

DIRECTORS REPORT TO SHAREHOLDERS

Dear Owners of Shahjibazar Power Co. Ltd.

Assalamualikum,

Navigating through another very challenging time of operation, we have completed another year with strained operating results. Being authorized by the Board, I would like to welcome you all in the 16th Annual General Meeting and presenting herewith the Audited Financial Statements for the year then ended June 30, 2023.

The Directors' Report is prepared in compliance with Section 184 of the Companies Act 1994, Financial Reporting Standards adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), The Dhaka and Chittagong Stock Exchange (Listing) Regulations, 2015 and Bangladesh Securities & Exchange Commission's (BSEC) notification no-BSEC/CMRRCD/2006-158/207/Admin/80 dated 3rd June 2018 regarding Corporate Governance Code and other directive and regulations published by the Commission time to time.

15.14 ECONOMY AT A GLANCE

The global economic slowdown is still underway like last year. Growing adverse effect of Russia-Ukraine war, unprecedented inflation and interest rate hike, disrupting supply chain still dragging the momentum of global growth. All central banks around the globe including the US Fed are grappling to face off the pressure and tweaking their monetary policy to stay relevant. Growth in advanced economies is expected to decline from 2.7 percent in 2022 to 1.3 percent in 2023 and rebound 1.4 percent in 2024. In emerging markets and developing economies, however, growth is expected to drop from 4.0 percent in 2022 to 3.9 percent in 2023 and rebound to 4.2 percent in 2024. Global inflation is estimated at 8.8 percent in 2022 (annual average), which will decrease to 6.6 percent in 2023 and 4.5 percent in 2024. However, this rate of inflation is higher than the pre-pandemic inflation rate.

The economy of Bangladesh has been in the rebound phase post-covid, but unfortunately bumped with geo-political tensions. The US dollar is continuing to become stronger as compared to any time in the horizon causing a significant dent in the forex reserve. The entire economy is still running on the shoulders of RMG and Foreign Remittance earners without making any progress on export diversification. Economic growth in the pre-COVID-19 fiscal year (FY 2018-19) was 7.88 percent. During the COVID-19 period, this growth rate declined to 3.45 percent in FY 2019-20, which increased to 6.94 percent in FY 2020-21 and 7.10 percent in FY 2021-22. According to the provisional estimates of Bangladesh Bureau of Statistics (BBS), the GDP growth stood at 6.03 percent in FY 2022-23.

Per capita GDP and per capita national income stood at US\$ 2,657 and US\$ 2,765 respectively in FY 2022-23 compared to US\$ 2,687 and US\$ 2,793 respectively in the previous fiscal year. The per capita national income in dollar terms has declined slightly in FY 2022-23 due to the appreciation of US dollar.

The private sector credit growth and implementation of various government mega projects, which reflect the national investment landscape, have remained fairly well in H2FY23. Private sector credit growth reached 11.10 percent (YoY) in May 2023, compared to 12.94 percent in the same month of the previous year. Additionally, the output of medium and large-scale manufacturing, a significant component of Gross Domestic Product (GDP), has increased by 8.8 percent (PoP) during the July-January period of FY23. According to the provisional estimate from the Bangladesh Bureau of Statistics (BBS), the real GDP Growth for FY23 is expected to be 6.03%, which fall short of the government's revised target of 6.5 percent.

15.15 POWER SECTOR SCENARIO OF BANGLADESH

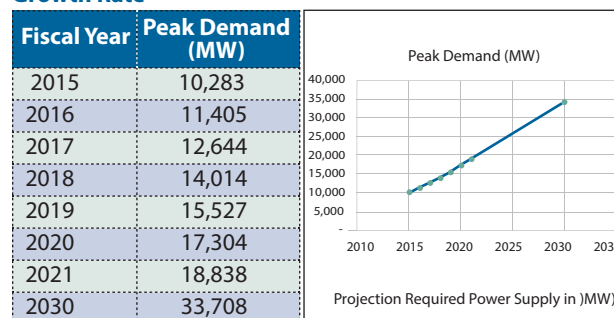
After independence of Bangladesh the Power sector has witnessed a glorified decade of transformation. The last decade alone has contributed 90 percent of all progress made in this sector since the time of liberation of the country. Total generation capacity 25,951 MW. With captive and renewable energy, the generation capacity stood at 26,700 MW. The sector is highly dependent on gas for primary fuel followed by HFO. The pursuit of transformation in renewables as primary source is underway.

As per the publication of the Bangladesh Power Development Board (BPDB) total installed capacity is 25,951 MW (Without captive and SHS) of which both private and public sector contributes 43.50 percent each, 4.94% power import and remaining 7.93 percent under JV with foreign counterparts.

Per capita power generation has increased to 609 kWh. The power distribution line has increased to 6.29 lakh km and the number of consumers has increased to 4.45 crore. The system loss has come down to 9.30 percent till December of FY 2022-23 which was 14.73 percent in FY 2010-11.

In the short run power demand shall increase in a consistent pattern over the years. Key drivers behind will be Digitization of services in several sectors, More use of Digital Financial Services, Mechanized Agriculture technologies transforming the way of farming, Change of lifestyles in the rural areas, the demography of rising population, several infrastructural mega projects like Padma Bridge, Dhaka Metroraill, Airport Terminal – 3, One Hundred economic zones and Matarbari Moheshkhali Integrated Development Initiative (MIDI).

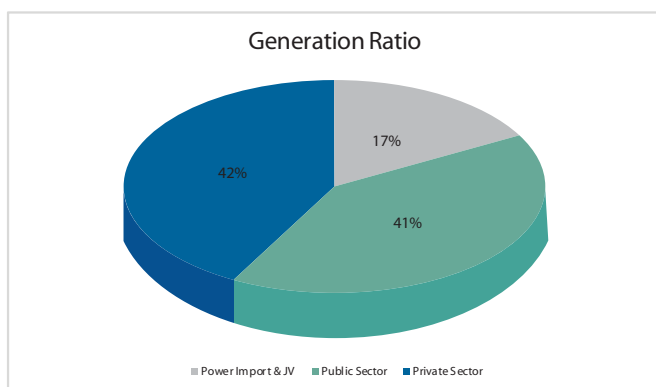
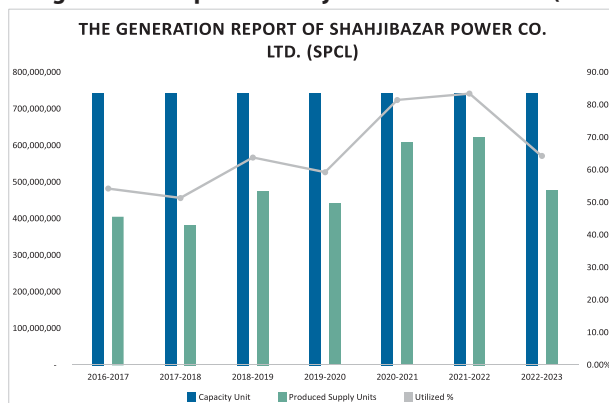
Power System Master Plan by BPDB Assuming 7% GDP Growth Rate



Present Installed Generation Capacity (MW) as on October 31, 2023

BPDB	6349	24.47%
APSCCL	1394	5.37%
EGCB	957	3.69%
NWPGCL	1401	5.40%
RPCL	182	0.70%
B-R Power Gen	312	1.20%
JV-NWPGCL-CMC	1244	4.79%
JV-NTPC-BPDB	617	2.38%
Sub Total	12456	48.00%
IPPs	9418	36.29%
SIPPs (BPDB)	99	0.38%
SIPPs (REB)	251	0.97%
15 YR. Rental	169	0.65%
3/5 YR. Rental	105	0.40%
Rental No E No P	797	3.07%
Power Import	2656	10.23%
Sub Total	13495	52.00%
Total	25951	100.00%

The generation report of Shahjibazar Power Co. Ltd. (SPCL)



Public and private sector is contributing 41% and 42% respectively followed by Import & JV 17% in the total generation of power as of October 31, 2023. Amongst the public sector generation units BPDB is playing the champion role as usual.

15.16 BUSINESS ACTIVITIES INCLUDING ITS OPERATING PERFORMANCE

Shahjibazar Power Company Limited (SPCL) has come into the power sector of Bangladesh winning competitive tender beating several other participants with Bangladesh Power Development Board (BPDB) on February 14, 2008. Subsequently the company has entered into Gas Supply Agreement (GSA) with Jalalabad Gas Transmission and Distribution System Limited (JGTDSL) on April 9, 2008. Partnering with US based Company General Electric International, the 86 MW power plant constructed based on PPA (Power Purchase Agreement) between BPDB and the Company to supply electricity to the Government. As of June 30, 2023 the company is producing 64.21% of total capacity on an average. The operational performance of the Company is shown as hereunder:

Fiscal Year	Capacity Unit	Produced Supply Unit	Utilized %
2016-2017	743,040,000	402,946,125	54.23%
2017-2018	743,040,000	381,564,619	51.35%
2018-2019	743,040,000	474,114,000	63.81%
2019-2020	743,040,000	440,517,096	59.29%
2020-2021	743,040,000	605,484,672	81.49%
2021-2022	743,040,000	619,934,136	83.43%
2022-2023	743,040,000	477,095,952	64.21%

The generation report of Shahjibazar Power Co. Ltd. (SPCL)

During FY20-23 your company has generated 477,095,952 Kwh as compared to 619,934,136 Kwh in FY21-22 to supply the national grid. As always the only off-taker is Bangladesh Power Development Board (BPDB). Revenue for the year under report stands at BDT 2,751.97 Million as compared to the previous year of BDT 2,235.24 Million growing 23.12% Y-o-Y. Consolidated Revenue was ramped up 29.48% Y-o-Y scoring BDT 9,385.70 Million in FY22-23 and BDT 7,249.02 Million in FY21-22. Consolidated Net Profit after Tax (NPAT) after adding the contribution from subsidiary and associate entities stands at BDT 284.04 in FY22-23 as compared to BDT 795.66 Million on FY21-22 which has shown a fall of (64.30)%. Oil Refinery segment has delivered around 104.07 Million liters of petroleum products with a revenue of Tk. 6,633.73 Million.

15.17 SEGMENT WISE PERFORMANCE

Segment/Product	Quantity	Sales in Million Tk.
Power	477,095,952 Kwh	2,751.97
Oil & Gas	104,073,540 Ltr	6,633.73
Total		9,385.70

15.18 CONTRIBUTION TO THE NATIONAL EXCHEQUER

The driving force of growth to any economy is uninterrupted energy supply and your company is supplying energy to the whole country in the form of Power and Oil. In process, As of June 30, 2023 your company has contributed Tk. 168.22 Million as income tax and subsidiary of your company has added Tk. 942.55 Million in the form VAT to the national exchequer.

15.19 EXTRA-ORDINARY GAIN OR LOSS

There are no extra ordinary gain or Loss during the reporting period

15.20 DISCUSSION ON RELATED PARTY TRANSACTION

During the year under review, the Company carried out a number of transactions with related parties in the normal course of business. The name of related parties, nature of these transactions and their value have been set out in accordance with the provision of IAS 24 "Related Party Disclosure". The related party transactions have been taken place on arm's length basis during the year have been disclosed in the **Annexure - B** to the financial statements.

15.21 SIGNIFICANT VARIANCE BETWEEN QUARTERLY AND ANNUAL FINANCIAL STATEMENTS

The underlying reasons for that significant deviation can be attributed to the fall in profits of subsidiary and associate companies. 90% of the subsidiary of refinery business had to book raw materials from foreign sources at a higher price to streamline the pricing formula of finished oil refined from imported source by the Ministry. While finalizing the pricing formula the raw material price of imported source has fall significantly in the international market and the pricing formula has considered the spot price of raw materials instead of the purchase price of the Subsidiary company. Subsequently, this individual consignment has suffered significant loss during the period under report. Moreover, the associate business of 150 MW HFO fired power plant had several HFO import consignments booked at the USD exchange rate of BDT 90-95 during the period, those import consignments matured for payment and USD rate was by the time hits as high as up to BDT 110 per USD causing a huge currency exchange loss reflected in the profitability of this power generation business.

15.22 REMUNERATION OF DIRECTORS

Remuneration, performance and other related perquisites/benefits of managing director is disclosed in **Note 30.01** Other directors are not entitled to remuneration and other facilities for their directorship except the Board Meeting Fee.

15.23 MINORITY SHAREHOLDERS:

As of June 30, 2023 the total minority shareholders represent 40.79% of total shareholdings of the Company including Institute and General Public Portion. Every material decision which may affect the profitability of the company has been disclosed by disseminating the same as Material or Price Sensitive Information (PSI) as the case may be. Hence, active participation of the Independent Directors in the board has balanced the interest of Minority shareholders while considering or adopting any operational decision in the board.

15.24 CORPORATE AND FINANCIAL REPORTING FRAMEWORK

As per law the financial statements of your Company have followed International Financial Reporting Standards (IAS) as adopted by ICAB as International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). This has been completely followed to fairly present the financial position and performance of the Company. While preparing the financial statements, the following points were considered –

- I. Selection of suitable accounting policies and then applying them consistently,
- II. Making judgments and estimates that are reasonable and prudent,
- III. Ensuring that the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS),
- IV. Preparing the financial statements in an ongoing concern basis unless it is appropriate to presume that the Company will not continue in business. Proper accounting records have been kept so that at any given point the financial position of the Company is reflected with reasonable accuracy, which will enable them to ensure that its financial statements comply with Companies Act 1994 and other required regulatory authorities.

In compliance with the requirements of the BSEC's Notification No- BSEC/CMRRCD/2006-158/207/Admin/80 dated: June 3, 2018, the Directors are also pleased to make the following declarations in their report:

- a. The financial statement prepared by the management of your Company fairly presents its state of affairs, the result of its operations, cash flows and changes in equity;
- b. Proper books of accounts of your Company have been maintained;
- c. 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;
- d. International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any discrepancies have been adequately disclosed;
- e. The system of internal control is well structured and has been effectively implemented and monitored;
- f. There are no significant doubts upon your Company's ability to continue as an ongoing concern basis;
- g. Significant deviations from last year in operating results of the Company are highlighted and the reasons have been explained in financial results & profit appropriation;
- h. Key operating and financial data has been summarized for the preceding five years;
- i. Significant plans and decisions, such as corporate restructuring, business expansion and discontinuation of operations as appropriate, future prospects, risks and uncertainties surrounding the Company has been outlined under the related captions of this report;
- j. The number of Board meetings held during the year and attendance of each director has been disclosed;
- k. The pattern of shareholding has been reported in **Annexure-3** to disclose the aggregate number of shares.

15.25 FINANCIAL RESULTS AND PERFORMANCE OF THE COMPANY

Consolidated and separate Financial Result compared with last year is detailed below

Particulars	2022		2023		% Change
	(in Million Taka)	% on Sales	(in Million Taka)	% on Sales	
Revenue	7,249.02		9,385.70		29.48%
Cost of Sales	5,943.69	82%	8,179.43	87%	37.62%
Gross Profit	1,305.33	18%	1,206.27	13%	-7.59%
General and Administrative Expenses	170.69	2%	246.99	3%	44.70%
Finance Cost Net	263.54	4%	311.29	3%	18.12%
Operating Profit	871.10	12%	647.99	7%	-25.61%
Other Income Net	50.21	1%	41.04	0%	-18.26%
Share of Profit from Associate	178.28	2%	-199.68	-2%	-212.00%
WPPF	49.01	1%	37.09	0%	-24.32%
Net Profit Before Income Tax	1050.58	14%	452.26	5%	-56.95%
Income Tax	254.92	4%	168.22	2%	-34.01%
Total Comprehensive Income	795.66	11%	284.04	3%	-64.30%
Less: Minority Interest	23.17	0%	0.54	0%	-97.67%
Net Profit (After Tax & Minority Interest)	772.49	11%	283.51	3%	-63.30%

Consolidated Summary of Financial Statement of Shahjibazar Power Co. Ltd.

Particulars	2022		2023		% Change
	(in Million Taka)	% on Sales	(in Million Taka)	% on Sales	
Revenue	2,235.24		2,751.97		23.12%
Cost of Sales	1,446.73	65%	1,885.90	69%	30.36%
Gross Profit	788.51	35%	866.07	31%	9.84%
General and Administrative Expenses	89.63	4%	148.22	5%	65.37%
Finance Cost Net	121.65	5%	88.13	3%	-27.55%
Operating Profit	577.23	26%	629.72	23%	9.09%
Other Income Net	117.77	5%	98.49	4%	-16.37%
Share of Profit from Associate	178.28	8%	-199.68	-7%	-212.00%
WPPF	33.09	1%	34.67	1%	4.77%
Net Profit Before Income Tax	840.19	38%	493.86	18%	-41.22%
Income Tax	168.03	8%	125.18	5%	-25.50%
Total Comprehensive Income	672.16	30%	368.68	13%	-45.15%

Separate Summary of Financial Statement of Shahjibazar Power Co. Ltd.

15.26 SIGNIFICANT VARIANCE OF FINANCIAL STATEMENTS

The underlying reasons for that significant deviation can be attributed to the fall in profits of subsidiary and associate companies. 90% of the subsidiary of refinery business had to book raw materials from foreign sources at a higher price to streamline the pricing formula of finished oil refined from imported source by the Ministry. While finalizing the pricing formula the raw material price of imported source has fall significantly in the international market and the pricing formula has considered the spot price of raw materials instead of the purchase price of the Subsidiary company. Subsequently, this individual consignment has suffered significant loss during the period under report. Moreover, the associate business of 150 MW HFO fired power plant had several HFO import consignments booked at the USD exchange rate of BDT 90-95 during the period, those import consignments matured for payment and USD rate was by the time hits as high as up to BDT 110 per USD causing a huge currency exchange loss reflected in the profitability of this power generation business.

15.27 A DISCUSSION ON COST OF GOODS SOLD, GROSS PROFIT MARGIN AND NET PROFIT MARGIN

Particulars	2022		2023		% Change
	(in Million Taka)	% on Sales	(in Million Taka)	% on Sales	
Revenue	7,249.02		9,385.70		29.48%
Cost of Sales	5,943.69	82%	8,179.43	87%	37.62%
Gross Profit	1,305.33	18%	1,206.27	13%	-7.59%
Operating Profit	871.10	12%	647.99	7%	-25.61%
Net Profit Before Income Tax	1050.58	14%	452.26	5%	-56.95%
Total Comprehensive Income	795.66	11%	284.04	3%	-64.30%
Net Profit (After Tax & Minority Interest)	772.49	11%	283.51	3%	-63.30%

Consolidated

Revenue rose 29.48% as compared to the previous year and Gross Profit slipped by -7.59% Operating profit also decreased by -25.61%. Net profit (After Tax & Minority Interest) has experienced a sharp fall of -63.30% as compared to last year. GP Margin was 13% of sales as compared to the 18% of the previous year and Net Profit Margin was 3% as compared to 11% of the previous year.

Particulars	2022		2023		% Change
	(in Million Taka)	% on Sales	(in Million Taka)	% on Sales	
Revenue	2,235.24		2,751.97		23.12%
Cost of Sales	1,446.73	65%	1,885.90	69%	30.36%
Gross Profit	788.51	35%	866.07	31%	9.84%
Operating Profit	577.23	26%	629.72	23%	9.09%
Net Profit Before Income Tax	840.19	38%	493.86	18%	-41.22%
Total Comprehensive Income	672.16	30%	368.68	13%	-45.15%

Separate

Revenue was up by 23.12% as compared to the previous year. Gross Profit slightly increases by 9.84% due to several cost optimization projects in the plant site across the year. Gross Profit Margin as compared to revenue was 31% as compared to 35% of the previous year due to the same reason. Net Profit Margin has a big fall and set for 13% as compared to 30% of the previous year due to accounting for performance of the associate companies under equity method.

15.28 PROFIT APPROPRIATION

Consolidated Net Profit after Tax (NPAT) of your company stands BDT 283.51 million as against BDT 772.49 Million Year-Over-Year. Current liquidity position of the company is very highly strained due to non-payment of Bills by BPDB for long time. Considering the practical situation, the Board would like to report the Company's financial result for the year than ended on June 30, 2023 with the recommendations for appropriation as follows:

Particulars	Amount in Million Taka
Net Profit for the year 2023	283.51
Profit brought Forward	3,785.73
Profit available for appropriation	4,069.24
Appropriations:	
Proposed Cash Dividend @ 11%	205.29
Transferred to Retained Earning	3,863.95
Profit available for appropriation	4,069.24

15.29 DIVIDEND

Your Board recommends a final cash dividend of 11% cash dividend for the year 2023 i.e. Taka 1.10 for each Ordinary shares held of Taka 10 on the record date, subject to approval by the shareholders at the 16th Annual General Meeting.

Dividend Type	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20	30-Jun-19	30-Jun-18
Cash Dividend (%)	11%	16%	28%	28%	28%	25%
Stock Dividend (%)	-	4%	4%	2%	2%	3%
Total	11%	20%	32%	30%	30%	28%

15.30 DIRECTORS' MEETING & ATTENDANCE

During the year ended June 30, 2023 The Board of Directors has attended 4 meetings. Directors who attended the board meetings are shown below:

Name of Directors	Attended
Mr. Anis Salahuddin Ahmad	4
Mr. Faridul Alam	4
Mr. A.K.M Badiul Alam	4
Mr. Shamsuzzaman	4
Mr. Akbor Haider	4
Mr. Faisal Alam	4
Mr. Asgar Haider	4
Mr. Mohammed Nurul Amin	4
Mr. Sharif Wadud	4

THE PATTERN OF SHAREHOLDING

Pattern of Shareholding as on June 30, 2023

Annexure -3

Name of Shareholders	Status	Relation	Share Held	Percentage (%)
i) Parent/Subsidiary/Associated Companies and other related parties				
ii) Directors				
A. Mr. Anis Salahuddin Ahmad	Chairperson		16,630,494	8.91%
B. Mr. A.K.M.Badiul Alam	Director		10,885,259	5.83%
C. Mr. Md. Shamsuzzaman	Director		21,195,091	11.36%
D. Mr. Akbor Haider	Director	Son of Mr. Rezakul Haider	12,844,144	6.88%
E. Mr. Faridul Alam	Managing Director		10,653,363	5.71%
F. Mr. Faisal Alam	Director		11,494,265	6.16%
G. Mr. Asgar Haider	Director	Son of Mr. Rezakul Haider	12,612,333	6.76%
H. Ms. Rezina Alam	Sponsor		8,369,788	4.48%
I. Ms. Israt Azim Ahmad	Sponsor	Spouse of Mr. Anis Salahuddin Ahmad	5,824,839	3.12%
J. Mr. Mohammed Nurul Amin	Independent Director		Nil	Nil
K. Mr. Sharif Wadud	Independent Director		Nil	Nil
iii) Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit and their Spouses and Minor Childrens:				
A. Bhulon Kumar Bhowmik	CFO		0	0.00%
B. Yeasin Ahmed	Company Secretary		0	0.00%
C. Md. Shakhawat Hossain	Head of Internal Audit		0	0.00%
iv) Executives			Nil	Nil
v. Shareholders Holding 10% or more voting interest in the company:				
A. Mr. Md. Shamsuzzaman	Director		20,379,896	11.36%

15.32 DIRECTORS' ELECTION & RE-APPOINTMENT:

As per the Articles of Association Mr. Faisal Alam and Mr. Md. Shamsuzzaman shall retire in 16th Annual General Meeting by rotation and being eligible to offer themselves for re-election.

15.33 RESUME OF THE DIRECTORS & THEIR EXPERTISE IN SPECIFIC FUNCTIONAL AREA

Described in Directors Profile

15.34 INDEPENDENT DIRECTOR TO THE BOARD OF SUBSIDIARY COMPANY

Mr. Mohammed Nurul Amin has been continuing as the nominated director in the subsidiary company.

15.35 HOLDING OF DIRECTORSHIP AND MEMBERSHIP OF THE COMMITTEES OF THE BOARD OTHER THAN THIS COMPANY

HOLDING OF DIRECTORSHIP AND MEMBERSHIP OF THE COMMITTEES OF THE BOARD OTHER THAN THIS COMPANY

Name of Directors		Companies >>	
Mr. Anis Salahuddin Ahmad	✓	✓	Petromax Refinery Ltd.
Mr. Anis Salahuddin Ahmad		✓	Midland Power Company Ltd.
Mr. Anis Salahuddin Ahmad		✓	Midland East Power Ltd.
Mr. Anis Salahuddin Ahmad	✓	✓	Comfit Composite Knit Ltd.
Mr. Anis Salahuddin Ahmad		✓	Youth Fashion Ltd.
Mr. Anis Salahuddin Ahmad		✓	Youth Garments Ltd.
Mr. A.K.M Badiul Alam		✓	Zenith Islami Life Insurance Ltd
Mr. Anis Salahuddin Ahmad	✓		Islamic Finance & Investment Ltd.
Mr. A.K.M Badiul Alam		✓	Garments Export Village Ltd.
Mr. A.K.M Badiul Alam		✓	Grey Stone Sweater Ltd.
Mr. A.K.M Badiul Alam		✓	Power Vantage Wear Ltd.
Mr. A.K.M Badiul Alam		✓	Shirts Mine Ltd.
Mr. A.K.M Badiul Alam		✓	Apparel Marketing & Trading Network Ltd.
Mr. A.K.M Badiul Alam		✓	Orbital Accessories Ltd.
Mr. A.K.M Badiul Alam		✓	Eden Multi Care Hospital (Pvt.) Ltd.
Mr. Faridul Alam	✓	✓	Orient Chem-Tex Ltd.
Mr. Faridul Alam	✓	✓	Micro Fiber Ltd.
Mr. Faridul Alam	✓	✓	Liberty Knitwear Ltd
Mr. Faridul Alam	✓	✓	Midland Knitwear Ltd.
Mr. Faridul Alam	✓	✓	A-One Polar Ltd.
Mr. Faridul Alam			Midland Bank Limited
Mr. Akbor Haider	✓		
Mr. Faisal Alam	✓		
Mr. Asgar Haider	✓		

15.36 AUDIT COMMITTEE

The Company has an audit committee with an established charter. The audit committee has met four times this year and the committee members' attendance record is disclosed below:

Name of Directors	Status	Attended
Mr. Mohammed Nurul Amin	Chair	4
Mr. Akbor Haider	Member	4
Mr. A.K.M Badiul Alam	Member	4
Mr. Yeasin Ahmed FCS	Secretary	4

15.37 AUDITORS

M/S ACNABIN Chartered Accountants was appointed as the auditor of the Company in the 15th Annual General Meeting. They carried out the audit for the year ending June 30, 2023, and will retire in the 16th Annual General Meeting. They have shown their willingness to conduct the statutory audit for the company for the ensuing year i.e. FY 2023-24. Being eligible as per section 212 of the Company Act 1994 and a member of the list of Panel Auditors by Bangladesh Securities and Exchange Commission (BSEC), the appointment of ACNABIN Chartered Accountants shall be presented in the 16th AGM for member's approval.

M/S Suraiya Parveen & Associates Chartered Secretaries had provided Corporate Governance Code certificate for FY2022-23. For the FY2023-24 M/S Suraiya Parveen & Associates Chartered Secretaries has expressed their willingness to

provide Corporate Governance Code certificate. Being eligible, the appointment of M/S Suraiya Parveen & Associates Chartered Secretaries shall be presented in the 16th AGM for member's approval.



15.38 BUSINESS RISK & UNCERTAINTIES

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board oversees how management monitors compliance with risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to risks faced by the group. The Board is assisted in its oversight role by Audit Committee. Internal Audit, under the purview of Audit Committee, undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Your company operates in a field of involving some internal/external risk factors and those some are avertible; others are beyond control, which may be causes of loss. The management of Shahjibazar Power Company Limited perceives the risk factors which are as follows simultaneously:

Principal Risks	Impact	Key Mitigations
Interest Rate Risk	<ul style="list-style-type: none"> Interest/financial charges are paid against any kind of borrowed fund. Volatility in money market and increased demand for loan process interest rate structure to be fixed at high. Raising of interest rate increases the cost of fund for a company, which has borrowed fund, consequently profit is squeezed. 	<ul style="list-style-type: none"> Prioritize Equity Based Financing Prefer Long Term fund over Short Term due to lower cost Continuously seeking cheap source of fund
Exchange Rate Risk	<ul style="list-style-type: none"> SPCL imports mostly spare parts (if required) against payment of foreign currency. Unfavorable volatility or currency fluctuation may affect the profitability of the Company. 	<ul style="list-style-type: none"> Justified Forward Contract agreements Purchase through L/C which is known to be less exposed method in terms of Forex Risk
Industry Risk	<ul style="list-style-type: none"> The supply of electricity and alternative energy is not adequate than the demand of it. For that reason organizations engaged in generating electricity can't provide all required amount of electricity. Power companies mainly supply electricity to national power distributors to supply electricity. 	<ul style="list-style-type: none"> Payment is guaranteed by Power Purchase Agreement (PPA) with Bangladesh Power Development Board (BPDB)

Market And Technology Related Risk	<ul style="list-style-type: none"> Technology is related to generation, transmission, distribution, quantity measuring and maintaining of required electricity generation. 	<ul style="list-style-type: none"> Modernization program after periodic interval
Potential Or Existing Government Regulations	<ul style="list-style-type: none"> The business activities of SPCL and its Subsidiary Petromax is fully controlled by policies, rules and regulation framed by Government, that is policies related to electricity price fixation, demand & supply and distribution is fully under the control of Government. So, Government policies in this regard may impact business operation of SPCL. 	<ul style="list-style-type: none"> Every possible effect of abrupt policy change by government is communicated with respective authority of the Government time to time Energy sector being one of the priority sector the respective authority
Potential Changes In The Global or National Policies	<ul style="list-style-type: none"> The performance of the Company may be affected due to unavoidable circumstances in Bangladesh, as such political turmoil, war, terrorism, political unrest in the Country may adversely affect the economy in general. Moreover, natural disasters like Cyclone, Tide, and Earthquake may hamper normal performance of power generation. 	<ul style="list-style-type: none"> Prudent Rehabilitation Scheme Insurance Coverage to all possible extents
Pricing	<ul style="list-style-type: none"> The BPDB and BPC are the single buyers respectively who purchases total electricity generated and total petroleum items produced. In these circumstances usually they are only buyers who may determine the pricing of the electricity and Petroleum products by the Company. 	<ul style="list-style-type: none"> For Power Generation Segment, BPDB and the Company have pre-determined and contracted terms-conditions regarding the tariff of electricity, expressed under two slabs–(i) Rental Payment (ii) Fuel Payments and Operation & Maintenance Payment according to supplied MW. Tariff for each month adjusted as per price index by the Bangladesh Bank. So, there is no risk associated with tariff value of electricity supplied to BPDP. For Petroleum Segment, pricing of only Raw Material NGC is also administered by the government. Being the industry is under a priority sector of the Government, it is assumed to be guaranteed that no abrupt change of price shall be administered by the government in a foreseeable future.
Risk Associated With Payment	<ul style="list-style-type: none"> There is an impending risk in the case of delayed payment from BPDB and BPC. In case of any dispute with BPDB and BPC or failure to comply with certain rules and regulations, BPDB and BPC may stop making payments to SPCL and Petromax resulting into non-payment to its lenders 	<ul style="list-style-type: none"> Power Generation Segment is getting the payment regularly from BPDB. Sometimes, there are delays in payment but that is mainly due to administrative reasons. Till date, no payment has been defaulted. As per the PPA, BPDB needs to ensure minimum guaranteed payment supported by Letter of Credit. Which mitigates risk of any non-payments. Petroleum Segment has been collecting payment from BPC in a regular basis. There is no history of default in payment from BPC till today.
Environmental Pollution	<ul style="list-style-type: none"> SPCL and Petromax plant operation may cause air and water pollution which may affect the ecological balance and living condition and health of the people around the plant. 	<ul style="list-style-type: none"> The operations and maintenance (O&M) contractor of SPCL plant, GE Austria is responsible for environmental management of the project. Plant operation is certified by the Department of Environment, Government of Bangladesh. Petromax Has installed state of the art technology of oil refining equipment that ensures zero emission of spill overs.

15.39 GOING CONCERN

While approving the financial statements, the Directors have made appropriate enquires and analyzed significant operating and indicative financials which enabled them to understand the ability of the Company to continue its operations for a foreseeable future. The Directors are convinced and have a reasonable expectation that the company has adequate resources and legal instruments to continue its operations without interruptions. Therefore, the Company adopted the going concern basis in preparing these financial statements.

15.40 CORPORATE GOVERNANCE

Corporate Governance is the system through which companies are directed, guided and controlled by the Board while keeping in view its accountability to the shareholders. Your Company strives to maintain full compliance with the laws, rules and regulations that govern our business and to uphold the highest standards. Since corporate governance is not a static process, we will always continue to improve our practices.

15.41 CORPORATE SOCIAL RESPONSIBILITY

As a part of our ongoing commitment to the society and environment in which the company conducts its business, your company continues to fulfil its obligations. As in the previous years, the Company remains committed to support the following CSR activities that included:

- Regular contributor to Bangladesh Scout Annually
- Regular contributor of IEB
- Regular Contributor in National Power & Electricity Week
- Co-organizer of Environment Rally organized by DOE
- Contributor to Muktijudho Academy
- Contribution to Rohingya Camp

15.42 HUMAN RESOURCE MANAGEMENT

Your company recognizes that people are the most important resource and key to the success of any organization. To develop and equip the employees with key skills, the company places great emphasis on the development of its people and hence training and workshops are arranged at regular interval for their training and updating knowledge on the respective functional areas.

15.43 STATUS OF COMPLIANCE

In accordance with the requirement stipulated as per condition No. 1(5) (xxvii) of the Securities & Exchange Commission's notification no-SEC/CMRRCD/2006-158/207/Admin/80 dated 07 June 3, 2018 issued under section 2CC of the Ordinance 1969 the Corporate Governance Compliance Report is shown in **Annexure-C**. A certificate from M/S Suraiya Parveen & Associates Chartered Secretaries confirming compliance of conditions of Corporate Governance Codes as stipulated under condition 9 is also annexed to this report as **Annexure-B**.

15.44 KEY OPERATING AND FINANCIAL DATA:

The summarized key data for last five years is set out in the page number 46.

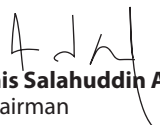
15.45 ACKNOWLEDGEMENT:

Going forward, we always remain grateful to our shareholders for their unwavering support towards us. I firmly believe that you all are resilient enough to withstand this challenging episode of the global economic crisis and its effect. Surely all our lives are going to be affected more or less due to the rapid change in top-line policies by the government as well as regulators to keep the country stable and responsive against the looming crisis.

The board would further like to extend their graceful appreciation for the assistance and co-operation received from Bangladesh Power Development Board (BPDB), Power Cell of the Power Division, MPEMR, Jalalabad Gas T&D System Limited. Banks and financial institutions, Insurance Companies, Service Providers, Bangladesh Securities and Exchange Commission (BSEC), Registrar of Joint Stock Companies & Firms (RJSCF), Dhaka Stock Exchange Ltd (DSE), Chittagong Stock Exchange Ltd (CSE), Central Depository Bangladesh Limited (CDBL) and various government authorities, individual and agencies.

Looking forward for a better future and sustainable growth.

For and On Behalf of the Board


Anis Salahuddin Ahmad
Chairman