

DIRECTORS REPORT TO SHAREHOLDERS

Respected Members & Shareholders,

Assalamualikum,

I would like to take this pleasure to invite all members of Shahjibazar Power Co. Ltd. (SPCL) to the 9th Annual General Meeting. As authorized by the Board of your company, I am pleased to submit herewith the Audited Financial Statements for the year then ended June 30, 2016.

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- SEC/CMRRCD/2006-158/134/ Admin/44 dated 07th August 2012 regarding corporate governance guidelines.

ECONOMY AT A GLANCE

The economy of Bangladesh has been showcasing unprecedented rise in almost every growth index. According to earlier estimates GDP growth registered 7.05% which is a record since the independence of the Country. The credit for such remarkable growth is certainly attributed to the development of industrial sector. Uninterrupted supply of energy was the key driving force for such development. To keep the momentum, long term strategies and plans to be adopted for ensuring necessary supply of energy towards all productive sector of the Economy.

Consumer Price Index (CPI) has reached around 232 as of October 2016 which is also an all-time record. Cost of Living has been increasing vis-à-vis the rise in GDP growth. This can only be compensated by sustaining the current growth of GDP and robust steps for further enhancement.

The Central Bank has reported USD 31370 Million Foreign Exchange Reserve as of November 2016. Export of RMG sector and remittance from foreign immigrants remains the major contributor of such mammoth reserve. Comfortable Fiscal, Monetary and Foreign Exchange policy can be facilitated by this reserve.

Inflation rate has recorded 5.38 percent year-on-year basis in November 2016. The target of the government is 5.8 percent for the fiscal year 2017. A consistency in fluctuation has been observed which is a result of a prudent control over money market and steady commodity price level of both Food and Non-Food products.

It is more or less evident that, the economic scenario of the country is inviting more investment in the industrial sector. Assuming a stable political environment in recent times, the country is set to become the middle income country by 2021.

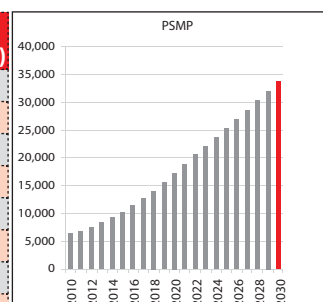
POWER SECTOR SCENARIO OF BANGLADESH

According to the estimate of Bangladesh Power Development Board (BPDB), existing installed generation capacity of the country is 13,095 MW (Without Captive and SHS) of which 7,092 MW (54%) is being facilitated by Public Sector and rest 6,003 MW (46%) is being facilitated by Private Sector investment.

The access to electricity has been raised to 78% and per capita electricity generation improved dramatically (from 371 kWh to 407kWh). Total consumer stands at 22.2 Million (August 2016) and System loss (distribution) reduced to 13.10%.

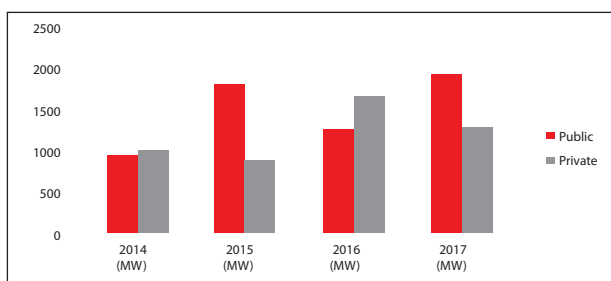
Power System Master Plan by BPDB Assuming 7% GDP Growth Rate

Fiscal	YearPeak 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



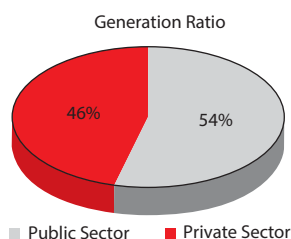
Calendar Year Wise Generation Addition program (From 2014 to 2017)

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



Present Installed Generation Capacity (MW) as on December, 2016

Public Sector	Installed Generation Capacity (MW)	%
BPDB	4540	35%
APSCL	1264	10%
EGCB	622	5%
NWPGCL	440	3%
RPCL-BPDB JV	226	2%
Sub-Total	7092	54%
Private Sector	Installed Generation Capacity (MW)	%
IPPs	3025	23%
SIPPs (BPDB)	99	1%
SIPPs (REB)	251	2%
15 Yr Rental	167	1%
3/5 Yr Rental	1861	14%
Power Import	600	5%
Sub-Total	6003	46%
Total	13095	100%

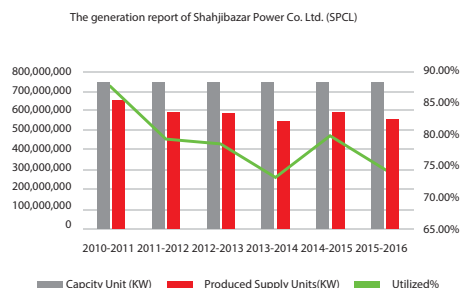


Public and private sector is contributing 54% and 46% respectively in the total generation of power as of December 2016. Amongst the public sector generation units BPDB is playing the champion role as usual.

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, 2009. 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, 2016 the company is producing 74.53% of total capacity on an average. The operational performance of the Company is shown as hereunder:

Fiscal Year	Capacity Unit (KW)	Produced Supply Units (KW)	Utilized %
2010-2011	743,040,000	651,615,360	87.70%
2011-2012	743,040,000	589,434,211	79.33%
2012-2013	743,040,000	584,089,568	78.61%
2013-2014	743,040,000	543,261,043	73.11%
2014-2015	743,040,000	593,039,904	79.81%
2015-2016	743,040,000	553,765,512	74.53%

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

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

In the fiscal year 2015-2016 your company has contributed a total of 553,765,512 Kwh to the national grid as compared to 593,039,904 of the Fiscal Year 2014-2015. The sole customer of your company is Bangladesh Power Development Board (BPDB). Total revenue for the year under report stands at Tk.1,511.12 Million as compared to that of the previous year 1,539.46 Million which is slightly lower due to lower demand for power by BPDB.

Your Company with its subsidiary Petromax Refinery (PRL) Ltd which has been in commercial operation since October 2013 has achieved consolidated revenue of Tk. 7,994.31 Million. Net Profit After Tax (NPAT) of your company with its subsidiary stands at Tk. 741.11 Million. PRL has sold around 127.64 Million Liter of different grades of petroleum products including Octane, MS and HSD registering a revenue of Tk.6,483.08 Million separately.

From December 2013 associate of your company Midland Power Co. Ltd (MPCL) has started their commercial operation after successful commissioning. MPCL has generated 298,716,259 Kw against its total capacity 446,760,000 Kw for the year under account. The company has attained 66.86% of its total generation capacity due to lower demand by BPDB.

SEGMENT WISE PERFORMANCE

Segment/Product	Quantity	Sales in Million Tk.
Power	553,765,512 Kwh	1,511.12
Oil & Gas	127,641,836 Ltr	6,483.08
Total		7,994.20

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, 2016 your company has contributed Tk. 132.39 Million as income tax and subsidiary of your company has added Tk. 973.03 Million in the form VAT to the national exchequer.

EXTRA-ORDINARY GAIN OR LOSS

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

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.

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.

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 and increased administered price by publishing gazette on May 2016.

REMUNERATION OF DIRECTORS

Remuneration, performance and other related perquisites/benefits of managing director is disclosed in Note 29.01 Other directors are not entitled to remuneration and other facilities for their directorship except the Board Meeting Fee.

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

- Selection of suitable accounting policies and then applying them consistently,
- Making judgments and estimates that are reasonable and prudent,
- Ensuring that the financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) and Bangladesh Accounting Standards (BAS),
- 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:

- 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;
- Proper books of accounts of your Company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any discrepancies have been adequately disclosed;

- The system of internal control is well structured and has been effectively implemented and monitored;
- There are no significant doubts upon your Company's ability to continue as an ongoing concern basis;
- Significant deviations from last year in operating results of the Company are highlighted and the reasons have been explained in financial results & profit appropriation;
- Key operating and financial data has been summarized for the preceding five years;
- 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;
- The number of Board meetings held during the year and attendance of each director has been disclosed;
- The pattern of shareholding has been reported in **Annexure-3** to disclose the aggregate number of shares.

FINANCIAL RESULTS AND PERFORMANCE OF THE COMPANY

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

Particulars	2015 (Re-Stated)		2016		% Change
	(in Million Taka)	% on Sales	(in Million Taka)	% on Sales	
Revenue	9,182.11		7,994.31		-13%
Cost of Sales	7,527.72	82%	6,492.90	81%	-14%
Gross Profit	1,654.39	18%	1,501.42	19%	-9%
General and Administrative Expenses	120.27	1%	122.58	2%	2%
Finance Cost Net	439.30	5%	536.62	7%	22%
Operating Profit	1,094.82	12%	842.22	11%	-23%
Other Income Net	23.60	0%	5.80	0%	-75%
Share of Profit from Associate	77.78	1%	69.16	1%	-11%
WPPF	53.26	1%	43.68	1%	-18%
Net Profit Before Income Tax	1,142.94	12%	873.50	11%	-24%
Income Tax	120.51	1%	132.39	2%	10%
Total Comprehensive Income	1,022.42	11%	741.11	9%	-28%

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

Particulars	2015 (Re-Stated)		2016		% Change
	(in Million Taka)	% on Sales	(in Million Taka)	% on Sales	
Revenue	1,539.46		1,511.12		-2%
Cost of Sales	950.92	62%	882.31	58%	-7%
Gross Profit	588.54	38%	628.81	42%	7%
General and Administrative Expenses	69.90	5%	51.82	3%	-26%
Finance Cost Net	190.56	12%	136.01	9%	-29%
Operating Profit	328.08	21%	440.98	29%	34%
Other Income Net	22.85	1%	3.86	0%	-83%
Share of Profit from Associate	77.78	5%	69.16	5%	-11%
WPPF	16.71	1%	24.48	2%	46%
Net Profit Before Income Tax	412.00	27%	489.52	32%	19%
Income Tax	118.43	8%	105.46	7%	-11%
Total Comprehensive Income	293.56	19%	384.06	25%	31%

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



SIGNIFICANT VARIANCE OF FINANCIAL STATEMENTS

There was no significant deviation of financial statement was marked in power generation segment while in the petroleum segment, drastic fall in administered pricing by the government on March 2015 drove a considerable difference of consolidated performance. Later, on May 2016 petroleum price was revised in a tolerable limit by the Government.

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

Taka in Million

Particulars	2015 (Re-Styled)		2016		% Change
	(in Million Taka)	% on Sales	(in Million Taka)	% on Sales	
Revenue	9,182.11		7,994.31		-13%
Cost of Sales	7,527.72	82%	6,492.90	81%	-14%
Gross Profit	1,654.39	18%	1,501.42	19%	-9%
Operating Profit	1,094.82	12%	842.22	11%	-23%
Net Profit Before Income Tax	1,142.94	12%	873.50	11%	-24%
Total Comprehensive Income	1,022.42	11%	741.11	9%	-28%
Net Profit (After Tax & Minority Interest)	949.54	10%	705.40	9%	-26%

Consolidated

As per the consolidated summary of accounts during the year under report, the revenue of the company was decreased by 13% and cost of sales was decreased by of 14%, Gross Profit Margin was 19% as compared to 18% of the previous year and Net Profit Margin was 9% as compared to 10% of the previous year.

Taka in Million

Particulars	2015 (Re-Styled)		2016		% Change
	(in Million Taka)	% on Sales	(in Million Taka)	% on Sales	
Revenue	1,539.46		1,511.12		-2%
Cost of Sales	950.92	62%	882.31	58%	-7%
Gross Profit	588.54	38%	628.81	42%	7%
Operating Profit	328.08	21%	440.98	29%	34%
Net Profit Before Income Tax	412.00	27%	489.52	32%	19%
Total Comprehensive Income	293.56	19%	384.06	25%	31%

Separate

As per the separate summary of accounts during the year under report, the revenue of the company has decreased by 2% and cost of sales was decreased by 7%, Gross Profit Margin was 42% as compared to 38% of the previous year and Net Profit Margin was 25% as compared to 19% of the previous year.

PROFIT APPROPRIATION

During the year under report the consolidated Net Profit After Tax (NPAT) of your company stands at Tk. 705.40 Million as compared to Tk. 949.54 Million. Nevertheless, the Company needs availability of funds for continuous progress to fight against emerging risk factors including abrupt policy change by the Government. Keeping these in view in mind, the Directors would like to report the Company's financial results for the year that ended on June 30, 2016 with the recommendations for appropriation as follows:

Particulars	Amount in Million Taka
Net Profit for the year 2016	705.40
Profit brought Forward	932.01
Profit available for appropriation	1,637.41
Appropriations:	
Proposed Stock and Cash Dividend	452.53
Transferred to Retained Earning	1,184.88
Profit available for appropriation	1,637.41



DIVIDEND

Your Board recommends a final cash dividend of 30% and 3% stock dividend for the year 2016 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 9th Annual General Meeting.

Dividend Type	30-Jun-16	30-Jun-15	30-Jun-14	30-Jun-13	30-Jun-12
Cash Dividend (%)	30%	28%	25%	15%	0%
Stock Dividend (%)	3%	3%	5%	0%	100%
Total	33%	31%	30%	15%	100%

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

DIRECTORS' MEETING & ATTENDANCE

During the year ended June 30, 2016 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. A.K.M Badiul Alam	5
Mr. Shamsuzzaman	5
Mr. Mohammad Liaquat Ali	5
Mr. Golam Nabi FCA	5

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



THE PATTERN OF SHAREHOLDING (Annexure-3)
Pattern of Shareholding as on June 30, 2016

Name of Shareholders	Status	Relation	Share Held	Percentage (%)
i)Parent/Subsidiary/Associated Companies and other related parties	-		-	-
ii) Directors				
A. Mr. Rezakul Haider	Chairman		14,535,360	10.60%
B. Mr. Feroz Alam	Managing Director		13,497,120	9.84%
C. Mr. Anis Salahuddin Ahmad	Director		13,497,120	9.84%
D. Mr. A.K.M.Badiul Alam	Director		10,382,400	7.57%
E. Mr. Md. Shamsuzzaman	Director		15,573,600	11.36%
F. Ms. Shahida Alam	Sponsor	Spouse of Mr. A.K.M. Badiul Alam	5,191,200	3.79%
G. Mr. Akbor Haider	Sponsor	Son of Mr. Rezakul Haider	5,191,200	3.79%
H. Mr. Faridul Alam	Sponsor	Son of Mr. Feroz Alam	5,191,200	3.79%
I. Ms. Rezina Alam	Sponsor	Daughter of Mr. Feroz Alam	5,191,200	3.79%
J. Mr. Faisal Alam	Sponsor	Son of Mr. Feroz Alam	5,191,200	3.79%
K. Mr. Asgar Haider	Sponsor	Son of Mr. Rezakul Haider	5,191,200	3.79%
L. Ms. Israt Azim Ahmad	Sponsor	Spouse of Mr. Anis Salahuddin Ahmad	5,191,200	3.79%
M. Mr. Mohammad Liaquat Ali	Independent Director		Nil	Nil
N. Mr. GolamNabi FCA	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		26,625	0.02%
B. Yeasin Ahmed	Company Secretary		0	0.00%
C. Khawja Abul Bashar	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		14,535,360	10.60%
B. Mr. Md. Shamsuzzaman	Director		15,573,600	11.36%

DIRECTORS' ELECTION & RE-APPOINTMENT:

As per Articles of Association Mr. Rezakul Haider and Mr. A.K.M BadiulAlam shall retire in 9th Annual General Meeting by rotation and being eligible to offer themselves for re-election.

RESUME OF THE DIRECTORS & THEIR EXPERTISE IN SPECIFIC FUNCTIONAL AREA

Described in Directors Profile

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

Companies >>	Petromax Refinery Ltd.	Midland Power Company Ltd.	Petromax LPG 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
Name of Directors √																					
Mr. Rezakul Haider	√	√	√	√	√	√	√	√													
Mr. Feroz Alam	√	√	√	√	√	√	√	√													
Mr. Anis Salahuddin Ahmad	√		√	√				√													
Mr. A.K.M Badiul Alam	√						√		√	√	√	√	√	√	√						√
Mr. Shamsuzzaman	√															√	√	√	√	√	√



SHAHJIBAZAR POWER CO. LTD.

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. Golam Nabi FCA	Chair	4
Mr. Rezakul Haider	Member	4
Mr. A.K.M Badiul Alam	Member	4
Mr. Yeasin Ahmed	Secretary	4

AUDITORS

ACNABIN Chartered Accountants was appointed as the auditor of the Company in the 08th Annual General Meeting. They have carried out the audit for the year 2016 and will retire in the 09th Annual General Meeting. ACNABIN Chartered Accountants had expressed their willingness to become appointed as the Statutory Auditor of your company for the Financial Year 2016-2017. Being eligible as per section 212 of Company Act 1994 and a member of list of Panel Auditors by Bangladesh Securities and Exchange Commission (BSEC), the re-appointment of ACNABIN Chartered Accountants shall be presented at the 9th AGM for member's approval.

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.

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.

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.

■ 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.

■ 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.

■ 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.

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

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 training and workshops are arranged at regular interval for their training and updating knowledge on the respective functional areas.

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 **Annexure-2**. A certificate from Mazumdar and Associates confirming compliance of conditions of Corporate Governance Guidelines as stipulated under condition 7(i) is also annexed to this report as **Annexure-1**.

KEY OPERATING AND FINANCIAL DATA

The summarized key data for last five years is set out in the page 36

ACKNOWLEDGEMENT

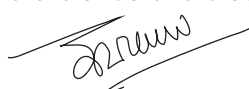
We take this opportunity to first of all thank our honorable shareholders for their continuous trust on us. We assure that, we shall continue our full hearted effort to sustain and grow your company so as to reach in a formidable place in the contemporary industry within which your company operates its business.

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 (RJSCF), Dhaka Stock Exchange Ltd (DSE), Chittagong Stock Exchange Ltd (CSE), Central Depository System (CDBL) and various government authorities, individual and agencies.

Our employees are the key drivers of our operational excellence. We consider our employees as our partners and best resource of our company. As employees are the part of sustainable growth, we highly emphasize on their retention. We provide competitive remuneration package and sense of ownership to them as a motivating factor.

Looking forward for a better future and sustainable growth.

For and On Behalf of the Board



Feroz Alam
Managing Director