

DIRECTORS' REPORT TO THE SHAREHOLDERS

Bismillahir Rahmanir Rahim.

Dear Shareholders,

Assalamu Alaikum.

The Board of Directors of Doreen Power Generations and Systems Limited (DPGSL) has the pleasure to welcome you all to the 9th Annual General Meeting of the Company. The Directors delightfully presents before you the Audited Financial Statements of the Company for the year ended 30 June 2016 together with the Directors' Report and the Auditors' Report thereon, for your consideration and adoption.

The Directors likes to furnish a clear picture of the Company to its valued shareholders. The reports on industry outlook and possible future developments in the industry, on risks and concern and on corporate governance annexed hereto and the tables, graphs and profiles shown separately will be integral parts of this report.

Plant-Wise Performance

During the year 2015-16, the performance of different Power Plants was as stated below :

| Name of Power Plant | Capacity | Sum of Net Energy Output (Kwh) | Sum of Gas Consumption (Cubic Meter) | Revenue in (BDT) |
|-----------------------|----------|--------------------------------|--------------------------------------|------------------|
| Feni Power Plant | 22 MW | 149,270,040 | 41,847,366 | 362,549,867 |
| Narsingdi Power Plant | 22 MW | 129,781,296 | 38,639,077 | 344,112,226 |
| Tangail Power Plant | 22 MW | 125,023,276 | 34,843,507 | 353,508,710 |

Operational / Financial Highlights

The Directors are pleased to present the operational and financial results (consolidated) for the year ended 30 June 2016 :

| Particulars | 2015-16 | 2014-15 | % of Change |
|--------------------------|---------------|---------------|--------------------|
| Revenue | 1,189,835,036 | 1,082,372,595 | Increase by 9.93% |
| Cost of Sales | (791,458,229) | (646,369,722) | Increase by 22.45% |
| Gross Profit | 398,376,807 | 436,002,873 | Decrease by 8.63% |
| Profit Before Tax | 39,947,197 | 125,584,501 | Decrease by 68.19% |
| Profit After Tax | 38,840,564 | 125,092,473 | Decrease by 68.95% |

The main reason of increase in cost of sales and decrease in profitability is that two power plants of 55MW capacity each of our two subsidiaries were under construction during the period. One of them started its commercial operation on 17 June 2016 and another on 17 August 2016. the said two 55MW power plants have already started commercial operation, we can expect uptrend in financial performance in the coming years.

Related Party Transactions

The related party transactions carried out by the Company on a commercial basis during the year have been disclosed in Note-37 under the Notes to the Financial Statements.

Key Operating and Financial Data

The Directors are pleased to present the Key Operating and Financial Data (consolidated) for last 5 (five) years :

| Particulars | 30.06.2016 | 30.06.2015 | 30.06.2014 | 30.06.2013 | 30.06.2012 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Taka | Taka | Taka | Taka | Taka |
| Revenue | 1,189,835,036 | 1,082,372,595 | 1,049,028,427 | 1,041,291,215 | 1,084,285,139 |
| Cost of Sales | (791,458,229) | (646,369,722) | (626,027,545) | (612,226,355) | (585,863,860) |
| Gross profit | 398,376,807 | 436,002,873 | 423,000,882 | 429,064,860 | 498,421,279 |
| General Administrative Exp. | (102,847,335) | (67,818,455) | (62,034,551) | (67,986,789) | (67,008,822) |
| Pre Operating Expenses | (415,262,98) | (40,955,630) | (21,629,629) | (16,354,806) | |
| Profit from Operation | 254,003,174 | 327,228,788 | 339,336,702 | 344,723,265 | 237,942,958 |
| Other Income | 445,200 | 383,312 | 374,450 | 3,304,879 | 315,755 |
| Interest Income | 5,309,941 | 1,022,482 | 412,331 | 16,352,208 | 32,493,488 |
| Financial Expense | (210,510,650) | (194,769,046) | (181,210,500) | (212,128,857) | (193,469,499) |
| Loss on disposal of fixed assets | | | | (3,476,561) | (336,673) |
| Non-operating Profit (Loss) | (204,755,509) | (193,363,252) | (180,423,719) | (195,948,331) | (160,996,929) |
| Net Profit before Contribution to WPP and WF Fund [5% on Net Profit] | 49,247,665 | 133,865,536 | 158,912,983 | 148,774,934 | 270,415,528 |
| Contribution to WPP & WF | (9,300,468) | (8,281,035) | (8,862,955) | (9,371,419) | (12,876,930) |
| Net profit before income tax | 39,947,197 | 125,584,501 | 150,050,028 | 139,403,515 | 257,538,598 |
| Current tax | (1,106,633) | (492,028) | (275,374) | (6,455,937) | (12,303,466) |
| Net profit after income tax | 38,840,564 | 125,092,473 | 149,774,654 | 132,947,578 | 245,235,132 |
| Share Capital | 800,000,000 | 600,000,000 | 600,000,000 | 600,000,000 | 600,000,000 |
| EPS | 0.65 | 2.25 | 2.58 | 2.28 | 4.09 |

Qualified Opinion by the Auditor

The Auditor of the company expressed opinion that note # 3.12 to the financial statements had not been in accordance with Bangladesh Financial Reporting Standards. Since this note relates to deferred tax asset / liability of the company, the Directors assure to follow the standard relating to deferred tax asset / liability.

DIVIDEND FOR THE YEAR ENDED 2015-16

The Board has recommended 10% cash dividend for all shareholders excluding the Sponsors/Directors and 20% stock dividend for all shareholders for the year ended 30 June 2016. The Sponsors/Directors hold 60 million shares and the cash dividend to be payable to the General Shareholders is Tk. 20.00 million. As Bonus Share 20 (twenty) shares of Tk. 10 each for 100 (one hundred) shares held on the record date will be applicable, subject to approval by the shareholders at the 9th Annual General Meeting.

DIRECTORS' APPOINTMENT & RE-APPOINTMENT

With regard to the appointment, retirement and re-appointment of directors, the company is governed by its Articles of Association, the Companies Act 1994 and other related legislations. Accordingly, at the Annual General Meeting, Mrs. Parveen Alam will retire from the office of Director. She is however eligible for re-appointment. As required by BSEC's Corporate Governance Guidelines [condition 1.5 (xxii)], her details is disclosed separately.

APPOINTMENT OF AUDITORS

M/s. ACNABIN, Chartered Accountants, having office at BDBL Bhaban (Level- 13 & 14), 12 Kawran Bazar Commercial Area, Dhaka-1215, Bangladesh, was re-appointed as the auditor by the company in its 8th AGM for another term till conclusion of the 9th AGM of the Company. M/s. ACNABIN has completed assignment of audit and will retire at the 9th AGM, and being qualified, have expressed their willingness to continue in the office for the year ended 30 June 2017. The Audit Committee and the Board recommend for re-appointment of M/s. ACNABIN as its auditor for next year and till conclusion of the 10th AGM. The matter is placed for the consideration of the honorable shareholders.



Statement of Expenditure of IPO Proceeds for the period ended 30 June 2016

An amount of Tk. 58,00,00,000 was raised Through Initial Public Offering (IPO). A Statement of Expenditure of the IPO Proceeds for the period ended 30 June 2016 is as follows :

| Estimated Cost for Project Implementation | | Estimated Time of Completion (after receiving IPO Proceeds) | Investment/ Expenses so far made | | Investment / Expenses yet to be made | |
|--|--------------------|---|----------------------------------|------------|--------------------------------------|------------|
| Purpose of Amount as per IPO Prospectus | Amount | | Amount | % | Amount | % |
| A. Project Implementation | | | | | | |
| 1. Co-Generations and Water Treatment and Purifying Unit Equipment | 26,000,000 | 4 Months | 14,830,886 | 57% | 11,169,114 | 43% |
| 2. Building Foundation and other constructions | 116,000,000 | 6 Months | 60,344,373 | 52% | 55,655,627 | 48% |
| 3. Testing and Commissioning (Lube Oil) | 50,000,000 | 1 Month | 50,000,000 | 100% | - | 0% |
| 4. Emergency Spare Parts | 50,000,000 | 4 Months | 50,000,000 | 100% | - | 0% |
| 5. Fuel Storage Tank at Plant | 17,000,000 | 1 Month | 17,000,000 | 100% | - | 0% |
| 6. Power Evacuation | 16,000,000 | 1 Month | 10,724,957 | 67% | 5,275,043 | 33% |
| 7. Sub Station | 60,980,000 | 1 Month | 50,618,622 | 83% | 10,361,378 | 17% |
| 8. Rent for Fuel Storage Tank in Chittagong | 33,000,000 | 4 Months | 19,436,610 | 59% | 13,563,390 | 41% |
| 9. Loan Repayment | 190,000,000 | 4 Months | 190,000,000 | 100% | - | 0% |
| B. IPO Expenses | 21,020,000 | As and when required | 18,621,914 | 89% | 2,398,086 | 11% |
| C. IPO Expenses | - | - | 258,117 | - | - | - |
| | 580,000,000 | | 481,835,479 | 83% | 98,164,521 | 17% |

The Directors draws attention of the shareholders of the Company that approval is required to use the unutilized fund of IPO Proceeds amounting Tk. 23,98,086 from the portion of IPO Expenses to procure lube oil for the power plants of the Company [in order to comply with Condition No: 6, PART-C of BSEC Consent Letter No. SEC/CI/IPO/-195/2012/12 dated January 07, 2016].

BOARD MEETINGS AND ATTENDANCE

The Directors meets regularly for smooth operation and management of Company. During the year ended 30 June 2016, a total of 15 (fifteen) Board Meetings were held. Attendance of the Directors in the meeting was as follows:

| NAME & DESIGNATION OF DIRECTORS | TENURE OF DIRECTORSHIP | NUMBER OF MEETINGS | |
|--|------------------------|--------------------|----------|
| | | HELD | ATTENDED |
| Mrs. Parveen Alam, Chairman | Since 10.12.2013 | 15 | 15 |
| Mr. Tahzeeb Alam Siddique, Managing Director | Since 18.08.2012 | 15 | 15 |
| Mr. Tanzeer Alam Siddique, Director | Since 14.12.2014 | 15 | 13 |
| Mrs. Anjabeen Alam Siddique, Director | Since 23.12.2015 | 15 | 15 |
| Mr. Mahtab Bin-Ahmed, Independent Director | Since 23.12.2015 | 8 | 7 |

REMUNERATION TO DIRECTORS

During the year ended 30 June 2016, only the Managing Director was paid remuneration/ allowance of an amount of Tk. 39,60,000. No other Directors (even the Independent Director) did not take any remuneration/ allowance from the Company.

THE PATTERN OF SHAREHOLDING

As per condition 1.5 (xxi) of the Corporate Governance Guidelines issued by BSEC, the shareholding pattern as on 30 June 2016 was as follows :

| SL | Name of Shareholder | Description | Number of Shares | Amount (Taka) | % |
|---|--|------------------------------|------------------|---------------|--------|
| A. Parent/Subsidiary/Associated Companies and other related parties (name wise details) | | | | | |
| 1 | Asian Entech Power corporation Limited | Parent Company | 57,545,450 | 575,454,500 | 71.93% |
| 2 | OPG Energy Pvt. Ltd. | Sponsor Company | 54,550 | 545,500 | 0.07% |
| B. (i) Directors and their spouses and minor children (name wise details) | | | | | |
| 1 | Mrs. Parveen Alam | Chairman | 1,900,000 | 19,000,000 | 2.38% |
| 2 | Mr. Tahzeeb Alam Siddique [Nominated by Asian Entech Power corporation Limited] | Managing Director | Nil | Nil | Nil |
| 3 | Mr. Tanzeer Alam Siddique [Nominated by Asian Entech Power corporation Limited] | Director | Nil | Nil | Nil |
| 4 | Mrs. Anjabeen Alam Siddique [Nominated by Asian Entech Power corporation Limited] | Director | 491,810 | 4,918,100 | 0.61% |
| 5 | Mr. Mahtab Bin-Ahmed | Independent Director | Nil | Nil | Nil |
| B. (ii) CFO, Company Secretary & Head of Internal Audit and their spouses and minor children (name wise details) | | | | | |
| 1 | Mr. Afroz Alam | Chief Financial Officer | Nil | Nil | Nil |
| 2 | Mr. Masudur Rahman Bhuiyan ACS | AGM & Company Secretary | Nil | Nil | Nil |
| 3 | Mr. Taimur Alam ACMA | Head of Internal Audit | Nil | Nil | Nil |
| C. Executives [Top 5 salaried employees] | | | | | |
| 1 | Mr. Mostafa Moin | Director-Development | Nil | Nil | Nil |
| 2 | Mr. Fazle Elahi Khan | Sr. GM (Development) | Nil | Nil | Nil |
| 3 | Mr. Iqbal Hossain | GM Admin & Commercial | Nil | Nil | Nil |
| 4 | Mr. Wahiduzzaman | DGM- Operation & Maintenance | Nil | Nil | Nil |
| 5 | Mr. Sultan Reza Bin Mahmood | DGM & Plant In charge | Nil | Nil | Nil |
| D. Shareholders holding ten percent (10%) or more voting interest in the Company | | | | | |
| 1 | Asian Entech Power corporation Limited | Parent Company | 57,545,450 | 575,454,500 | 71.93% |

CORPORATE SOCIAL RESPONSIBILITY

Doreen Power Generations and Systems Ltd. is maintaining a good Corporate Social Responsibility (CSR) by ensuring good environmental policies and protections to minimize the environmental impact issues to the surrounding environment of its all power plants. DPGSL ensures highest standard labor policies to maintain the labor Law's of the state and to contribute to the communities and society.

CORPORATE GOVERNANCE

Bangladesh Securities and Exchange Commission (BSEC) has imposed Corporate Governance Guidelines which are mandatory to comply with by all the issuers of securities listed with the stock exchanges of Bangladesh. DPGSL has ensured compliance of all conditions of the said guidelines. The Status of Compliance of BSEC's Corporate Governance Guidelines is shown at Annexure-II. and Certificate thereon be annexed. Moreover, a separate report on Corporate Governance is placed as Annexure-I.

ACKNOWLEDGEMENT

The Directors wish to place on record their profound and sincere gratitude to the government agencies, regulators, bankers, business constituents, suppliers, auditors, consultants and valued shareholders for their continued co-operation and support to the Company. They also express their deep appreciation for the devoted and sincere services rendered by the employees at all levels of the Company and expect that such devotion will continue in future also.

For and on behalf of Board of Directors

Tahzeeb Alam Siddique
Managing Director

Dated: Dhaka, October 22, 2016