

# DIRECTORS REPORT TO SHAREHOLDERS

Respected Members & Shareholders,  
Assalamualikum,

On behalf of the Board of Directors of Shahjibazar Power Co. Ltd. (SPCL) I would like to extend my warm greetings and welcome you all to the 8th Annual General Meeting of the Company. Being authorized on behalf of the Board of Directors I am hereby submit the Audited Financial Statements of your Company for the year then ended June 30, 2015.

The Directors' Report is prepared in compliance with Section 184 of the Companies Act 1994, Rules and Regulations of 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- SEC/CMRRCD/2006-158/134/ Admin/44 dated 07th August 2012.

## 10.1. ECONOMY AT A GLANCE

Bangladesh has managed to sustain a consistent GDP growth of over six percent from the last five years. As per the earlier estimates 6.40% growth was achieved for the Fiscal Year 2015 which resembles a reliable economic condition of the country. It is nevertheless, could have been the right time to exceed the all-time high record of 6.63% ensuring the available supply of energy to the industrial sector. Strategic steps to be taken at the earliest time possible to lock the consistent supply of energy in industrial sector to accelerate the growth.

In terms of Consumer Price Index (CPI), the index point hits at all-time high of 219.62 as of October 2015, assuming the base index of the period of 2005-06. A 119.62% increase in price is recorded. Several forecasts have reported the increment of CPI in the upcoming periods. It is therefore clearly indicates the necessity of growth to cover such increasing price level of consumer goods.

Foreign exchange reserve has been showing a historic rise for last several months. As per the estimates of Bangladesh Bank USD 26407.63 Million reserve was reported as of the month of November 2015 which is slightly lower than that of the previous month. Forecasts are there to fall the reserve in recent periods to keep a steady exchange rate in the economy.

The inflation rate measures a broad rise or fall in prices that consumers pay for a standard basket of goods. Inflation rates for the last eleven months of the year have shown a consistent record averaging just a fraction over 6%. Consumer price level for both food and non-food products keep a consistent momentum which proves a prudent control of money supply by Bangladesh Bank and a steady price level condition.

To summarize the overall economic condition of Bangladesh, the development was challenged by some political unrest making the overall GDP and Foreign Exchange Reserve a little sluggish comparing to that of the previous year. In terms of Consumer Price Index and Inflation there is a notable growth that the Country has achieved.

## 10.2. POWER SECTOR SCENARIO OF BANGLADESH

As per the report of Bangladesh Power Development Board (BPDB), existing installed generation capacity of the country is 11,877 MW of which 6,365 MW (54%) is being installed by Public Sector and rest 5,512 MW (46%) is being installed by Private Sector. Independent Power Producers (IPPs) have installed 2,536 MW out of the total contribution of Private Sector of the country.

It is nevertheless evident that, IPPs are contributing around 46% of Private Sector contribution of the Power Generation and 21% of national Power Production of the country. Fuel Mixes for the generation of Power still are being dominated by the use of Natural Gas as of September 2015 according to BPDB.

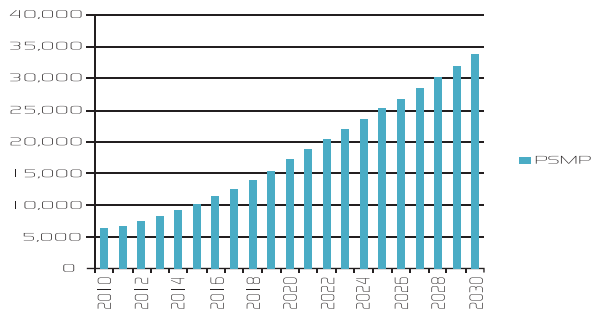
Nevertheless the access to electricity has been raised to 72% and per capita electricity generation improved dramatically (from 220 kWh to 371 kWh). Total consumer stand at 17.8 Million (June 2015) and System loss (distribution) reduced from 15.67% to 11.36%.

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

Fiscal Year	Peak Demand (MW)
2010	6,454
2011	6,765
2012	7,518
2013	8,349
2014	9,268
2015	10,283
2016	11,405
2017	12,644
2018	14,014
2019	15,527
2020	17,304
2021	18,838
2022	20,443
2023	21,993
2024	23,581
2025	25,199
2026	26,838
2027	28,487
2028	30,134
2029	31,873
2030	33,708

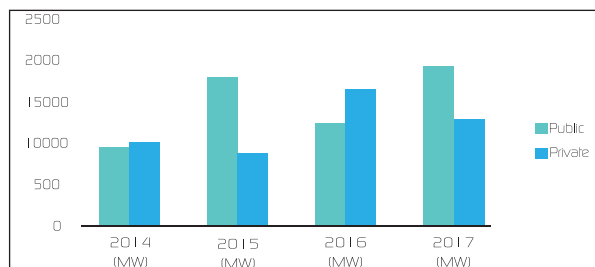


## SHAHJIBAZAR POWER CO. LTD.



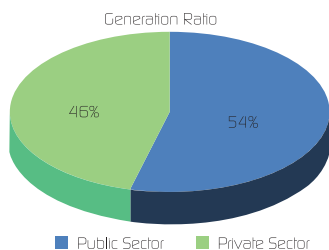
Calendar Year Wise Generation Addition program (From 2014 to 2017)

Calendar Year	2014 (MW)	2015 (MW)	2016 (MW)	2017 (MW)	TOTAL
Public	960	1813	1260	1950	5023
Private	1028	888	1654	1300	4870
<b>Total</b>	<b>1988</b>	<b>2701</b>	<b>2914</b>	<b>3250</b>	<b>9893</b>



Present Installed Generation Capacity (MW) as on September, 2015.

Public Sector	Installed Generation Capacity (MW)	%
BPDB	4320	36%
APSCCL	904	8%
EGCB	622	5%
NWPGCL	368	3%
RPCL-BPDB JV	226	2%
<b>Sub-Total</b>	<b>6440</b>	<b>54%</b>
IPPs	2536	21%
SIPPs (BPDB)	99	1%
SIPPs (REB)	251	2%
15 Yr Rental	167	1%
3/5 Yr Rental	1959	16%
Power Import	500	4%
<b>Sub-Total</b>	<b>5512</b>	<b>46%</b>
<b>Total</b>	<b>11952</b>	<b>100%</b>



Public and private sector is contributing 54% and 46% respectively in the total generation of power as of September 2015. Amongst the public sector generation units BPDB is playing the champion role as usual.

Several opportunities are still available in power generation, distribution and transmission business in the country due to some facilities and incentives provided by the government. Some of them are outlined as below.

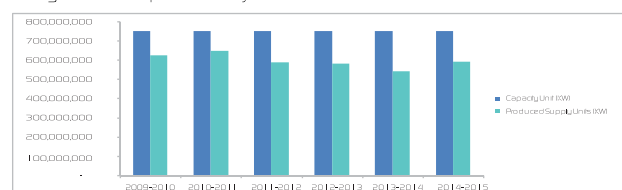
1. To participate and provide advocacy to GOB to ensure the optimum utilization of domestic primary energy resources
2. To become a partner with the GOB for the establishment of Power System Portfolio by fuel diversification
3. To control effluents by ensuring low CO<sub>2</sub> emission from the power plants help realizing a low carbon society
4. To help the GOB building the necessary infrastructure for stable power supply under joint multi-sector co-ordination
5. Help the GOB with advocacy and research for enacting laws for stable power supply
6. To establish the proper transition and fuel shift of private sector power investors upon accomplishment of contract period.
7. Ensure pay back to the GOB and the society as a whole for the incentives that are being enjoyed by the Private Sector Investors.

### 10.3. BUSINESS ACTIVITIES INCLUDING ITS OPERATING PERFORMANCE

Shahjibazar Power Company Limited (SPCU) 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 (JGTDSU) on April 9, 2009. Partnering with US based Company General Electric International, the 86 MW Company constructed based on PPA (Power Purchase Agreement) between BPDB and the Company to supply electricity to the Government. As of June 30, 2015 the company is producing 78.72% of total capacity on an average. The operational performance of the Company is shown hereunder:

Fiscal Year	Capacity Unit (KW)	Produced Supply Units (KW)	Utilized %
2009-2010	753,360,000	625,518,348	83.03%
2010-2011	753,360,000	651,615,360	86.49%
2011-2012	753,360,000	589,434,211	78.24%
2012-2013	753,360,000	584,089,568	77.53%
2013-2014	753,360,000	543,261,043	72.11%
2014-2015	753,360,000	593,039,904	78.72%

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



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

In the fiscal year 2014-2015 your company has contributed a total of 593,039,904 Kwh to the national grid as compared to 543,261,043 of the Fiscal Year 2013-2014. The sole customer of your company is Bangladesh Power Development Board (BPDB). Total revenue for the year under report stands at Tk.1,539.46 Million as compared to that of the previous year 1,432.20 Million which is higher due to higher demand of BPDB.

Your Company with its subsidiary Petromax Refinery (PRL) Ltd which has been in commercial operation since October 2013 has managed to achieve consolidated revenue of Tk. 9,182.11 Million. Net profit of your company with its subsidiary stands at Tk. 1,031.80 Million. PRL has sold around 119.35 Million Liter of different grade of products including Octane, MS and HSD garnering revenue of Tk.7,642.65 Million.

From December 2013 associate of your company Midland Power Co. Ltd (MPCL) has started their commercial operation after successful commissioning. MPCL has generated 344,252,901 Kw against its total capacity 446,760,000 Kw for the year under account. The company has attained 77.06% of its total generation capacity.

#### 10.4. SEGMENT WISE PERFORMANCE

Segment/Product	Quantity		Sales in Million Tk.
Power	593,039,904	Kwh	1539.46
Oil & Gas	119,356,062	Ltr	7642.65
Total			9182.10

#### 10.5. 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, 2015 your company has contributed Tk. 111.13 Million as income tax and subsidiary of your company has added Tk. 580.50 Million in the form of VAT to the national exchequer.

#### 10.6. EXTRA-ORDINARY GAIN OR LOSS

Bank interest and wastage sale can be termed as Extra-Ordinary Gain which may fluctuate time to time.

#### 10.7. RELATED PARTY TRANSACTION

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.

#### 10.8. UTILIZATION OF PROCEEDS FROM PUBLIC ISSUES, RIGHTS ISSUES AND/OR THROUGH ANY OTHER INSTRUMENT

Your company has collected Tk. 317,000,000 by issuing 1,26,80,000 shares through Initial Public Offering (IPO) at a face value of Tk.10 with a premium of Tk. 15. Full amount of the collected fund has been utilized for the repayment of outstanding loan as provided in the prospectus and reported accordingly to the regulators.

#### 10.9. SIGNIFICANT VARIANCE BETWEEN QUARTERLY AND ANNUAL FINANCIAL STATEMENTS

Variations between quarterly and annual financial statements occurred due to decreased administered price of petroleum products by the Government circulated by publishing gazette on March 5, 2015.

#### 10.10. REMUNERATION OF DIRECTORS

Remuneration, performance and other related perquisites/benefits of managing director is disclosed in Note 28.01 Other directors are not entitled to remuneration and other facilities for their directorship except the Board Meeting Fee.

#### 10.11. CORPORATE AND FINANCIAL REPORTING FRAMEWORK

As per law the financial statements of your Company has followed International Financial Reporting Standards (IFRS) as adopted by ICAB as Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS). 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 Bangladesh Financial Reporting Standards (BFRS) and Bangladesh Accounting Standards (BAS),
  - 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 SEC's Notification dated 07th August 2012, 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

## SHAHJIBAZAR POWER CO. LTD.

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;

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 page 18 to disclose the aggregate number of shares.

### 10.12. FINANCIAL RESULTS AND PERFORMANCE OF THE COMPANY

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

Particulars	2013-2014		2014-2015		% Change
	(in Million Taka)	% on Sales	(in Million Taka)	% on Sales	
Revenue	5,055.73		9,182.11		82%
Cost of Sales	3,901.71	77%	7,527.72	82%	93%
<b>Gross Profit</b>	<b>1,154.01</b>	<b>23%</b>	<b>1,654.39</b>	<b>18%</b>	<b>43%</b>
Other Income Net	45.48	1%	27.32	0%	-40%
General and Administrative Expenses	158.10	3%	120.27	1%	-24%
Finance Costs Net	501.08	10%	443.03	5%	-12%
<b>Operating Profit</b>	<b>494.83</b>	<b>10%</b>	<b>1,091.09</b>	<b>12%</b>	<b>120%</b>
WPPF	12.16	0%	53.26	1%	338%
<b>Net Profit Before Income Tax</b>	<b>528.15</b>	<b>10%</b>	<b>1,065.16</b>	<b>12%</b>	<b>102%</b>
Income Tax	78.87	2%	111.14	1%	41%
Share of Profit from Associate	23.01	0%	77.78	1%	238%
<b>Total Comprehensive Income</b>	<b>472.29</b>	<b>9%</b>	<b>1,031.80</b>	<b>11%</b>	<b>118%</b>

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

Particulars	2013-2014		2014-2015		% Change
	(in Million Taka)	% on Sales	(in Million Taka)	% on Sales	
Revenue	1,432.20		1,539.46		7%
Cost of Sales	810.63	57%	950.92	62%	17%
<b>Gross Profit</b>	<b>621.56</b>	<b>43%</b>	<b>588.54</b>	<b>38%</b>	<b>-5%</b>
Other Income Net	45.07	3%	26.58	2%	-41%
General and Administrative Expenses	85.86	6%	69.90	5%	-19%
Finance Costs Net	246.60	17%	194.29	13%	-21%
<b>Operating Profit</b>	<b>289.11</b>	<b>20%</b>	<b>324.35</b>	<b>21%</b>	<b>12%</b>
WPPF	12.16	1%	16.71	1%	37%
<b>Net Profit Before Income Tax</b>	<b>322.01</b>	<b>22%</b>	<b>334.22</b>	<b>22%</b>	<b>4%</b>
Income Tax	78.72	5%	109.06	7%	39%
Share of Profit from Associate	23.01	2%	77.78	5%	238%
<b>Total Comprehensive Income</b>	<b>266.30</b>	<b>19%</b>	<b>302.94</b>	<b>20%</b>	<b>14%</b>

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

### 10.13. SIGNIFICANT VARIANCE OF FINANCIAL STATEMENTS

There are noticeable significant deviations between the last year operating results in the consolidated summary of financial statement of your company; since Petromax Refinery Ltd (PRL) subsidiary of your company has come

into the commercial operation from October 2013 and Midland Power Company Limited (MPCU) associate of your company has started commercial operation from December 2013. Therefore, in the last year, partial period performance was added while in the current year full year performance was added in financial statements of your company from both subsidiary and associate concerns.

### 10.14. A DISCUSSION ON COST OF GOODS SOLD, GROSS PROFIT MARGIN AND NET PROFIT MARGIN

Particulars	2013-2014		2014-2015		% Change
	(in Million Taka)	% on Sales	(in Million Taka)	% on Sales	
Revenue	5,055.73		9,182.11		82%
Cost of Sales	3,901.71	77%	7,527.72	82%	93%
<b>Gross Profit</b>	<b>1,154.01</b>	<b>23%</b>	<b>1,654.39</b>	<b>18%</b>	<b>43%</b>
<b>Net Profit Before Income Tax</b>	<b>528.15</b>	<b>10%</b>	<b>1,065.16</b>	<b>12%</b>	<b>102%</b>
Income Tax	78.87	2%	111.14	1%	41%
Share of Profit from Associate	23.01	0%	77.78	1%	238%
<b>Total Comprehensive Income</b>	<b>472.29</b>	<b>9%</b>	<b>1,031.80</b>	<b>11%</b>	<b>118%</b>
Less: Minority Interest	1.37	0%	72.88	1%	5220%
<b>Net Profit (After Tax &amp; Minority Interest)</b>	<b>470.92</b>	<b>9%</b>	<b>958.92</b>	<b>10%</b>	<b>104%</b>

#### Consolidated

As per the consolidated brief of accounts during the year under report, the revenue of the company has increased by 82% against a raise of cost of sales of 93% due to the addition of revenue of subsidiary company and therefore, gross profit margin is 18% as compared to 23% of the previous year and Net Profit Margin is 10% as compared to 9% of the previous year.

Particulars	2013-2014		2014-2015		% Change
	(in Million Taka)	% on Sales	(in Million Taka)	% on Sales	
Revenue	1,432.20		1,539.46		7%
Cost of Sales	810.63	57%	950.92	62%	17%
<b>Gross Profit</b>	<b>621.56</b>	<b>43%</b>	<b>588.54</b>	<b>38%</b>	<b>-5%</b>
<b>Total Comprehensive Income</b>	<b>266.30</b>	<b>19%</b>	<b>302.94</b>	<b>20%</b>	<b>14%</b>

#### Separate

As per the separate brief of accounts during the year under report, the revenue of the company has increased by 7% against an increase of cost of sales of 17% due to higher energy demand by the BPDB therefore, gross profit margin was 38% as compared to 43% of the previous year and Total Comprehensive Income has increased by 14% as compared to the previous year.

### 10.15. PROFIT APPROPRIATION

In the year under report the net profit of your company is Tk. 958.92 Million as compared to Tk. 470.91 Million. However, the Company needs availability of funds for continuous progress and investments in new projects. Keeping these in view, the Directors would like to report the Company's financial results for the year that ended on June 30, 2015 with the recommendations for appropriation as follows:

Particulars	Amount in Million Taka
Net Profit for the year 2015	958.92
Profit brought Forward	523.74
Profit available for appropriation	1,482.65
<b>Appropriations:</b>	
Proposed Stock and Cash Dividend	412.73
Transferred to Retained Earning	1,069.92
Profit available for appropriation	1,482.65

#### 10.16. DIVIDEND

Your Board recommends a final cash dividend of 28% and also a 3% stock dividend for the year 2015 i.e. 3 (Three) Ordinary shares of Taka 10 each for 100 shares held on the record date, subject to approval by the shareholders at the 8th Annual General Meeting.

#### Dividend Trend

Dividend Type	30-Jun-15	30-Jun-14	30-Jun-13	30-Jun-12	30-Jun-11
Cash Dividend (%)	28%	25%	15%	0%	0%
Stock Dividend (%)	3%	5%	0%	100%	0%
<b>Total</b>	<b>31%</b>	<b>30%</b>	<b>15%</b>	<b>100%</b>	<b>0%</b>

Note: Dividend for the Year Ended June 30, 2012 was other than Directors & Sponsors

#### 10.18. THE PATTERN OF SHAREHOLDING

Pattern of Shareholding as on June 30, 2015

Name of Shareholders	Status	Relation	Share Held	Percentage (%)
i) Parent/Subsidiary/Associated Companies and other related parties	-		-	-
ii) Directors				
A. Mr. Rezakul Haider	Chairman		14,112,000	10.60%
B. Mr. Feroz Alam	Managing Director		13,104,000	9.84%
C. Mr. Anis Salahuddin Ahmad	Director		13,104,000	9.84%
D. Mr. A. K. M. Badiul Alam	Director		10,080,000	7.57%
E. Mr. Md. Shamsuzzaman	Director		15,120,000	11.36%
F. Ms. Shahida Alam	Sponsor	Spouse of Mr. AKM. Badiul Alam	5,040,000	3.79%
G. Mr. Akbar Haider	Sponsor	Son of Mr. Rezakul Haider	5,040,000	3.79%
H. Mr. Faridul Alam	Sponsor	Son of Mr. Feroz Alam	5,040,000	3.79%
I. Ms. Rezina Alam	Sponsor	Daughter of Mr. Feroz Alam	5,040,000	3.79%
J. Mr. Faisal Alam	Sponsor	Son of Mr. Feroz Alam	5,040,000	3.79%
K. Mr. Asgar Haider	Sponsor	Son of Mr. Rezakul Haider	5,040,000	3.79%
L. Ms. Israt Azim Ahmad	Sponsor	Spouse of Mr. Anis Salahuddin Ahmad	5,040,000	3.79%
F. Mr. Mohammad Liaquat Ali	Independent Director		Nil	Nil
G. Mr. Dr. Mohammad Quamruzzaman	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		26,400	0.01%
B. Yeasin Ahmed	Company Secretary		0	0.00%
C. Khawja Abul Bashir	Head of Internal Audit		0	0.00%
iv) Executives			Nil	Nil
v. Shareholders Holding 10% or more voting interest in the company:	-	-	-	-
A. Mr. Rezakul Haider	Chairman		14,112,000	10.60%
B. Mr. Md. Shamsuzzaman	Director		15,120,000	11.36%

#### 10.17. DIRECTORS' MEETING & ATTENDANCE

During the year ended June 30, 2015 The Board of Directors has attended 5 meetings. Directors who attended the board meetings are shown below:

Name of Directors	Attended
Mr. Rezakul Haider	5
Mr. Feroz Alam	5
Mr. Anis Salahuddin Ahmad	5
Mr. AKM Badiul Alam	4
Mr. Shamsuzzaman	4
Mr. Mohammad Liaquat Ali	3
Mr. Dr. Mohammad Quamruzzaman	3

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

## SHAHJIBAZAR POWER CO. LTD.

### 10.19. DIRECTORS' ELECTION & RE-APPOINTMENT:

As per Articles of Association Mr. Anis Salahuddin Ahmad and Mr. Md. Shamsuzzaman shall retire in 8th Annual General Meeting by rotation and being eligible to offer themselves for re-election.

### 10.20. RESUME OF THE DIRECTORS & THEIR EXPERTISE IN SPECIFIC FUNCTIONAL AREA

Described in Directors Profile

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

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

### 10.22. 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. Mohammad Liaquat Ali	Chair	4
Mr. Anis Salahuddin Ahmad	Member	3
Mr. AKM Badiul Alam	Member	4

### 10.23. AUDITORS

Howladar Yunus & Co, Chartered Accountants was appointed as the auditor of the Company in the 07<sup>th</sup> Annual General Meeting. They have carried out the audit for the year 2015 and the auditor of the Company will retire in the 08<sup>th</sup> Annual General Meeting. According to BSEC order being number: SEC/CMRRCD/2009-193/104/Admin/ Dated: July 27, 2011 and SEC/CMRRCD/2009 193/174/Admin/ 61 Dated: July 8, 2015, a chartered accountant firm cannot be appointed for a consecutive period of 3 (Three) years. Howladar Yunus & Co, Chartered Accountants has already re-appointed for consecutive period of 3 (Three) years as auditors of your company. ACNABIN Chartered Accountants have expressed their willingness to become appointed as the Statutory Auditor of your company. Being eligible as per section 212 of Company Act 1994, the appointment of ACNABIN Chartered Accountants shall be presented at the 8<sup>th</sup> AGM for member's approval.

### 10.24. 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 averitable; 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:

Now private sector power producer is highly competitive in Bangladesh. Government goes to produce electricity through the independent power producer/private sector power producer. Lots of local investor has interest to invest in this sector. That is per unit electricity price goes to downwards trend. The company faces a number of aggressive competitors within the country.

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.

The management of the company is always aware of interest rate, which is connected to the cost of fund of the Company the Management prefers procuring the long-term fund with minimum fixed interest rate and the short term fund with reasonable competitive rate. On the other hand management of the company is emphasizing equity based financing.

Technology always plays a vital role for existence of any industrial concern. Innovation of new and cost effective technology may obsolescence existent technology, which may cause negative impact. The project is equipped with world's modern and latest machineries and technology and to cope with the pace in harmony with modern power sector, the company is continuing modernization program of its machinery.

The company operates under companies act, taxation policy adopted by NBR, Security and Exchange Commission's rule and rules adopted by other regulatory organizations. Any abrupt changes of the policies formed by those bodies will impact the business of the Company adversely. Unless adverse policies are taken, which may materially affect the industry as a whole; the business of the company will not be effected.

Government emphasizes on the growth of electricity production in Bangladesh. Yet the promoters and the sponsors have to endeavor to convince the policy makers for adopting favorable terms and conditions, which will eventually help the power production of Bangladesh to complete with the firms at low cost.

The performance of the Company may be affected by the both political and economic instability both in Bangladesh. Any instance of political turmoil and disturbance in the country may adversely affect the power production of the company and can adversely impact the profitability of the company.

#### **10.25. 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.

#### **10.26. 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.

#### **10.27. CORPORATE SOCIAL RESPONSIBILITY**

As a part of the ongoing commitment to the society and environment in which the company conducts its business, your company continues to perform 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

#### **10.28. HUMAN RESOURCE MANAGEMENT**

Your company recognizes that people are the most important resource and key to 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 regular courses and workshops are arranged at regular interval for their training and updating knowledge on the respective functional areas.

#### **10.29. STATUS OF COMPLIANCE**

In accordance with the requirement stipulated in condition no-7.00 of the Securities & Exchange Commission's notification no-SEC/ CMRRCD/2006-158/Admin/44 dated 07 August 2012 issued under section 2CC of the Ordinance 1969 the Corporate Governance Compliance Report is shown in from page 26-28. A certificate from Mazumdar and Associates confirming compliance of conditions of Corporate Governance Guidelines as stipulated under condition 7(ii) is also annexed to this report in page 25.

#### **10.30. KEY OPERATING AND FINANCIAL DATA**

The summarized key data for last five years is set out in the page 22.

#### **10.31. ACKNOWLEDGEMENT**

Through the undersigned, the Board of Directors (BOD) would like to extend their sincerest thanks to the shareholders for their continuous support and trust upon the business of the Company.

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, the Bangladesh Securities and Exchange Commission (BSEC), registrar of Joint Stock Companies & Firms, Dhaka Stock Exchange Ltd (DSE), Chittagong Stock Exchange Ltd (CSE), Central Depository System (CDBL) and various government authorities, individual and agencies.

The Board of Directors would like to acknowledge the effort of its employees to the Business of the Company. Their commitment, passion and teamwork towards the dream of the Company has helped to stand the company where it is today.

Looking forward for a better future and sustainable growth.  
For and On Behalf of the Board



Feroz Alam  
Managing Director