June 2024 for your kind consideration, adoption and approval. This Annual Report has been prepared and presented under section 184 of the Companies Act, 1994 and in compliance with the Bangladesh Securities and Exchange Commission's (BSEC) Corporate Governance Code, notification No. BSEC /CMRRCD /2006-158 /207/ Admin/80 dated 03 June 2018.

1.0 Outlook of Paper & Tissue Industry in Bangladesh Papers and allied products:

Bangladesh is now one of the emerging economies of the world. The growth of this economy has a positive trend by a digit. The last couple of years the growth rate was rooting around 6%-7.30%. This economy is 29th largest considering its purchasing ability. According to an economic outlook published recently by IMF the economy of Bangladesh is going to grow by a positive 3.8% even in the face of COVID-19 during the year.

Policy reforms, better governance, motivated human resource along with stable inflation condition and macro-economic environment helped Bangladesh to become a role model of sustainable development for the least developed countries. Bangladesh is now placed in the middle-income transitions and continuing its focus on easing infrastructure bottlenecks, improving of livelihood, set up manufacturing units, reduce the import, increase the export and containing of cost of doing business skills and resilient private sector have contributed to this positive growth trajectory. Bangladesh is expected to graduate from least developed countries (LDC) by 2024 and is now a role model for developing and least developed economies. As an important material the paper and the allied products taken a significant position worldwide. The growth of last few decades was noticeable. It was due to increases in population, literacy rates, and quality. Due to its daily usages, the global production of paper, tissue products and cardboard significantly increased.

More than half of that production was attributable to packaging paper, while almost one third was attributable to graphic paper. The world's three largest paper producing countries are China, the United States and Japan.

Papers and allied products in Bangladesh:

The paper and pulp industry is one of the largest industries in the world. The industry dominated by North American, Northern European and East Asian companies. Latin America and Australasia also have significant pulp and paper industries. Over the next few years, it is expected that both India and China will become key players in the industry. On the other hand, Paper industry in Bangladesh has been on a positive growth trajectory as the demand for paper rising on both the local and international markets.

Only a few years back, imported paper met a large portion of domestic demand, but now the market share and the capacity of local manufacturers has grown significantly. Historical data suggests that Bangladesh began its first paper production in the year of 1953 when Karnaphuli Paper Mills was established by government's initiatives.

Since then, private manufacturers have come forward and join the industry. The number of paper mills has now increased to 100 from around 55 years back, while 15 or 20 more units are under process to go into operation soon. These paper mills produce different grades of paper including writing, printing, liner, media, simplex, duplex, board, newsprint, cigarette paper, packaging products.



Tissue Paper and Allied Products:

The market size of tissue paper has more than doubled within a decade in Bangladesh courtesy of urbanization, growing per capita income and increasing health consciousness among people. The yearly tissue production capacity of the country was more than 84,000 tons in recent year, up from 30,000 tons in 2016-17. Bangladesh has not only become almost self-reliant in the segment but is also exporting the product to more than 23 countries, including the UK, Australia, Bahrain, the UAE, China, India and Bhutan. The export size around 1,238 tons yearly. Data from 2018 suggests that per capita tissue consumption is about 4.1 kg per year in Bangladesh. As part of tissue paper, the hygiene products consumption is growing up due to the increased health issues and health awareness.

Demand and Supply Gap:

With the increased of uses of papers and paper board, literacy rate, change of lifestyles as well as awareness of hygiene products the demand upward trend in is expected to reach its all-time high. Per capita income has also increased and so did the expendable income. There is shortage in supply of paper and tissue paper globally besides China, one of the largest paper producers have closed numbers of paper mills of their environment issue. Under this circumstances demand for paper products are expected to increase locally and globally. It is projected that the demand for paper products (mainly writing paper and hygiene products) will reach at about 10 lakh tone annually in the domestic market. Our nationwide awareness development program through discussion, meeting and seminar has well driven people towards increased sense of sanitation. As a result, there will be a surge in demand for our hygiene products.

Market Competition:

There are more than 100 modern paper mills out of which 41 mills are running and are producing a huge quantity of paper and paper products in our local market. The scenario has been by just for few years. And since the establishment of small numbers of paper mills in the private sector, these industries started to take lead and since then trying to make this country self-sufficient in production of paper and paper products to ensure the domestic demand.

During late 1950s the paper industry of Bangladesh went into operation and more than 100 paper mills were established meanwhile, and 41 local private paper mills were in operation producing more than 600,000 MT of paper and paper products per year. The paper industry has proved as a potential sector in Bangladesh and may become one of the foreign currency earners of this country.

In order to reduce dependency on imported items, the local producers of paper, tissue products and paper board have to increase their production. The producers of local paper mills have to utilize maximum production capacity to produce paper, tissue products and paper board to get maximum benefit. It is matter of hope that, by introducing modern technology, the paper producers adding values to this sector, and foreign buyers have started coming to import paper products because of the good quality from Bangladesh. Recently, many factories in China and some European countries were set close due to higher production costs and environmental issues, bringing up hopes for Bangladesh.

2.0 The Segment wise or product wise Performances-

For the Management purpose, the company is organized into two business units based on its products and has two reportable segments as follows:

- 1) **The Paper Unit Segment** which produces different graded paper products and sell the same to several dealers.
- 2) **The Tissue unit Segment** which produces different kinds of tissue paper like facial tissue, napkin tissue, hand towel, toilet tissue, kitchen towel etc.



Detailed product wise performance is as follows:

Products	Production (M. Ton)		Sales (M. Ton)	
	2023-2024	2022-2023	2023-2024	2022-2023
News Print Paper	3840.30	5153	3767.12	5195
Tissue Paper	2940.85	1617	2823.37	1640
Total	6781.15	6770	6590.49	6835

3.0 Risk and concerns including internal and external risk factors, threat to sustainability and negative impact on environment if any

Every business is associated with risks. Among those risks some can be averted, others are beyond control. On the other hand, risk assessment and mitigation plans are the integral part of any business. Our operating context is characterized by an environment in which the Paper and Tissue industry is subject to high level risks in availability of power, gas and raw materials. Hakkani Pulp and Paper Mills Limited aims to address all kind of risks including internal and external which threat to business sustainability and negative impact on environment by developing appropriate risk mitigation measures. Moreover, the Board of Directors and Management of the Company are regularly monitoring, assessing and identifying the possible risks and threats on portability and sustainable growth of the business. In spite of that, Investors should take the risk factors into consideration before making any investment decision. A detailed articulation of some of the major risk factors that impact our business and our adjoining strategy and response are described in the **note no 38 of the Financial Statements of the Company and Management discussion and analysis.**

4.0 A discussion on cost of Goods Sold, Gross Profit Margin and Net Profit Margin:

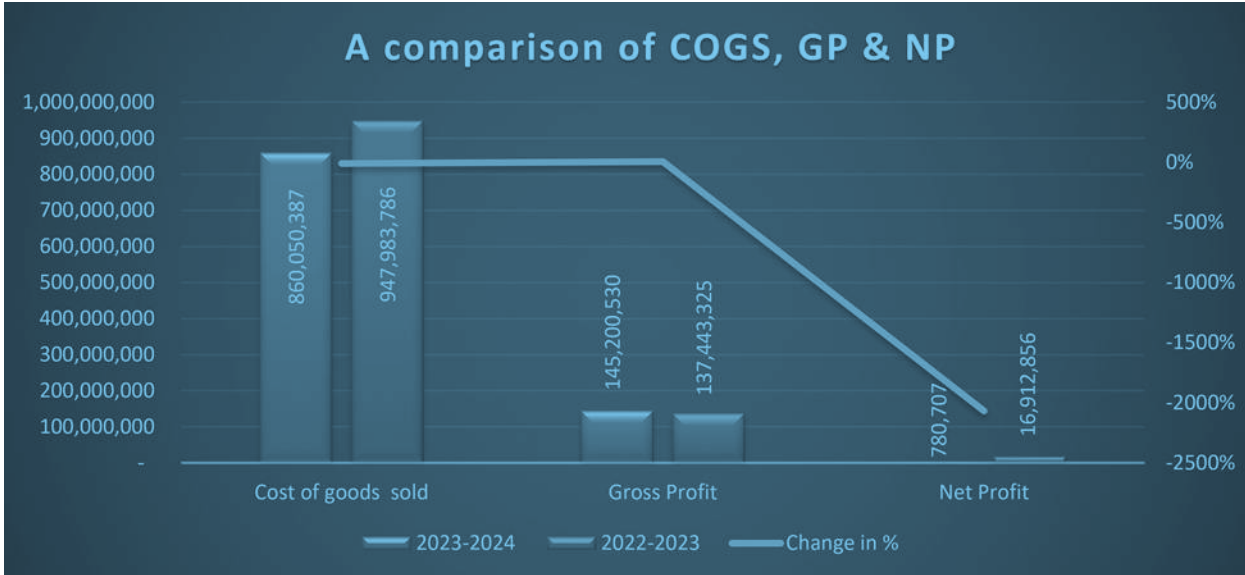
Cost of Goods Sold (COGS) refers to the direct costs of producing the goods sold by the company. This cost includes the cost of direct materials, direct labor and production overheads used to producing the goods. During the year 2023-2024, Cost of Goods Sold was Tk. 86, 00, 50,387 while Tk. 94, 79, 83,786 in 2022-2023. Gross Profit Margin is a metric analyze used to assess a company's financial health by calculating the amount of money left over from product sales after subtracting the Cost of Goods Sold (COGS). During the year under review, it has seen that the Gross Profit Margin of the company was 14.44% while it was 12.66% in the previous year. Gross Profit Margin increased due to decrease of cost of sales compared to previous year. Net Profit Margin is the ratio of net profit to revenues from the business segment. Net Income is also called the bottom line of a company. The net profit margin for the year 2023-2024 was 0.078% while it was 1.56% in the previous year. Profits after tax for the financial year 2023-2024 amounting Tk.780, 707 while it wasTk.1, 69, 12,856 in the previous year.

A summary of Cost of Goods Sold, Gross Profit Margin, and Net Profit Margin provided below:

Particulars	2023-2024	2022-2023	Change in %
Cost of goods sold	86,050,387	94,983,786	-10%
Gross Profit	145,200,530	137,443,325	5%
Net Profit	780,707	16,912,856	-2066%



A comparative graphical presentation on cost of goods sold, gross profit margin, and net profit margin and provided below:



5.0 Extra-Ordinary Activities and their Implications (Loss or Gain):

Extraordinary items are gains or losses in a company's financial statements that are infrequent and unusual. Moreover, an item is deemed extraordinary if it is not part of a company's day-to-day operations and it has a material impact on the company. The year under review, HPPML has not been engaged in any kind of extra-ordinary activities and as a result there was no extra-ordinary gain or loss.

6.0 Discussion on Related Party Transaction:

Hakkani Pulp and Paper Mills Limited carried out a number of transactions with its related parties during the year and all transactions have been made in the normal course of business. The details of related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions have been shown in the Audited Financial Statements **Note No-40**.

7.0 Utilization of Proceeds raised through Public Issues and Rights Issues:

There is no unutilized Public Issues Proceeds in Company's account as the proceeds were utilized fully during the year 2002-2003 and 2003-2004 respectively.

8.0 The Financial Results Deteriorate after the Company goes for Initial Public Offer (IPO) and Rights Share Offer:

No Financial results deteriorated or adverse situation has yet been arisen after the Company went for Initial Public Offering (IPO) Issue. Moreover, the Company was able to maintain a consistency earning consistent profitability since its inception.

9.0 Significant Variance between Quarterly Financial Performances and Annual Financial Statements:

In First Quarter (July-2023 to September-2023), the Earnings Per Share of the company was Tk. 0.02, in Second Quarter (October-2023 to December-2023), the Earnings Per Share was Tk. 0.32, in Third Quarter (January-2024 to March-2024), the Earnings Per Share was (Tk.0.31) and the Annual Earning Per Share was Tk. 0.04.

It has seen that the company has been shown a consistent financial performance during the year and there was no significant variation between quarterly financial performances and annual financial performance.



10.0 Remuneration paid to the Directors including Independent Directors:

Managing Director and Deputy Managing Director were remunerated as per the Nomination and Remuneration Policy of the company and the approval of the Board of Directors meeting. Directors including Independent Directors were received only the Board Meeting attendance fees, Audit Committee Meeting attendance fees and Nomination and Remuneration Committee meeting attendance fees which is also approved by Board of Directors meeting. A statement of the Directors' Remuneration has shown in the Audited Financial Statements **Note No. 28**.

11.0 A statement that 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:

The Board is responsible to present a true and fair view of the Company's financial performance and position as a part of good governance. In compliance with the Bangladesh Securities and Exchange Commission's Corporate Governance Code, notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018 the Board of Directors confirms to the best of their knowledge as follows:

- The Financial Statements prepared by the management of the Company presented fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account 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 therefrom has been adequately disclosed.

12.0 System of Internal Control:

The Board of Directors of the Company ensures that the entity has an effective internal control system which ensures that the assets of the Company are safeguarded and appropriate systems are in place to minimize and detect fraud, errors and other irregularities. The Company has adopted Standard Operating Procedures for the betterment of internal control system. The Company has established a separate internal audit department to ensure internal control and compliance in place. On the other-hand, Audit Committee regularly monitors and review the reports generated by the internal audit department and takes corrective measures.

As per the Corporate Governance Code, two sub-committees are in the Board of Directors; one is Audit Committee and another is Nomination and Remuneration Committee. Both Committees play an important role in overseeing the company's internal control processes.

During the year under review, the Audit Committee of the Company met quarterly to review the quarterly Financial Statements as well as Annual Financial Statements. They discussed all significant audit observations and ascertain their views on the Financial Statements, including the Financial Reporting System, compliance to accounting policies and procedures, the adequacy and effectiveness of the internal controls systems followed by the Company.

The Audit Committee's observations and suggestions were acted upon by the Company's Management. The Nomination and Remuneration Committee of the company met once a year to formulate 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 and top level executives.

13.0 Protection of Minority Shareholders' Interest:

The Board of Directors of the Company is always concerned about the minority Shareholders' interest. The Board ensures that the minority Shareholders' interest have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and has effective means of redress.



14.0 Ability to Continue as a Going Concern:

The company has adequate resources to continue its operation for foreseeable future. For this reason, the directors continue to adopt going concern principle in preparing the financial statements. The current revenue generations and resources of the company provide sufficient fund to meet the present requirements of its existing business and operations. So, there is no doubt upon the company's ability to continue as a going concern.

15.0 Significant Deviations from the last year's Operating Results:

The operating result arising from the statement of profit or loss and other comprehensive Income shows what the company has earned from its core business activities. HPPML was able to maintain a consistent growth and remarkable performances in operational perspective since its inception.

During the year under review, Hakkani Pulp and Paper Mills Limited (HPPML) reported Net Sales Revenues of Tk.1,00,52,50,917 for financial year 2023-2024 with 7.38% reduction and Profit/ (Loss) after taxes were Tk.7,80,707 and Earnings per share (EPS) for the year stood at Tk. 0.04. The reason for significant deviation with previous year has been set out in note no 33.00, 36.00 of the financial statements: The operating and financial review is intended to provide the Management's perspective on the financial and operating performance of the Company. During the year under review, the Company recorded a profit /(loss) after tax of Tk. 7,80,707 against previous year profit /(loss) of Tk. 16,912,856. The basic Earnings Per Share for the year ended 30 June 2024 is Tk. 0.04 against Tk. 0.89 for the same previous year. The analysis of major items of the financial statements is given below:

Revenue:

During the year under review total revenue was decreased as compared to previous year due to decrease of sales. Sales revenue is decreased by the amount of Tk.8,01,76,194 as compared to previous year.

Cost of Sales:

During the year under review Cost of sales was decreased as compared to the previous year due to decrease of unit price raw materials.

Administrative Expenses:

During the year under review, administrative expenses was decreased as compared to the previous year due to decrease of employee salaries and other related expenses.

Selling Expenses

During the year under review, selling expenses was increased significantly as compared to the previous year due to increase of carriage outward and sales commission.

Financial Expenses:

The Company's financial expenses was increased significantly as compared to previous year for increase of Bank interest on Bai-Muazzal Loan, UPAS Loan, Biam Wes Bills, LATR of Social Islami Bank Limited and CC Hypo Loan of Mercantile Bank Limited.

Earnings per Share (EPS):

During the year under review, the Company's Earnings Per Shares (EPS) was recorded Tk. 0.04 against previous year Tk.0.89. Earnings Per Share (EPS) was decreased significantly compared to the previous year due to decrease of sales revenue and increase of selling and distribution expenses and financial expenses.

Cash Flows from Operating Activities (NOCFPS):

The Company's net operating cash flows per share (NOCFPS) of the company was recorded Tk. 7.15 against Tk. 4.63 of previous year. The company's net operating cash flows per share (NOCFPS) was increased due to increase of cash collection from customers and decrease of payment to suppliers against materials and expenses.

16.0 Key Operating and Financial Data of Last Five Years:

A statement of key operating and financial data of last preceding 5 (five) year's has been tabulated below:



Key operating and financial data of preceding 5 (Five) years:

Particulars	Parameter	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020
Operation and Market:						
Production Capacity	MT	13,500	13,500	13,500	13,500	13,500
Actual Production	MT	6,781	6,770	4,914	3,918	5,175
Sales Quantity	MT	6,590	6,835	4,993	3,881	4,702
Financial Results:						
Sales Revenue	TK	1,005,250,917	1,085,427,111	538,238,090	389,968,195	473,084,915
Gross Profit	TK	145,200,530	137,443,325	54,955,601	72,982,633	77,352,331
	%	14.44%	12.66%	10.21%	18.72%	16.35%
Operating Profit	TK	68,642,858	68,466,812	13,464,201	32,004,346	54,527,738
	%	6.83%	6.31%	2.50%	8.21%	11.53%
Net Profit before Tax	TK	7,209,572	15,773,401	(17,802,266)	(23,034,016)	10,735,119
	%	0.72%	1.45%	-3.31%	-5.91%	2.27%
Net Profit after Tax	TK	780,707	16,912,856	(24,610,668)	(24,306,924)	1,420,266
	%	0.08%	1.56%	-4.57%	-6.23%	0.30%
Earnings Per Share (EPS)	TK	0.04	0.89	(1.30)	(1.28)	0.07
Dividend (Cash)	%	2% Cash dividend to all shareholders	2% Cash dividend to all shareholders	1% Cash dividend to only general shareholders	1% Cash dividend to only general shareholders	2% Cash dividend to only general shareholders
Financial Position:						
Paid-up Capital	TK	190,000,000	190,000,000	19,00,00,000	19,00,00,000	19,00,00,000
Current Ratio		1.74:1	1.32:1	1.31:1	1.37:1	1.26:1
Non-Current Assets with Revaluation	TK	875,669,422	861,182,096	867,751,848	828,686,944	861,537,841
Current Assets	TK	664,450,362	663,371,090	609,601,670	640,110,861	528,263,576
Current Liabilities	TK	382,629,738	501,833,284	465,532,422	467,248,409	419,212,821
Net Current Assets	TK	281,820,624	161,537,806	144,069,248	172,862,452	109,050,755
Net Assets Value with Revaluation	TK	461,487,017	464,607,789	447,546,925	474,282,768	490,646,274
Net Assets Value without Revaluation	TK	219,789,349	214,705,715	188,880,440	206,252,742	212,611,673
Net Assets Value Per Share with Revaluation	TK	24.29	24.45	23.56	24.96	25.82
Net Assets Value Per Share without Revaluation	TK	11.57	11.30	9.94	10.86	11.19
Net Operating Cash Flow Per Share	TK	7.15	4.63	(0.08)	0.21	(0.75)



17.0 Dividend:

During the year under review 2023-2024, Hakkani Pulp and Paper Mills Limited (HPPML) earned Profit after Tax **Tk.7, 80,707** and Earnings Per Share stood Tk. 0.04. The balance of retained earnings was **Tk.2,00,20,812** and Dividend Equalization Reserve **Tk.1,12,37,712** as on 30 June, 2024. The Board of Directors recommended **2% (Two Percent)** cash Dividend to all shareholders for the year ended June 30, 2024.

The Board of Directors also confirmed that no bonus share or stock dividend has been or shall be declared as interim dividend.

18.0 Number of Board Meetings held and Attendance by Directors:

During the year under review 2023-2024, the Board of Directors of the company has called upon total **8 (Eight)** board meetings to consider and discuss the various agenda related to company's operation and others.

The total numbers of Board Meeting and attendance of the Directors have been shown below:

Sl. No.	Name of Directors	Position	Total Number of Board of Directors Meeting	Attendances of Directors
1	Md. Golam Rasul Muktadir	Chairman	8	8
2	Md. Golam Kibria	Managing Director	8	8
3	Prof. S. M Nasrul Quadir	Independent Director	8	8
4	Prof. Dr. Rafiuddin Ahmed	Independent Director	8	8
5	Md. Golam Morshed	Deputy Managing Director	8	8
6	Mrs. Hosne Ara Begum	Director	8	6
7	Mrs. Farhana Ferdous	Director	8	1

19.0 Shareholding Information:

The shareholding information of the company as on June 30, 2024 has been set out in the **Annexure-ii** of the Annual Report of the company.

20.0 Directors' Appointment, Retirement & Re-appointment:

Directors' appointment, retirement and re-appointment are governed by the Articles of Association of the Company and the Companies Act 1994. Accordingly, in the forthcoming Annual General- Meeting the following Directors of the Board will retire and they will also be eligible for re-appointment-

1. Mr. Md. Golam Kibria;
2. Mr. Md. Golam Morshed;

It is mentionable here that, the Board of Directors in its 164th meeting held on 30 March, 2024 has appointed **Mrs. Farhana Ferdous** as Director to fulfill the casual vacancy of the Board of Directors. Accordingly, her appointment shall be placed before in the forthcoming AGM for approval from the shareholders.

A brief resume of the said Directors are set out in the Annual Report.

21.0 Independent Director:

According to the Bangladesh Securities and Exchange Commission's Corporate Governance Code as issued under the Notification no. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03/06/2018- every listed company has to appoint the



Independent Directors, to be 1/5th of the Board of Directors size, as the members of the Board of Directors. It is prescribed in the said Notification that the independent directors shall be knowledgeable with integrity to ensure compliance with financial, regulatory and corporate laws and can make significant and meaningful contributions to business operations and shall have at least 12 (twelve) years of corporate management or professional experiences. The company has appointed two experienced person having proven professional experiences as its independent directors under the directives of the Corporate Governance Code of BSEC previously.

A brief resume of the said Independent Directors are set out in the Annual Report.

22.0 Credit Rating:

Credit Rating Agency of Bangladesh Limited (CRAB) has assigned our Credit Rating for the year 2023-2024 which as follows:

Long Term Rating	Short Term Rating	Out Look
BBB1	ST-3	Stable

23.0 Management's Discussion and Analysis:

A detailed analysis presenting the Company's position and operations along with a brief discussion of changes in the Financial Statements and others for the year ended June 30, 2024 is attached in separate **Annexure**.

24.0 Declaration or certification by the CEO and the CFO to the Board:

A detailed declaration or certification by the CEO and the CFO to the Board is attached in separate **Annexure as required under condition No. 3(3)**

25.0 Audit Committee:

In accordance with the directives of the Bangladesh Securities and Exchange Commission regarding the Corporate Governance Code by its Notification No.- BSEC/CMRRCD/2006-158/207/Admin/80 dated 03/06/2018, the Board of Directors of the company has an Audit Committee as subcommittee of the Board with specific Terms of Reference.

The existing Audit Committee was reconstituted by the Board of Directors in its 165th meeting held on 29 April 2024 by the following non-executive directors of the Company:

Committee Members	Board Members	Position
Prof. S. M. Nasrul Quadir	Independent Director	Chairman
Prof. Dr. Rafiuddin Ahmed	Independent Director	Member
Mrs. Farhana Ferdous	Non-Executive Director	Member
Mr. Mohammad Musa	Company Secretary	Secretary

The committee reviews the results of the audit with management and external auditors, including matters required to be communicated to the committee under generally accepted auditing standards. The Members of this committee of the Company have adequate experience and knowledge on business and trade, corporate laws, financially literacy, ability to analyze and interpret the financial statements for effective discharging of the duties and responsibilities as the members of the Audit Committee.

26.0 Nomination & Remuneration Committee:

In compliance with the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03/06/2018 regarding the Corporate Governance Code of Bangladesh Securities and Exchange Commission, Hakkani Pulp and Paper Mills Limited has Nomination and Remuneration Committee as a subcommittee of the Board.



The existing committee was reconstituted by the Board of Directors in its 165th meeting held on 29 April 2024 consisted by the following members:

Committee Members	Board Members	Position
Prof. S. M. Nasrul Quadir	Independent Director	Chairman
Prof. Dr. Rafiuddin Ahmed	Independent Director	Member
Mrs. Farhana Ferdous	Non-Executive Director	Member
Mr. Mohammad Musa	Company Secretary	Secretary

In the **SIXTH** Meeting of the committee focused on the review to the specific areas of existing status, policies and processes and addressed the following:

- The Committee reviewed the implementation schedule of the decision of the last meeting;
- The committee reviewed and recommended the appointment of Mrs. Farhana Ferdous as Director of the Board of Directors as per corporate Governance Code;
- The Committee reviewed and recommended the increment of meeting attendance fees of the Board of Directors, Members of Audit Committee and Members of NRC Committee;
- The Committee reviewed and recommended the annual increment, new appointment, promotion of the employees in the Company;
- The committee reviewed and recommended the Code of Conduct for the Chairperson, Managing Director and other Board Members;
- The committee reviewed and recommended the Terms of Reference (ToR) for the Audit Committee Members;
- The committee reviewed and recommended the Terms of Reference (ToR) and Policy for the Nomination and Remuneration Committee (NRC) Members;
- The Committee reviewed the criteria for determining qualifications and positive attributes of the top-level executives;
- The Committee reviewed and recommended the remuneration of top-level executives;
- The committee reviewed and recommended the roles and Responsibilities of Chairman, Managing Director, Company Secretary, Chief Financial Officer, Head of Internal Audit of the company;
- The committee reviewed and recommended the Criteria for evaluation of performance of Independent Director and other Board Members of the company;

27.0 Appointment of Statuary Auditors:

The existing statutory auditors - M/S. Khan Wahab Shafique Rahman & Co, Chartered Accountants who were appointed in the 27th Annual General Meeting and have completed their responsibilities during the year under review. The auditors have requested for their reappointment being they are eligible. The Board of Directors of Hakkani Pulp and Paper Mills Limited has recommended for the re-appointment of M/S. Khan Wahab Shafique Rahman & Co, Chartered Accountants for the Financial Year 2024-2025. In view of this, the Board of Directors has decided to place the matter of reappointment of Khan Wahab Shafique Rahman & Co, Chartered Accountants as Statutory Auditors of the company for the Financial Year 2024-2025 at a fees- of BDT 350,000/- (Three Lac Fifty Thousand) excluding VAT for its approval by the shareholders of this company in this 28th Annual General Meeting.



28.0 Appointment of Compliance Auditors:

The existing compliance auditors - M/S. Shafiq Basak & Co, Chartered Accountants, who were appointed in the 27th Annual General Meeting and have completed their responsibilities during the year under reviewed. Consequently, The Board of Directors of Hakkani Pulp and Paper Mills Limited has recommended for reappointment of M/S. Shafiq Basak & Co, Chartered Accountants for the Financial Year 2024-2025 for issuance the corporate governance certification. In view of this, the Board of Directors has decided to place the matter of reappointment of M/S. Shafiq Basak & Co, Chartered Accountants as Corporate Governance Compliance Auditors of the company for the Financial Year 2024-2025, with a fee of BDT 50,000/- (Fifty Thousand) excluding VAT for its approval by the shareholders of the company in this 28th Annual General Meeting.

29.0 Reporting as well as certification on Compliance of Corporate Governance:

Status of compliance with the requirements / conditions of Bangladesh Securities and Exchange Commission (BSEC) Notification No: BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June, 2018 on corporate governance has been included in the Report in **Annexure-C.31.0** .

30.0 Explanation of Auditors Observation on the Financial Statements:

30.01 Auditors Observation-01:

Significant Increase in Net Operating Cash Flow per Share (NOCFPS):

As disclosed in Note 36, the company's Net Operating Cash Flow Per Share (NOCFPS) has significantly increased to Tk. 7.15 for the year ended June 30, 2024 compared to Tk. 4.63 for the year ended June 30, 2023, This increase is primarily due to improved cash collection from customers and a reduction in payments to suppliers for materials.

Management Response:

The Company's Net Operating Cash Flow Per Share (NOCFPS) of the company was increased significantly compared to the previous year due to increase of cash collection from customers and decrease of payment to suppliers against materials and expenses

30.02 Auditors Observation-02:

Significant Deviation in Earnings per Share (EPS):

As disclosed in Note 33, the Earnings per Share (EPS) of the company has declined subsequently, standing at Tk. 0.04 for the year ended June 30, 2024, compared to Tk. 0.89 for the year ended June 30, 2023. The reduction in sales revenue, coupled with higher selling, distribution and financial expenses are the main contributors to this deviation.

Management Response:

The Company's Earnings Per Shares (EPS) has been decreased significantly compared to the previous year due to decrease of sales revenue and increase of selling & distribution expenses and financial expenses.

31.0 Subsequent Events:

There are no subsequent events after the date of Financial Position and till the date of this report which could affect the ability of the users of these financial statements to make an appropriate evaluation.



32.0 Declaration of the Board of Directors:

- The statement that the Financial Statements prepared by the management of the company present fairly its state of affairs;
- The statement that proper books of account of the issuer company have been maintained;
- The 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;
- The statement that IAS or IFRS, as applicable in Bangladesh, have been followed in preparation of the FY and any departure there from has been adequately disclosed;
- The statement that the system of internal control is sound in design and has been effectively implemented and monitored;
- The 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;
- The 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;
- The statement where key operating and financial data of at least preceding 5 (five) years shall be summarized;
- An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year;
- No bonus shares or stock dividend has been or shall be declared as interim dividend;

33.0 Acknowledgements:

The Board would like to express its humble gratitude to all the employees, all investors/shareholders, bankers, financial institutions, insurance companies and all the Departments of Government of Bangladesh, related regulatory authorities i.e. BSEC, Dhaka Stock- Exchange (DSE), Chittagong Stock Exchange (CSE), NBR, Bangladesh Bank, our customers, dealers for their continued and consistent support to the company during the year.

Allah Hafiz.

Thank you very much.

On behalf of Board of Directors,

Md. Golam Rasul Muktadir
Chairman

