

BARAKA POWER LIMITED

Directors' Report to the Shareholders

FOR THE YEAR ENDED JUNE 30, 2022

Bismillahir Rahmanir Rahim

Dear Shareholders,
Assalamu Alikum,

I warmly welcome you all to the 15th Annual General Meeting of Baraka Power Limited on behalf of the Board of Directors and Management. We are pleased to present herewith the Directors' Report on operational activity of the company and the Auditors' Report along with the Audited Financial Statements of the company for the year ended June 30, 2022 thereon, for your valued consideration, approval and adoption.

Directors' Responsibilities towards Shareholders

In compliance with the requirements of the Bangladesh Securities and Exchange Commission's Notification No. BSEC/C-MRRCD/2006-158/207/Admin/80 dated 3 June 2018, the Directors are responsible for the governance of the Company and in that capacity, the Directors confirm, to the best to their knowledge that-

(i) Industry Outlook and future development:

Given that the demand for energy is anticipated to rise along with GDP development and the government's master plan to generate 40,000 MW by 2030 and 60,000 MW by 2041, it is very possible that Bangladesh's per-capita consumption of power will rise dramatically.

People's dependence on tools and equipment powered by electricity is growing as their means of existence become more and more modernized. Additionally, as a result of the outbreaks, individuals all around the world have become more health cautious and accustomed to using online-based tools to avoid leaving their homes. As a result, it is anticipated that future electricity consumption would increase more quickly than before.

The primary component for a nation's socioeconomic progress is electricity. Over the past 20 years, the nation's energy consumption has risen quickly. The government's goal of making Bangladesh one of the developed nations by 2041 is causing economic growth and development efforts to accelerate. Baraka Power Limited and its Group Companies have concentrated on several platforms for producing more power in order to meet the Government's aim as well as to carry out our corporate mission.

The Board is delighted to inform you that the power plant in Fenchugonj, Sylhet, is operating perfectly and produced 362,285 MWh of energy in 2021-22. Throughout the year 2021-2022, Baraka Power provided the national grid with a total of 349,663 MWh of electricity. Accordingly, the company was able to generate revenue totaling Tk. 1,120,522,248 in the fiscal year 2021-2022, which is Tk. 18,504,109 higher than the prior year.

You'll be pleased to know that our other power plants, including the Baraka Patenga 50MW, Baraka Shikabaha 105MW and Karnaphuli Power 110MW are also operating very efficiently and providing electricity to the national grid as needed.

As a combined result, Consolidated NAV of the Company stood Tk. 22.43 on June 30, 2022 compared to Tk. 21.30 on June 30, 2021. Despite the catastrophe cause by the COVID-19 and the ongoing war between Ukraine-Russia, we managed to do well in our operational performance and we are optimistic that in future also we will be able to bring good results for all of our stakeholders.

(ii) Segment wise or Product wise performance:

Plant Particulars	Dependable Capacity (MwH)	Installed Capacity (MwH)	Plant factor (% on Dependable Capacity) based on generation		Energy Generation (MwH)	Energy Sold (MwH)
			Average	Maximum		
Fenchugonj, Sylhet - Gas Fired 51MW	446,760	484,350	81.04%	99.13%	362,285	349,663

(iii) Risks and concerns

Interest rate risks

The schematic representation of the country's interest rates may be impacted by the money market's volatility. Due to the company's outstanding loans, any unfavorable changes to the interest rate structure could have an adverse influence on the company's operations.

Management perception

The company's management thinks that an increase in interest rates won't have a significant impact on the business. The corporation will look for alternative sources of finance if interest rates increase. Finance department constantly monitors bank interest rates and selects/shifts best alternative rates for borrowing and lending in order to reduce interest rate risk.

Exchange rate risks

Since the company imports machinery and equipment in exchange for foreign currencies, the company is subject to currency risk (USD and EURO). Unfavorable volatility or currency changes may raise import costs and hence have an impact on the company's profitability.

Management perception

The dangers linked to currency fluctuations are clearly understood by the company's management. Major foreign purchases of imported machinery and equipment have been completed. Currently, sources from a number of nations are used to purchase spare parts. Exchange rates are taken into consideration very carefully when negotiating prices with suppliers. Therefore, management does not anticipate that currency risk will negatively impact the Company's operations significantly.

Industry risks

The Company works in a sector where demand and supply are still out of balance. Even though the power industry is one of the most difficult and demanding in our nation, there is a danger that excessive competition could hurt the company's operations.

Management perception

In our nation, there is now a discrepancy between the supply and demand for electricity. On the other hand, the daily demand for electricity is dramatically rising. There is basically little prospect of excessive competition in this case. Additionally, BPDB purchases all of the electricity generated by the company at a rate outlined in the Power Purchase Agreement that is likewise modified in accordance with the consumer pricing index. As a result, the business is shielded from any kind of loss brought on by inflation or competition.



DIRECTORS' REPORT (Continued)

Market and technology-related risks

The capacity of the generators used to generate the power greatly influences that capacity. The company's operations might experience severe turbulence should there be any disruption in the technologies it uses.

Management perception

Modern equipment and cutting-edge technologies are employed by the company. The plant is made up of 19 generator sets from GE Jenbacher, Austria, a well-known producer of gas-fueled reciprocating engines. The facility has a total installed capacity of 55.14 MW, although the contractual capacity is 51 MW. The plant has 8.11% of production reserve margin set aside to assure a constant supply of power. The company has a 15-year contract with GE Jenbacher for the supply of spare parts in order to minimize the possibility of disruptions. Additionally, the company's management takes timely maintenance of the machinery very seriously.

Potential or existing government regulations

Even while the company benefits greatly from the laws and regulations currently in place, there is a potential that the government will adopt a measure that would negatively impact the functioning and profitability of the business.

Management perception

In order to promote economic and social growth, the government is dedicated to offering all citizens dependable, cheap electricity. Therefore, the company's management is convinced that Baraka Power won't encounter any bad circumstances with relation to government policy.

Potential changes in global or national policies

Changes in domestic and international policy could have a negative impact on the company's operations. Any structural change in the power generation sector could have a detrimental effect on the company's revenue and profitability.

Management perception

Electricity is absolutely necessary for modern living. The modern way of life cannot exist without electricity. It is impossible for a nation to develop without an uninterrupted supply of electricity. Therefore, the power industry won't suffer any negative effects from national policies. On the other hand, there is very little likelihood that international policies will adversely affect the power industry in our nation.

History of non-operation

If a company ceases operations for a length of time throughout its operational life, the risk that it will do so again in the future for the same reasons or other likely reasons should be carefully considered.

Management perception

The Company has never previously stopped operating. Therefore, there is no risk in this regard. Additionally, the company is growing by adding more power plants and making investments in various industries, such as RMG and education. So there is very little likelihood that they will stop working in the future.



Operations risks

The project's ability to function as planned is covered by operational risk. The corporation faces significant operational risk from the usage of technology, fuel supply arrangements, operation and maintenance (O&M) arrangements, and political conditions.

Management perception

Baraka Power Limited and Jalalabad Gas Transmission and Distribution Systems Ltd. (JGTDSL) signed a gas supply agreement on June 22, 2008, for a length of 15 years, to ensure that gas will be supplied as needed and to the agreed-upon specifications during the term of the agreement. Baraka Power Limited has hired qualified local engineers and personnel with previous experience working in power plants for the plant's O&M. Additionally, the plant's supplier, GE Jenbacher GmbH & Co., will provide all required replacement parts for a 15-year period with a warranty beginning on the date of delivery. Baraka Power Limited will hire GE Jenbacher GmbH & Co. to provide the overhaul services during the major overhaul. The corporation built 19 generator units, so even during scheduled maintenance or any small issues, the supply of electricity won't be significantly impeded. Operational risk is present in all power projects, and given that this project will operate for 15 years, this risk is fairly considerable. The availability of technical competence in the nation, the supply agreement with the vendor, and the reserve margin of about 8.11% (installed capacity) all significantly reduce operational risk, though.

Project duration risk

With the understanding that it would be terminated fifteen (15) years after the start of commercial operations, unless earlier terminated in accordance with the terms of the agreement, the firm entered into a contract with the Bangladesh Power Development Board (BPDB).

Management perception

Due to the high demand for power in our nation, management believes that there are no chances for an early termination of the contract. To close the gap between supply and demand, the government of Bangladesh is pushing more local business owners to invest in this industry. Furthermore, there is potential to extend the period of the current agreement with the BPDB's consent because of Bangladesh's expanding economy and rising need for electricity and power.

- (iv) Cost of Goods Sold, Gross Margin and Net Profit Margin:

Solo Basis (Amount in taka)				
Particulars	June 30, 2022	June 30, 2021	Deviation	
			Amount	Percentage
Revenue	1,120,522,248	1,102,018,139	18,504,109	1.68%
Cost of Sales	697,189,673	571,504,378	125,685,295	21.99%
Gross Profit	423,332,575	530,513,761	(107,181,186)	-20.20%
Net Profit After Tax	440,069,256	395,194,695	44,874,561	11.36%
Gross Profit Margin (%)	37.78%	48.14%		
Net Profit Margin (%)	39.27%	35.86%		

Consolidated Basis (Amount in taka)				
Particulars	June 30, 2021	June 30, 2020	Deviation	
			Amount	Percentage
Revenue	1,813,109,690	6,195,339,412	(4,382,229,722)	-70.73%
Cost of Sales	1,327,717,136	3,955,536,740	(2,627,819,604)	-66.43%
Gross Profit	485,392,554	2,239,802,672	(1,754,410,118)	-78.33%
Net Profit After Tax (Owners)	501,355,942	745,305,072	(243,949,130)	-32.73%
Gross Profit Margin (%)	26.77%	36.15%		
Net Profit Margin (%)	27.65%	12.03%		

DIRECTORS' REPORT (Continued)

According to the aforementioned solo basis and consolidated table, the solo basis performance of the company during the year 2021-22 was very satisfactory; here the minor deviations from the previous figures are mainly due to regular operational variability and adjustment of consumer price index. However, the consolidated figures show a wide deviation from previous consolidated performance. This is because, after allotment of IPO shares of Baraka Patenga Power Limited, the company as well as Karnaphuli Power Limited became associate Companies of Baraka Power Limited. Hence, line to line consolidation of those companies were not done in the year 2021-22. As a result, the consolidated figures are showing a big deviation.

(v) Other income of Tk. 129,548,739 is generated by the company from receivables with the related parties.

(vi) Related Party Transaction

A. During the year, the Company carried out a number of transactions with related party in the normal course of business. The names of the related parties and nature of these transactions have been set out in accordance with the provisions of BAS 24: Related Party Disclosures.

Transactions with key management personnel:

	30-06-22 (Taka)	30-06-21 (Taka)
Employee Benefits	16,341,501	13,794,844
Total	16,341,501	13,794,844

Key management personnel include Vice Chairman & Head of Administration, Managing Director, Company Secretary and Chief Financial Officer.

B. Other Related Party Transactions

Name of the Related Party	Nature of Relationships	Nature of Transactions	Transactions during the year ended on 30-06-22			
			Opening Balance	Addition	Adjustment	Closing Balance
Baraka Fashions Ltd.	Subsidiary Company	Short Term Loan	631,530,341	141,209,622	318,848,837	453,891,126
Karnaphuli Power Ltd.	Associate Company	Short Term Loan	1,098,444,699	129,759,086	1,098,400,000	129,803,785
Baraka Shikalbaha Power Limited	Associate Company	Short Term Loan	(197,804,539)	1,317,908,630	1,565,518,079	49,804,910
Royal Hospitality and Leisure Ltd.	Common Management	Short Term Loan	35,096,130	-	35,096,130	-
Royal Educare Limited	Common Management	Preference Share	55,000,000	-	5,500,000	49,500,000
Queens Healthcare Limited	Common Management	Short term loan	3,604,594	319,243	-	3,923,837
Baraka Apparels Limited	Common Management	Short term loan	375,141,013	28,467,695	-	403,608,708

(vii) Utilization of IPO Proceeds:

The company floated IPO shares during the year 2011. By utilizing the Net IPO proceeds, the company payoff its term loan of Tk. 740 million and another 400 million was invested in Baraka Patenga Power Limited.

- (viii) After the company went for Initial Public Offering (IPO), there were no significant variation shown in the financial results.
- (ix) Quarterly performances of the company are in line with the Annual Audited Financial Statements.
- (x) Director's Remuneration
Payment to Directors during the year ended June 30, 2022:

Name	Designation	Period	30-06-2022	30-06-2021
Mr. Fahim Ahmed Chowdhury	Managing Director	July 2021 to June 2022	8,811,000	7,045,500
Mr. Md. Ahsanul Kabir	Vice-Chairman & Head of Administration	July 2021 to June 2022	3,712,500	3,382,500
Total			12,523,500	10,428,000

In Addition to the above, directors who attend meetings, have drawn meeting attendance fee @ Tk. 11,000 (including VAT) per director per meeting. The total meeting attendance fee during the year is Tk. 1,606,000.

- (xi) The financial statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- (xii) Proper books of account of the company have been maintained;
- (xiii) 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;

However, the Independent Auditors have recognized the following matter of emphasis in their Report: " We draw attention to note no.- 33 of the Financial Statements, which describes that the company did not make WPPF provision during the year, (though the comparative Financial Statements has maintained WPPF provision as per section 234 of Bangladesh Labour Act, 2006) as the Bangladesh Independent Power Producers Association (BIPPA) has applied to Ministry of Labor and Employment via Ministry of Power, Energy and Mineral Resources (MPEMR) for given exemption to private power generation company from making provision of WPPF. Our opinion is not modified in respect to this matter."

Moreover, the comparative financial statements are being restated in accordance with IAS 8-Accounting Policies, Changes in Accounting Estimates and Errors. The Notes - 61 to the financial statements provide a comprehensive breakdown of restatements.

- (xiv) International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;
- (xv) The system of internal control is sound in design and has been effectively implemented and monitored;
- (xvi) Minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;
- (xvii) There are no significant doubts upon the company's ability to continue as a going concern;
- (xviii) Significant deviations from last year in operating results of the company has been highlighted and reasons thereof have been explained in the financial statements;
- (xix) Key operating and financial data of last five years has been annexed in **Annexure I**;
- (xx) Dividend:
The Board of Directors of the company has recommended 10% cash dividend on 235,465,661 ordinary shares of Tk. 10 each for the year ended June 30, 2022 subject to approval by the shareholders at the 15th Annual General Meeting;
- (xxi) No bonus share or stock dividend has been or shall be declared as interim dividend;
- (xxii) Board Meeting & Attendance:
During the year ended June 30, 2022, total 14 meetings were being held by the Board of Directors. The Directors who have attended the Board meeting are shown in **Annexure II** of this report.
- (xxiii) The pattern of shareholding has been reported in **Annexure-III** to disclose the aggregate number of shares;

(xxiv) Directors' appointment & re-appointment:

Changes in the Board of Directors after last AGM:

Date	Changes	Reason of changes
18 December 2021	Mr. Abdus S Majid resigned from the Board as Independent Director	Personal reasons
18 December 2021	Mr. Khaled Mahmood has been appointed by Board as Independent Director for a term of 3 years	To comply with corporate governance code
12 April 2022	Mr. Gulam Rabbani Chowdhury resigned from the Board as Individual Director and appointed as a Nominated Director representing Baraka Shikalbaha Power Limited	Restructuring of Board for better corporate practice
14 June 2022	Dr. Md. Zakir Hossain resigned from the Board as Independent Director	Personal reasons and to attain higher compliance as per corporate governance code
14 June 2022	Mr. Helal Ahmed Chowdhury resigned from the Board as Independent Director	Personal reasons

DIRECTORS' REPORT (Continued)

Date	Changes	Reason of changes
12 September 2022	Mr. A. B. M. Fozle Hoda has been appointed by Board as Independent Director for a term of 3 years	To comply with corporate governance code
12 September 2022	Mr. Shahud Ahmed has been appointed by Board as Independent Director for a term of 3 years	To comply with corporate governance code
12 September 2022	Dr. Dhiman Kumar Chowdhury has been appointed by Board as Independent Director for a term of 3 years	To attain higher level of corporate governance
12 September 2022	Dr. Md. Ali Noor has been appointed by Board as Independent Director for a term of 3 years	To attain higher level of corporate governance

Appointment of Mr. Khaled Mahmood, Mr. A. B. M. Fozle Hoda, Mr. Shahud Ahmed, Dr. Dhiman Kumar Chowdhury and Dr. Md. Ali Noor as Independent Directors for a term of 3 (three) years will have to be approved by the shareholders in the 15th Annual General Meeting.

Moreover, as per Article No. 112, 113, 114 and 115 of the Article of Association of the company following Directors shall retire in the 15th Annual General Meeting by rotation and being eligible, offer them for re-election:

01. Mr. Faisal Ahmed Chowdhury
02. Mr. Md. Ahsanul Kabir
03. Mr. Gulam Rabbani Chowdhury
04. Mr. Afzal Rashid Choudhury
05. Mr. Md. Shirajul Islam

Brief resumes of the directors have been disclosed in the Directors' Profile sections of the annual report.

- (xxv) Management's Discussion and Analysis signed by MD has been reported in the Annual Report.
- (xxvi) Declaration by the MD and the CFO to the Board regarding Financial Statements for the year ended on June 30, 2022 has been reported in **Annexure IV**.
- (xxvii) The report on compliance of Corporate Governance Code has been presented in **Annexure V** and the certificate on compliance position has been reported in **Annexure VI**.

Financial Results & Profit Appropriation:

In the year 2021-2022, financial performance of your company shows a satisfactory result. The Directors take pleasure in reporting the financial results of the company for the year ended June 30, 2022 and recommended apportion of retained earnings as mentioned below:

Profit available for appropriation:	June 30, 2022	June 30, 2021
Profit after tax	440,069,256	395,194,695
Add: Undistributed profit brought forward from previous year	780,082,790	714,980,144
Total amount Available for Appropriation	1,220,152,049	1,110,174,839
Appropriation:	June 30, 2022	June 30, 2021
Final dividend for the year 2019-2020 (@7% Stock & 8% Cash dividend)	-	(330,092,049)
Final dividend for the year 2020-2021 (@10% Cash dividend)	(235,465,661)	-
Closing Retained Earnings at year end (before proposed dividend)	984,686,385	780,082,790
Proposed dividend for the year 2021-2022 (@10% Cash dividend)	(235,465,661)	
Retained Earnings after Proposed Dividend	749,220,724	

Auditors:

M/S Malek Siddiqui Wali, Chartered Accountants have carried out the audit for the year 2021-22 and will retire in the 15th AGM. Accordingly, being eligible, Malek Siddiqui Wali, Chartered Accountants have expressed their intention to be appointed as statutory auditor of the company for the year 2022-2023 and the Board has recommended to reappoint Malek Siddiqui Wali, Chartered Accountants as the statutory auditor of the Company for the year 2022-2023 at a fee of Tk. 2,50,000/- (excluding VAT) subject to approval by the shareholders in the 15th Annual General Meeting.

Audit Committee

The Board of Directors established an audit committee at its meeting on August 13, 2011. Three board members, including two Independent Directors, make up the committee. The member secretary of the committee is the corporation's company secretary. Reporting to the Board is the responsibility of the Audit committee. The committee supports the Board in carrying out its oversight duties with regard to concerns pertaining to Internal Control, Financial Reporting, Risk management, and Auditing.

Corporate Governance

Corporate governance describes the procedures, frameworks, and data that are used to guide and monitor a company's management. The procedures for creating responsibility between the Board, senior management, and shareholders are established by the corporate governance structure, which also serves to safeguard the interests of pertinent stakeholders. Additionally, it lays out the framework for how the organization's power structure will be decided. The management's obligations to the company's employees and shareholders are spelled out in explicit terms. The status of corporate governance compliance is disclosed separately in **Annexures V and VI**.

Acknowledgement:

Honorable shareholders have always received the Board of Directors' sincere gratitude for their unwavering cooperation with and support of the company's operations. The directors reassure the shareholders that, to the best of their knowledge, the board will always work to protect their interests during all phases of the company's operations.

The Board wishes to express its appreciation to the Bangladesh Securities and Exchange Commission (BSEC), Registrar of Joint Stock Companies & Firms, Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange PLC (CSE), various Government Authorities, Individuals, and Agencies, as well as the Bangladesh Power Development Board (BPDB), Power Cell of the Power Division, MPEMR, Jalalabad Gas T&D System Ltd., banks and financial institutions, insurance companies, service providers,

The Board is appreciative of the sincere efforts made by the Company's workers. The organization could not have been as successful as it is without the genuine commitment and passion of the employees. We think your company, Baraka Power, will succeed more in the future because to their tireless efforts.

We look forward to even better days ahead.

On behalf of the Board of Directors,

Wishing you a prosperous, healthy and happy future.



Faisal Ahmed Chowdhury
Chairman