

## DIRECTORS REPORT TO SHAREHOLDERS

Respected Members & Shareholders,

Assalamualikum,

I am pleased to welcome you all at the 10th Annual General Meeting of Shahjibazar Power Co. Ltd. As authorized by the honorable Board of Directors of your company, I am hereby presenting you with the Audited Financial Statements for the year then ended June 30, 2017.

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

Despite the World economy has been showcasing a positive trend, sustainable growth still cannot be ensured. According to the report of World Economic Outlook (WEO) published by IMF, a 3.2% growth was recorded for the year 2016 and 3.5% can be achieved by the year 2017 as per early estimates. The momentum has been confined by re-balancing all economic activities of China, downward trend of commodity price, downward trend of energy price, conservative Monetary and Fiscal Policy by United States, significant fall in worldwide investment & trade between different countries and decrease in capital flow towards emerging and growth markets.

On the other hand, Bangladesh economy has been consistent with growth. GDP growth was recorded 7.11% year-over-year for 2016. Over 50% of the total GDP is represented by service sector which includes transport, communication, wholesale & retail and real estate renting.

Consumer Price Index (CPI) has reached around 245.86 as of October 2017 which is also a record. Cost of Living has been increasing vis-à-vis the rise in GDP growth. This can only be compensated by rapid capacity expansion by both private and public sectors.

Foreign exchange reserve was reported USD 32910 Million as of September 2017. Export of RMG and remittance inward from manpower export are the top contributor to the reserve. Payment for Import of capital machineries remains the major user of foreign exchange reserve.

Consumer prices in Bangladesh increased 6.04 percent year-on-year in October of 2017, easing slightly from 6.12 percent in the preceding month. Prices rose at a softer pace for food, beverages and tobacco (7.62 percent from 7.87 percent in September); recreation and culture (5.85 percent from 5.88 percent) and furniture and household equipment (5.45 percent from 6.14 percent). Meanwhile, inflation went up slightly for clothing and footwear (2.12 percent from 2.03 percent); transport (3.42 percent from 3.40 percent) and miscellaneous goods and services (1.83 percent from 1.78 percent). Also, inflation was nearly steady for gross rent, fuel and lighting (4.49 percent from 4.48 percent) and health (0.75 percent from 0.74 percent).

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

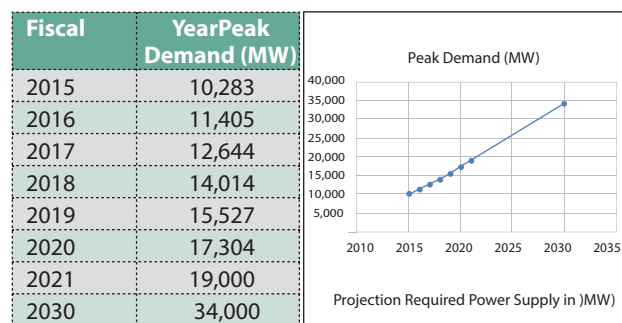
The power sector of Bangladesh perhaps observes the greatest achievement milestone in the history. Longest cherished dream of Nuclear Power Plant breaks the path for a new horizon of Bangladesh. Inaugurating First Concrete Pouring Day (FCD) on November 30, 2017 by the Honorable Prime Minister Sheikh Hasina, Bangladesh has joined the Elite club of Nuclear Power Producing countries throughout the world as the 32nd Member and as the 3rd member within South Asia.

The Russian company Atomstroyexport (a subsidiary of the state-owned nuclear corporation Rosatom) has started to build the 1,200 MWe Rooppur-1 nuclear power unit. The unit will be a modified version of the NPP-2006 VVER-1200 and will be built on the eastern bank of the river Ganges at Rooppur. The Rooppur project will comprise two units with a combined capacity of 2,400 MWe. The commissioning of the two reactors is planned respectively for 2023 and 2024.

By the same token, According to the estimate of Bangladesh Power Development Board (BPDB), existing installed generation capacity of the country is 13,846 MW (Without Captive and SHS) of which 7,701 MW (56%) is being facilitated by Public Sector and rest 6,145 MW (44%) is being facilitated by Private Sector investment.

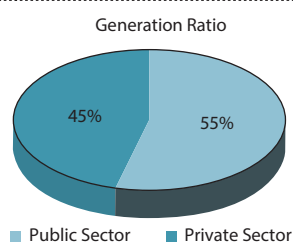
The access to electricity has been raised to 83% and per capita electricity generation improved dramatically (from 220 kWh to 433kWh). Total consumer stands at 27.4 Million (December 2017) and System loss (distribution) reduced to 12.19%.

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



## Present Installed Generation Capacity (MW) as on September 2017.

Public Sector	Installed Generation Capacity (MW)	%
BPDB	4402	32.32%
APSCL	1508	11.07%
EGCB	622	4.57%
NWPGCL	718	5.27%
RPCL-BPDB JV	226	1.66%
<b>Sub-Total</b>	<b>7476</b>	<b>54.89%</b>
Private Sector Installed Generation Capacity (MW)		%
IPPs	3245	23.82%
SIIPs (BPDB)	99	0.73%
SIIPs (REB)	251	1.84%
15 Yr Rental	169	1.24%
3/5 Yr Rental	1721	12.63%
Power Import	660	4.85%
<b>Sub-Total</b>	<b>6145</b>	<b>45.11%</b>
<b>Total</b>	<b>13095</b>	<b>100.00%</b>



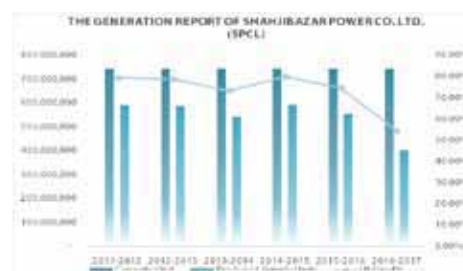
Public and private sector is contributing 55% and 45% respectively in the total generation of power as of September 2017. Amongst the public sector generation units BPDB is playing the champion role as usual.

## 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, 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, 2017 the company is producing 54.23% of total capacity on an average. The operational performance of the Company is shown as hereunder:

Fiscal Year	Capacity Unit	Produced Supply Units	Utilized %
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%
2016-2017	743,040,000	402,946,125	54.23%

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



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

In the fiscal year 2016-2017 your company has contributed a total of 402,946,125Kwh to the national grid as compared to 553,765,512 of the Fiscal Year 2015-2016. As usual the lone off-taker of power of your company is Bangladesh Power Development Board (BPDB). Revenue for the year under report stands at Tk.1,314.17 Million as compared to that of the previous year TK 1,511.12 Million which is lower due to lower volume transmission. The reason behind this lower transmission is attributed to collapse of a major tower in 132 KV grid line in Shahjibazar area. Consolidated revenue of Tk. 8,642.56 Million was reported during the year under report as compared to Tk. 7,994.31 Million. Net Profit After Tax (NPAT) with adding subsidiaries performance stands at Tk. 949.89 Million. Refinery segment has delivered around 131.32 Million Liter of different grades of petroleum products including Octane, MS and HSD recording a revenue of Tk.7,328.37 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 229,390,014 Kw against its total capacity 446,760,000 Kw for the year under account. The company has attained 51.35% of its total generation capacity due to lower demand by BPDB.

## SEGMENT WISE PERFORMANCE

Segment/Product	Quantity	Sales in Million Tk.
Power	402,946,125 Kwh	1,314.17
Oil & Gas	131,327,841 Ltr	7,328.37
<b>Total</b>		<b>8,642.54</b>

## 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, 2017 your company has contributed Tk. 246.02 Million as income tax and subsidiary of your company has added Tk. 1098.75 Million in the form of VAT to the national exchequer.

## EXTRA-ORDINARY GAIN OR LOSS

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

## 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

No such event was incurred during the year under report, utilization has completed in the year 2014-2015.

### SIGNIFICANT VARIANCE BETWEEN QUARTERLY AND ANNUAL FINANCIAL STATEMENTS

Variations between quarterly and annual financial statements occurred due to inconsistent supply of raw material in the oil refinery business and lower off-take of generated power by BPDB from power generation business. A major transmission tower was malformed by natural disaster in Shahjibazar 132 KV transmission line where your company off-load generated power in a regular basis.

### 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	2016		2017		% Change
	(in Million Taka)	% on Sales	(in Million Taka)	% on Sales	
Revenue	7,994.31		8,642.56		8.11%
Cost of Sales	6,492.90	81%	6,889.32	80%	6.11%
Gross Profit	1,501.42	19%	1,753.24	20%	16.77%
General and Administrative Expenses	122.58	2%	163.66	2%	33.51%
Finance Cost Net	536.62	7%	372.17	4%	-30.65%
Operating Profit	842.22	11%	1,217.41	14%	44.55%
Other Income Net	5.80	0%	2.37	0%	-59.23%
Share of Profit from Associate	69.16	1%	42.70	0%	-38.26%
WPPF	43.68	1%	66.55	1%	52.37%
Net Profit Before Income Tax	873.50	11%	1,195.92	14%	36.91%
Income Tax	132.39	2%	246.03	3%	85.83%
Total Comprehensive Income	741.11	9%	949.89	11%	28.17%
Less: Minority Interest	35.71	0%	63.52	1%	77.89%
Net Profit (After Tax & Minority Interest)	705.40	9%	886.38	10%	25.66%

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

Particulars	2016		2017		% Change
	(in Million Taka)	% on Sales	(in Million Taka)	% on Sales	
Revenue	1,511.12		1,314.17		-13.03%
Cost of Sales	882.31	58%	718.44	55%	-18.57%
Gross Profit	628.81	42%	595.74	45%	-5.26%
General and Administrative Expenses	51.82	3%	58.74	4%	13.36%
Finance Cost Net	136.01	9%	95.66	7%	-29.67%
Operating Profit	440.98	29%	441.34	34%	0.08%
Other Income Net	3.86	0%	133.16	10%	3353.06%
Share of Profit from Associate	69.16	5%	42.70	3%	-38.26%
WPPF	24.48	2%	29.39	2%	20.08%
Net Profit Before Income Tax	489.52	32%	587.81	45%	20.08%
Income Tax	105.46	7%	138.07	11%	30.92%
Total Comprehensive Income	384.06	25%	449.74	34%	17.10%

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

### SIGNIFICANT VARIANCE OF FINANCIAL STATEMENTS

Variations between quarterly and annual financial statements occurred due to inconsistent supply of raw material in the oil refinery business and lower off-take of generated power by BPDB from power generation business. A major transmission tower was malformed by natural disaster in Shahjibazar 132 KV transmission line where your company off-load generated power in a regular basis.



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

Taka in Million

Particulars	2016		2017		% Change
	(in Million Taka)	% on Sales	(in Million Taka)	% on Sales	
Revenue	7,994.31		8,642.56		8.11%
Cost of Sales	6,492.90	81%	6,889.32	80%	6.11%
Gross Profit	1,501.42	19%	1,753.24	20%	16.77%
Operating Profit	842.22	11%	1,217.41	14%	44.55%
Net Profit Before Income Tax	873.50	11%	1,195.92	14%	36.91%
Total Comprehensive Income	741.11	9%	949.89	11%	28.17%
Net Profit (After Tax & Minority Interest)	705.40	9%	886.38	10%	25.66%

### Consolidated

As per the consolidated summary of accounts during the year under report, the revenue of the company was increased by 8.11% and cost of sales was increased by of 6.11%, Gross Profit Margin was 20% as compared to 19% of the previous year and Net Profit Margin was 10% as compared to 9% of the previous year.

Taka in Million

Particulars	2016		2017		% Change
	(in Million Taka)	% on Sales	(in Million Taka)	% on Sales	
Revenue	1,511.12		1,314.17		-13.03%
Cost of Sales	882.31	58%	718.44	55%	-18.57%
Gross Profit	628.81	42%	595.74	45%	-5.26%
Operating Profit	440.98	29%	441.34	34%	0.08%
Net Profit Before Income Tax	489.52	32%	587.81	45%	20.08%
Total Comprehensive Income	384.06	25%	449.74	34%	17.10%

### Separate

As per the separate summary of accounts during the year under report, the revenue of the company has decreased by 13.03% year-over-year and cost of sales was decreased by 18.57%, Gross Profit Margin was 45% as compared to 42% of the previous year and Net Profit Margin was 34% as compared to 25% of the previous year.

### PROFIT APPROPRIATION

During the year under report the consolidated Net Profit After Tax (NPAT) of your company ramped up at Tk. 886.38 Million as compared to Tk. 705.40 Million year-over-year. 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 mind, Directors would like to report the Company's financial result for

Particulars	Amount in Million Taka
Net Profit for the year 2017	886.38
Profit brought Forward	956.22
Profit available for appropriation	1,842.60
Appropriations:	
Proposed Stock and Cash Dividend	423.74
Transferred to Retained Earning	1,418.86
Profit available for appropriation	1,842.60

### DIVIDEND

Your Board recommends a final cash dividend of 16% and 14% stock dividend for the year 2017 i.e. 14 (Fourteen) Ordinary shares of Taka 10 each for 100 shares held on the record date, subject to approval by the shareholders at the 10th Annual General Meeting.

Dividend Type	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14	30-Jun-13
Cash Dividend (%)	16%	30%	28%	25%	15%
Stock Dividend (%)	14%	3%	3%	5%	0%
Total	30%	33%	31%	30%	15%

## DIRECTORS' MEETING & ATTENDANCE

During the year ended June 30, 2017 The Board of Directors has attended 5 meetings. Directors who attended the board meetings are shown below:

Name of Directors	Attended
Mr. Rezakul Halder	5
Mr. Feroz Alam	5
Mr. Anis Salahuddin Ahmad	5
Mr. A.K.M Badiul Alam	5
Mr. Shamsuzzaman	5
Mr. Mohammad Liaquat Ali	3
Mr. Golam Nabi FCA	5



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

## THE PATTERN OF SHAREHOLDING

Annexure-3

Name of Shareholders	Status	Relation	Share Held	Percentage (%)
i) Parent/Subsidiary/Associated Companies and other related parties	-		-	-
ii) Directors				
A. Mr. Rezakul Haider	Chairman		13,721,420	9.71%
B. Mr. Feroz Alam	Managing Director		12,652,033	8.95%
C. Mr. Anis Salahuddin Ahmad	Director		13,902,033	9.84%
D. Mr. A.K.M. Badiul Alam	Director		10,693,872	7.57%
E. Mr. Md. Shamsuzzaman	Director		16,040,808	11.36%
F. Mr. Akbor Haider	Sponsor	Son of Mr. Rezakul Haider	4,846,936	3.43%
G. Mr. Faridul Alam	Sponsor	Son of Mr. Feroz Alam	4,846,936	3.43%
H. Ms. Rezina Alam	Sponsor	Daughter of Mr. Feroz Alam	4,846,936	3.43%
I. Mr. Faisal Alam	Sponsor	Son of Mr. Feroz Alam	4,846,936	3.43%
J. Mr. Asgar Haider	Sponsor	Son of Mr. Rezakul Haider	4,846,936	3.43%
K. Ms. Israt Azim Ahmad	Sponsor	Spouse of Mr. Anis Salahuddin Ahmad	4,846,936	3.43%
L. Mr. Mohammad Liaquat Ali	Independent Director		Nil	Nil
M. Mr. Golam Nabi 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		0	0.00%
B. Yeasin Ahmed, ACS	Company Secretary		0	0.00%
C. Saiful Islam	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		16,040,808	11.36%

### DIRECTORS' ELECTION & RE-APPOINTMENT:

As per Articles of Association Mr. Feroz Alam and Mr. Anis Salahuddin Ahmad shall retire in 10th Annual General Meeting by rotation and being eligible to offer themselves for re-election. Office of Mr. Mohammad Liaquat Ali has been extended as Independent Director for another one term effective from March 30, 2017 which shall be presented before member's approval in 10th AGM.

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

Described in Directors Profile

### INDEPENDENT DIRECTOR TO THE BOARD OF SUBSIDIARY COMPANY

Mr. Golam Nabi FCA has been continuing as the nominated director in the subsidiary company.

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

[illegible]

## 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, ACS	Secretary	4

## AUDITORS

ACNABIN Chartered Accountants was appointed as the auditor of the Company in the 09th Annual General Meeting. They have carried out the audit for the year 2017 and will retire in the 10th Annual General Meeting. ACNABIN Chartered Accountants had expressed their willingness to become appointed as the Statutory Auditor of your company for the Financial Year 2017-2018. 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 10th 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
<b>Interest Rate Risk</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Prioritize Equity Based Financing</li> <li>Prefer Long Term fund over Short Term due to lower cost</li> <li>Continuously seeking cheap source of fund</li> </ul>
<b>Exchange Rate Risk</b>	<ul style="list-style-type: none"> <li>SPCL imports mostly spare parts (if required) against payment of foreign currency. Unfavorable volatility or currency fluctuation may affect the profitability of the Company</li> </ul>	<ul style="list-style-type: none"> <li>Justified Forward Contract agreements</li> <li>Purchase through L/C which is known to be less exposed method in terms of Forex Risk</li> </ul>
<b>Industry Risk</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Payment is guaranteed by Power Purchase Agreement (PPA) with Bangladesh Power Development Board (BPDB)</li> </ul>

<b>Market And Technology Related Risk</b>	<ul style="list-style-type: none"> <li>■ Technology is related to generation, transmission, distribution, quantity measuring and maintaining of required electricity generation.</li> </ul>	<ul style="list-style-type: none"> <li>■ Modernization program after periodic interval</li> </ul>
<b>Potential Or Existing Government Regulations</b>	<ul style="list-style-type: none"> <li>■ 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 &amp; supply and distribution is fully under the control of Government. So, Government policies in this regard may impact business operation of SPCL.</li> </ul>	<ul style="list-style-type: none"> <li>■ Every possible effect of abrupt policy change by government is communicated with respective authority of the Government time to time</li> <li>■ Energy sector being one of the priority sector the respective authority</li> </ul>
<b>Potential Changes In The Global or National Policies</b>	<ul style="list-style-type: none"> <li>■ 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.</li> </ul>	<ul style="list-style-type: none"> <li>■ Prudent Rehabilitation Scheme</li> <li>■ Insurance Coverage to all possible extents</li> </ul>
<b>Pricing</b>	<ul style="list-style-type: none"> <li>■ 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.</li> </ul>	<ul style="list-style-type: none"> <li>■ 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 &amp; 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.</li> <li>■ 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.</li> </ul>
<b>Risk Associated With Payment</b>	<ul style="list-style-type: none"> <li>■ 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</li> </ul>	<ul style="list-style-type: none"> <li>■ 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.</li> <li>■ Petroleum Segment has been collecting payment from BPC in a regular basis. There is no history of default in payment from BPC till today.</li> </ul>
<b>Environmental Pollution</b>	<ul style="list-style-type: none"> <li>■ 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.</li> </ul>	<ul style="list-style-type: none"> <li>■ The operations and maintenance (O&amp;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.</li> <li>■ Petromax Has installed state of the art technology of oil refining equipment that ensures zero emission of spill overs.</li> </ul>



## 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.

## 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
- Contributor to Muktijudho Academy
- Contribution to Rohingya Camp

## 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 No. 36

## ACKNOWLEDGEMENT:

The Board and I would like to take this opportunity to first of all thanks to all shareholders for your continuous trust on us. We shall continue our effort with ultimate sincerity and diligence to make the greatest output possible from your every cent of invested money. We are continuously seeking opportunity to grow your company to reach in a respectable place within the corporate arena.

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.

There is an adage goes like "Perfection is not attainable but if we chase perfection we can catch the Excellence". With our winning team of employees we are continuously pursuing excellence in every step we made. We nurture them, train them to bring out their inherent talents and retain by motivation and recognition.

Looking forward for a better future and sustainable growth.

For and On Behalf of the Board



Feroz Alam  
Managing Director