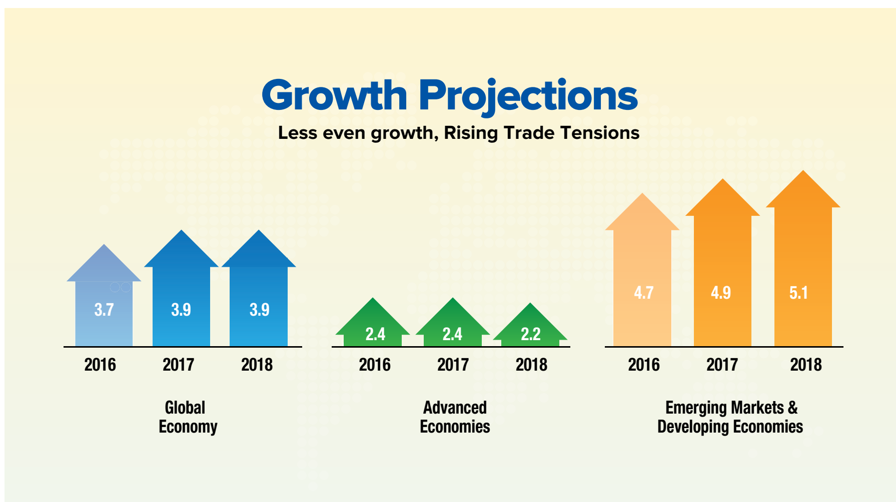
DIRECTORS' REPORT
TO THE SHAREHOLDERS
FOR THE YEAR ENDING 30 JUNE 2018

Honorable Shareholders,

The Board of Directors of **UNITED POWER GENERATION & DISTRIBUTION COMPANY LTD (UPGDCL)**, also referred to as the "company" in the Report hereafter, have the pleasure in submitting the report and the audited financial statements of the company for the fiscal year ending 30 June 2018

GLOBAL ECONOMIC OUTLOOK

Global growth is projected to reach 3.9 percent in 2018 and 2019, in line with the forecast of the April 2018 World Economic Outlook (WEO). Among advanced economies, growth divergences between the United States on one side, and Europe and Japan on the other, are widening. Growth is also becoming more uneven among emerging market and developing economies, reflecting the combined influences of rising oil prices, higher yields in the United States, sentiment shifts following escalating trade tensions, and domestic political and policy uncertainty.



Source: World Economic Outlook Update, July 2018, IMF

In the United States, near-term momentum is strengthening, and the US dollar has appreciated by around 5 percent recently. Growth projections have been revised down for the euro area, Japan, and the United Kingdom, reflecting negative surprises to activity in early 2018. Among emerging market and developing economies, growth prospects are also becoming more uneven, amid rising influences of the factors narrated earlier and market pressures on the currencies of some economies with weaker fundamentals. Growth projections have been revised down for Argentina, Brazil, and India, while the outlook for some oil exporters has strengthened.

The recently announced and anticipated tariff increases by the United States and retaliatory measures by trading partners have increased the likelihood of escalating and sustained trade actions. These could derail the recovery and depress medium-term growth prospects, both through their direct impact on resource allocation and productivity and by raising uncertainty and taking a toll on investment. Financial market conditions remain accommodative for advanced economies—with compressed spreads, stretched valuations in some markets, and low volatility—but this could change rapidly. Possible triggers include rising trade tensions and conflicts, geopolitical concerns, and mounting political uncertainty.

While financial conditions remain generally benign, these factors have resulted in capital inflow reductions, higher financing costs, and exchange rate pressures, more acute in countries with weaker fundamentals or higher political risks.

Largely reflecting supply shortfalls, global oil prices increased 16 percent between February and early June 2018. The increase in fuel prices has lifted headline inflation in advanced and emerging market economies. Core inflation has strengthened in the United States as the labor market has tightened further and inched up in the euro area. Core inflation in emerging markets has also increased, reflecting pass-through effects from currency depreciation in some cases and second-round effects of higher fuel prices in others. Prices of agricultural commodities have increased marginally, reflecting diminishing excess supply.

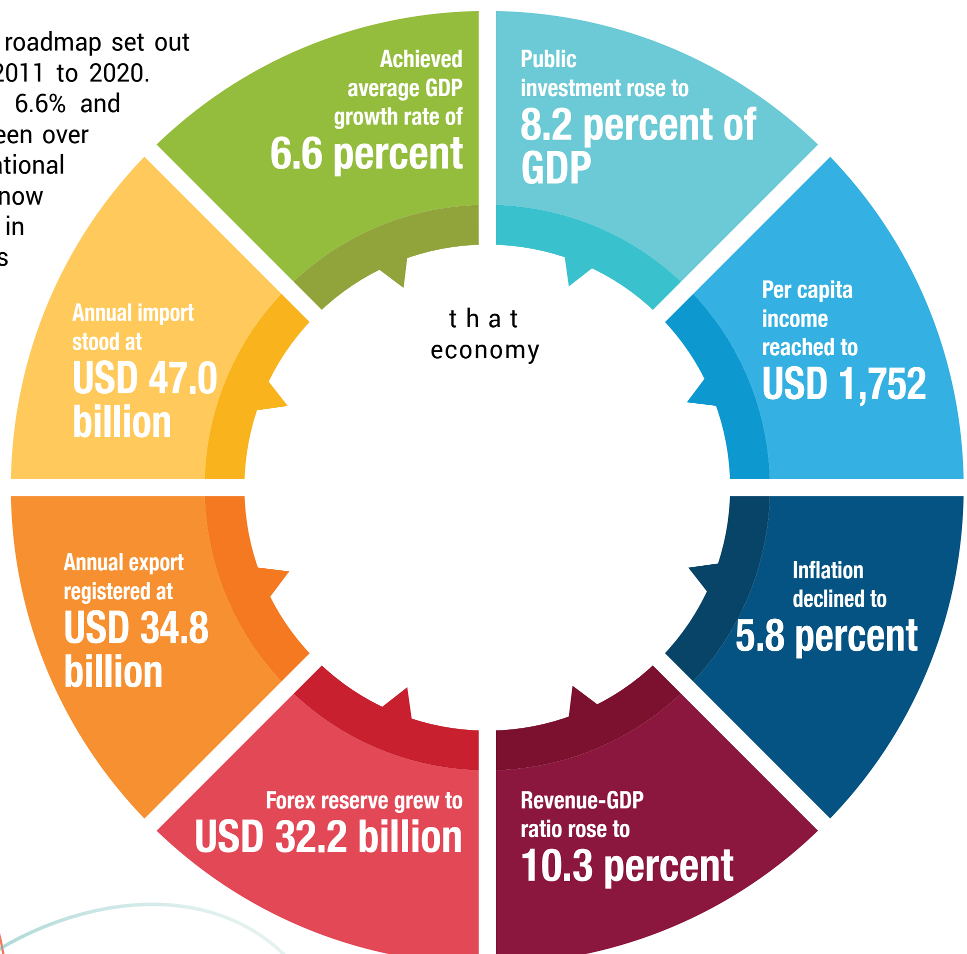
As of early July 2018, the US dollar has strengthened by over 5 percent in real effective terms since February, while the euro, Japanese yen, and British pound sterling are broadly unchanged. In contrast, some emerging market currencies have depreciated sharply. Reflecting signs of financial stress in some more vulnerable countries and growing trade tensions, capital flows to emerging economies weakened in the second quarter (through May) after a strong start to the year.

While the baseline forecast for global growth is roughly unchanged, the balance of risks has shifted to the downside in the near term and remains skewed to the downside in the medium term. The possibility for more buoyant growth than forecast has faded somewhat in light of the weak outturns in the first quarter in several large economies, the moderation in high-frequency economic indicators, and tighter financial conditions in some vulnerable economies. Downside risks, on the other hand, have become more salient, most notably the possibilities of escalating and sustained trade actions, and of tighter global financial conditions.

BANGLADESH ECONOMIC OUTLOOK

Bangladesh is well on-course along the roadmap set out in two Five-Year Plans spanning from 2011 to 2020. Average growth rate, so far, has been 6.6% and during the last couple of years it has been over 7 per cent. According to the International Monetary Fund (IMF), Bangladesh is now the 43rd largest economy in the world in terms of nominal GDP while the country's position is 32nd in terms of purchasing power parity. A projection by PWC tells Bangladesh will be the 28th largest by 2030 and 23rd largest by 2050.

ECONOMIC MARCH AHEAD:



DIRECTORS' REPORT

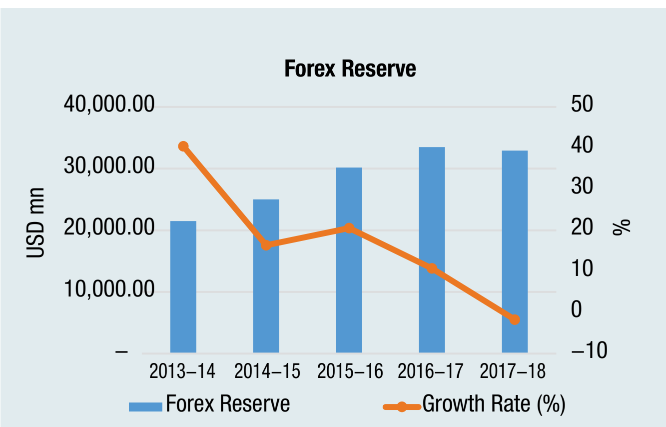
Value of **Human Development Index (HDI)** is now **0.579** according to Human Development Report (HDR) 2016 published in 2017. Moreover, Bangladesh is now categorized as a 'Medium Human Development' country.

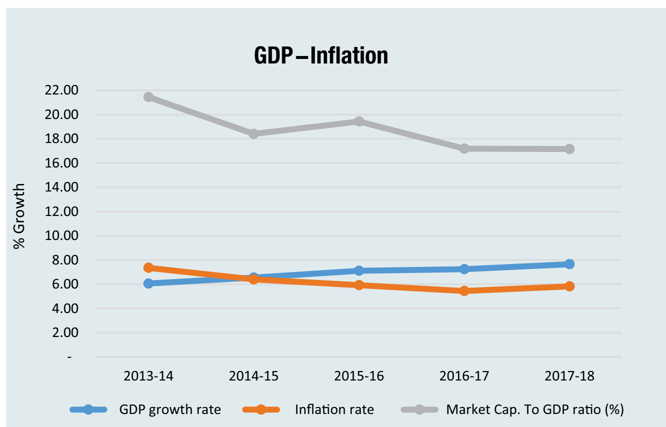
Rate of poverty declined to 24.3% and extreme poverty rate reduced to 12.9%.

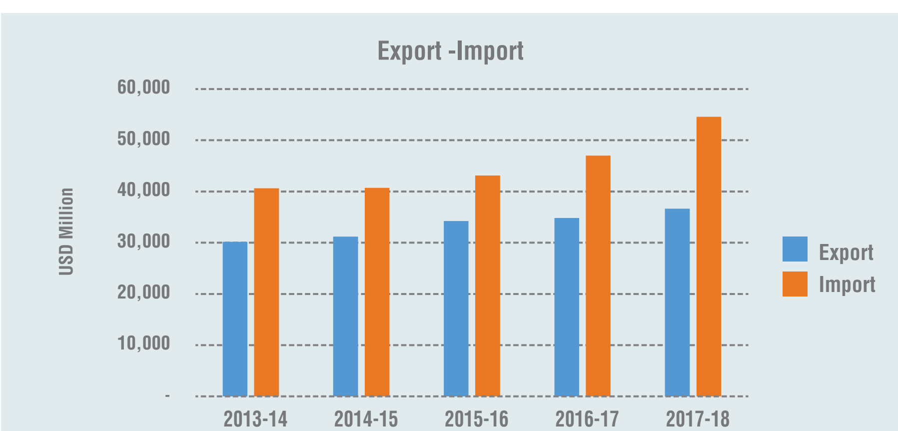
As economy develops, a country's agriculture, industry and services sectors are also transformed, and the economy consolidates during this process of development. In the case of Bangladesh, encouraging signs of structural transformation are gradually becoming visible albeit the strong presence of agricultural sector in food production and employment generation is still there. According to estimate of FY2017-18, contributions of agriculture, industry and services sectors to GDP will be 14.10%, 33.71% and 52.18% respectively showing the gradual consolidation outcomes.

According to the latest estimate of the Bangladesh Bureau of Statistics, growth rate will reach 7.65% in the FY 2017-18. Although the agricultural production suffered a major setback due to flood in the beginning of the fiscal year, the production of Amon and Boro remained satisfactory. On the other hand, a solid domestic demand induced by increased personal consumption and government expenditure has made positive impact on growth. Furthermore, the upward trend in global growth and trade have had stimulating effect on exports, foreign remittance flow and foreign investment. Despite the fact that there is a downward trend in food inflation due to increased agricultural production supported by efficient supply management, non-food inflation is ticking up under the influence of rising global commodity prices. The food and non-food inflation in April 2018 were 7.3% and 3.5% respectively.

Private sector credit growth was 17.7% which indicates higher investment by the private sector. In the external sector, export and foreign remittance have achieved a growth of 6.4 and 17.5 respectively. Similarly, imports registered a growth of 24.5% over the previous year. The exchange rate of Taka against US dollar has depreciated having favorable impact for exports and remittance. Foreign exchange reserve equivalent to USD 32.20 billion has import cover of seven months.







FOREIGN DIRECT INVESTMENT (FDI)

FDI in Bangladesh during the last fiscal year reached US $ 2.79 billion. After three consecutive years, FDI has declined as per the provisional statistics of Bangladesh Bank.

FDI (USD Billion)	Actual (Gross)	BoP Net
FY 2015-16	2.50	1.28
FY 2016-17	3.03	1.65
FY 2017-18	2.79	1.58

Source: BB, Financial Express

Jim O'neill, the Goldman Sachs banker who had coined the acronym BRICS (Brazil, Russia, India, China and South Africa) has now coined "the Next 11" which includes Bangladesh, Indonesia, Mexico, Turkey and Vietnam.

Inflow of FDI into Bangladesh is around 1.0 per cent of the country's GDP. The 7th Five-Year Plan (FYP) lays utmost thrust on the incremental inflow of FDI increasing the inflow of FDI to 3.0 per cent of GDP. Thus, external financing for private investment, comprising primarily private FDI and external borrowing in foreign currency by the private sector, will have to increase markedly in the 7th Plan. It has to be increased substantially by FY20 when GDP growth will be 8.0 per cent.

At present more than 50 per cent of the FDI comes as reinvested earnings of the existing multinational enterprises (MNEs). FDI in Bangladesh is concentrated in a small number of sectors. Five sectors, textile, power, gas and petroleum, banking and telecommunications contribute 70 per cent of the total amount of FDI. This means, there are ample scopes to attract FDI in many other sectors.

The government has already taken some measures to ensure greater public-private partnership (PPP), but much more is needed to be done, especially for the implementation of SDGs. It may be mentioned here that the SDGs have been designed in such a manner that private sector participation is essential to achieve these goals. New conduits of bringing FDI have been created. The PPP (Public Private Partnership) and Special Economic Zones, for lumpy investment with high externalities alongside BEPZA operations are being explored.

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OPPORTUNITIES FOR PRIVATE SECTOR INVESTMENT IN POWER

To encourage private sector investment in the power sector of the country, Government has adopted several policies namely Private Sector Power Generation Policy of Bangladesh, 1996 (revised 2004) and Policy Guideline for Enhancement of Private Participation in the Power Sector, 2008. Some of such benefits for potential investors are as follows:

Facilities and Incentives for Private Power Companies

- Exemption from corporate income tax for different tenure/period with different tax rates
- Allowed to import plant equipment and spare parts at up to a maximum of ten percent (10%) of the original value of total plant and equipment within a period of fifteen (15) years of commercial operation without payment of customs duties, VAT and any other surcharges as well as import permit fee except for indigenously produced equipment manufactured according to international standards.
- Repatriation of equity along with dividends allowed freely.
- Exemption from income tax for foreign lenders to such companies.
- The foreign investors will be free to enter into joint ventures but this is optional and not mandatory.

Facilities and Incentives for Foreign Investors

- Tax exemption on royalties, technical know-how and technical assistance fees, and facilities for their repatriation.
- Tax exemption on interest on foreign loans.
- Tax exemption on capital gains from transfer of shares by the investing company.
- Avoidance of double taxation case of foreign investors on the basis of bilateral agreements.
- Exemption of income tax for up to three years for the expatriate personnel employed under the approved industry.
- Facilities for repatriation of invested capital, profits and dividends.

BANGLADESH CAPITAL MARKET

Total market capitalization of Dhaka Stock Exchange (DSE) reached BDT 3,812,286 million and that of Chittagong Stock Exchange (CSE) BDT 3,131,197.81 million respectively, at the end of the financial year 2017-18. Ratio of market capitalization to GDP was nearly 20%. Although market capitalization increased gradually but it is yet to keep pace with the country's economic growth. However, Government has planned few new initiatives to augur the market.

Market fundamentals and Index as of 30 June 2018

Index Summary

DSEX	5,316.97	CSEX	9,998.57
DS30	1,965.46	CSE30	15,073.63
DSES	1,228.18	CASPI	16,539.88
		CSE50	1,227.89
		CSI	1,119.47

Market Fundamentals

	DSE	CSE
Market Capitalization: bln BDT/USD	3,812.3/46	3,131.2/-
Market P/E	14.97	-

Source: DSE/CSE webpage

Further, to meet the capital needs of start-ups and new companies in the capital market, Bangladesh Securities and Exchange Commission (Alternative Investment) Rules, 2015 has been formulated. Similarly, to establish Small Cap Platform to facilitate capital formation of small and medium enterprises, Bangladesh Securities and Exchange Commission (Qualified Investor Offer by Small Capital Companies) Rules, 2016 has been formulated. Side by side, in order to launch a new product Exchange Traded Fund (ETF), Bangladesh Securities and Exchange Commission (ETF) Rules, 2016 has been formulated. A plan has been taken to establish a separate clearing and settlement company as part of a long-term action plan for development of capital market. Besides, inclusion of strategic partners under the demutualization law is going to enhance technical and professional capacities of stock exchanges.

ECONOMIC POLICY-STRATEGIES AND THRUST SECTORS

Government has focused on formulating economic policy-strategies and action plans, based on several background scenarios:

a) the proper implementation of the Seventh Five Year Plan;

b) the promises of recently earned LDC graduation;

c) appropriate reflection of SDGs in many areas including sustainable and inclusive growth, industrialization, productive and decent employment opportunity, education, health, women empowerment, environment management-climate change, and safe habitation;

d) structural transformation of the economy among others including consideration of the needs and necessities of the people in the context of ever-changing global and domestic realities. Adequate resource mobilizations coupled with transformation of implementation process has added necessary impetus and focus towards realization of these socio economic roadmaps.

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POWER SECTOR SCENARIO IN BANGLADESH

Bangladesh is one of the fastest growing economies in South Asia. Over the past decade, Bangladesh's economy has grown at an annual rate of around 6%, which is better than the growth rate of many other Asian economies. The Government of Bangladesh now aims to achieve the status of a 'middle-income country' by 2021 and that of a 'high-income country' by 2041.

Outlook of the Power Sector	2017	2041
National population (million)	More than 163	About 200
Electricity demand (MW)	9,479	61,681
Installed generation capacity (MW)	16,289	60,000
Per capita electricity consumption (KWh/year)	478	--

Source: Power Sector Master Plan

It is well known that electricity plays a vital role in poverty eradication, sustained economic growth, infrastructure development and security of any country. Thus, Bangladesh will need to address the barriers to higher growth posed by low access to reliable and affordable power, limited availability of serviced land, rapid urbanization, vulnerability to climate change and natural disasters, etc., to achieve its socioeconomic growth targets.

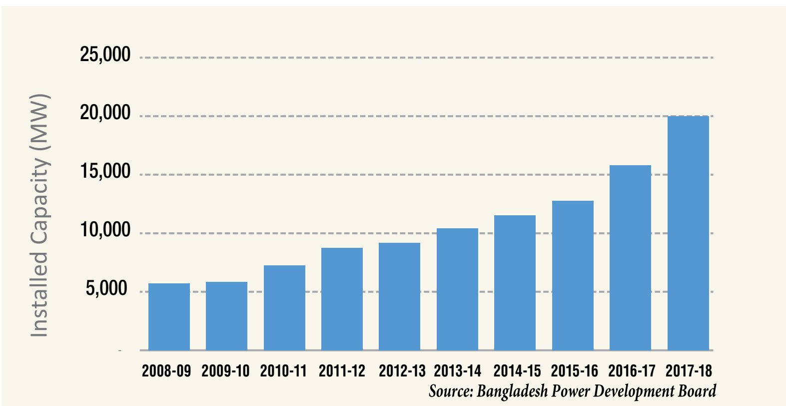
The performance of Bangladesh's power sector has been impressive due to the progressive efforts of policymakers, support from developing partners, and effective project implementation by public and private developers. The growth in terms of capacity addition in the last 10 years has been remarkable, from around 4.5 GW in 2007–08 to 12.8 GW in 2016–17. Private sector participation in generation accounts for about 60% of the total installed capacity.

However, further actions need to be taken to match the demand-supply gap of electricity in a sustainable way and thus match the pace of the economic growth of the country. Massive capacity enhancement and expansion projects of the power sector are being undertaken. It has been planned to increase the installed capacity to 24 GW by 2021, and about 8,000 km of new transmission lines and 1,20,000 km of distribution lines have also been planned to be constructed by 2020. In accordance with the recent Power System Master Plan, Bangladesh aims to add 2 GW renewable energy (RE) projects to achieve installed capacity of 2,470 MW by 2021, and 3,864 MW by 2041. Solar and wind will be the key focus areas for future capacity addition, which shall account for about 50% and 40% of the 2,896 MW of RE-based installed capacity by 2021, respectively.

Power and energy remain the main priority sectors for the economy. Bangladesh has made remarkable progress in this sector primarily through increasing the power generation capacity and also focusing on population's access to electricity. From power generation capacity of 4,942 MW in January 2009 the country has reached the milestone of power generation in exceeding 11,000 MW recently. This is primarily the outcome of the 'Power Sector Master Plan' which paved the way for a coordinated development strategy for power generation, transmission and distribution. Government has set the target to scale up power generation to 24,000 MW by 2021 and ensure electricity supply to all in affordable price. Bringing this target to fruition, investment of about US$ 21 billion during 2017-21, US$ 24 billion during 2022-31 and US$ 10 billion during 2032-41. Bangladesh has the potential and capacity to absorb the investment and ensure the return for the investors

The number of power plants rose to 118 with combined power generation capacity of 18,353 MW. Construction of 2,622 circuit km transmission line and 174,000 km distribution line have been completed. Length of present transmission and distribution line are 10,680 circuit km and 450,000 km respectively. System loss of power has been reduced to 11 per cent. Overall, the percentage of population under electricity coverage has increased to 90 per cent from 47 per cent.

YEAR-WISE INCREASE IN GENERATION

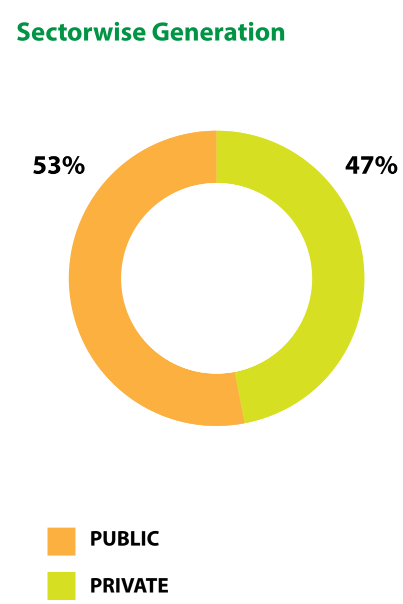


Source: Bangladesh Power Development Board

SECTOR-WISE GENERATION

Sector	Installed Generation Capacity (MW)
Public	
BPDB	5,266
APSCL	1444
EGCB	839
NWPGCL	1211
RPCL	77
BPDB RPCL JV	149
Sub Total	8,986
Private	
IPPs	4,802
SIPPs (BPDP)	99
SIPPs (REB)	251
15 yr. Rental	169
3/5 yr. Rental	1,576
Power Import	1160
Sub Total	8,057
Total	**17,043**

Source: Bangladesh Power Development Board



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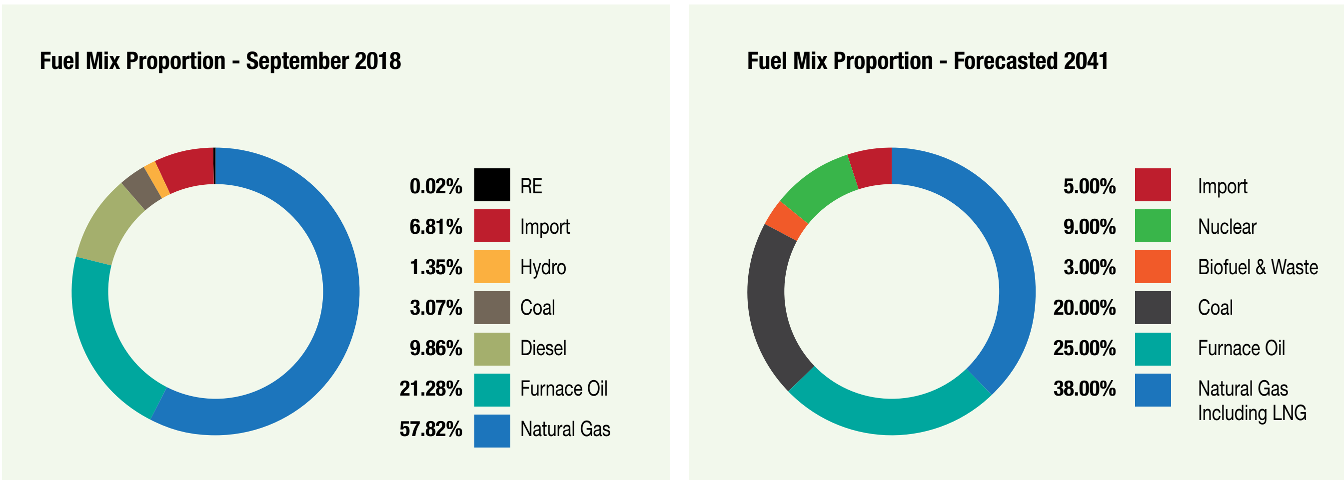
FUEL MIX PROPORTION



POWER SECTOR FUTURE OUTLOOK

Government has plan to generate, in phases, 40,000MW power by 2030 and 60,000MW by 2041.

- Besides, a process is going on to install 23 power plants with a capacity of generating 4,440MW. In near future, there are plans to install 20 more power plants having capacity to generate 22,052MW of electricity.
- Coal based Power Generation: (a) 1,320 MW coal-based power plant at Rampal; (b) 1,200 MW coal-based power plant at Matarbari; and (c) 1320 MW coal based power plant at Payra of Patuakhali.
- Besides, there have been initiatives to engage local and foreign entrepreneurs from private sector to construct 10,000 MW coal-based power plant at Maheshkhali.
- Nuclear Power Plant: first phase of installing nuclear power plant with capacity to generate 2,400 MW electricity at Rooppur with support from Russia is expected to be completed within the current fiscal year.
- Power Generation from Renewable Energy: to scale up electricity generation to 20 per cent of total production from renewable energy sources. So far success has been made in installing a large number of solar home systems. Efforts have been made to supply electricity by connecting solar home system with the national grid and generate electricity by installing solar panel in new buildings and on the roofs of the educational institutions mandatorily.
- Import of Electricity under Sub-Regional Cooperation: country has already begun to import electricity from India. Currently, the capacity of Bheramara-Baharampur line and sub-centres is being enhanced following the decision to facilitate import additional 500MW of electricity. A tri-nation Memorandum of Understanding regarding hydroelectricity import from Bhutan is at the final stage of signing. There are plans to invest in Bhutan for hydroelectricity generation.
- Besides, negotiations are going on for the purpose of hydroelectricity import from Nepal, Myanmar and North-East region of India.
- Transmission Line: Electricity connection has been provided to as many as 2.82 crore customers using already installed 43,4000 km transmission and distribution line. In order to address the issue of shortage of transmission line, a plan has been undertaken to install another 21,000 km more transmission lines and 47,8000 km distribution line by 2021.
- Oil and Gas Exploration: In order to explore and extract unexplored gas and oil, the manpower along technical and financial

capacity of Bangladesh Petroleum Exploration and Production Company Limited (BAPEX) are being enhanced. BAPEX continues its overall activities facing the plan of digging 108 rigs well. Alongside, programs are underway to raise refining capacity of Eastern Refinery Limited (EFL) from 15 lakh MT to 45 lakh MT to meet the increasing demand of fuel in the country.

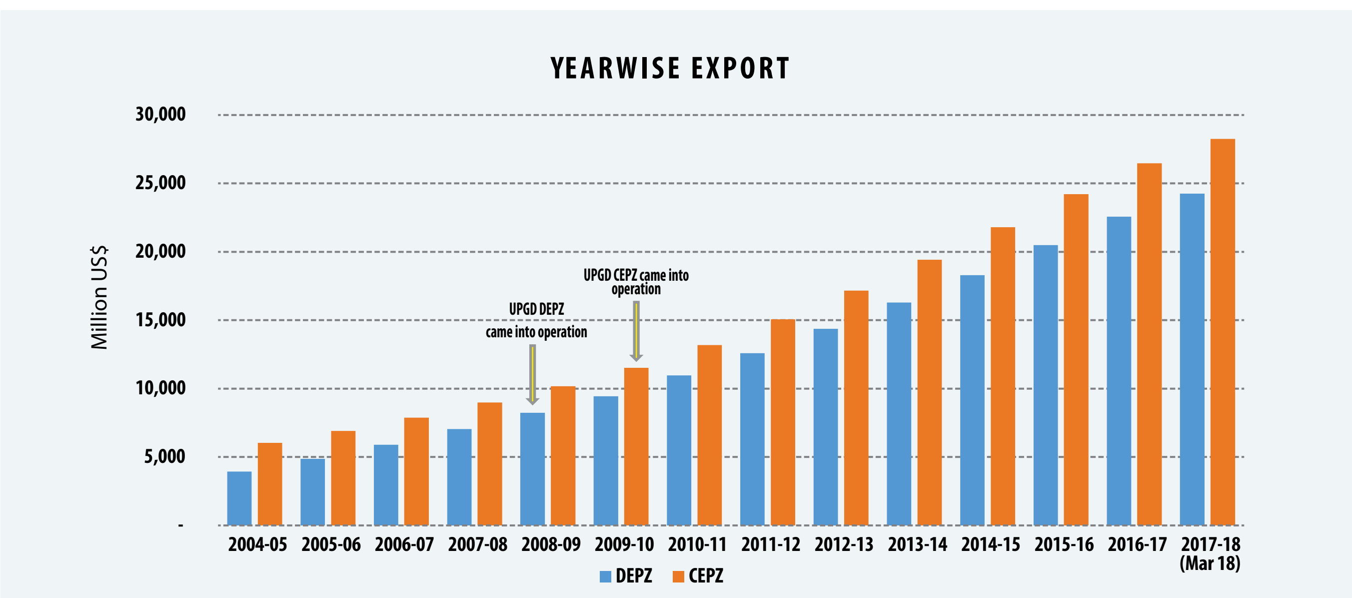
- Import of LNG: Demand for fuel is gradually rising consistent with the economic advancement of the country. Approval was given to different companies to import and maintain stock of 24,44,766 LPG cylinders to meet the growing demand of natural gas with LPG.
- In addition, one floating storage and regasification unit has already been set up to import Liquefied Natural Gas (LNG). Another unit will be setting up soon. Supply of LNG equivalent to 500 SMCFD and an additional 500 SMCFD will be possible through these units from May and October respectively.
- Government has a plan to install two land-based LNG terminals at Maheshkhali, Cox'sbazar and Payra, Patuakhali.
- Government target is to cut fuel use by 15 per cent and 20 per cent by 2021 and 2030 respectively through efficient use of power and energy.

PERFORMANCE OF THE COMPANY

UPGDCL will soon be completing its 10th year in operation.

The journey started in December 2008 through the commercial operation (COD) of 4 (four) Units of 8.73 MW of each at DEPZ. Following year, 5 (five) Units of 8.73 MW each went in to operation at the CEPZ in August 2009. At present, company's total generation capacity stands at 160 MW combining both the locations – DEPZ 86 MW and CEPZ 72 MW respectively.

Company remained committed to its mandate to ensure uninterrupted and quality electricity to DEPZ and CEPZ primarily and also to other private customers in EPZ areas. And through its efficient and uninterrupted power supply operation, export performance of the two EPZs experienced healthy and consistent growth.



CONTRIBUTION TO NATIONAL EXCHEQUER

UPGDCL has received exemption from all corporate taxes under the Private Sector Power Generation Policy, 1996 **for a period of 15 years** from the commencement of its commercial operations vide S.R.O. reference 188-LAW/Income Tax/2009/Income Tax Ordinance (#36) 1984 dated 1 July 2009. **Such exemption will expire on June 2023 for UPGDCL DEPZ and February 2024 for UPGDCL CEPZ** respectively. UPGDCL also enjoys VAT, tax exemptions for being located inside export processing zones (duty free zones)

Conversely, it has contributed a significant amount to the national exchequer in the form of different duties, taxes and VAT while importing spare parts for the power plants' maintenance work and also investment in capital and money market. The details of such contrubution to the National Exchequer is as follows:

Forms of Contribution	2017-2018	%	2016-2017	%	2015-2016	%
	(12 Months)	Total	(12 Months)	Total	(18 Months)	Total
Salary Taxes (Directors and Employee)	4,357,500	7.57%	4,082,500	1.31%	4,586,338	0.57%
Custom duty on spares and parts	3,793,851	6.59%	1,340,759	0.43%	641,801	0.08%
AIT of Suppliers	4,314,091	7.50%	6,753,983	2.16%	3,767,929	0.47%
VAT of Suppliers & Customers	32,672,145	56.78%	41,108,505	13.18%	6,546,447	0.81%
AIT on Dividend			247,261,707	79.26%	767,089,038	95.41%
AIT on Gas bill	12,405,101	21.56%	11,424,413	3.66%	21,394,021	2.66%
Others	-	0.00%	-	0.00%	-	0.00%
Total	**57,542,689**	**100.00%**	**311,971,867**	**100.00%**	**804,025,574**	**100.00%**

(all amounts in BDT)

VALUE ADDED BY UPGDCL

This is a measure of wealth or value created by the company and its distribution amongst the stakeholders including providers of capital as well as employees besides the Government. It's seen from a social responsibility measure or accountability perspective.

		2017-2018	2016-2017	Change	2015-2016
Value added:		(12 months)	(12 months)	%	(18 months)
	Revenue	6,144.61	5,759.24	6.69%	7,901.37
	Other income including interest income	433.01	206.45	109.74%	410.72
	Cost of Sales, Excluding Depreciation	(1,574.51)	(1,278.07)	23.19%	(1,942.04)
	Other operating expenses, excluding depreciation	(31.90)	(56.26)	-43.30%	(60.49)
Total Value Added		**4,971.21**	**4,631.36**	**7.34%**	**6,309.56**
Distribution of added value:					
	To Directors as salaries and allowances	19.93	19.03	4.73%	29.44
	To Government	538.97	247.26	117.98%	767.09
	To Banks and other lenders		-		165.67
	To Shareholders	3,054.18	1,394.81	118.97%	4,281.14
		3,613.08	**1,661.10**	**117.51%**	**5,243.34**
Retained for reinvestment & future growth:					
	Depreciation and amortization	354.92	453.75	-21.78%	508.3
	Retained Profit	1,003.21	2,516.51	-60.13%	557.92
		1,358.13	2,970.26	-54.28%	1,066.22
Total		**4,971.21**	**4,631.36**	**7.34%**	**6,309.56**

OPERATIONAL PERFORMANCE: 2017-18

UPGDCL's performance is the reflection of combined operations of two production Units located at DEPZ and CEPZ respectively. Net Sales (kWh) during the year was 922,131,589 kWh in total which is marginally (1%) above LY level. This is to mention that due to augmentation of the gas flow there was positive reflection on the generation of electricity particularly in DEPZ in the second-half. Besides, plants underwent major overhauling during the period. Overall capacity utilization during the year was 74.45%.

Name of the Plant	Installed Capacity (kWh)	Capacity Utilization		Production (kWh)		Sales (kWh)		
		2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	% change
DEPZ	688,000,000	69%	68%	472,195,414	465,231,737	461,060,278	454,539,449	1.00%
CEPZ	576,000,000	81%	84%	468,834,370	485,134,165	461,071,311	461,353,658	-0.10%
Total	**1,264,000,000**			**941,029,784**	**950,365,902**	**922,131,589**	**915,893,107**	**1.00%**

During the year, major overhauling of engines were carried out following the standard maintenance schedule which resulted in 11.50% escalation of Cost of Sales. However, Gross Profit for the year was BDT 4,218.72 million showing a growth of 4.63% in the overall.

FINANCIAL PERFORMANCE: 2017-18

Overall Revenue in the financial year reached BDT 6,144.61 million (growth of 7%) - Power sales stood at BDT 6,119.90 million and Steam sales to private customers was BDT 24.71 million respectively. Although not significant in terms of volume, Steam sales has growth prospects in the future and is proving to be an important dimension profitable re-use of wastes.

Revenue Segments	2017-18			2016-17	
	BDT mn	% of total	% Growth	BDT mn	% of total
Power sales	6,119.90	99.60	6.53	5,744.57	99.75
Steam sales	24.71	0.40	68.44	14.67	0.25
Total Revenue	6,144.61	100.00	6.69	5,759.24	100.00

Power sales-mix represents a diversified clientele base allowing flexibility in terms revenue generation options depending on power lifting and generation scenario. Nearly 79% of the total power sales is generated from BEPZA and Pvt Customers.

Power Sales Mix	2017-18		2016-17		% Growth
	BDT	% Total	BDT	% Total	
BEPZA	3,469,691,757	56.70%	3,219,496,930	56.04%	7.77%
DEPZ	1,811,225,527	29.60%	1,559,747,676	27.15%	16.12%
CEPZ	1,658,466,230	27.10%	1,659,749,254	28.89%	-0.08%
BPDB	472,168,504	7.72%	511,415,979	8.90%	-7.67%
REB	302,271,679	4.94%	370,007,520	6.44%	-18.31%
KEPZ	612,689,793	10.01%	465,998,289	8.11%	31.48%
Pvt. Customers	1,263,078,710	20.64%	1,177,650,250	20.50%	7.25%
Total	**6,119,900,443**	**100.00%**	**5,744,568,968**	**100.00%**	**6.53%**

DIRECTORS' REPORT

Overall financial results of the company resulted in a Net Profit or Profit after Income Tax growth of 10% over last year. Profit after Income Tax stood at BDT 4,596.36 million.

Particulars	2017-18	2016-17
	(in million BDT)	(in million BDT)
Revenue	6,144.61	5,759.24
Cost of Sales	(1,925.89)	(1,727.29)
Gross Profit	4,218.72	4,031.95
Other Operating Income	(6.01)	16.89
General and Administrative Expense	(55.37)	(60.79)
Operating Profit	4,157.34	3,988.04
Finance Income	439.03	196.27
Net Profit before Income Tax	4,596.36	4,177.61
Income Tax	0.00	(2.64)
Net Profit after Income Tax	4,596.36	4,174.96

Cost of Sales representing operating expenses increased during the year as there was major overhauling of in total 7 (even) engines combined, at DEPZ and CEPZ, which was amply reflected in Spare Parts consumption of BDT 376.12 million (double than LY level). Besides, Fuel price increase effective June 2017 and other operational expenses contributed towards this overall increase. Gross Profit growth of nearly 5% could be sustained due to reduction in General & Administrative Expenses.

Other Operating Income resulted in a loss of BDT 6.013 million after adjustment of unrealized loss from marketable securities. However, barring the particular adjustment, Other Operating Income was BDT 18.03 million as against BDT 5.88 million for LY which was the result of significant realized gain and Dividend income against marketable securities during the period.

Overall Operating Profit for the year was BDT 4,157.34 million. Company also earned Finance Income to the tune of BDT 439.03 million mostly representing earnings on Interest on related party loans (BDT 358.95 million) and Interest on fixed deposits with banks (BDT 80.08 million) respectively. Hence, the overall Net Profit for the year stood at BDT 4,596.36 million which is a growth of 10% over LY (BDT 4,174.96 million).

EXTRA-ORDINARY GAIN OR LOSS

There was no extra-ordinary gain or loss out of the business transactions of the company during the year.

KEY PERFOMANCE INDICATORS

Key Performance Indicators for the year 2017-18 are as follows:

KPIs	2017-18	2016-17
Earnings per Share (EPS) (BDT)	11.51	10.46
Net Asset Value per Share (NAV) (BDT)	40.80	37.47
Operating Cash flow per Share (BDT)	10.81	10.00
Gross Profit ratio (%)	68.66	70.00
Net Profit ratio (%)	74.80	72.49
Return on Equity (%)	28.21	27.91
Return on Assets (%)	28.00	27.66

SIGNIFICANT VARIANCE BETWEEN QUARTERLY AND ANNUAL FINANCIAL STATEMENTS

No significant variances were observed between the Quarterly and Annual results. However, business as part of its normal operational and environmental paradigm had to face seasonal impacts during Quarter 2. Further, as mentioned earlier in this Report, major overhauling of the engines was carried-out in Quarter 4 under the scheduled maintenance program.

Quarterly analysis	Increase/(Decrease) Q1 & Q2	Increase/(Decrease) Q2 & Q3	Increase/(Decrease) Q3 & Q4	Full Year BDT
Revenue	1.3983%	10.3056%	-0.9686%	6,144,608,026
Gross Profit	1.0710%	3.7459%	7.7543%	4,218,717,936
Net Profit	6.3652%	1.1045%	7.4775%	4,596,362,554
	Q1	**Q2**	**Q3**	**Q4/FY**
GP Ratio	69.49%	69.27%	65.15%	70.89%
NP Ratio	73.85%	77.47%	71.01%	77.06%
	Value per Share			
NOCFPS	2.71	2.22	3.07	2.81/10.81
EPS	2.68	2.85	2.88	3.10/11.51
NAV	44.17	43.01	37.71	40.80

ECONOMIC VALUE ADDED (EVA) DURING THE YEAR 2017-18

Economic Value Added (EVA) is considered to be an indicator of financial performance of the business through measurement of residual wealth creation after net-off of cost of capital. It shows the strength of the company to nurture future needs or cater to opportunities.

	2017-2018 (12 months)	2016-2017 (12 months)	% Change	2015-2016 (18 months)
Net Profit after tax	4,596.36	4,174.96	10.09%	5,606.14
Shareholders equity	16,290.78	14,960.92	8.89%	12,419.21
Cost of capital	11.89%	13.25%		9.50%
Value of Cost of Shareholders equity	1,936.97	1,982.32	-2.29%	1,179.82
Economic Value added (EVA)	2,659.39	2,192.64	21.29%	4,426.32

Economic Value Added (EVA) = (Net Profit after tax – Value of Cost of Shareholders equity)

DIRECTORS' REPORT

BOARD OF DIRECTORS

a) Board structure

Board of Directors of the company comprises **18 (eighteen)** Directors including 4 (four) Independent Directors.

Representatives of United Energy Ltd (UEL)	13	Including Managing Director
Representative of Investment Corporation of Bangladesh (ICB)	1	
Independent Directors	4	Chairperson of (i) Audit Committee and (ii) Nomination & Remuneration Committee (NRC) are from the Independent Directors

Chairman of the Board has been elected from amongst the non-executive Directors. While Managing Director is a salaried Executive.

Profiles of the Directors have been provided in this Report under the heading Directors' Profile. A matrix showing the Directors representation in other companies Board is provided in the report. A compliance status under clause 1(3) of the BSEC Notification dated 3 June 2018 for Corporate Governance Code is also provided with this report.

b) Roles of Chairman and Managing Director

Roles and responsibilities of the Chairman and the Managing Director are clearly segregated.

c) Meetings of the Board of Directors

Board of Directors meetings are called following standard procedures laid down in the Articles of Association of the company. Similarly, Quorum and Leave of Absence in the meeting are being ensured and recorded as per the provisions of the Articles. Chairman of the Board presides the meeting and proper minutes of the meeting and documentation of the Board are maintained.

<table>
<tr><th></th><th>Q1</th><th colspan="2">Q2</th><th>Q3</th><th colspan="3">Q4</th></tr>
<tr><td></td><td>(Jul 17 to Sept 17)</td><td colspan="2">(Oct 17 to Dec 17)</td><td>(Jan 18 to Mar 18)</td><td colspan="3">(Apr 18 to Jun 18)</td></tr>
<tr><td>Board Meeting</td><td>79th BM</td><td>80th BM</td><td>81st BM</td><td>82nd BM</td><td>83rd BM</td><td>84th BM</td><td>85th BM</td></tr>
<tr><td></td><td>27.09.2017</td><td>29.10.2017</td><td>27.11.2017</td><td>27.01.2018</td><td>22.04.2018</td><td>27.05.2018</td><td>27.06.2018</td></tr>
<tr><td>Audit Committee Meeting</td><td>**</td><td colspan="2">27.11.2017</td><td>27.01.2018</td><td colspan="3">22.04.2018</td></tr>
<tr><td rowspan="3">Price Sensitive Information</td><td>28.09.2017</td><td colspan="2">27.11.2017</td><td>11.01.2018</td><td colspan="3">22.04.2018</td></tr>
<tr><td rowspan="2">Inclusion of Mr. Kazi Sanaul Hoq, MD, ICB as Director</td><td colspan="2">• Dividend, 10th AGM Date, Record Date & performance KPI of year ended 30 June 2017
• Performance KPI of 1st Quarter (July– September) 2017-18</td><td>10th AGM Notice</td><td colspan="3">Performance KPI of 3rd Quarter (January- March) 2017-18</td></tr>
<tr><td colspan="2">17.12.2017
• Consideration on deferment of AGM
• UPGDCL Share Transfer (UECL to UEL)</td><td>27.01.2018
Performance KPI of 2nd Quarter (October to December) 2017-18</td><td colspan="3">27.06.2018
Market information on prospective investment</td></tr>
<tr><td>Compliance Notice for Board Meeting Date</td><td>79th BM
23.09.2017</td><td colspan="2">80th BM
23.10.2017
81st BM
21.11.2017</td><td>82nd BM
23.01.2018</td><td colspan="3">83st BM
17.04.2018</td></tr>
</table>

During the year ended 30 June 2018, in total 7 (seven) meetings were held and the Directors' attendance status in those meetings are given below:

	Designation	Total	Q1	Q2	Q3	Q4
		7	1	2	1	3
General Md. Abdul Mubeen SBP, ndc, psc (Retd.)	Chairman	6	1	2	1	2
Mr. Hasan Mahmood Raja	Director	7	1	2	1	3
Mr. Ahmed Ismail Hossain	Director	5	1	2	1	1
Mr. Khandaker Moinul Ahsan	Director	6	1	2	1	2
Mr. Akhter Mahmud Rana	Director	4	1	2	1	-
Mr. Abul Kalam Azad	Director	6	1	2	-	3
Mr. Faridur Rahman Khan	Director	7	1	2	1	3
Mr. Kazi Sanaul Hoq, MD, ICB	Director	5	-	2	1	2
Mr. Malik Talha Ismail Bari	Director	6	1	2	1	2
Mr. Nasiruddin Akhter Rashid	Director	6	1	1	1	3
Mr. Fahad Khan	Director	7	1	2	1	3
Mr. Wasekul Azad	Director	6	1	2	-	3
Mr. Nizamuddin Hasan Rashid	Director	6	1	1	1	3
Lt. Gen. Sina Ibn Jamali awc, psc (Retd)	Independent Director	7	1	2	1	3
Prof. Mohammad Musa, Ph.D.	Independent Director	7	1	2	1	3
Dr. Muhammad Fouzul Kabir Khan	Independent Director	4	1	-	-	3
Mr. Sabbir Ahmed, FCA	Independent Director	6	1	2	1	2
Mr. Moinuddin Hasan Rashid	Managing Director	5	1	1	1	2

d) Remuneration of Directors including Independent Directors

During the year in total BDT 24.60 million were paid as fees to the Directors for attending the Board meetings and also for attending Audit Committee meetings as applicable.

Besides, Board formed a special Committee to perform an assignment which lasted over two meetings and as per the provisions of the Articles of Association particular Committee Members were provided Honorarium.

BOARD OF DIRECTORS' COMMITTEES

Audit Committee

Audit Committee comprises of 3 (three) Members nominated by the Board of Directors and includes two Independent Directors and one Non-Executive Director. It operates within the framework of roles and responsibilities as ordained in the Corporate Governance Code (CGC) of the BSEC.

	Position in the Board	Position in the Committee	Total meeting: 03
			Attendance
Lt. Gen. Sina Ibn Jamali awc, psc (Retd)	Independent Director	Chairperson	3
Prof. Mohammad Musa, Ph.D.	Independent Director	Member	3
Mr. Abul Kalam Azad	Director	Member	3
Mr. Badrul Haque Khan	Company Secretary	Member Secretary	-----

Audit Committee's Report on the activities during the year is attached to this Report in compliance with the condition No 5(7) of the BSEC Notification dated 3 June 2018.

Nomination & Remuneration Committee (NRC)

In compliance with the requirements of the Corporate Governance Code (CGC) dated 3 June 2018, Board of Directors has formed the **Nomination & Remuneration Committee (NRC)** in its 86th meeting held on 8 August 2018. Necessary disclosures have been provided in the web page of the company.

	Position in the Board	Position in the Committee
Dr. Mohammad Fouzul Kabir Khan	Independent Director	Chairperson
Mr. Faridur Rahman Khan	Director	Member
Mr. Malik Talha Ismail Bari	Director	Member
Mr. Badrul Haque Khan	Company Secretary	Member Secretary

Board of Directors also took due cognizance of the conditions related to the NRC as contained in the CGC and states as follows:

CGC Condition No	Purpose	Compliance Status
6(1)(a)	NRC to be formed as a sub-committee of the Board	NRC formed
6(1)(b) & (c)	NRC responsibilities and TORs	Noted for compliance in due course
6(2)(a), (b)(c) & (g)	Constitution of the NRC	Complied
6(2)(e), (f), (h) & (i)		Noted, to be included in TOR
6(3)(a)	Chairperson	Complied
6(3)(b) & (c)		Noted, to be included in TOR
6(4)	Meeting of the NRC	Noted, to be included in TOR
6(5)(a) & (b)	Role of the NRC	Noted, to be included in TOR
6(5)(c)	Disclosures in Annual Report on NRC policy, activities etc	Noted for compliance in due course

Board of Directors statements under Condition 1(5) of the Corporate Governance Code dated 3 June 2018 (BSEC Notification no: BSEC/CMRRCD/2006-158/207/Admin/80)

A. Related Party transactions

Related Party transactions of the company during the year have been narrated in details in Note 30 of the Notes to the audited Financial Statements following the compliance requirements under the BAS 24. It may be mentioned that company hires all operational and administrative/corporate services from M/S United Engineering & Power Services Ltd (UEPSL) under an Operation & Maintenance (O&M) agreement. Moreover, company also places surplus funds in the form of short-term loan with M/S United Enterprises & Co. Ltd (UECL) on the basis of agreed terms approved by the Board.

B. Business Risks & Uncertainties

UPGDCL operates in an industry which is exposed to a number of internal and external risk factors over which our company has little or no control. The occurrence of the risk factors as delineated hereunder can have significant bearing on the operational and financial performance of the Company. Therefore, it is imperative to thoroughly understand the risk profile of the Company along with management's perception of the risks so that you are aware that your company is in safe hands.

(a) Credit risk:

Credit risk refers to the financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivable from customers. Your company's product, electricity and steam, is sold to Dhaka Export Processing Zone Authority (DEPZ), Chittagong Export Processing Zone Authority (CEPZ), Rural Electrification Board (REB), Bangladesh Power Development Board (BPDB), Karnaphuli Export Processing Zone (KEPZ), and other private customers under the conditions of the long-term Power Sales Agreement (PSA)/Power Purchase Agreement (PPA). Sales made to these entities are fully secured by Letters of Credit issued by local scheduled banks. Credit risk does not arise in respect of any other receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position and has been disclosed in Note 30A of the Financial Statements.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

UPGDCL has sufficient cash and cash equivalent to meet expected operational expenses, including the servicing of financial obligation through preparation of the cash forecast that has been prepared based on timeline of payment of the financial obligation and has accordingly arranged for sufficient liquidity/fund to make the expected payment within due date. Moreover, UPGDCL seeks to maintain short term lines of credit with scheduled commercial banks to ensure payment of obligations in the event that there is insufficient cash to make the required payment. The requirement is determined in advance through cash flows projections and credit lines facilities with banks are negotiated accordingly. The contractual cash flows in terms of trade, intercompany and other payables have been disclosed in Note 30B of the Financial Statements.

(c) Market risk

Market risk refers to the risk that accompanies the changes in market forces, such as foreign exchange rates and interest rates, which affects the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return:

Currency Risk: Currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rate. Your Company is exposed to currency risk as it imports machinery and equipment against payment of international currencies (USD and EURO). Unfavorable volatility or currency fluctuations may increase import cost and thus affect profitability of the company. However, the management of your company is fully aware of the risks associated with currency fluctuations. Major machineries and equipment purchase from abroad has been settled. Currently spare parts are being procured from suppliers from various countries. However, cost of these imported parts are a small component of revenues generated by the Company. The exposure to currency risk has been disclosed in Note 30C(i) of the Financial Statements

Interest Rate Risk: Interest rate risk refers to the likely changes in the cash flows or future value of a firm on account of changes in the interest rates in the market. Increase in interest rate increases the cost of borrowed funds for a company in case of floating rate loans. Interest/financial charges are paid against the Company's borrowed funds. In the event of unfavorable movement in money markets, rising interest rate could increase the cost of debt and negatively impact profitability. Since UPGDCL is a debt free company and surplus cash in operation, the only liabilities that your company is subjected to are short term, in terms receivables and payables. The interest rate profile has been disclosed in Note 30C(ii) of the Financial Statements.

(d) Capital Risk Management

Capital risk management refers to the implementation policies and measures adopted to maintain sufficient capital (consisting of share capital and retained earnings) and to assess the Company's internal capital adequacy to ensure its operation as a going concern. Valued shareholders, it is for your kind information that all major investment and operational decisions having even the slightest exposure to any risk are evaluated and approved by the Board or your Company. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The Board also monitors the dividend trend to ordinary shareholders

(e) Operational Risk

Operational risk is measured against the ability of the Company's power projects to generate and distribute stipulated electricity to its off-takers. Limitation of technology used, fuel supply arrangement, operational and maintenance (O&M) arrangement, political or force majeure in the form of natural disasters like floods, cyclone, tsunami and earthquake may hamper normal performance of power generation.

The routine and proper maintenance of their own distribution networks undertaken by both the O&M operators and BEPZA reduces the chance of major disruptions. However, severe natural calamities which are unpredictable and unforeseen have the potential to disrupt normal operations of UPGDCL. The management of your company believes that prudent rehabilitation schemes and quality maintenance will lessen the damages caused by such natural disasters. Most importantly, all the above risks are covered under the insurance agreement with Pragati Insurance Ltd., Pioneer Insurance Company Ltd. and Green Delta Insurance Company Ltd., to compensate for all potential damages caused in such situations.

(f) Risk associated with supply of Raw Material (Gas Supply)

The main raw material used for generating electricity is natural gas. Any interruption of supplies of the gas to the power plants will hamper the generation of electricity, the main product of your Company.

The supply of raw material to your Company is secured by the Gas Supply Agreements with Karnaphuli Gas Distribution Company Ltd. and Titas Gas Transmission & Distribution Company Limited for the term of the Power Supply Agreement with BEPZA. Hence there is no threat of interruption of supplies of the gas to the power plants that may hamper the generation of electricity. Furthermore, new gas reserves are being explored and discovered in many areas of the country such as Narayanganj, Narshingdi, Bhola and Bay of Bengal. As the Government of Bangladesh plans to add these discoveries to the national grid, along with the supply of imported LNG, the management does not expect gas supply interruption in the future.

(g) Environmental risks

The Government of Bangladesh has laws to keep the environmental impacts associated with electricity production and transmission in check. Environmental laws in Bangladesh are based on the guiding principles stated in the

"Bangladesh Environmental Policy 1992". The government enforces environmental laws such as Bangladesh Environment Conservation Act 1995, Bangladesh Environment Conservation Rules 1997 etc. for the control of air pollutant emissions and set emissions standards for power plants.

UPGDCL is committed to conducting its business in socially responsible and environmentally sustainable manner. All the power plants of UPGDCL have acquired the necessary clearances from the Department of Environment (DoE), Ministry of Environment and Forest, Bangladesh and ensures compliance to the standards and limits set forth as conditions in the said clearances/licenses/permits. The environmental parameters such as air, quality and noise are periodically monitored by representatives of the DoE and EPZ authorities. Thus, UPGDCL's power plants have been operating keeping within the standard limits.

UPGDCL's power plants are designed such that the pollution levels adhere to all environmental regulations and pollution norms of the country. In addition, it is working closely with the community to minimize environmental hazards.

Furthermore, UPGDCL's power plants uses natural gas, the cleanest of all fossil fuels, as its primary fuel thus keeping carbon emissions at minimum. The plants also employ best-in-class, high efficiency engines that ensure complete combustion of the fuel contributing further in reducing carbon emissions. To increase efficiency levels further several of the engines at the power plants in Dhaka & Chittagong EPZs have exhaust gas boilers fitted with them so that the exhaust gas can be used to produce quality steam that can be commercially sold to export processing industries with a demand for steam. This ensures fossil fuel saving that otherwise would have been needed to produce the steam and further reduces carbon emission to the environment as burning of that additional fossil fuel would have led to far greater concentration of greenhouse gases as exhaust.

C. Fair representation of state of affairs and compliance of accounting policies, standards etc

The Board of Directors are also pleased to make the following declarations in their report:

a) The ¬financial statements prepared by the management of your Company fairly presents its state of affairs, the result of its operations, cash flows and changes in equity;

b) Proper books of accounts of your Company have been maintained;

c) Appropriate accounting policies have been consistently applied in preparation of the fi¬nancial statements and that the accounting estimates are based on reasonable and prudent judgment;

d) International Accounting Standards and International Financial Reporting Standards as applicable in Bangladesh, have been followed in preparation of the fi¬nancial statements and any discrepancies have been adequately disclosed;

e) The system of internal control is well structured and has been effectively implemented and monitored;

f) There are no significant doubts upon your Company's ability to continue as an ongoing concern basis;

g) Signifi¬cant deviations from last year in operating results of the Company are highlighted and the reasons have been explained in fi¬nancial results and profi¬t appropriation;

h) Significant plans and decisions, such as future prospects, risks and uncertainties surrounding the Company has been outlined under the relevant captions of this report;

While approving the audited Financial Statements for the year 2017-18, Board of Directors took due cognizance of the "declaration" or "certification" given by the Managing Director and the CFO of the company in compliance with the BSEC Notification dated 3 June 2018 condition No. 3(3). The said certification has been disclosed with the Report as per the requirements of the condition No. 3(3)(c) and 1(5)(xxvi) respectively of the BSEC Notification under reference.

DIRECTORS' REPORT

BANGLADESH ACCOUNTING STANDARDS (BAS)

Accounting Standards	Effective Date	Titles	Remarks
BAS-01	1st January 2007	Presentation of Financial Statements	Applied
BAS-02	1st January 2007	Inventories	Applied
BAS-07	1st January 1999	Statement of Cash Flows	Applied
BAS-08	1st January 2007	Accounting Policies, Changes in Accounting Estimates and Errors	Applied
BAS-10	1st January 2007	Events after the Reporting Period	Applied
BAS-11	1st January 1999	Construction Contracts	N/A
BAS-12	1st January 1999	Income Taxes	Applied
BAS-16	1st January 2007	Property, Plant & Equipment	Applied
BAS-17	1st January 2007	Leases	Applied
BAS-18	1st January 2007	Revenue	Applied
BAS-19	1st January 2004	Employee Benefits	N/A
BAS-20	1st January 1999	Accounting of Government Grants and Disclosure of Government Assistance	N/A
BAS-21	1st January 2007	The Effects of Changes in Foreign Exchange Rates	Applied
BAS-23	1st January 2010	Borrowing Costs	Applied
BAS-24	1st January 2007	Related Party Disclosures	Applied
BAS-26	1st January 2007	Accounting and Reporting by Retirement Benefit Plans	N/A
BAS-27	1st January 2010	Separate Financial Statements	N/A
BAS-28	1st January 2007	Investments in Associates	N/A
BAS-29	1st January 2013	Financial Reporting in Hyperinflationary Economics	N/A
BAS-32	1st January 2010	Financial Instruments: Presentation	Applied
BAS-33	1st January 2007	Earnings per Share	Applied
BAS-34	1st January 1999	Interim Financial Reporting	Applied
BAS-36	1st January 2005	Impairment of Assets	N/A
BAS-37	1st January 2007	Provisions, Contingent Liabilities and Contingent Assets	Applied
BAS-38	1st January 2005	Intangible Assets	N/A
BAS-39	1st January 2010	Financial Instruments: Recognition and Measurement	Applied
BAS-40	1st January 2007	Investment Property	N/A
BAS-41	1st January 2007	Agriculture	N/A

BANGLADESH FINANCIAL REPORTING STANDARDS (BFRS)

Accounting Standards	Effective Date	Titles	Remarks
BFRS 1	1st January 2009	First-time adoption of International Financial Reporting Standards	N/A
BFRS 2	1st January 2007	Share-based Payment	N/A
BFRS 3	1st January 2010	Business Combinations	N/A
BFRS 4	1st January 2010	Insurance Contracts	N/A
BFRS 5	1st January 2007	Non-current Assets Held for Sale and Discontinued Operations	N/A
BFRS 6	1st January 2007	Exploration for and Evaluation of Mineral Resources	N/A
BFRS 7	1st January 2010	Financial Instruments: Disclosures	Applied
BFRS 8	1st January 2010	Operating Segments	N/A
BFRS 9	1st January 2013	Financial Instruments	Applied
BFRS 10	1st January 2013	Consolidated Financial Statements	N/A
BFRS 11	1st January 2013	Joint Arrangements	N/A
BFRS 12	1st January 2013	Disclosure of Interests in other Entities	Applied
BFRS 13	1st January 2013	Fair Value Measurement	Applied

D. Corporate and Financial Reporting Framework

The law required that the financial statement of the company should be prepared in accordance to the prescribed format given by International Financial Reporting Standard (IFRS) as adopted by ICAB 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 statement, the following points were considered:

1. Selection of suitable accounting policies and then applying them consistently;
2. Making judgment and estimates that are reasonable and prudent;
3. Ensuring that the financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS);
4. 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.

E. Minority interest

Share capital structure of the company as of 30 June 2018 comprises of 10% Minority Shareholders which is a mix of institutional and individual shareholders. Being a public limited and listed entity, UPGDCL adheres to all the rules and regulations of the Bangladesh Securities & Exchange Commission (BSEC) and the Stock Exchanges. Apart from that any major policy decision affecting shareholders interest, irrespective of the holding pattern, are taken on an absolute transparent manner with appropriate market disclosures which paves the way for proper recourse by the shareholders bracketed as Minority Shareholders. Board of Directors, in particular, Independent Directors have been playing an effective role in this regard.

Majority shareholder in the company attaches utmost focus on shareholders' value addition. This is amply reflected in UPGDCL being one of the top-notched issue in the DSE and also speaks for confidence of the market, small shareholders and other stakeholders at large.

Further, representation of Investment Corporation of Bangladesh (ICB) in the Board of Directors strengthened the premise of protecting not only Minority interest but overall strategic perspective of the company.

F. UPGDCL: a going concern entity

Your company is the first Commercial Independent Power Purchase (CIPP) power generation company of the country which was established under the Private Sector Power Generation Policy of Bangladesh on Nov 2004. As per the clause 2(b) of the Power Sharing Agreement (PSA) with BEPZA, the company is to run initially for 30 years which is renewable for further 30 years. Moreover, Gas Supply for the Plants are ensured by the Government.

It is dubbed an "open ended" project because of the longer duration and also for the particular business area/activities which is being fed by the Plants under UPGDCL's wings. Mentionable that, EPZ operation is 24X7 cycle and hence necessity of power is a prevalent necessity. EPZs are a necessity for the country and so the energy supply. Therefore, confining UPGDCL's life term within the PSA framework will be imprudent rather it should be considered as a "going-concern" economic unit for all the practical purposes.

G. UPGDCL: five years (2013 to 2017-18) performance horizon

Company attained present running capacity of 160 MW, cumulative, in the year 2013 which was amply reflected in the 14% Revenue growth for the Year 2014. Despite, impact of external factors beyond company's control Revenue growth hovered in the region of 7 to 9 % in the last three years.

Gross Profit rose up to 70% in the year 2016-17 but on an average it remained in the high zone of 69 per cent. Company became completely debt free in the year 2015 and Net Profit jumped to nearly 71% in the 2105-16. Moreover, absence of Debt enabled the company to generate excess cash which through alternative investments further contributed towards the bottom line and in the year 2017- 18 Net Profit reached nearly 75%.

Over the five years, Paid-up capital of the reached BDT 3,992.39 million which is over 34% growth compared to 2013 due to consistent Stock Dividend pay-out. During the same period, Shareholders' Equity more than doubled at BDT 16,290.78 million. Earnings per Share (EPS) also doubled at BDT 11.58 during this period.

Financial and Operational Highlights of the Five-Year period is attached in to the Annual Report.

H. Corporate Governance

Your company was at the fore front of practicing corporate governance in all its operations and business processes. Company strives to maintain full compliance with the laws, rules and regulations that govern our business and to uphold the high standards. Corporate governance requires a transparent, efficient and effective system of decision making. Management strictly adheres to two basic principles of corporate governance: transparency and disclosures.

From 2016 your company started implementing Integrated Management Systems (IMS) to make it complaint to ISO 9001:2001-Quarterly Management Systems (QMS), ISO 14001:2004-Environmental Management Systems (EMS), ISO 18001:7007-Occupational Health & Safety (OH&S), as certified by Bureau Veritas.

With the advent of the CORPORATE GOVERNANCE CODE (CGC) introduced through the BSEC Notification dated 3 June 2018, Board of Directors have adopted the same in its 86th meeting held on 08 August 2018 with a view to "full" compliance.

Moreover, as per the previous year's, corporate governance practices of the company have been reviewed by a Professional (Firm) namely Messer. Poddar & Associates, Cost & Management Accountants. The certification of the Professional is attached as disclosure along with this Report.

Status of Compliance with the conditions of the Corporate Governance Code (CGC) is also disclosed in this Report in compliance with the condition 9 (1) of the Code.

HUMAN RESOURCE MANAGEMENT

Efficient manpower is the pre-requisite for an organization's development. Success of this organization depends on qualified and skilled manpower for the right post. UPGDCL is performing the task with due care and integrity to increase the efficiency of the plant through appropriate maintenance and operation. The aim is to maintain the place of work and surrounding condition in a manner that permits employees to work to the highest effectiveness and perform investing their full potential.

To develop and equip the employees with essential skills, the company places great emphasis on the development of its people and hence the Company undertakes appropriate training and workshops to update their knowledge in their respective functional areas. UPGDCL has implemented Training Needs Assessment (TNA) as part of its training system. The aspects of Training Needs Analysis include determining what is required to complete the work activity, the existing skill levels of the staff completing the work and the training gap (if any). A total 46 trainings and drills have been conducted in the reporting year 19 trainings being conducted at DEPZ plant 27 trainings and drills being conducted at CEPZ plant. The training equipped the plant personnel with technical and organization skills.

We have an enriched Employee Service Rules with proper job descriptions and responsibilities. A detailed succession planning is considered every year to ensure good working environment and enhancement of knowledge of the employees. A yearly performance appraisal is carried out to reward and encourage diligent employees and assess their training requirements. Accordingly, the personnel department awards the yearly increment and other remuneration related matters.

DIVIDEND FOR THE YEAR 2017-18

The Board of Directors of the company in its 86th meeting held on 8 August 2018 have recommended Cash Dividend @90% per share of Taka 10/- each aggregating to BDT 3,593,152,503 and Stock Dividend @20% i.e. 2 (two) Bonus Shares for every 10 (ten) Ordinary Shares of Taka 10/- each aggregating to Taka 798,478,334 for the year ended 30 June 2018. The aforementioned Dividend has been recommended being the 'final dividend" for the year ended 30 June 2018. Further, to mention that no Interim Dividend was declared during the year.

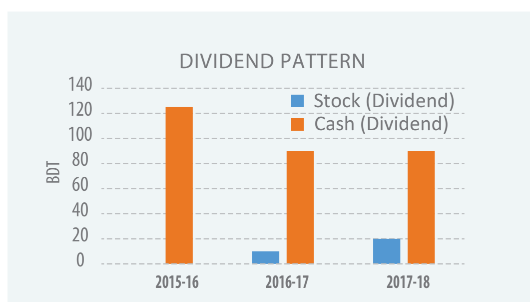
Shareholders' whose name will be appearing in the Shareholders' Registry as on the Record Date (6 September 2018) shall be eligible to receive the above Dividends subject to approval by the Shareholders in the Annual General Meeting (AGM) scheduled to be held on 30 October, 2018.

JUSTIFICATIONS FOR STOCK DIVIDEND (AS PER THE BSEC NOTIFICATION DATED 20 JUNE 2018):

Board of Directors' resolution as to the declaration of Stock Dividend @20% for the year ended 30 June 2018 and involving total retention of the year's Distributable Profit to the tune of BDT 798,478,334 with the objective to mobilize resources for the already declared investment propositions. Board of Directors of the company recently declared their plan to acquire majority (92.41%) equity shares of United Ashuganj Energy Ltd (UAEL) and also to go for outright purchase of 53 MW Power Plant from United Energy Ltd (UEL), respectively. Necessary disclosures in this respect has been given to the market and stakeholders alike through PSI (27 June 2018) in compliance with the BSEC regulations.

Overall appropriation of the Distributable Profit for the year was as follows:

Particulars	Amount (in BDT)	
Total: Available for distribution	4,596,362,554	
Appropriations by the Board		
Cash Dividend: 90%	3,593,152,503	78.17%
Stock Dividend: 20%	798,478,334	17.37%
Balance Transferred to R/E	2,047,317,171	4.45%



DIRECTORS' ELECTION AND RE-APPOINTMENT

As per the Article 23 (a) of the Articles of Association of the company, five (5) Directors shall retire in the 11th Annual General Meeting (AGM) and being eligible have expressed their desire and given respective consent to be re-elected. The Board of Directors has also recommended them for re-election at the AGM.

Further Lt. Gen. Sina Ibn Jamali, awc, psc (Retd.) has completed his first term as Independent Director and Board of Directors of the company appointed him for the second term of three years which will confirmed at the 11th AGM as per the BSEC Notification dated 3 June 2018.

DIRECTORS' REPORT

APPOINTMENT OF AUDITOR

Messrs. Rahman Rahman Huq, Chartered Accountants, a member firm of KPMG International, having their offices at 9 & 5 Mohakhali C/A, Dhaka 1212, Bangladesh, retires at the 11th Annual General Meeting as Auditors of the Company. The retiring auditors of the Company are eligible for re-appointment and therefore offer themselves for reappointment for the financial year 2018-19 as Statutory Auditors of United Power Generation & Distribution Company Ltd. (UPGDCL).

APPOINTMENT OF PROFESSIONAL TO CERTIFY COMPLIANCE OF THE CGC

Board of Directors of the company has recommended Messrs. PODDAR & ASSOCIATES, Cost & Management Accountants, as the professional to provide the certification as to the compliance of the Corporate Governance Code (CGC) issued by the BSEC Notification dated 3 June 2018. As per the Condition 9(2) of the said Notification, this will be placed at the 11th AGM for due approval by the shareholders.

FUTURE PROSPECT

UPGDCL can foresee a load growth inside Dhaka and Chittagong Export Processing Zones due to an increase in the number of industries as well as capacity development of the existing industries housed inside. We are also anticipating increased load growth due to expansion of capacity of our private clients. We are hopeful that in time we will be successful to acquire more clients in the near future.

Keeping all these in mind, to cater to this increasing demand UPGDCL has plans to undertake further capacity expansion, DEPZ to 120 MW and CEPZ to 100 MW. As the plants have a modular configuration, the number of generating units shall be increased. To facilitate the dispatch of increased power, the substation capacity will also be augmented respectively.

Further, to create shareholders' value, your company has undertaken initiatives to go for parallel expansion of generation capacity through acquisitions. Recently, a market disclosure has been made on two prospective investment options. The matter is now under in-depth review and is also conditional upon few regulatory clearances and final approval by the shareholders in due course.

CORPORATE SOCIAL RESPONSIBILITY

United Power Generation and Distribution Company Ltd (UPGDCL) supports and contributes towards many social and humanitarian causes as part of its Corporate Social Responsibility. Corporate Social Responsibility is practiced through its sister organization United Trust Ltd. to embrace responsibility for the Company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who are also part of the Company's stakeholders. Such activities are in favor of Education, Poverty Alleviation, Healthcare and so on.

'United Trust' (UT), registered on 29 December 2011, is a 'Social Development' wing of United Group established by the Board of Directors of United Group, the parent concern of UPGDCL, from their religious urge of helping the poor and socially disadvantaged people. Islam has made this responsibility mandatory on anybody who is financially capable in the society. UT aims to plan, build, establish, maintain and run the charitable Social Welfare projects financed by the Group in a professional and efficient way.

VISION

The Vision of United Trust is to improve the quality of life of the underprivileged and socially disadvantaged population of the country, primarily in the rural area.

MISSION

The Mission of United Trust is to address people's basic needs: Education, Health, Sanitation, Employment and basic amenities whatever is implemented should be of standard quality. Thus, ensuring that the poor are not left outside the circle of quality life.

United Trust assists in capacity building of any person, institution, establishment or community that contribute to improving the quality of people's life.

ACKNOWLEDGEMENT

The Board of Directors would like to especially thank the members of the public for placing their confidence on the company by purchasing its shares and supporting its activities. Without the persistent support of the valued Shareholders the Company could not have attained what it has achieved today. The Board would extend its foremost regards and appreciation to the Stakeholders and the Customers of the company for their unrelenting support and trust on the company. This, we strongly believe, acts as the driving force of the company. We accept this trust in all humility and shall continue to strive to live up to the expectations.

The Board also recognizes that the attainment made during the year was possible because of the cooperation, positive support and guidelines it had received from the Government of Bangladesh, Prime Minister's Office, Ministry of Power, Energy and Mineral Resources, Power Division, Energy Division, Ministry of Finance, National Board of Revenue, Ministry of Commerce, Board of Investment, Bangladesh Power Development Board, Petrobangla, Titas Gas Transmission & Distribution Company Ltd. and Karnaphuli Gas Distribution Company Ltd. local administration of Dhaka and Chittagong EPZ and the people of the locality. Accordingly, the Board offers its utmost and sincere gratitude to them. The Board also extends its best wishes to the contractors and consultants who helped us running power plants and achieve this growth.

The Board would also like to express their humble gratitude to all the stakeholders including the investors, suppliers, banks and financial institutions, insurance companies, service providers, Bangladesh Securities & Exchange Commission, Registrar of Joint Stock Companies & Firms, Dhaka Stock Exchange Limited, Chittagong Stock Exchange Limited, The Central Depository of Bangladesh Limited, various Government Authorities and lastly the individuals and agencies who have helped us accomplish what we are today.

Your Board would also like to put on record its deep appreciation of the efforts made by the employees of the Company. Their commitment and passion, both individually and through team work has led your company achieve the accolades that it has acquired so far. The Board also recognizes and appreciates the critical support provided by the families of the employees which enables them to focus on their daily work in UPGDCL.

We are proud of you all and look forward to your continued support as we march ahead to take United Power Generation & Distribution Company Limited further forward as a leading player in the power sector of the country.

With Best Wishes,

On behalf of the Board,

Moinuddin Hasan Rashid
Managing Director