

Directors' Report to the Shareholders

Dear Shareholders,
Assalamu Alaikum,

The Board of Directors' of Silva Pharmaceuticals Limited highly pleased to welcome you to the 18th Annual General Meeting of the company. In line with the requirements of the compliance with section 184 of the Companies Act, 1994 and BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 Dated 3 June, 2018, our company has been presenting Directors' Report covering the financial results and other developments during the year ended 30 June, 2019.

Background:

Silva Pharmaceuticals Limited was incorporated in 24 April, 2001 as a private company limited by shares and registered with the Registrar of Joint Stock Companies & Firms of Bangladesh under the Companies Act, 1994 vide registration no. CH-42959(2318)/2001. On 22 April, 2014 the company registered itself as a Public Limited company under the Companies Act, 1994. The company was getting a consent letter ref: no. BSEC/CI/IPO-269/2017/429 dated June 28, 2018 from Bangladesh Securities and Exchange Commission (BSEC) regarding the raising of share capital of Taka 30.00 (Thirty) crore through Initial Public Offering (IPO) and the Company was listed with Dhaka Stock Exchange Limited (DSE) on 23th September 2018 and Chittagong Stock Exchanges Limited (CSE) on 16th September, 2018. From 10th October, 2018 the shares of the company's are traded in both Stock exchanges. After getting the IPO the Authorized capital of the company is Tk. 1,500 million and paid-up capital 1300.00 million.

Revenue:

The overall operating financial results of the company for the year ended 30 June, 2019 as compared to previous year ended 30 June, 2018 are summarized as follows:

| Particulars | Amount in Taka | |
|---|--------------------------|--------------------------|
| | 01/07/2018 to 30/06/2019 | 01/07/2017 to 30/06/2018 |
| Turnover | 732,450,190 | 685,233,408 |
| Cost of Goods sold | (440,501,039) | (412,239,594) |
| Gross Profit/ (Loss) | 291,949,151 | 272,993,814 |
| Operating Expenses | (141,697,442) | (125,410,284) |
| Administrative expenses | (27,750,180) | (26,925,876) |
| Selling & Distribution Expenses | (113,947,262) | (98,484,408) |
| Operating Income | 151,248,554 | 147,583,530 |
| Other Income | 18,547,018 | 9,106,860 |
| Financial Expenses | (3,613,899) | (5,620,364) |
| Net Profit/ (Loss) before WPPF | 165,184,828 | 151,070,026 |
| Contribution to WPPF | (7,865,944) | (7,193,811) |
| Net Profit/ (Loss) before Income Tax | 157,318,884 | 143,876,215 |
| Income Tax Expenses | (13,995,468) | (50,882,274) |
| Current Tax | (26,695,217) | (45,693,708) |
| Deferred Tax | 12,699,749 | (5,188,566) |
| Net Profit/ (Loss) after Income Tax | 143,323,416 | 92,993,941 |
| Earnings Per Share (EPS) | 1.15 | 0.93 |

Industry outlook and possible future developments in the industry:

The Pharmaceutical sector is one of the most developed industries among the manufacturing industries in our country. The demand of medicine is increase in day by day since of increasing in awareness about healthcare, higher income and increasing government expenditure. As one of the emergent pharmaceuticals manufacturers in Bangladesh, we try to make full use of the market scope, our business potentials and dynamics to benefit the best interests of our shareholders. We are committed to provide sustainable solutions to the healthcare challenges. Our business is successfully operated and our services towards nation are smoothly run by the efficient field forces. We have already introduced some new products and some of them are to be introduced soon.

Thus our sales volume is in increasing rate and our company growth is always in progress. We always stick to our belief and focused ideas and activities to make our dream true. At the same time we are equally focused on low production cost and high quality products. All of our initiatives are directed towards the value creation for our shareholders and customers. With vast experience in pharmaceuticals manufacturing, we are confident and believe that we can hold on our reputation as a quality manufacturer.

Segment-wise or product-wise performance:

Product wise sales performances are given below:

| Name of Item | Quantity (Pcs/PHs) | | Amount in Taka | |
|--------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 01/07/2018 to 30/06/2019 | 01/07/2017 to 30/06/2018 | 01/07/2018 to 30/06/2019 | 01/07/2017 to 30/06/2018 |
| Tablet | 125,337,499 | 122,315,555 | 423,368,957 | 396,076,835 |
| Capsule | 35,010,175 | 32,237,361 | 228,112,147 | 213,407,090 |
| Liquid | 1,425,234 | 1,407,291 | 61,709,463 | 57,731,415 |
| Dry Syrup | 209,953 | 204,350 | 19,259,623 | 18,018,068 |
| Total | 161,982,861 | 156,164,557 | 732,450,190 | 685,233,408 |

However, product wise capacity utilization is given in note no. 27.05 of the Financial Statements.

Risk & Concerns:

Pharmaceuticals industry faces many of the challenges like lack of power, labour unrest, political unrest resulting hartal causing disruption of production and cost of fund. Changes in the existing global or national policies can have either positive or negative impacts for the company. Any insufficiency or price hike of raw materials due to change in policy in the international market might hamper the production and profitability. Changes in currency exchange rates might also affect the pricing and thereby the profitability of the Company. The performance of the company may also be affected negatively by the political and economic instability both in Bangladesh and worldwide. Moreover, risks and concern of the industry solely depends on the upcoming government policy as well.

Discussion on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin:**Cost of goods Sold:**

The year's cost of goods sold was Tk. 440.50 million (60.14% of Sales) as compared to last year's cost of goods sold of Tk. 412.24 million (60.16% of Sales). This is due to proper utilization of production capacity, use of new infrastructure facilities and good management policies for reducing the overall manufacturing overhead cost.

Gross Profit:

Gross profit earned during the year was Tk. 291.95 million as against last year's gross profit of Tk. 272.99 million. Gross profit increase due to increase of sales volume and decrease the overall cost of goods sold compared to last year.

Net Profit/ (Loss):

The company earned net profit during the year amounting to Tk. 143.32 million as compared to last year's net profit of Tk. 92.99 million. The Net profit increase significantly due to deferred tax income arisen during the year due to changes of income tax rate (reduced to 25% from previous 35%) as a listed company. Total deferred Tax benefit incurred due to changes in income tax rate is taka 2,60,62,797.71.

Discussion on Continuity of any extra-ordinary activities and their implications (gain or loss):

During the Financial year 2018-2019, no extra ordinary activities occurred in the Company.

Related Party Transaction:

The company has no related party transaction as per BAS-24 except Director's Remuneration, Office rent and board meeting attendance fees received by Managing Director and Directors of the company. The details statement of related party transaction is given below:

| Name of the Related Parties | Nature of Relationship | Nature of Transaction | Opening Payable | Value of goods / Services received during the year | Amount paid during the year | Balance Payable as at 30.06.2019 |
|---|--|-----------------------|-----------------|--|-----------------------------|----------------------------------|
| Dr. Saira Khan | Managing Director | Remuneration | 100,000 | 1,200,000 | 1,200,000 | 100,000 |
| | | Board Meeting Fees | - | 43,125 | 43,125 | - |
| Mrs. Silvana Mirza | Chairman | Board Meeting Fees | - | 43,125 | 43,125 | - |
| Mrs. Samina Mirza | Director | Board Meeting Fees | - | 43,125 | 43,125 | - |
| Mrs. Samina Mirza | Director | Board Meeting Fees | - | 34,500 | 34,500 | - |
| Md. Monsur Rahman (Representative of Adarsha Fisheries & Poultry Farms Ltd.) | Director | Board Meeting Fees | - | 43,125 | 43,125 | - |
| Md. Nazrul Islam Khan (Representative of ICB) | Director | Board Meeting Fees | - | 43,125 | 43,125 | - |
| Md. Musfiqur Rahman, FCA | Independent Director | Board Meeting Fees | - | 43,125 | 43,125 | - |
| Mrs. Tanha Zarrin Ahmed | Independent Director | Board Meeting Fees | - | 17,250 | 17,250 | - |
| Mr. A. R. Hassan Mirza | Executive Director & Sponsor Shareholder | Salary & Allowances | - | 1,800,000 | 1,500,000 | 300,000 |
| | | Office Rent | 132,810 | 1,593,720 | 1,593,720 | 132,810 |
| Total | | | 232,810 | 4,904,220 | 4,604,220 | 532,810 |

Statement of Utilization of Proceeds raised through Public Issues:

The Silva Pharmaceuticals Limited accorded the consent from Bangladesh Securities and Exchange Commission (BSEC) on 28 June 2018 for raising its capital through Initial Public Offering (IPO) for implementation of followings:

| Sl. | Particulars | Amount in BDT. |
|-----|--|--------------------|
| 01 | Acquisition of brand new machinery and Equipments | 122,500,000 |
| 02 | Civil construction of two storied new factory building | 56,000,000 |
| 03 | Repayment of term loan of NCC Bank Limited (Kawran Bazar Branch) | 99,000,000 |
| 04 | IPO expenses | 22,500,000 |
| | Total | 300,000,000 |

The status of IPO proceeds as on 30 June, 2019 are given below:

| Purpose of IPO Fund Utilization | Estimated Amount from IPO Proceeds | Amount used upto 30 June, 2019 | Un-Utilized Amount of IPO Fund |
|---------------------------------|------------------------------------|--------------------------------|--------------------------------|
| IPO Expenses | 22,500,000 | 20,441,474 | 2,058,526 |
| Civil Construction | 56,000,000 | 8,600,000 | 47,400,000 |
| Machinery & Equipment | 122,500,000 | - | 122,500,000 |
| Payment of Term Loan | 99,000,000 | 99,000,000 | - |
| TOTAL | 300,000,000 | 128,041,474 | 171,958,526 |

Explanation if the financial Results Deteriorate after the company goes for Initial Public Offering (IPO):

In the year 2018 the company listed its share with Dhaka and Chittagong Stock Exchanges Limited by issuing 3,00,00,000 Ordinary shares of BDT 10.00 each. The company commenced its trade with both the Stock Exchanges from 10th October, 2018 under the trade name of 'SILVAPHL'. After completion of Initial Public Offering (IPO) successfully, the financial results of the company have been increased consistently which has been fully explained in the page no.-13 under the head of Financial Highlights for last 5 years.

Explanation on any significant variance that occurs between quarterly financial performances and annual financial statements:

During the financial year 2018-2019, Annual financial statements are almost in consonance with the quarterly financial performances of the company. As such, no significant variance has been observed between quarterly financial performances and annual financial statements.

Statement of remuneration paid to the directors including Independent directors:

The company did not pay any remuneration or any other facilities or perquisites except board meeting attending fees to its directors (including independent directors) except Managing Director during the financial year ended 30 June, 2019.

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 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.

Statement that proper books of account of the company have been maintained:

Proper books of accounts have been maintained by the company as per section 181 of the Companies Act, 1994.

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:

Accounting policies adopted by the Company have been consistently applied in preparation of the Financial Statements and that the accounting estimates are based on reasonable and prudent judgment. The accounting policies adopted and applied by the company are appropriate in view of the nature of its business operations of the company.

Statement that International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed:

The International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), Securities and Exchange Rules, 1987, Dhaka Stock Exchange (Listing) Regulations, 2015, Chittagong Stock Exchange (Listing) Regulations, 2015 and as applicable any other laws in Bangladesh have been duly followed by the company in preparation of the financial statements and any departure there from has been adequately disclosed.

Statement that the system of internal control is sound in design and has been effectively implemented and monitored:

The system of internal control is sound in design and has been effectively implemented and monitored by the company and duly examined by the internal and external auditors. The company continuously give due emphasis for further improvement of internal control system, if any, can be done.

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:

As a constant policy of the company, interests of minority shareholders have been protected meticulously by the management. The management protects interest of Minority shareholders from abusive actions by or *in the interest of, controlling shareholders acting either directly or indirectly and has effective means of redress* in place.

Statement that there is no significant doubt upon the company's ability to continue as a Going Concern:

There is no doubt upon the company's ability to continue as a going concern. Accordingly the financial statements of the company have been prepared on going concern basis. While approving the financial statements, the directors have analyzed the financial statements, business operation 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 resources to continue its operation consistently for the foreseeable future.

Explanation that significant deviations from the last year's operating results of the company shall be highlighted and the reasons thereof shall be explained

There is no significant deviation during the current financial year from the last year's operating results of the company.

Summary of statement of Key Operating and Financial Data of last preceding 5 (Five) years:

A statement of key operating and financial data of last preceding 5 (five) years are given below:

Financial Highlights for last five Years

| Particulars | Figures in Taka | | | | |
|---|--------------------|---------------|---------------|--------------------------|---------------|
| | 2018-2019 | 2017-2018 | 2016-2017 | 2015-2016 (13 months) | 2014-2015 |
| Operating Data | | | | | |
| Turnover | 732,450,190 | 685,233,408 | 602,491,592 | 628,766,245 | 503,876,753 |
| Gross Profit | 291,949,151 | 272,993,814 | 236,715,799 | 249,255,235 | 189,624,447 |
| Operating Profit | 146,637,810 | 141,963,166 | 124,286,388 | 119,797,759 | 78,860,063 |
| Net Profit before Tax | 157,318,884 | 143,876,215 | 123,763,454 | 114,960,883 | 79,935,521 |
| Net Profit after Tax | 143,323,416 | 92,993,941 | 80,278,559 | 74,724,574 | 51,958,088 |
| Statement of Financial Position Data | | | | | |
| Authorised Capital | 1,500,000,000 | 1,500,000,000 | 1,500,000,000 | 1,500,000,000 | 500,000,000 |
| Paid-up Capital | 1,300,000,000 | 1,000,000,000 | 1,000,000,000 | 500,000,000 | 120,000,000 |
| Reserve and Surplus | 833,442,946 | 710,561,004 | 647,797,063 | 585,378,504 | 501,768,736 |
| Shareholders' Equity | 2,133,442,946 | 1,710,561,004 | 1,647,797,063 | 1,085,378,504 | 621,768,736 |
| Fixed Assets | 1,232,602,338 | 890,460,110 | 706,738,552 | 683,068,654 | 601,143,384 |
| Other Non-Current Assets | 8,600,000 | 197,776,597 | 136,990,677 | 118,899,395 | - |
| Total Non-Current Assets | 1,241,202,338 | 1,088,236,707 | 843,729,229 | 801,968,049 | 601,143,384 |
| Current Assets | 1,060,520,369 | 913,520,356 | 1,097,434,352 | 836,930,943 | 632,864,166 |
| Total Assets | 2,301,722,707 | 2,001,757,063 | 1,941,163,581 | 1,638,898,992 | 1,234,007,550 |
| Non-Current Liabilities | 78,520,043 | 91,219,792 | 86,031,226 | 175,310,350 | 177,932,720 |
| Current Liabilities | 89,759,718 | 199,976,267 | 207,335,292 | 224,210,138 | 216,354,094 |
| Total Liabilities | 168,279,761 | 291,196,059 | 293,366,518 | 399,520,488 | 394,286,814 |
| Financial Ratios | | | | | |
| Gross Profit Ratios (%) | 39.86% | 39.84% | 39.29% | 39.64% | 37.63% |
| Operating Income Ratio (%) | 20.02% | 20.72% | 20.63% | 24.90% | 24.49% |
| Net Income Ratio (%) | 19.57% | 13.57% | 13.32% | 11.88% | 10.31% |
| Debt-Equity Ratio (Times) | 0.08 | 0.17 | 0.18 | 0.21 | 0.41 |
| Return on Equity Ratio (%) | 6.72% | 5.44% | 4.87% | 8.71% | 8.47% |
| Current Ratio (Times) | 11.82 | 4.57 | 5.29 | 3.73 | 3.05 |
| Other Data | | | | | |
| Number of Shares | 130,000,000 | 100,000,000 | 100,000,000 | 50,000,000 | 12,000,000 |
| Net Asset Value per share (NAV) | 16.41 | 17.11 | 16.48 | 21.71 | 52.55 |
| Earnings Per Share (Basic EPS) | 1.15 | 0.93 | 1.03 | 1.24 | 1.06 |
| Dividend per share | 6% Cash & 5% Stock | Nil | 5% (C) | 5% (C) | Nil |
| Number of Shareholders | 6,566 | 89 | 70 | 41 | 37 |
| Face Value per share | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Number of Employees | 1,018 | 1,082 | 1,034 | 1,034 | 929 |

An explanation on the reasons if the company has not declared dividend (cash or stock) for the year:

During the year, the Board of Directors of the Company recommended 06% Cash and 05% Stock Dividend to its Shareholders.

Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend:

During the Financial Year 2018-2019 no Bonus share or Stock Dividend has been declared by the board as interim dividend.

The total number of board meetings held during the year and attendance by each director:

During the year ended 30 June, 2019 the Board of Directors held 05(Five) meetings. Directors who attended the Board meeting are shown below:

| Name of Directors Attended | Position | Attended |
|--|----------------------|-----------------|
| Mrs. Silvana Mirza | Chairman | 05 |
| Dr. Saira Khan, MBBS, DCH, FCPS. | Managing Director | 05 |
| Mrs. Samina Mirza | Director | 05 |
| Mrs. Farhana Mirza | Director | 04 |
| Mr. Nazrul Islam Khan (Nominated by ICB) | Director | 05 |
| Mr. Monsur Rahman (Nominated by Adarsha Fisheries & Poultry Farm Ltd.) | Director | 05 |
| Mr. Md. Musfiqur Rahman, FCA, Independent Director | Independent Director | 05 |
| Tanha Zarrin Ahmed, Bar-at-Law, Independent Director | Independent Director | 04 |

The Directors who could not attend the meetings were granted leave of absence.

A report on the pattern of shareholding as on 30 June 2019 disclosing the aggregate number of shares (along with name wise details where stated below) held by:-

A report on the pattern of shareholding as on 30 June 2019 disclosing the aggregate numbers of shares (along with name wise details) are stated below:-

a. Parent or Subsidiary or Associated Companies and other related parties:

The Silva Pharmaceuticals limited does not have any Parent or Subsidiary or Associated Companies as on 30 June, 2019. However, other related parties do not hold any shares of the company.

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

| <i>Sl. No.</i> | <i>Name of the Shareholders</i> | <i>Status</i> | <i>Number of Shares Held</i> | <i>Percentage (%)</i> |
|----------------|--|---------------------------------------|------------------------------|-----------------------|
| 01. | Mrs. Silvana Mirza | Chairman | 29,10,000 | 02.24% |
| 02. | Dr. Saira Khan, MBBS, DCH, FCPS. | Managing Director | 69,70,000 | 05.36% |
| 03. | Mrs. Samina Mirza | Director | 29,10,000 | 02.24% |
| 04. | Mrs. Farhana Mirza | Director | 29,10,000 | 02.24% |
| 05. | Mr. Nazrul Islam Khan (Nominated by ICB) | Director | 3,00,00,000 | 23.08% |
| 06. | Mr. Monsur Rahman (Nominated by Adarsha Fisheries & Poultry Farm Ltd.) | Director | 50,90,000 | 03.92% |
| 07. | Mr. Md. Musfiqur Rahman, FCA, Independent Director | Independent Director | Nil | Nil |
| 08. | Tanha Zarrin Ahmed, Bar-at-Law, Independent Director | Independent Director | Nil | Nil |
| 09. | Md. Iqbal Hossain | Company Secretary | 1,10,000 | 00.08% |
| 10. | Md. Abul Kasem | Chief Financial Officer | Nil | Nil |
| 11. | Khurshid Ahmed Siddique | Head of Internal Audit and Compliance | 4,80,000 | 0.38% |
| 12. | A R Hassan Mirza | Spouses of Managing Director | 49,50,000 | 3.81% |

c. Executives:

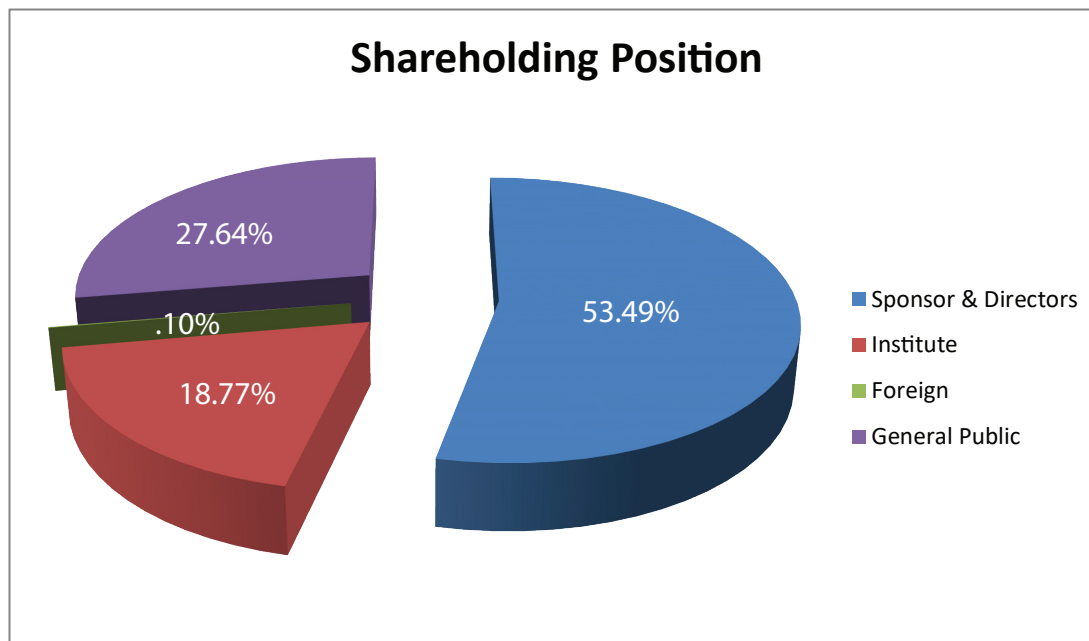
| <i>Sl. No.</i> | <i>Name of the Shareholders</i> | <i>Status</i> | <i>Number of Shares Held</i> | <i>Percentage (%)</i> |
|----------------|---------------------------------|------------------------------------|------------------------------|-----------------------|
| 01. | ATM Kamrul Ahsan | General Manager | Nil | Nil |
| 02. | Md. Tipu Sultan | Assistant General Manager (Sales) | Nil | Nil |
| 03. | Mohammad Bourhan Uddin | Plant Manager | Nil | Nil |
| 04. | Mohammad Reaz uddin | Manager-Quality | Nil | Nil |
| 05. | Mahmud Hossain Al Mamun | Manager-Engineering & Maintenance | Nil | Nil |

c. Shareholders holding ten percent (10%) or more voting interest in the company (name-wise details):

| <i>Sl. No.</i> | <i>Name of the Shareholders</i> | <i>Status</i> | <i>Number of Shares Held</i> | <i>Percentage (%)</i> |
|----------------|--|---------------|------------------------------|-----------------------|
| 01. | Investment Corporation of Bangladesh (ICB) | Director | 3,00,00,000 | 23.08% |

Composition of Shareholding Position

| Sl. No. | Name of the Shareholders | Status | Number of Shares Held | Percentage (%) |
|--------------|--|---------------------|-----------------------|----------------|
| 01. | Mrs. Silvana Mirza | Chairman | 29,10,000 | 02.24% |
| 02. | Dr. Saira Khan, MBBS, DCH, FCPS. | Managing Director | 69,70,000 | 05.36% |
| 03. | Mrs. Samina Mirza | Director | 29,10,000 | 02.24% |
| 04. | Mrs. Farhana Mirza | Director | 29,10,000 | 02.24% |
| 05. | Mr. Nazrul Islam Khan (Nominated by ICB) | Director | 3,00,00,000 | 23.07% |
| 06. | Mr. Monsur Rahman (Nominated by Adarsha Fisheries & Poultry Farm Ltd.) | Director | 50,90,000 | 03.91% |
| 07. | Md. Anwar Mirza | Sponsor Shareholder | 48,50,000 | 3.73% |
| 08. | Mrs. Sajeda Mirza | Sponsor Shareholder | 49,50,000 | 3.81% |
| 09. | Dr. Shibli Mirza | Sponsor Shareholder | 40,00,000 | 3.08% |
| 10. | A R Hassan Mirza | Sponsor Shareholder | 49,50,000 | 3.81% |
| 11. | Institute | Shareholder | 2,44,02,718 | 18.77% |
| 12. | Foreign | Shareholder | 1,29,392 | 0.10% |
| 13. | General Public | Shareholder | 3,59,27,890 | 27.64% |
| Total | | | 13,00,00,000 | 100.00% |



In case of the appointment or re-appointment of a director, a disclosure on the following information to the shareholders

- a) **A brief resume of the directors;**
- b) **Nature of his/her expertise in specific functional areas;**
- c) **Name of companies in which the person also holds the directorship and the membership of committees of the Board.**

As per the Articles of Association of the company Mrs. Samina Mirza, Director, Mrs. Farhana Mirza, Director and Mr. Nazrul Islam Khan (Nominated by Investment Corporation of Bangladesh), Director of the company will be retired by rotation at the 18th Annual general Meeting and being eligible they offer themselves for re-appointment.

Mrs. Samina Mirza

Mrs. Samina Mirza was born in a famous Business Muslim family at Noakhali in Bangladesh in the year 1984. She is one of the sponsors and Directors of the Company. She graduated from London. Her acumen in business and flexible manner in terms of public relations made her a role model in developing the culture of the organization.

Mrs. Samina Mirza is also the member of Audit Committee of the company.

Mrs. Farhana Mirza

Mrs. Farhana Mirza was born in an eminence Business Muslim family at Noakhali in Bangladesh in the year 1985. She is one of the sponsors and Directors of the Company. She graduated from Asian University Bangladesh in Islamic Studies. She is doing her job nicely with adding value by creative and innovative ideas to the Board.

Mrs. Farhana Mirza is also the member of Nomination and Remuneration Committee (NRC) of the company.

Mr. Md. Nazrul Islam Khan, Represented by Investment Corporation of Bangladesh (ICB).

Mr. Nazrul Islam Khan was born in an illustrious family at Chandpur in Bangladesh in the year 1960. He is an M. Com. (Accounting) from Dhaka University. He is a General Manager of the Investment Corporation of Bangladesh (ICB) and he was nominated by ICB as director for the company which he joined in 1984. He is doing his job nicely with adding value by creative and innovative ideas.

A management's discussion and analysis signed by managing director presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others.

A management's discussion and analysis signed by Managing Director presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements has been presented in page no. 20-23 in this annual report.

Declaration or certification by the CEO and the CFO to the board as required under condition no. 3(3) shall be disclosed as per Annexure-A.

Declaration or certification by the CEO and the CFO to the Board as appended in this Annual Report under Annexure-A, page no. 34-35.

The report as well as certificate regarding compliance of conditions of this code as required under condition no. 9.

The report as well as certificate regarding compliance of conditions of this code as required under condition no. 9 has been presented under Annexure-B and Annexure-C in the page no. 36-47.

Appointment of Auditors':

Under the Companies Act, 1994 and the Articles of Association, the current statutory auditors' of Silva Pharmaceuticals Limited M/s. Mahfel Huq & Co., Chartered Accountants, will retire at the 18th Annual General Meeting. They have expressed their willingness to be re-appointed for the year 2019-2020 at the fees of Taka 2,00,000.00 (Two lac). The Board recommends the re-appointment of M/s. Mahfel Huq & Co., Chartered Accountants, 34, Topkhana Road, Dhaka-1000 for as the statutory auditors of the company for the year 2019-2020 and continuation up to the next AGM at a fees of Tk. 2,00,000.00 (Two lac) only and request to the shareholders to approve the appointment.

Appointment of Compliance Auditor as per Corporate Governance Code:

As per Notification No. BSEC/CMRRCD/2006-158/207/Admin/80; dated 3 June, 2018, issued by Bangladesh Securities and Exchange Commission (BSEC), M/S. S. R. Islam & Co., Chartered Accountants, compliance auditors of the company audited the compliance status of the company for the year 2018-2019. M/S. S. R. Islam & Co., Chartered Accountants, retire at this AGM. Being eligible, offered themselves for re-appointment as Compliance Auditors for the financial year 2019-2020.

The profile of the existing Audit Firm and the service performed by them was reviewed by the Board of Directors of the Audit Committee and suggested to re-appoint of M/S. S. R. Islam & Co., Chartered Accountants, as Compliance Auditors of the company for the next financial year 2019-2020 with a remuneration of BDT. 30,000.00 (Thirty Thousand) only subject to the approval of the shareholders in the 18th AGM of the company to be held on 25 November, 2019.

Corporate Governance:

Corporate Governance is the system by which company are directed and controlled. Board of Directors is responsible for the governance of their Company's. The shareholders' role in governance is to appoint the Directors and the Auditors and to satisfy themselves that an appropriate governance structure is in place.

The responsibilities of the Board include setting the Company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship.

In order to enhance Corporate Governance practice for the interest of investors and the capital market, Bangladesh Securities and Exchange Commission (BSEC) has imposed some further conditions and issued a revised Notification vides reference no. BSEC/CMRRCD/2006-158/207/Admin/80; dated 3 June, 2018. In the mentioned notification, BSEC directed all the listed companies to comply with the new codes of BSEC within 31st December, 2018. Compliance status of the above mentioned Code by The Silva Pharmaceuticals Ltd. has been depicted in the page no. 37-47 of the Annual Report as **Annexure – C**.

Board of Directors

The Board of Directors is the highest governance body of the Company and represents the interests of all shareholders and stakeholders, irrespective of who elected its directors. The Board of the company comprises with 8 (Eight) Directors, of whom 4 (Four) directors are shareholder Directors, 2 (Two) nominee directors and 2 (Two) independent directors. Independent Directors are appointed as per provision of the Corporate Governance Codes of Bangladesh Securities and Exchange Commission (BSEC). The Board's essential role is to approve the Company's strategy and oversee compliance.

Audit Committee

In compliance with the condition no. 5 of **Corporate Governance Codes** of Bangladesh Securities and Exchange Commission (BSEC) vides reference no. BSEC/CMRRCD/2006-158/207/Admin/80; dated 3 June, 2018, the audit committee of the company is functioning. The main aim of the audit committee is to assist the Board with regard to the strategies adopted to manage the business- related risks and continuously oversee the internal control environment of operations. Presently, the committee is comprises with the following members:

| Sl. No. | Name of the Directors | Position in Audit Committee | Position in Board |
|---------|--------------------------|-----------------------------|---|
| 01 | Md. Musfiqur Rahman, FCA | Chairman | Independent Director |
| 02 | Mrs. Samina Mirza | Member | Director |
| 03 | Mr. Monsur Rahman | Member | Nominee Director of Adarsha Fisheries & Poultry Farm Ltd. |

Nomination and Remuneration Committee (NRC)

This committee was established in 13 November, 2018 under condition no. 6 of **Corporate Governance Code** of Bangladesh Securities and Exchange Commission (BSEC) vide reference no. BSEC/CMRRCD/2006-158/207/Admin/80; dated 3 June, 2018. The Nomination and Remuneration Committee is a sub-committee of the Board, NRC shall assist the board in formulation of the nomination criterion or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executives.

The Committee formally met for the first time in April, 2019 after constitution of the NRC of Silva Pharmaceuticals Limited ensured/observed the following activities:

1. Set up an organization structure where reporting line is clearly defined for the directors and top management team along with standard manpower planning exercise for each and every position for identifying the total requirement.
2. Set up standard pay structure for each job level based on education, experience and competency.
3. A target based on-line performance Management System to evaluate performance of employees. This KPI based PMS leads to Yearly Increment, Promotion of individual.
4. Employee Benefit policy to attract the job seekers and retain internal talents. Succession planning of the company to have our future leaders ready according to the requirements. Ensuring extensive training and development plan for the individual or group of people.
5. A transparent recruitment and selection policy where competent candidates get hired.
6. Practicing a clear career path system for employees which reflect in organization structure.

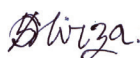
Workers' Profit Participation Fund:

In the year under review 5% of the company's net profit after charging such contribution but before Income Tax i.e. Tk. 78,65,944.00 has been transferred to the workers profit participation fund and welfare fund as per provisions of Bangladesh Labour (Amendment) Act, 2013.

Appreciation:

The Board of Directors take this opportunity to appreciate Shareholders, Doctors, Customers, Bankers, Suppliers, Vendors, Insurance Companies, Employees, Regulatory Bodies including Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), Central Depository Bangladesh Limited (CDBL), National Board of Revenues (NBR), Directorate General of Drug Administration & Licensing Authority (DGDA), Registrar of Joint Stock Companies and Firms (RJSC), Insurance Development and Regulatory Authority (IRDA) and other stakeholders of the company for their continued support and co-operation and guidance to the company that led to many achievements extended to us and sincerely look forward the same in future as well. The Board also recognizes the contributions received from various Government Authorities, healthcare professionals, press and media, business partners and lastly the individuals and agencies who have helped us accomplished what we are today.

On behalf of the Board,



Mrs. Silvana Mirza
Chairman

Dhaka, 16 October, 2019