



Khulna Power Company Ltd.



Annual Report
2013



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Corporate Information

Board of Directors

Chairman

Muhammed Aziz Khan

Managing Director

Hasan Mahmood Raja

Director

Ahmed Ismail Hossain
K. M. Ahsan Shamim
Latif Khan
Muhammad Farid Khan
Jafer Ummeed Khan
Faridur Rahman Khan
Akhter Mahmud Rana
Abul Kalam Azad
Ayesha Aziz Khan
Moinuddin Hasan Rashid
A. N. M. Tariqur Rashid

Independent Director

Syed Fazlul Haque, FCA
Lt Gen Sina Ibn Jamali, awc, psc (retd) - w.e.f. 26-02-2014
Karishma Jahan - w.e.f. 26-02-2014

Chief Operating Officer

Md. Abdur Rahim

Financial Controller & Company Secretary

Md. Shoharab Ali Khan, FCMA

Audit Committee

Syed Fazlul Haque, FCA, Chairman
Abul Kalam Azad, Member
Ayesha Aziz Khan, Member

Head of Internal Audit

Placid Gomes, ACA

Power Plants

1. Khulna Power Company Ltd. (KPCL) - 110 MW

Goalpara, Khalishpur, Daulatpur, Khulna-9202
Phone : +88-041 763556-8
Fax : +88-041 760227

2. Khulna Power Company Unit II Ltd. (KPC Unit II) - 115 MW

Extended premises of KPCL, Goalpara, Khalishpur, Khulna.
Phone : +88-041 763556-8
Fax : +88-041 760227

3. Khanjahan Ali Power Company Ltd. (KJAPCL) - 40 MW

Noapara, Avaynagar, Jessore
Phone : +88-04222 72354

Registered Office

Landmark (3rd floor)
12-14 Gulshan North C/A, Gulshan-2
Dhaka 1212, Bangladesh

Tel : +88-02 8810932, 8810892
+88-02 8810868, 8824217
Fax : +88-02 882 3989

Email : kpcl@khulnapower.com
Web : www.khulnapower.com

Auditors

Hoda Vasi Chowdhury & Co
Chartered Accountants
BTMC Bhaban (8th Level)
7-9 Karwan Bazar
Dhaka-1215, Bangladesh

Legal Adviser

Md. Sameer Sattar
Barrister, Lincoln's Inn
Sattar & Co.
5th Floor, 153/1 Green Road
Dhaka, Bangladesh

Main Bankers

Standard Chartered Bank
Citibank, N.A.
BRAC Bank Limited

Company Information

Background of KPCL

In 1997 the Bangladesh Power Development Board (BPDB) was faced with the challenge to ease a critically short power supply in the South Western Zone of Bangladesh. The electrical demand had been consistently higher than available capacity, and generation costs in the area had been very high due to the low efficiency of existing equipment and the heavy use of expensive, low-availability

fuel. Bangladesh Power Development Board (BPDB) thus signed a Power Purchase Agreement (PPA) in 1997 with Khulna Power Company Ltd (KPCL) to set up a power plant at Khulna to alleviate the severe power crisis as a fast-track solution.

Formation of KPCL

Khulna Power Company Ltd. (KPCL) is the first Independent Power Producer (IPP) in the country, established under the Private Sector Power Generation Policy of Bangladesh. KPCL was incorporated on October 15, 1997 as a private limited company. On July 19, 2009 the company was converted into a public limited company. KPCL was formed with a paid up capital of BDT 2,085.93 million (US\$ 44.10 million) and the initial project cost was US\$ 96.07 million. KPCL commenced its full commercial operation on October 13, 1998 and since then, it has been supplying uninterrupted reliable power to the national grid. The formation of KPCL Project was initially sponsored by Summit Group and United Group along with their foreign partner

El Paso Corporation (El Paso), USA, one of the world's largest and most diversified natural gas exploration and pipeline companies and Wärtsilä Corporation (Wärtsilä), Finland, a leading power plant manufacturer of the world. In 2008, El Paso, as part of its global repositioning strategy disposed of its shares in KPCL to Summit Group and United Group. Later in 2009 Wärtsilä's share was also acquired by Summit and United.

Khulna Power Company Ltd. has two subsidiary companies named as:

- i) Khulna Power Company Unit II Ltd.; and
- ii) Khanjahan Ali Power Company Ltd.

Operation & maintenance (O&M) of KPCL plant and its subsidiary Units

The KPCL plant and two of its subsidiary units were being operated and maintained by Wärtsilä Bangladesh Ltd., a 100% owned subsidiary of Wärtsilä OY, Finland; the manufacturer and EPC contractor of these plants under a long term O&M Agreement. A team of highly skilled professionals are engaged in the operations of the plant. The operational process has been developed and managed by the expert team. For any technical issue, the equipment manufacturer extends their support as and when needed. The management team at plant level is also professional and possesses requisite expertise to run the operations.

Recently these plants are being operated and maintained by the companies itself with full sets of experienced engineers and staff as engaged earlier.

Khulna Power Company Unit II Ltd.

Khulna Power Company Unit II Ltd. (KPC Unit II) was formed on June 22, 2010 for setting up of 115 MW power plant under a contract with Bangladesh Power Development Board (BPDB) signed on June 23, 2010 for supplying electricity on rental basis initially for 5 years with a provision for extension of terms for a further period of minimum 5 years. The 99% shares of KPC Unit II are owned by KPCL. The plant is located at the extended premises of the KPCL plant at Khulna. The plant achieved Commercial Operation Date (COD) on June 1, 2011 and since then it has been supplying electricity to the national grid.

Khanjahan Ali Power Company Ltd.

Khanjahan Ali Power Company Ltd. (KJAPCL) was formed on July 19, 2010 for setting up of 40 MW power plant under a contract with Bangladesh Power Development Board (BPDB) signed on July 25, 2010 for supplying electricity on rental basis initially for 5 years with a provision for extension of terms for a further period of minimum 5 years. The 90% shares of KJAPCL are owned by KPCL. The plant is located at Noapara, Jessore. The plant achieved Commercial Operation Date (COD) on May 29, 2011 and since then it has been supplying electricity to the national grid.

KPCL power plant



Location:

Goalpara, Khalishpur, Khulna

Capacity:

110 MW Barge mounted power plant

Description of Barges:

Two floating barges named Tiger I and Tiger – III. Nine generating units are mounted on one barge and ten on the other. The barges shipped as deck cargo on submersible dry tow ship, are moored in a closed basin. Each barge is approximately 91 metres long and 24 metres wide.

Generating Plant:

19 X Wärtsilä 18V32 DG Sets

Fuel used:

Runs on Heavy Fuel Oil (HFO), however, having dual fired capability and can be converted into natural gas operation.

Project Cost:

USD 96.07 million

KPC Unit II power plant

Location:
Extended premises of KPCL plant, Goalpara,
Khalishpur, Khulna

Capacity:
Land based 115 MW power plant

Generating Plant:
7 X Wärtsilä 18V46 DG Sets

Fuel used:
Heavy Fuel Oil (HFO)

Project Cost:
USD 75 million



Khanjahan Ali power plant



Location:
Noapara, Jessore

Capacity:
Land based 40 MW power plant

Generating Plant:
5 X Wärtsilä 20V32 DG Sets

Fuel used:
Heavy Fuel Oil (HFO)

Project cost:
USD 25 million


Khanjahan Ali power plant

The Shareholders

United Enterprises & Co Ltd. (United) own 35.2823%, Summit Industrial & Mercantile Corporation (Pvt.) Ltd. (SIMCL) own 17.6411%, Summit Power Limited own 17.6411% and 14 individual sponsor shareholders own 0.0237% of 344,080,676 shares of Khulna Power Company Ltd. The rest of 29.4118% shares are owned by the General Public investors.

United Enterprises & Co Ltd.

United Group of Bangladesh

United Enterprises & Co. Ltd. and its sister concerns form one of the most diversified business houses in Bangladesh. In fact, it is the largest socio-economic infrastructure based corporation in the country. Commencing its modest journey in 1978, the Group has now over 30 companies. By Allah's Grace, the Group has firm footing in almost in all business sectors of the country; with Energy, Real Estate & Construction being the prime sectors, and significant investments in Healthcare, Manufacturing, Education, Port & Maritime. As of now, Group's assets and annual turnover stands to be 81,000 million taka and 21,500 million taka respectively.

UG entered into power sector with the co-ownership of the first independent power company (IPP) of Bangladesh with Summit Group in 1997: Khulna Power Company Ltd. (KPCL). Now the Group owns United Power Generation and Distribution Company Ltd. (UPGD), United Ashuganj Power Ltd. (UAPL), Khan Jahan Ali Power Co. Ltd. (KJAPCL), and Shahjahanullah Power Generation Company Ltd. (SPGCL), and has recently begun work on their latest power venture, United Ashuganj Energy Ltd. (UAEL), which is a Public Private Partnership (PPP) project. With these, UG is providing uninterrupted power supply to Dhaka and Chittagong EPZs and has built the capacity of providing more than 500 MW power input of its own in the national power sector.

In the Real Estate and Construction side, it has already created many landmark projects in Dhaka city. Presently, three mega



United Power Generation and Distribution Co. Ltd



United Hospital Limited



United Property Solutions Ltd



United International University

projects are in the process of completion which will set new standards in this sector. Gulshan Center Point, a 26 storied state-of-the-art commercial office and retail block will be a new iconic landmark in the Gulshan skyline. An Airport Hotel and Retail project comprising a 5 star hotel, a 3 star hotel and a world class shopping mall is coming up adjacent to Hazrat Shahjalal International Airport, for which the Group is the development partner. Finally, it is developing United City, a world class mini township, with its own international standard gated condominium complex and commercial hub. It is nestled only about 2 km away from the American Embassy towards the East on the 100 feet Madani Road.

In the Healthcare Sector, United Hospital Ltd. is currently one of the largest private sector multidisciplinary, state-of-the-art hospitals in the country with a capacity of over 450 patient-beds having 30 departments. Alongside the hospital, a Nursing College is also functioning since 2012 and United Medical College is awaiting the green signal from the government. NOVO Healthcare and Pharma Ltd. is the UG's pharmaceutical venture. Along with various commonly acceptable dosage of medicine, a wide range of antibiotics and other pharmaceuticals are in NOVO's product line.

UG's manufacturing sector is slim but of quality. Comilla Spinning Mill, a joint venture went into production in 1996 and, since then, producing high quality cotton, polyester and mixed yarns using high-end machines. United Polymer Ltd. is small but steady in innovating,

manufacturing and marketing polyethylene (PET) bottles to the commercial customers. Gunze United Ltd. is the latest addition in the manufacturing sector of the Group. It is a joint venture with famous Gunze Ltd. of Japan and producing sewing threads of unique quality for the RMG sector of Bangladesh.

United International University (UIU) and United Maritime Academy (UMA) are the two timely ventures by the UG in education sector of Bangladesh. Starting with only 77 students in 2003, UIU now has more than 6000 students in 11 academic programs with 116 full time and 61 part-time faculty. As for UMA, sailing only in 2012, it achieved ISO:2008 QMS certificate and incorporated both 'Full Mission Bridge Simulator' and 'Machine Operation Simulator' within 02 years time. That is the commitment level of these academic institutions.

Another diverse venture of the UG is the United Land Port Teknaf Ltd. Situated on the bank of the Naff River in Teknaf, it is a transit for goods between our country and Myanmar. As for now, it stood out to be an excellent example of PPP projects of the government with their annual earnings from the port increasing by a significant margin. It is in the process of becoming a fully comprehensive port unit capable of providing a one-stop service to the exporters, importers and the government alike.

In over three and a half decades, United Group has come a long way to become a business house of your trust. It has the honor to be supported by a dedicated staff of over 6000 hard working individuals, over fifty percent of whom are professional executives. With the continued excellent team work, innovative ideas and the support of its valued clientele, partners and customers, it hopes to become one of the finest business houses of the country.



United Ashuganj Power Limited



Comilla Spinning Mills Ltd.



United Maritime Academy



NOVO Healthcare and Pharma Ltd



Unimart Limited



United Land Port Teknaf Ltd



Neptune Land Development Ltd.



Gunze United Limited

The key companies representing United Group are as follows:

- United Enterprises & Co. Ltd.
- Khulna Power Company Ltd. (Co-owner)
- United Power Generation & Distribution Co. Ltd.
- Khan Jahan Ali Power Co. Ltd.
- United Ashuganj Power Ltd.
- Shajahanullah Power Generation Company Ltd.
- United Ashuganj Energy Ltd. (PPP)
- Neptune Land Development Ltd.
- United Property Solutions Ltd.
- United City Twin Tower Developers Ltd.
- United Hospital Ltd.
- NOVO Healthcare & Pharma Ltd.
- United College of Nursing
- Comilla Spinning Mills Ltd.
- United Polymers Ltd.
- Gunze United Ltd.
- United International University Ltd.
- United Maritime Academy
- United Land Port Teknaf Ltd.
- United Makkah Madina Travel & Assistance Co. Ltd.

Summit Industrial & Mercantile Corporation (PVT.) Ltd.
Summit Power Limited

Summit Group of Bangladesh

Summit Group is one of the reputed local conglomerates of the country having interests in independent power generation, petroleum, shipping, real estate, inland container depot, financial services and communications infrastructure. The group sponsored the first independent 110 MW barge-mounted power plant KPCL in 1998 and since then has eight other power stations totaling 1800 MW in operation or implementation. The group is recognized as a major infrastructure-industry company of Bangladesh employing over 2,000 people.



Summit Industrial & Mercantile Corporation (Pvt.) Limited (SIMCL) is a holding company established in 1985 sponsoring fourteen different companies, ranging from shipping to power to communications. Four of its holdings, Summit Power Limited, Summit Alliance Port, Khulna Power Company Ltd. and Ocean Containers Ltd. are publicly listed. Of these publicly listed companies, Summit Power Limited (SPL) accounts for 317 MW of electricity in Bangladesh. It has power plants located in various parts of Bangladesh mainly in the suburban industrial areas where there is the greatest need for electricity. SPL has grown many folds in the past 12 years resulting in increased efficiency and economies of scale. Major entities of Summit Group are as follows:

- Summit Power Limited
- Summit Communications Ltd
- Summit Alliance Port Ltd.
- Summit Shipping Ltd.
- United Summit Coastal Oil Ltd.
- Cosmopolitan Traders (Pvt.) Ltd
- Ocean Containers Ltd.
- Cosmopolitan Finance Ltd.
- Summit Bibiyana I Power Company Ltd.
- Summit Bibiyana II Power Company Ltd.
- Summit Meghnaghat Power Company Ltd.
- Summit Narayanganj Power Ltd.
- Summit Purbanchol Power Company Ltd.
- Summit Uttaranchol Power Company Ltd.



Summit Power Limited (SPL)

Summit Power Limited (SPL), a subsidiary of Summit Group is the first Bangladeshi Independent Power Producer (IPP) in Bangladesh in private sector providing power to national grid. SPL was incorporated in Bangladesh on March 30, 1997 as a Private Limited Company. On June 7, 2004 the Company was converted to Public Limited Company under the Companies Act 1994.

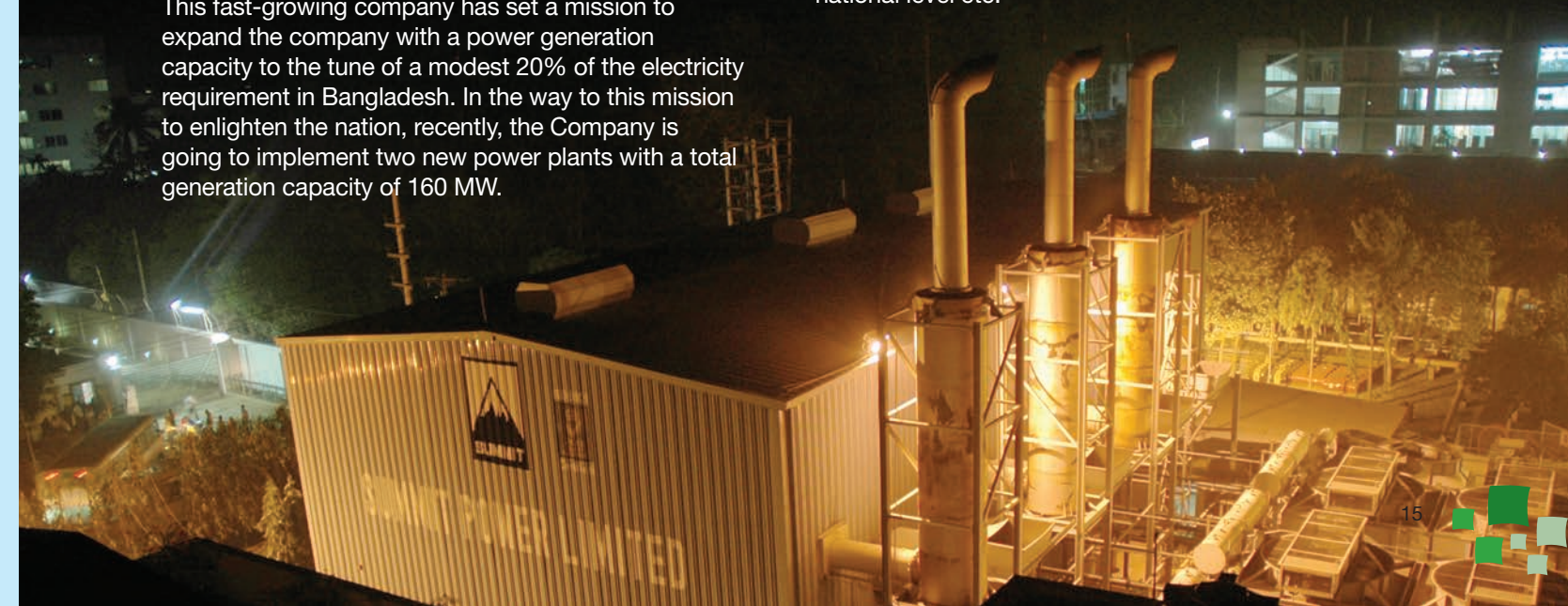
Today Summit Power Limited owns and operates 08 (eight) power plants at different locations across the country. Our plants are manufactured by world famous technotex companies, i.e. – Wartsila – Finland, Caterpillar - USA, and GE - Germany. All of its power plants run 24 hours a day to support the national grid. Due to Company's practice of Integrated Management System, it has been certified by ISO 9001: 2008 - Quality Management System, ISO 14001: 2004 - Environmental Management System and OSHAS 18001: 2007 - Occupational Health and Safety Management System certificates.

Summit Power Limited holds 17.64% of the ownership of Khulna Power Company Limited (KPCL). That means 50 MW (approximately) has been added with that of SPL being the total capacity of 367 MW.

This fast-growing company has set a mission to expand the company with a power generation capacity to the tune of a modest 20% of the electricity requirement in Bangladesh. In the way to this mission to enlighten the nation, recently, the Company is going to implement two new power plants with a total generation capacity of 160 MW.



Due to Management's dedication, integrity and leadership, the Company has been applauded locally and internationally by several awards, like – Best Fast Track Power Project Award by Asian Power Awards, International Star for Leadership in Quality Award by Business Initiative Directions (BID), Best Corporate in the Power Sector under ICMAB Best Corporate Award, ICAB National Award for Best Published Accounts and Reports, ICAB National Award for Best Presented Annual Reports, Best Power Generation Company award of 2013 in private sector power generation at national level etc.



Notice of the 16th Annual General Meeting

Notice is hereby given that the 16th Annual General Meeting of the Shareholders of Khulna Power Company Ltd. will be held on Wednesday the 18th day of June, 2014, at Bashundhara Convention Center, Block-C, Umme Kulsum Road, Bashundhara R/A, Baridhara, Dhaka-1229 at 11.00 A.M to transact the following businesses:

Ordinary Business:

1. To receive and adopt the Directors' Report and the Audited Financial Statements for the year ended December 31, 2013 together with the Auditors' Report thereon.
2. To declare dividend for the year 2013 as recommended by the Board of Directors.
3. To elect Directors of the Company retiring in terms of relevant Article of the Company's Articles of Association.
4. To appoint Auditors for the year 2014 and to fix their remuneration.

By order of the Board



(Md. Shoharab Ali Khan FCMA)
Company Secretary

Dhaka, June 2, 2014.

Notes:

1. Shareholders whose names appeared at the record date i.e. May 14, 2014 in the Share Register of the Company or in the Depository Register on that date will be eligible to attend and vote in the Annual General Meeting and to receive dividend as approved in the AGM.
2. Members entitled to attend and vote at the Annual General Meeting may appoint a Proxy to attend and vote on his/her behalf. The proxy form must be affixed with requisite revenue stamp and must be submitted to the Registered Office of the Company not less than 48 hours before the time fixed for the Annual General Meeting.
3. Admission into the meeting venue will be allowed on production of the Attendance Slip attached with the Proxy Form.

Special Note: No benefit or gift in cash or kind shall be given to the Shareholders for attending the 16th Annual General Meeting as per Bangladesh Securities and Exchange Commission's Circular No. SEC/CMRRCD/2009-193/154 dated October 24, 2013.

15th AGM Photographs



Message from the Chairman



*Dear Fellow Owners of
Khulna Power Company Ltd.*

Assalamu Alaikum,

It is my privilege to welcome you all to the 16 Annual General Meeting of your company, which provides me with an opportunity to inform you of the policy and strategy of your good Company, Khulna Power Company Ltd, so that you may appraise our performance. Your company is an Electricity Generating Company, which is the core ingredient of national growth. Well, we have delivered a healthy performance about which we can all be reasonably proud.

As you all know the biggest challenge to growth of capital intensive power generation companies' is capital itself. Your company has specialised in financing projects at the lowest costs i.e. lowest interest. Under its umbrella, companies such as Khanjahan Ali Power Company Ltd, Khulna Power Company Unit II Ltd. are the only rental companies that could get financed by the multilaterals at less than 5% per annum.

Bangladesh's infrastructure, especially electricity is so important that there is no difference of opinion amongst the politicians on the requirement of dynamic electricity generating

companies, thus providing us unhindered growth opportunities today and beyond. In the year 2013 we made great progress in spite of it being one the most challenging years for the country's economy and I am convinced through our hard work we can unlock full potential. I would like to congratulate our stakeholders and employees for overall performance in 2013, during which year we managed to improve profits by 18.40% and reduce finance costs by 60%. There has also been a decline in our gearing ratio which means that the Company has reduced its dependence on debt financing, hence leaving further profits to be attributable to our ordinary shareholders. The company has done consistently well in other areas of performance as well.

I am proud and pleased to inform you, Khulna Power Company Ltd has earned a consolidated net income of Tk.1,967 million in financial year 2013, 18.40% more than financial year 2012. This year 2013 we have generated 1,294,352 MWh electricity as per requirement of National Load Dispatch Center (NLDC) of the Bangladesh Govt, which is 15.22% more than the year 2012.

We are very much confident that the company will maintain its momentum in achieving growth in business and profitability in the years to come. We are greatly appreciative of the continued support of our valued shareholders and would look forward to continuation of the same.

Last year your Managers bagged "Second Best Corporate Award" in the power companies' category in 2012 for its efforts to establish corporate governance

by the Institute of Cost and Management Accountants of Bangladesh (ICMAB). The management deserves a huge CONGRATULATION from us which I have conveyed to them on your behalf. The company continues to be managed professionally by qualified personnel and development of human resource is one of the priorities of the company to maintain its ability to provide services of the highest quality.

I would like to convey my sincere thanks to my fellow directors for their support and cooperation. The management team and staff worked very hard to take the company forward and in delivering excellent results. I would like to recognize their dedicated and unflinching services and convey our appreciation and thanks to all of them.

Thank you for being with us in good days and bad, if there are any.

All the best wishes

Muhammed Aziz Khan
Chairman

Directors' Report to the Shareholders

For the year ended December 31, 2013



Report of the Board of Directors to the Shareholders under Section 184 of the Companies Act 1994 and Bangladesh Securities & Exchange Commission's (BSEC) notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012.

Bismillahir Rahmanir Rahim

Dear Shareholders,

Assalamu Alaikum,

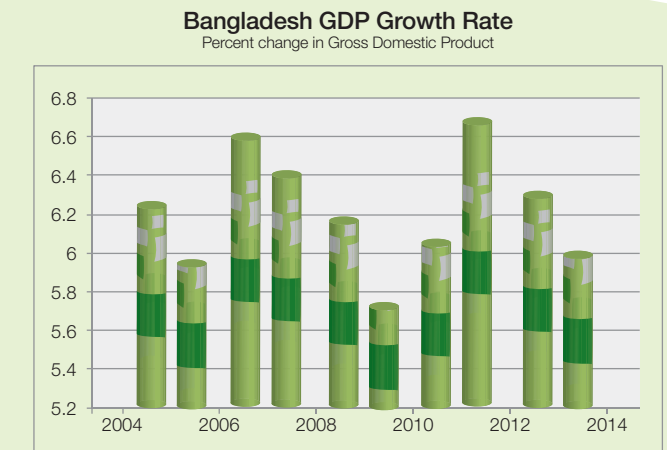
The Board of Directors of Khulna Power Company Ltd (KPCL) welcomes you to the 16th Annual General Meeting of the Company. We are pleased to submit before you the operational activities and audited financial statements of the Company for the year, which ended on December 31, 2013.

Domestic Economic outlook

Bangladesh has achieved higher GDP (gross domestic product) growth rates in comparison to the global economy in recent years. Despite a fall in world output during the immediate aftermath of the financial crisis in 2009, Bangladesh has managed to consistently exceed growth rates of five per cent since 2009. The Gross Domestic Product (GDP) growth rate in Bangladesh was 6.01 percent in 2013. Bangladesh achieved 6.7 percent growth in the year 2011, which was the highest rate achieved since the year 1994 and this growth performance was possible due to strong rebound in exports and the expansion of the manufacturing sector. From the year 1994 to 2013, Bangladesh GDP Growth Rate averaged 5.60 percent.

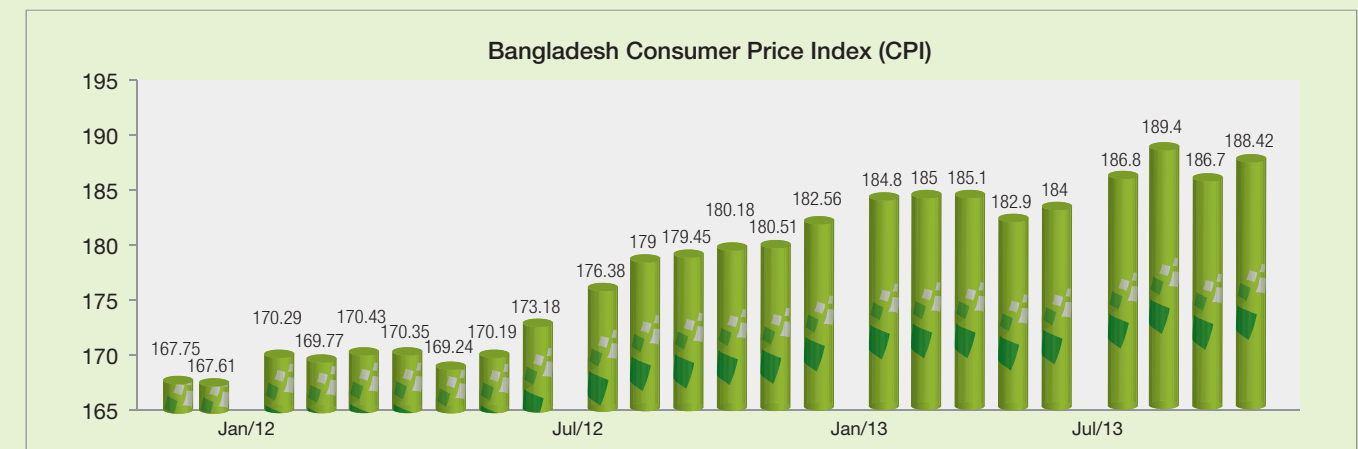
The year 2013 has been one of the most challenging years for the country's economy in recent times. However, against all odds, Bangladesh has been able to attain a GDP growth of 6.01% in the year 2013. Although this marks a drop in GDP growth rate compared to the last two years, growth of over 6% is quite respectable, especially since the projected growth of our neighboring developing countries has been around 5% in the fiscal year 2014.

In longer timeframe, the economy has grown at a rate of 5-6% per year since 1996 despite poor infrastructure, corruption, insufficient power supplies, and slow implementation of economic reforms. The economy has persevered so far in the face of global



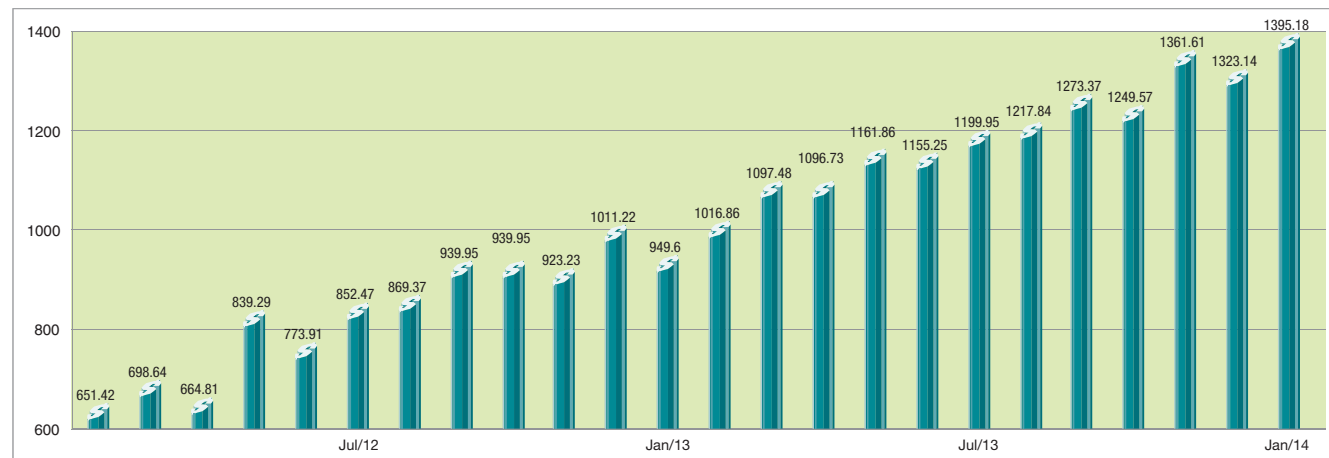
recession, but the domestic challenges are manifold with respect to soaring inflation, import-export imbalances, increasing budget deficit and government borrowing.

Consumer Price Index (CPI) in Bangladesh increased to 188.42 Index Points in October 2013 from 186.70 Index Points in September of 2013. Consumer Price Index (CPI) in Bangladesh averaged 101.55 Index Points from 1993 until 2013, reaching an all time high of 189.40 Index Points in August of 2013 and a record low of 51.99 Index Points in July of 1993. In Bangladesh, the Consumer Price Index or CPI measures changes in the prices paid by consumers for a basket of goods and services.



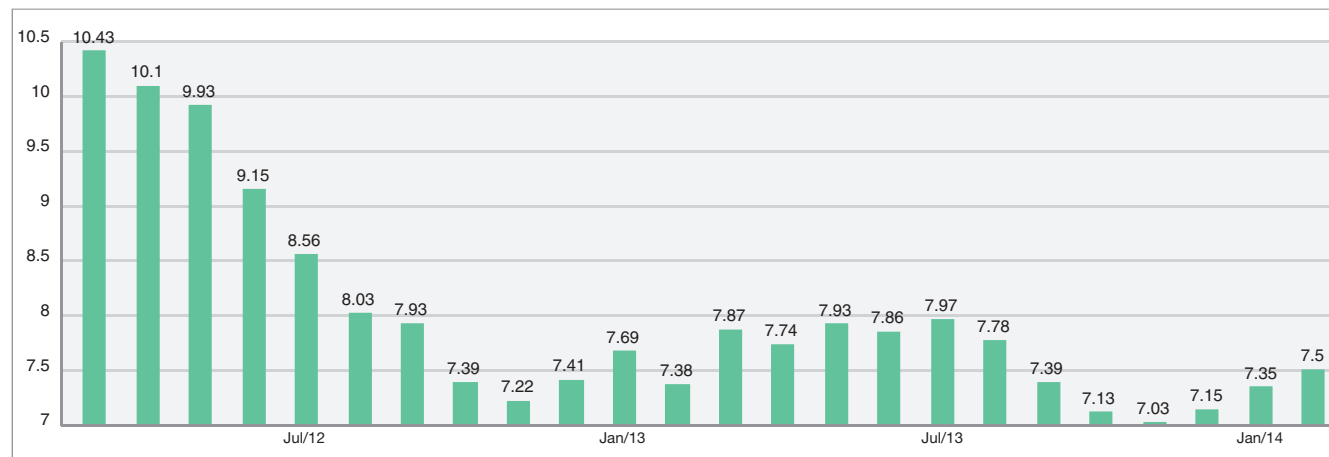
Foreign Exchange Reserves in Bangladesh increased to 1395.18 Billion BDT in December of 2013 from 1323.14 Billion BDT in November of 2013. Foreign Exchange Reserves in Bangladesh averaged 277.22 Billion BDT from 1990 until 2013, reaching an all time high of 1395.18 BDT Billion in December of 2013 and a record low of 13.75 BDT Billion in May of 1990. In Bangladesh, Foreign Exchange Reserves are the foreign assets held or controlled by the country's central bank. The reserves are made of gold or a specific currency. It can also be special drawing rights and marketable securities denominated in foreign currencies like treasury bills, government bonds, corporate bonds and equities and foreign currency loans.

Bangladesh Foreign Exchange Reserves



The inflation rate in Bangladesh was recorded at 7.50 percent in January of 2014. Inflation Rate in Bangladesh averaged 6.63 Percent from 1994 until 2014, reaching an all time high of 12.71 Percent in December of 1998 and a record low of -0.02 Percent in December of 1996. In Bangladesh, the inflation rate measures a broad rise or fall in prices that consumers pay for a standard basket of goods.

Bangladesh Inflation Rate
Annual Change on consumer price index



To summarize about the economy of Bangladesh in recent times, the economy performed quite well in terms of GDP (gross domestic product), Consumer Price Index (CPI), Foreign Exchange Reserves and Inflation Rate.

Energy Sector Outlook

Electricity is the major source of power for most of the country's economic activities. Bangladesh's installed electric generation capacity was 10,289 MW in January, 2014. About 62% of the population has access to electricity with a per capita availability of 321 kWh per annum. Obstacles, in the Bangladesh's electric power sector includes high system losses, delays in completion of new plants, low plant efficiencies, erratic power supply, electricity theft, blackouts, and shortages of funds for power plant maintenance. Overall, the country's generation plants have been striving to meet system demand over the past decade. According to Power Sector Master Plan - 2010 Study, year-wise peak demand forecast is given below –

Fiscal Year	Peak Demand (MW)
2014	9,268
2015	10,283
2016	11,405
2017	12,644
2018	14,014
2019	15,527
2020	17,304

Figure: A forecast of peak demand of electricity of Bangladesh till 2020

During this year, access to electricity has been raised from 47% to 62% (including Renewable Energy) and per capita electricity generation improved dramatically (from 220 kWh to 321 kWh). About 3.45 million people have newly been connected and System loss (distribution) reduced from 15.67% to 12.03%.

With proper load management, irrigation for agriculture has been given the fullest support which contributed to bumper harvests during the last crop seasons. Considering the country's future energy security and low-carbon emission

Till September 2013, 57 plants with a capacity of about 4,432 MW have been commissioned, 33 plants with a capacity of 6,569 MW are under construction. 19 projects with a capacity of about 3,974 MW are under tendering process and 9 plants with capacity of 3,542 MW are at initial stages.

strategy, programs have been undertaken to promote use of renewable energy. Government has formulated pro-investment policy to encourage private sector investment in Renewable Energy (RE) Sector. Bangladesh has the fastest growing Solar Home System (SHS) in the world with over one million homes covered under the program being spear headed by a public infrastructure financing entity.

Other related projects include - 1 MW solar hybrid system along with 5 MW by diesel in Hatia island, 8 MW Solar PV plant in Kaptai, Solar Street lights in six City Corporation areas, replacement of diesel irrigation pump by Solar, 600 kW solar mini grid in a remote area Sullah, 11 KW solar power to the CHT area, nearly 230 W solar power in Angorpota and Dahagram Chitmahal Area. Solar PV with capacity of 21.2 KW at the Honorable Prime Minister's office has been installed as a demonstration project. Other line ministries have also undertaken projects on solar lighting.

Coal fire plants with capacity of 1320 MW will be set up in Khulna. The Khulna plant will be set up in joint venture with BPDB of Bangladesh and NTPC of India. Besides, other coal fired plants will be set up in different locations of Khulna, Chittagong, Matarbari and Moheshkhali. Transmission and distribution system will be improved accordingly in line with generation increase.

The old plants are being rehabilitated phase-wise for

energy efficiency and reduction of emissions. To explore the wind potentials in Bangladesh, a number of wind mapping programs has been initiated in coastal areas of the country. Along with wind mapping, wind power projects with capacity of 100 - 200 MW have been taken up for implementation in phases.

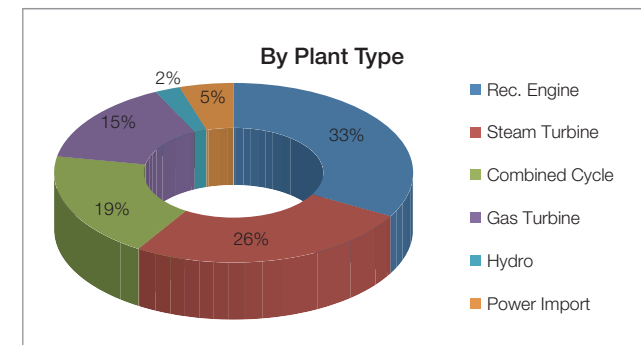
The old plants are considered to be rehabilitated phase-wise for energy efficiency and reduction of emissions. Extensive use of ICT will be made to improve the institutional capacity of the power sector and service delivery to the customers. Major power distribution expansion projects of five different entities are mentioned below:

The Present Generation Capacity (in MW) Table as on November 2013 indicates that the public sector produced 58% (5,692 MW) and private sector produced 42% (4251 MW) of the total electricity produced in the country. It is to be mentioned that Summit contributes approximately 10% in its sector.

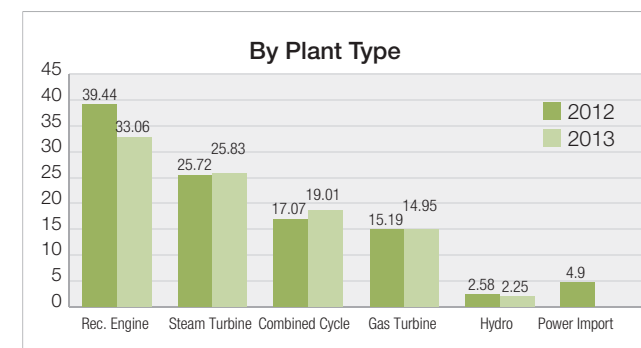
Public Sector	Installed Generation Capacity (MW)
BPDB	4186
APSCL	777
EGCB	622
NWPGCL	300
RPCL	77
Subtotal	5,962(58%)
Private Sector	
IPPs	1330
SIPPs(BPDB)	99
SIPPs(REB)	226
15 YR. Rental	167
3/5 YR. Rental	1929
Power Import	500
Subtotal	4,251(42%)
TOTAL	10,213

Figure: Present Installed Generation Capacity (MW) as on November, 2013

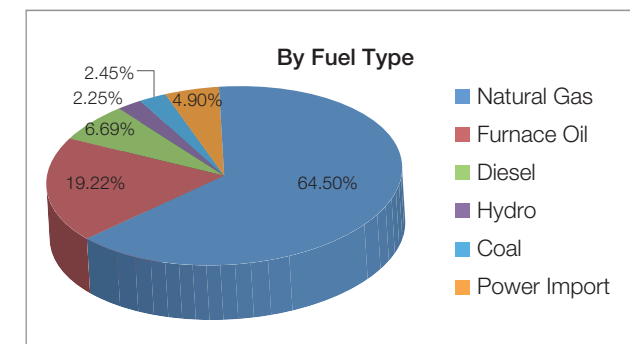
As per the Generation Capacity by Plant Type we can see that the electricity generated by Reciprocating Engines was greater in 2012 than that of 2013. These engines generated 39.44% of electricity in 2012, where it has generated only 33.06% in 2013. Comparing the year 2012 and 2013, we can see that the contribution made by Steam Turbine was almost same in both years 25.72% and 25.83% respectively. The next major contribution was made by Combined Cycle 19.07% in the year 2013. Only 2.25% electricity was generated by Hydro type plants.



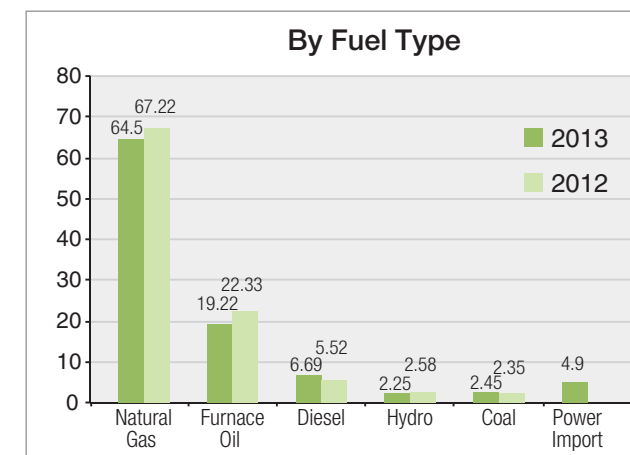
As per the comparison graph between Generation Capacity by plant type in 2012 versus that of 2013 we see that Steam Turbine Engines contributed 25.72% in 2012 and it was almost same in the next year 2013, about 25.83%. But the contribution made by Gas Turbines, Reciprocating Engines and Hydro Engines fell slightly in 2013. The generation by combined cycle engine was increased by about 2% during 2013.



As per the Generation Capacity by Fuel Type, we can see that the Natural Gas consumed engines had the lead in 2013. These engines generated 64.50% of electricity in 2012. The next major contribution was made by engines run by Furnace Oil followed by diesel.



As per the comparison graph between Generation Capacity in 2012 versus 2013, we can see some changes in the pattern of the type of fuel consumed by the plants. The contribution made by Natural Gas and Furnace Oil decreased by around 3% in 2013 and that of Diesel engines increased by approximately 1%. The rest of the type of engines by fuel type contributed almost in the same proportion.



Business opportunities are available in power generation, distribution and in transmission. Some of such benefits for potential local and foreign investors are as follows –

Facilities and incentives for private power companies:

- Exemption from corporate income tax for different tenor/period with different tax rates.
- Allowed to import plant and equipment and spare parts up to a maximum of ten percent (10%) of the original value of total plant and equipment within a period of twelve (12) 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.

Other 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.
- Remittance of up to 50% of salary of the foreigners employed in Bangladesh and facilities for repatriation of their savings and retirement benefits at the time of their return.
- No restrictions on issuance of work permits to project related foreign nationals and employees. Facilities for repatriation of invested capital, profits and dividends.

Business Activities including its Operating Performance

Khulna Power Company Ltd. (KPCL) is the first Independent Power Producer (IPP) of the country in private sector. Established under the Private Sector Power Generation Policy of Bangladesh 1996 (Revised in November 2004), has been in operation for the last 15 years. Initially KPCL started its journey to empower Bangladesh with its 110 MW barge mounted power plants. However in 2011 KPCL added another two efficient power plants- 115 MW KPC Unit-II and 40 MW Khanjahan Ali Plant. Present total generation capacity is 265 MW. Following is a snapshot of KPCL plants' operational performance for the year 2013.

Name	Licensed Capacity MW	Installed Capacity MW	Availability	Energy Sold MWh	Plant Factor Average of 2013
KPCL	110	114	96 %	502184	52 %
KPCL II	115	119	93 %	543000	54 %
KJAPCL	40	44	91 %	225681	64 %
Total	265	277		1270865	

During the year 2013 KPCL plants' added 1,271 million units (kWh) of electricity to the national grid. Since beginning our plants were being operated and maintained by Wartsila Bangladesh Ltd., a 100% owned subsidiary of Wartsila OY, Finland; the manufacturer and spare parts supplier of these plants. Wartsila Bangladesh is certified for ISO 9001, 14001 and 18001 for their excellence in quality, environment and industrial health and safety. Recently these plants are being operated and maintained by the companies itself with full sets of experienced engineers and staff as engaged earlier.

KPC Unit-II Ltd. had achieved financial close by receiving foreign currency term-loan of USD 50 million from DEG - Deutsche Investitions- und EntwicklungsgesellschaftmbH and FMO – NederlandseFinancierings-MaatschappijVoorOntwikkelingslanden N.V. which will be paid off on May 2016.

Khanjahan Ali Power Company Ltd. had achieved financial close by receiving a foreign currency term loan of USD 19.50 million from Standard Chartered Bank Mauritius Ltd. which will be paid off on January 2016.

Contribution to the Economy & the National Exchequer

Electricity is one of the main driving forces of the economy and it has a diversified use and multiplier effect on the economy. Significantly in the development of industrialization, electricity as fuel has no alternative. This year our power plants added 1,271 million units (kWh) of electricity to the national grid. This addition has contributed significantly in enhancing industrial productions and providing more job opportunities throughout the country. As a shareholder you can be proud of your Company's contribution to Bangladesh.

Your Company has received exemption from all such taxes from the Government of Bangladesh under the private sector power generation policy for a period of 15 years from start of its commercial operation. 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 that was about Tk. 27.50 million for the year 2013.

Extra-ordinary gain or loss

There is no extra-ordinary gain or loss in the financial statements under report.

Related Party Transaction

The related party transactions carried out by the Company on a commercial basis during the year have been disclosed in the notes 36 to the financial statements.

Utilization of proceeds from public issues, rights issues and/or through any other instrument

Not applicable.

Significant variance between Quarterly and Annual Financial Statements

No significant variations have occurred between quarterly and final financial results of the Company during the year under report.

Remuneration of Directors

There is no executive director except Managing Director and no remuneration is being paid. Directors including Independent Director are paid attendance fee per meeting. Related fees have been disclosed in the notes 36 to the financial statements.

Corporate and Financial Reporting Framework

The Law requires that the financial statements of your Company follow Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards (BFRS). This has been completely followed to fairly present the financial position and performance of the Company. While preparing the financial statements, the following points were considered –



- I. Selection of suitable accounting policies and then applying them consistently;
- II. Making judgments and estimates that are reasonable and prudent;
- III. Ensuring that the financial statements have been prepared in accordance with Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards; and
- IV. Preparing the financial statements in an ongoing concern basis unless it is appropriate to presume that the Company will not continue in business.

Proper accounting records have been kept so that at any given point the financial position of the Company is reflected with reasonable accuracy, which will enable them to ensure that its financial statements comply with Companies Act 1994 and other required regulatory authorities.

In compliance with the requirements of the BSEC's Notification dated 7th August 2012, the 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 financial 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 financial 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. Significant deviations from last year in operating results of the Company are highlighted and the reasons have been explained in financial results & profit appropriation;
- h. Key operating and financial data has been summarized for the preceding five years; in Annexure-3;
- i. The number of Board meetings held during the year and attendance of each director has been disclosed;
- j. The pattern of shareholding has been reported in Annexure-4 to disclose the aggregate number of shares;

Financial Results and Performance of the Company

Consolidated key Financial Results compared with last year is detailed below:

Particulars	2013 (In Million Taka)	2012 (In Million Taka)
Revenue	10,249.77	10,347.96
Cost of sales	(7,910.72)	(7,914.60)
Gross profit	2,339.05	2,433.36
General and administrative expenses	(206.35)	(142.48)
Operating profit	2,137.90	2,291.58
Finance income	118.04	32.39
Finance expenses	(247.97)	(614.98)
Net Profit before Income tax	1,999.95	1,687.55
Income Tax	(33.18)	(26.50)
Net Profit after Income Tax	1,966.78	1,661.05

Net profit margin during the year 2013 has increased from 16.05% to 19.19% mainly due to increase in finance income and reduction of finance expenses.

Profit Appropriation

During the year 2013, your company's consolidated net profit (Excluding non controlling interest) amounted to Tk. 1,935.15 million as compared to Tk. 1,626.89 million in the year 2012. Directors of the company would like to report the company's financial results for the year that ended on 31st December 2013 with the recommendations for appropriation as follows:

Particulars	Amount (In Million Taka)
Net Profit after tax for the year 2013	1,935.15
Profit brought forward	1,958.64
	3,893.19
Cash Dividend paid for the year 2012	(382.31)
Redemption of Preference Shares	(220.00)
Profit available for appropriation	3,291.48
Appropriations:	
Proposed Cash Dividend for the year 2013 @ 25%	(860.20)
Retained Earnings after Proposed Cash Dividend	2,431.28

Movement of Capital Redemption Reserve:

Particulars	Amount (In Million Taka)
Balance as at 1 Jan 2013	440.00
Transferred during the year	220.00
	660.00
Stock Dividend paid for the year 2012	(382.31)
Balance as at 31 Dec 2013	277.69
Proposed Stock Dividend for the year @ 5%	(172.04)
Balance after Proposed Stock Dividend	105.65

Dividend

Your Board recommends a cash dividend of 25 % (i.e. Tk 2.50 per share of Tk. 10.00 each) and stock dividend of 5 % (i.e. 1 Bonus Share for every 20 Shares) for the year 2013, subject to approval by the shareholders at the 16th Annual General Meeting.

Directors meeting & attendance

During the year ended December 31, 2013, the Board of Directors held 5 meetings. Directors who attended the Board meetings are shown below:

Name of Director	Attended
Mr. Muhammed Aziz Khan	03
Mr. Hasan Mahmood Raja	04
Mr. Latif Khan	05
Mr. Muhammad Farid Khan	03
Mr. Jafer Ummeed Khan	03
Ms. Ayesha Aziz Khan	03
Mr. A.N.M Tariqur Rashid	04
Mr. Ahmed Ismail Hossain	02
Mr. K. M. Ahsan Shamim	04
Mr. Akhter Mahmud Rana	01
Mr. Faridur Rahman Khan	04
Mr. Abul Kalam Azad	05
Mr. Moinuddin Hasan Rashid	04
Mr. Syed Fazlul Haque FCA	05

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

Directors' Election & Re-appointment

As per article 23(b) of the Articles of Association Mr. Jafer Ummeed Khan, Mr. K.M Ahsan Shamim and Mr. Akhter Mahmud Rana shall retire in the 16th Annual General Meeting by rotation and being eligible, offer them for re-election.

In exercise of the power vested in article 20 (c) of the Articles of Association of the Company, the Board appointed Lt Gen Sina Ibn Jamali, awc, psc (retd), Ms. Karishma Jahan as Independent Director in the Board on 26 February 2014 and Mr. Syed Fazlul Haque FCA has also been re-appointed (for second term) as Independent Director in the Board on 15 May, 2014. All the three Independent Directors will retire in the 16th Annual General Meeting and being eligible, offer themselves for re-election.

Audit Committee meeting & attendance

The Company has an audit committee with an established charter. The audit committee has met four times this year and the committee members' attendance record is disclosed below:

Name	Status	Attended
Mr. Syed Fazlul Haque FCA	Chair	04
Mr. Abul Kalam Azad	Member	04
Ms. Ayesha Aziz Khan	Member	02

Auditors

Hoda Vasi Chowdhury & Co, Chartered Accountants was appointed as the auditors of the Company in the 15th Annual General Meeting. They have carried out the audit for the year 2013 and the auditors of the Company will retire in the 16th Annual General Meeting. Being eligible under section 212 of the Companies Act, 1994 they have expressed their willingness for reappointment for the year 2014. As recommended by the Board, the resolution to reappoint Hoda Vasi Chowdhury & Co as auditors will be placed at the forthcoming Annual General Meeting of the Company.

Business Risk & Uncertainties

In the backdrop of huge shortage of power in the country, the provisions of the power purchase agreement guaranteeing 100% of the monthly capacity payment of KPCL and 100% of monthly capacity rental payment of Khulna Power Company Unit II Ltd. and Khanjahan Ali Power Company Ltd., minimizes the risk of non-utilization of the capacity of the plant. The payment of tariff by BPDB within the specified time is secured under the provisions of the agreement for which Letter of Credit has been issued by BPDB for two months' minimum guaranteed payment. Additionally, GoB through the Implementation Agreement provides sovereign guarantee with regard to payments which mitigates risk of any non-payments.

The Company is operated by a team of highly motivated and trained engineers who were employed for the last sixteen years under Wärtsilä, the leading power plant manufacturer and plant operator in the world. Wärtsilä is technologically advanced enough to keep KPCL plant out of any technology related risk. Moreover, the company is maintain & adequate spare parts stock to avert any or all risk of incurring any liquidated damage due to the non-performance/ maintain down time of the plant.

The availability of all sorts of spare parts is ensured under a long term Supply Agreement with Wartsila. Sufficient spares parts inventory for smooth operation of KPCL plants is maintained and it is currently at value of US\$ 5 Million.

Heavy Fuel Oil (HFO) is used as basic raw material for the operation of the KPCL, KPC Unit II and KJAPC power plants. BP Singapore PTE. Limited has been supplying Heavy Fuel Oil (HFO) to the Company through under the Fuel Supply Agreement and the risk of price fluctuation in the global oil market is mitigated by the very Fuel Tariff structure which is based on fuel cost as a Pass Through item. Moreover, KPCL can source HFO from other sources if above sources are unable to supply.

The companies have prudent insurance coverage which covers all risks package including Fire, Machinery Breakdown, Business Interruption and Third Party Liability etc.

Financial risk management has been disclosed in the notes 35 to the financial statements.

Going Concern

While approving the financial statements, the Directors have made appropriate enquires and analyzed significant operating and indicative financials which enabled them to understand the ability of the Company to continue its operations for a foreseeable future. The Directors are convinced and have a reasonable expectation that the company has adequate resources and legal instruments to continue its operations without interruptions. Therefore the Company adopted the going concern basis in preparing these financial statements.

Corporate Governance

Corporate Governance is the system through which companies are directed, guided and controlled by the Board while keeping in view its accountability to the shareholders. Your Company strives to maintain full compliance with the laws, rules and regulations that govern our business and to uphold the highest standards.

Corporate Social Responsibility

KPCL supports various Government, Non-Government Organizations (NGOs) and community capacity development institutions and contributes towards many social and humanitarian causes as part of its Corporate Social Responsibility. Such activities are in favor of education, skill development, empowering women, medical support, underprivileged children & youth and so on.





Since last year KPCL in collaboration with DEG has taken a Community Development and CSR project to provide following benefits to the people of its plants area.

- Free Computer Training
- Skill Development; Sewing and tailoring training for women
- Appointment of a full time doctor (Medicine Specialist) and medicine support
- Health Camps at regular intervals by specialist doctors
- Monthly Financial support for the poor and meritorious students of schools and madrassa
- Developing infrastructures of Drinking Waters and Toilets in schools and madrassa
- Appointment of cleaners for cleaning schools' toilets and wash rooms
- Plantation in various schools and nearby areas
- Distribution of sewing machines
- Distribution of school uniforms and stationeries etc.

Human Resources and Safety Management

People are the one of the most important resources of a company and key to the success of any organization. To develop and equip the employees with essential skills, the company places great emphasis on the development of the staffs involve with the organization and hence the company and its operator undertakes appropriate training and workshops to update their knowledge in their respective functional areas.

We complied with Environmental Assessment Report and also operated & maintained the facility as per ISO standard EMS 14001. DOE regulations and other legal requirements as well as ISO 14K guidelines are strictly complied.

We actively pursued the target of zero tolerance for fire, breakdown and oil spill & lost time incident. As a result we have successfully operated our plants with nil incident and injury for the whole year.

Status of Compliance

In accordance with the requirement stipulated in condition No.7 of the Bangladesh Securities & Exchange Commission's notification no-SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 issued under section 2CC of the Ordinance 1969 the Corporate Governance Compliance Report is shown in Annexure -1. A Certificate from Podder & Associates, Cost & Management Accountants confirming compliance of conditions of Corporate Governance Guidelines as stipulated under condition 7(i) is also annexed to this report as Annexure -2.

Acknowledgement

The Directors would like to give special thanks to the members of the public who have placed their confidence on the Company by purchasing shares and supporting the activities of the Company. Without the support of its shareholders, the Company could not have attained what it has achieved today.

Your Directors would 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 teamwork has helped KPCL achieve the success that it has today. 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 KPCL.

The trust and confidence that our valued customers, BPDB & PGCB have placed upon KPCL are our main driving forces. We accept this trust in all humility and shall continue to strive to live up to the expectations. The Board expresses its heartfelt appreciation and gratitude to BPDB, the Power Division, MPEMR, Government of Bangladesh as well as Bangladesh

Petroleum Corporation (BPC), Jamuna Oil Company Limited, Padma Oil Company Limited, Chittagong Port Authority, National Board of Revenue, Board of Investment (BoI), Department of Environment (DoE), the Deputy Commissioner, the Superintendent of Police, the local administration of Khulna and Noapara and the people of the locality for extending their support towards the Company. The Board also extends its best wishes to the operator (Wartsila Bangladesh), 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 & 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 Bangladesh Limited, various Government Authorities and lastly the individuals and agencies who have helped us accomplish what we are today.

We look forward to even better days in future.

On behalf of the Board

Hasan Mahmood Raja
Managing Director

Annexure-1

Compliance Report on BSEC's Notification

Status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/134/admin/44 dated August 07, 2012 and amended vide Notification No. SEC/CMRRCD/2006-158/147/Admin/48 dated July 21, 2013, issued under section 2CC of the Securities and Exchange Ordinance 1969 is presented below:

(Report under Condition no 7.00)

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Compliance	Not complied	
1.	BOARD OF DIRECTORS			
1.1	Board's Size (number of Board members – minimum 5 and maximum 20)	✓		
1.2	Independent Directors			
1.2 (i)	At least one fifth (1/5) of the total number of directors in the company's board shall be independent directors.	✓		1 Independent Director in the board of 14 to comply such another 2 independent directors have been appointed on 26 February 2014
1.2 (ii)	For the purpose of this clause "independent director" means a director			
1.2 (ii)(a)	Who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company;	✓		Does not hold any share
1.2 (ii) (b)	Who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company;	✓		
1.2 (ii) (c)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/ associated companies;	✓		
1.2 (ii) (d)	Who is not a member, director or officer of any stock exchange;	✓		
1.2 (ii) (e)	Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market;	✓		
1.2 (ii) (f)	Who is not a partner or an executive or was not a Partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm;	✓		
1.2 (ii) (g)	Who shall not be an independent director in more than 3 (three) listed companies;	✓		
1.2 (ii) (h)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFi);	✓		
1.2 (ii) (i)	Who has not been convicted for a criminal offence involving moral turpitude.	✓		
1.2 (iii)	The independent director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM).	✓		
1.2 (iv)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days.	✓		
1.2 (v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded.	✓		"Standards of Business Conduct" set for the directors and maintained.

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Compliance	Not complied	
1.2 (vi)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1(one) term only.	✓		
1.3	Qualification of Independent Director (ID)			
1.3 (i)	Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.	✓		
1.3 (ii)	The person should be a Business Leader/Corporate Leader/ Bureaucrat/ University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have a least 12 (twelve) years of corporate management /professional experiences.	✓		
1.3 (iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.	✓		Not applicable
1.4	Chairman of the Board and Chief Executive Officer			
	The positions of the Chairman of the Board and the Chief executive Officer of the companies shall be filled by different individuals. The Chairman of the company shall be elected from among the directors of the company. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.	✓		
1.5	The Director's Report to shareholders			
1.5 (i)	Industry outlook and possible future developments in the industry.	✓		
1.5 (ii)	Segment-wise or product-wise performance.	✓		
1.5 (iii)	Risks and concerns.	✓		
1.5 (iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	✓		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss.	✓		
1.5 (vi)	Basis for related party transactions-a statement of all related party transactions should be disclosed in the annual report.	✓		
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments.	✓		
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO). Rights Offer, Direct Listing, etc.	✓		
1.5 (ix)	If significant variance occurs between Quarterly Financial Performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	✓		
1.5 (x)	Remuneration to directors including independent directors.	✓		
1.5 (xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	✓		

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks (if any)
		Compliance	Not complied	
1.5 (xii)	Proper books of account of the issuer company have been maintained.	√		
1.5 (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.	√		
1.5 (xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standard (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	√		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	√		
1.5 (xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	√		
1.5 (xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	√		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	√		
1.5 (xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	√		Not Applicable
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		
1.5 (xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by :-			
1.5 (xxi) (a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	√		Subsidiaries: Khulna Power Company Unit II Ltd. & Khanjahan Ali Power Company Ltd.
1.5 (xxi) (b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		Mr. Md. Shoharab Ali Khan, FCMA act as a Chief Financial Officer (CFO) as well as Company Secretary (CS) and Placid Gomes, ACA act as a Head of Internal Audit
1.5 (xxi) (c)	Executives;	√		
1.5 (xxi) (d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	√		
	Explanation : For the purpose of this clause, the expression "Executive" means top 5 (five) salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit.			
1.5 (xxii)	In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders :-			

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks (if any)
		Compliance	Not complied	
1.5 (xxii) (a)	a brief resume of the director;	√		
1.5 (xxii) (b)	nature of his/her expertise in specific functional areas;	√		
1.5 (xxii) (c)	names of companies in which the person also holds the directorship and the membership of committees of the board.	√		
2.	CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS)			
2.1	Appointment of CFO, Head of Internal Audit and Company Secretary and defining their respective roles, responsibilities and duties	√		
2.2	The CFO and the CS shall attend the Board Meetings.	√		
3.	AUDIT COMMITTEE			
3 (i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	√		
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	√		
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√		
3.1	Constitution of the Audit Committee			
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members.	√		
3.1 (ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) independent director.	√		
3.1 (iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	√		
3.1 (iv)	Expiration of the term of service of the Audit Committee members making the number lower than 3 (three) and fill up the vacancy (ies) by the Board not later than 1 (one) month from the date of vacancy(ies) immediately or not later than 1 (one) month from the date of vacancy (ies).	√		No such incidence arose
3.1 (v)	The company secretary shall act as the secretary of the Committee.	√		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	√		
3.2	Chairman of the Audit Committee			
3.2 (i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.	√		
3.2 (ii)	Chairman of the Audit Committee shall remain present in the Annual General Meeting (AGM).	√		
3.3	Role of the Audit Committee			
	Role of audit committee shall include the following :-			
3.3 (i)	Oversee the financial reporting process.	√		
3.3 (ii)	Monitor choice of accounting policies and principles.	√		

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks (if any)
		Compliance	Not complied	
3.3 (iii)	Monitor Internal Control Risk management process.	√		
3.3 (iv)	Oversee hiring and performance of external auditors.	√		
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	√		
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.	√		
3.3 (vii)	Review the adequacy of internal audit function.	√		
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	√		
3.3 (ix)	Review Management Letters/Letter of Internal Control weakness issued by statutory auditors.	√		
3.3 (x)	Declaration to Audit Committee by the company regarding utilization of IPO/RPO, Right issue money.	√		Not Applicable
3.4	Reporting of the Audit Committee			
3.4.1	Reporting to the Board of Directors	√		
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	√		
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any :	√		No such incidence arose
3.4.1 (ii) (a)	report on conflicts of interests;	√		No such incidence arose
3.4.1 (ii) (b)	suspected or presumed fraud or irregularity or material defect in the internal control system;	√		No such incidence arose
3.4.1 (ii) (c)	suspected infringement of laws, including securities related laws, rules and regulations;	√		No such incidence arose
3.4.1 (ii) (d)	any other matter which shall be disclosed to the Board of Directors immediately.	√		
3.4.2	Reporting to the Authorities (if any material impact on the financial condition and results of operation, unreasonably ignored by the management).	√		No such reportable incidence arose
3.5	Reporting to the Shareholders and General Investors	√		
4.	EXTERNAL/STATUTORY AUDITORS :			
4 (i)	Non-engagement in appraisal or valuation services or fairness opinions.	√		
4 (ii)	Non-engagement in financial information systems design and implementation.	√		
4 (iii)	Non-engagement in book-keeping or other services related to the accounting records or financial statements.	√		
4 (iv)	Non-engagement in broker-dealer services.	√		
4 (v)	Non-engagement in actuarial services.	√		
4 (vi)	Non-engagement in internal audit services.	√		
4 (vii)	Non-engagement in any other service that the Audit Committee determines.	√		

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks (if any)
		Compliance	Not complied	
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	√		
4 (ix)	Audit/certification services on compliance of corporate governance as required under clause (i) of condition No. 7.	√		
5.	SUBSIDIARY COMPANY			
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	√		
5 (ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	√		
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	√		
5 (iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.	√		
5 (v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	√		
6.	DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO)			
	The CEO and CFO shall certify to the Board that :-			
6 (i)	They have reviewed financial statements for the year and that to the best of their knowledge and belief :	√		
6 (i) (a)	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	√		
6 (i) (b)	these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	√		
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	√		
7.	REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE			
7 (i)	The company shall obtain a certificate from a practicing Professional Accountant/Secretary regarding compliance of conditions of Corporate Governance Guidelines of the Commission and include in the Annual Report.	√		
7 (ii)	The directors of the company shall state in the directors' report whether the company has complied with these conditions.	√		

PODDER & ASSOCIATES

Cost and Management Accountants

Annexure-2

As per SEC rules (letter SEC/CMRRCD/2006-158/134/Admin/44, dated 07 August, 2012), all the companies listed with any stock exchange in Bangladesh shall comply with some conditions in accordance with condition no. 7. The condition requires that the directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions and prerequisite set by SEC in their letter.

Compliance Certificate

On

CORPORATE GOVERNANCE

To the Shareholders of

Khulna Power Company Ltd.

"Podder & Associates", being one of the firm of "Professional Accountants" in Bangladesh, takes the gratification to study and opine in attainment of Compliance on Corporate Governance by **Khulna Power Company Ltd.** for the period ended 31 December 2013. This study is completed in accordance with the guideline set by **Bangladesh Securities and Exchange Commission (BSEC)** through the notification SEC/CMRRCD/2006-158/134/Admin/44, dated 07 August, 2012.

Accomplishment of compliance on corporate governance is the conscientiousness of the management of the Company. Our study is imperfect to the measures and execution of such as per guideline set by BSEC. It is neither an audit nor expression of opinion on the financial affairs of the Company.

As per our study and observation on the best of information & explanations provided, **Khulna Power Company Ltd.** has complied with the conditions of Corporate Governance set by Bangladesh Securities & Exchange Commission except appointment of necessary number of independent directors. As per guideline there has to be 03 (three) independent directors out of 14 (fourteen) members in the board, but, company has only 01 (one) during the period ended 31 December 2013. To comply such another 02 independent directors have been appointed on 26 February 2014.

On the above note, we would also like to state that such compliance is neither an assurance as to the future capability of the Company nor the efficiency or effectiveness by which management has conducted the affairs of the Company.

For Podder & Associates



Jayanta Kumer Podder

Chief Executive Officer

Date: 29 APR 2014

Place: Dhaka, Bangladesh

Financial Highlights

Annexure-3

	2013	2012	2011	2010 (Restated)	2009 (Restated)
Operating data (Taka in million)					
Revenue	10,249.77	10,347.96	11,262.20	7,945.76	6,393.27
Cost of Sales	7,910.72	7,914.60	9,697.12	7,222.67	5,718.43
Gross Profit	2,339.05	2,433.36	1,565.08	723.09	674.84
General & Admin. Expenses	206.35	142.48	131.31	78.68	64.08
Finance Income	118.04	32.39	8.54	19.84	9.16
Finance Expenses	247.97	614.98	531.62	120.80	130.92
Net Profit	1,966.78	1,661.05	833.85	539.72	582.65
Net Profit (Excluding non-controlling interest)	1,935.15	1,626.89	815.50	539.81	582.65
Financial Position/Balance Sheet data (Taka in million)					
Share Capital	3,440.81	3,058.49	2,878.58	2,398.82	2,085.93
Shareholders' Equity	7,009.97	5,457.14	3,830.24	3,014.74	2,683.52
Total Debt (Non-current Liabilities)	1,889.28	3,440.27	1,540.88	671.05	890.89
Current Assets	4,908.26	6,115.37	3,365.99	2,235.43	2,084.76
Current Liabilities	4,556.30	6,196.55	7,453.05	5,514.39	1,817.48
Total Assets	13,542.10	15,148.87	12,844.93	9,202.59	5,391.90
Total Liabilities	6,445.58	9,636.82	8,993.93	6,185.44	2,708.37
Financial Ratios					
Gross Profit Ratio (%)	22.82	23.52	13.90	9.10	10.56
Net Profit Ratio (%)	19.19	16.05	7.40	6.79	9.11
Return on Assets (%)	14.52	10.96	6.49	5.86	10.81
Debt Equity Ratio	0.47	0.91	0.54	0.29	0.41
Other Data					
Earnings Per Share (Tk)	5.62	5.32	2.83	2.25	2.43
Dividend (%)	30.00	25.00	25.00	20.00	25.00
Total Number of Ordinary Shares Outstanding	344,080,676	305,849,490	287,858,340	239,881,950	208,593,000
Total Number of Free Float Shares	101,200,233	89,955,752	71,964,602	59,970,496	-

Shareholding Information

as at 31 December 2013

Annexure-4

Name of Shareholders	No. of Shares	% of Shareholding
A) Sponsors:		
1. United Enterprises & Co. Ltd. (incorporated in Bangladesh)	121,399,482	35.2823%
2. Summit Industrial & Mercantile Corporation (Pvt.) Ltd. (incorporated in Bangladesh)	60,699,740	17.6411%
3. Summit Power Limited (incorporated in Bangladesh)	60,699,741	17.6411%
4. Muhammed Aziz Khan, Chairman	5,820	0.0017%
5. Hasan Mahmood Raja, Managing Director	5,820	0.0017%
6. Anjuman Aziz Khan	5,820	0.0017%
7. Latif Khan, Director	5,820	0.0017%
8. Muhammad Farid Khan, Director	5,820	0.0017%
9. Jafer Ummeed Khan, Director	5,820	0.0017%
10. Ayesha Aziz Khan, Director	5,820	0.0017%
11. Adeeba Aziz Khan	5,820	0.0017%
12. Ahmed Ismail Hossain, Director	5,820	0.0017%
13. K.M. Ahsan Shamim, Director	5,820	0.0017%
14. Akhter Mahmud Rana, Director	5,820	0.0017%
15. Faridur Rahman Khan, Director	5,820	0.0017%
16. Abul Kalam Azad, Director	5,820	0.0017%
17. Moinuddin Hasan Rashid, Director	5,820	0.0017%
Sub-total (A):	242,880,443	70.5882%
B) General Investors	101,200,233	29.4118%
C) Directors, Chief Operating Officer, Financial Controller, Company Secretary Head of Internal Audit and their spouses	-	-
D) Executives	-	-
Total (A+B+C+D):	344,080,676	100%

10% and above shareholding

Name of Shareholders	No. of Shares	% of Shareholding
1. United Enterprises & Co. Ltd.	121,399,482	35.2823%
2. Summit Industrial & Mercantile Corporation (Pvt.) Ltd.	60,699,740	17.6411%
3. Summit Power Limited	60,699,741	17.6411%

Report of Audit Committee-2013

Establishment of Audit Committee of Khulna Power Company Limited (KPCL) was approved in the Company's Board meeting held on 15th May 2011 and then subsequently Committee Charter was approved by the Board in its meeting held on 27th March 2012. The Committee, a sub-committee of the Board, supports the Board in fulfilling its oversight responsibilities.

The Audit Committee of KPCL comprises of the following Board members:

Mr. Syed Fazlul Haque, Independent Director - Chairman
Mr. Abul Kalam Azad, Director - Member
Ms. Ayesha Aziz Khan, Director - Member

A total of 3 (three) meetings were held since the last Annual General Meeting of KPCL held on 19th June 2013, the last being on 26th April, 2014. Besides Company Secretary who supports the committee as its secretary as well, permanent invitee to the meetings was the CFO, relevant heads of other functions and representative(s) of External Audit were also invited as required.

Role of the Committee

The Audit Committee's authorities, duties and responsibilities flow from the Board's oversight function and the terms of reference are detailed in Committee Charter approved by the Board. The major responsibilities of the Committee, among others, include:

- Reviewing the quarterly, half-yearly and annual financial statements and other financial results of the company and, upon its satisfaction of the review, recommend them to the board for approval.
- Monitoring and reviewing the adequacy and effectiveness of the company's financial reporting process, internal control and risk management system.
- Monitoring and reviewing the arrangements to ensure objectivity and effectiveness of the external and internal audit functions. Examine audit findings and material weaknesses in the system and monitor implementation of audit action plans.
- Recommending to the Board the appointment, re-appointment or removal of external auditors.

- Reviewing and monitoring the Company's ethical standards and procedures to ensure compliance with the regulatory and financial reporting requirements.

Activities of the Committee On Company's affairs for the period under report

The Committee during the period under report met four times and its activities include:

- Reviewed, among other issues, the quarterly and half yearly financial statements of the Company and recommended to the Board for adoption and circulation as per the requirement of Securities & Exchange Commission.
- Also reviewed the audited financial statements of the Company together with consolidated statements with its subsidiaries for the year ended 31st December 2013 and being satisfied that the critical accounting policies, significant judgments and practices used by the Company are compliant with the required laws and regulations, also confirmed by the external auditor in their independent report, recommended to Board for adoption.
- Committee recommended Hoda Vasi Chowdhury & Co, Chartered Accountants, for re-appointment as the external auditors of the Company for the year ending on 31st December 2014.
- Reviewed the external auditors' findings arising from audit, particularly comments and responses given by the management.
- Reviewed the matters as per requirement from the Bangladesh Securities and Exchange Commission (BSEC).

The committee is of the opinion that reasonable controls and procedures are in place to provide reasonable assurance that the company's assets are safeguarded and the financial position of the Company is adequately managed.

On behalf of the Committee



Syed Fazlul Haque
Chairman

CEO & CFO's Declaration to the Board

Dated: April 29, 2014

The Board of Directors
Khulna Power Company Ltd
Landmark (3rd Floor)
12-14 Gulshan North C/A, Gulshan-2
Dhaka-1212.

Subject: CEO and CFO's Declaration to the Board

Dear Sirs,
Compliance with the condition no. 6 imposed by Bangladesh Securities & Exchange Commission's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969.

We do hereby certify to the Board that:

- i) We have reviewed financial statements for the year ended 31st December, 2013 and that to the best of our knowledge and belief:
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- ii) There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the Company's code of conduct.

Sincerely yours,



(Md. Shoharab Ali Khan, FCMA)
Chief Financial Officer (CFO)



(Hasan Mahmood Raja)
Managing Director

Short Biography of the Directors



Muhammed Aziz Khan
Chairman

Mr. Muhammed Aziz Khan, a renowned and pioneering leading business personality in power sector of Bangladesh. After graduation Mr. Khan did his MBA in 1980 from the Institute of Business Administration (IBA), University of Dhaka. Mr. Khan has established himself as a dynamic and pro-active entrepreneur who has built Summit Group, recognized as the largest infrastructure Industrial organization of Bangladesh. Mr. Khan has helped to formulate the Private Sector Power Generation Policy of Bangladesh. He has 39 years of business experience, setting up country's first Inland Container Depot (ICD)-"Ocean Container Ltd", First Tanks Terminal- "Summit United Tanks Terminal", now known as "South Eastern Tanks Terminal". Mr. Khan was the Founder President of Bangladesh Energy Companies Association (BECA), which is formed to represent and to promote the interests of private sector business organizations engaged in the energy sector.

Mr. Khan has set up "Siraj Khaleda Trust"- a social wing of Summit Group, which is setting up 200 beds for medical services on charitable basis in Dhaka Cantonment. He enthusiastically takes part & contributes to social activities such as to help to acid burn and drug victims to mention a few amongst host of other activities.



Hasan Mahmood Raja
Managing Director

Born in 1957, Mr. Hasan Mahmood Raja has completed Bachelor of Commerce. He was associated with different companies of United Group since 1978.

He is the Chairman of United Enterprises & Co. Ltd. –a parent company of United Group. He is also the Chairman of the Board of Trustees (BoT) of United International University. Some of units of United Group are United Power Generation & Distribution Company Ltd., United Ashugonj Power, United Hospital Ltd and many more.



Ahmed Ismail Hossain
Director

Born in 1956, Mr. Ahmed Ismail Hossain has completed BSS and MSS, International Relations, University of Dhaka. He is the Vice Chairman of United Hospital Ltd and Managing Director of Comilla Spinning Mills Limited, United Rotospin Ltd. and Novo Healthcare and Pharma Ltd. He is the Director of United Power Generation & Distribution Company Ltd and many more. He is also a Member, Board of Trustees (BoT) of United International University.



K.M. Ahsan Shamim
Director

Born in 1957, Mr. Khandaker Moinul Ahsan Shamim has completed Bachelor of Commerce. He is the Managing Director of United Polymers Ltd. He is also the Director of United Enterprises & Co. Ltd., United Power Generation & Distribution Company Ltd., United Hospital Ltd. and many more. He is also a Member, Board of Trustees (BoT) of United International University.



Latif Khan
Director

Mr. Latif Khan was born on 28 December 1958 in Dhaka. He pursued BA in Public Administration at Dhaka University, and subsequently left for higher studies to the U.S. in 1981. There, he worked for over 15 years in the financial sector. He was a stockbroker and a financial analyst at Prudential Insurance of America where he received numerous sales achievement awards. He also worked as a Financial Officer at Wells Fargo Bank in California. He returned to Bangladesh in 1997 and thereof joined Summit Group as the Managing Director of Summit Shipping Limited. Mr. Khan has established himself as a sound and dynamic businessman of the country.



Muhammad Farid Khan
Director

Mr. Md. Farid Khan was born in 1960. Mr. Khan is a business graduate from Dhaka University. He is involved in business since 1980. He started his business career with trading in plastic compound, fertilizer and other commodities. He was an integral part of the team that pioneered export of molasses and fertilizer from Bangladesh. Mr. Farid Khan has proved to be an entrepreneur with special skills in the development of new projects. He was solely instrumental in setting up Liquefied Petroleum Gas (LPG) project and Tanks Terminal in Mongla.



Jafer Ummeed Khan
Director

Mr. Jafer Ummeed Khan was born on 10th May 1957. After completing his studies in the United Kingdom, he joined Summit Group in 1987. He spearheaded the development and expansion of Summit Group, particularly of Summit Industrial and Mercantile Corporation (Pvt.) Ltd. and later of Summit Power Limited. Because of his contribution in the power sector, Mr. Jafer Ummeed Khan was also unanimously elected as the Vice President of Bangladesh Energy Companies Association, which post Mr. Khan is holding till date.



Faridur Rahman Khan
Director

Born in 1955, Mr. Faridur Rahman Khan has completed Bachelor of Science. He is the Managing Director of United Hospital Ltd and Managing Partner of Neptune Properties. He is the Director of United Enterprises & Co. Ltd., United Power Generation & Distribution Company Ltd., United Hospital Ltd. and many more. He is also a Member, Board of Trustees (BoT) of United International University.



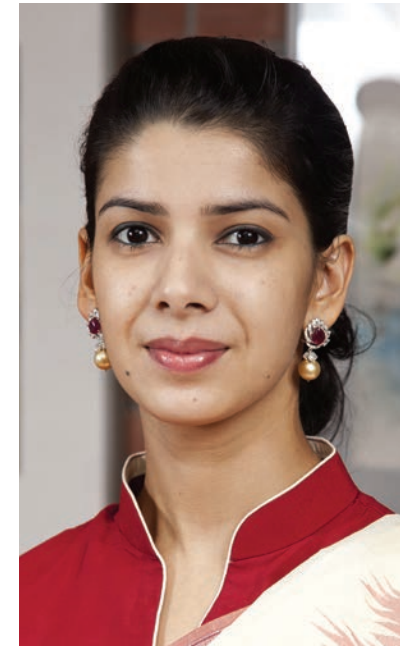
Akhter Mahmud Rana
Director

Born in 1960, Mr. Akhter Mahmud Rana has completed 'A' Level. He is the Managing Director of United Elevator World Ltd. He is the Director of United Enterprises & Co. Ltd., United Power Generation & Distribution Company Ltd., United Hospital Ltd. and many more. He is also a Member, Board of Trustees (BoT) of United International University.



Abul Kalam Azad
Director

Born in 1955, Mr. Abul Kalam Azad has completed Bachelor of Science. He is the Managing Director of Neptune Land Development Ltd. and United Land Port Teknaf Ltd. He is also a Director of United Enterprises & Co. Ltd., United Power Generation & Distribution Company Ltd., United Hospital Ltd. and many more. He is also a Member, Board of Trustees (BoT) of United International University.



Ayesha Aziz Khan
Director

Ms. Ayesha Aziz Khan completed her graduation in Economics and Business from the University College of London (UCL) in 2002 and Masters in Business Administration (MBA) from the Columbia University, New York, USA. Ms. Khan holds the position of Director in several companies of Summit Group. Ms. Khan has extensive experience in the power sector of the country specifically in financial management for power generation companies, infrastructure finance and structured finance. In her career, she has spearheaded the financial close for multiple power projects, which includes - Summit Uttaranchal Power Company Limited (SUPCL) Summit Purbanchal Power Company Limited (SPPCL), Summit Narayangarj Power Limited (SNPL) and Summit Power Limited (SPL).

Her career as Director Finance has been enriched due to her expertise in building relationships and takes ownership of deal shaping and contract negotiations. Her responsibilities include reporting to the Board in the preparation of budgets and financial reports and reports for Government regulatory agencies. She works towards the company objectives by providing advice and guidance on financial strategy and overseeing all accounting procedures and systems used by the Company. She meets with the Board of Directors regularly to keep them informed, reviewing reports and analyzing projections of sales and income against actual figures and suggesting methods of improving the planning processes.

She is a valuable member of SAARC Chamber of Commerce and Industry, Federation of Bangladesh Chamber of Commerce & Industry (FBCCI), Prime Minister's business delegation to India & United States of America.



Moinuddin Hasan Rashid
Director

Born in 1982, Mr. Moinuddin Hasan Rashid has completed B. Sc. Engineer (Electrical & Electronics), London, UK. He is the Managing Director of United Enterprises & Co. Ltd., United Power Generation & Distribution Company Ltd., United Ashugonj Power Ltd, United Property Solutions Ltd. He is also director of United Hospital Ltd and many more. He is also a Member, Board of Trustees (BoT) of United International University.



Mr. A N M Tariqur Rashid
Director

Mr. Tariqur Rashid, with in-depth experience in development of power projects, is working as CEO in Summit Meghnaghat Power Company Limited - a joint venture company incorporated to develop a 335MW dual fuel combined cycle power plant at Meghnaghat on BOO basis. In his career, he has developed, involved with finance and managed power plants with aggregate capacity of around 750MW. He holds bachelor degree in engineering. Mr. Rashid, recently headed a company named "Summit Narayangarj Power Limited", who earned an international award titled "Best Fast Track Project in Asia" in 2011 for completing a project of 102MW within 8.5 month; and worked in Senior management position in Summit Power Limited and participated in its development.



Syed Fazlul Haque, FCA
Director

A Chartered Accountant by profession, Syed Fazlul Haque, started his career as Partner of A Qasem & Co., Chartered Accountants in mid 1971. In April 1975 he moved to executive career by joining Biman Bangladesh Airlines, as its Controller of Accounts and since then his long varied career included increasingly higher positions in different local and multinational organizations. Leaving Biman in May 1978, Mr. Haque went to Libya to serve in Ammonia Plant, Benghazi for a short span of two years. On return, Mr. Haque joined Burmah Eastern Limited (now Padma Oil Co. Ltd.) in January 1981 as Finance Manager & Company Secretary and was promoted as CEO of the Company in September 1991. Mr. Haque left Padma in January 1993 to join Glaxo Bangladesh as Finance Director where he was made Managing Director of the Company in August 1997. Mr. Haque served the company (subsequently renamed as GlaxoSmithKline Bangladesh after merger with Smithkline Beecham in November 2000) until he retired on 31st December 2002.

During the tenure of his long career, Mr. Haque served as committee member of Metropolitan Chamber of Commerce & Industries, Foreign Chamber of Commerce & Industries and Bangladesh Employers Federation. Mr. Haque is married to Rebecca and they are blessed with one daughter and a son.



Lt Gen Sina Ibn Jamali, awc, psc (retd)
Director

Lt Gen Sina Ibn Jamali, awc, psc (retd) studied at Mirzapur Cadet College and was commissioned in Bangladesh Army (Infantry) in May 1977. Besides other coveted appointments, he commanded two Infantry Battalions and an Infantry Brigade involved in counter insurgency operations in Chittagong Hill-Tracts. He held the appointments of Director Military Operations, Adjutant General, Bangladesh Army, General Officer Commanding of 24 Infantry Division, Chittagong; and the Chief of General Staff in Army Headquarters.

He is the Masters of Defence Studies (MDS) and graduate of Defence Services Command and Staff College, Mirpur; 'Staff College' Quetta, Pakistan and 'Army War College' of USA.

He held the honour of being the Colonel Commandant of 'Corps of Military Police' of Bangladesh Army and the Commandant of National Defence College. He served as an Observer in the United Nation's Iraq-Iran Military Observer Group (UNIMOG) in 1988, the first Bangladeshi UN Deployment.

His other experiences include serving as the President, Bangladesh Cricket Board; Chairman, Sena Kallyan Sangstha; Sena Hotel Development Ltd; Governing Body of Cadet Colleges; Army Welfare Trust; and Central Co-ordination Committee of Cantonment Public Schools & Colleges. He also rendered his services as the Vice Chairman, Trust Bank Limited and Senior Vice President, Bhatiary Golf and Country Club, Chittagong.

Currently, he is serving as the Corporate Adviser at Radiant Pharmaceuticals Ltd, CEO of Radiant Nutraceuticals Ltd, Radiant Distribution Ltd and Pharmacil Ltd.



Karishma Jahan
Director

Ms. Karishma Jahan, practicing in the areas of corporate and securities law, mergers and acquisitions, energy, admiralty and shipping, private equity, general business advising and the representation of emerging growth companies. She has been called to the Bar of England and Wales in the year 2002 by the Hon'ble Society of Lincoln's Inn and since then have worked for companies ranging from start-ups to multinationals, as well as banks, energy and electricity producing companies, telecommunication service provider and individual investors. She counsel on various corporate legal issues including social and legal compliance, company law compliance, human resource management, structuring and formation, early stage company regulatory filling issues, securities offerings and securities laws compliance, joint venture and strategic partnering relationships, and mergers and acquisitions. Her legal practice and experience includes in industries including power and energy, software/IT, internet/ news media, telecommunications, healthcare, manufacturing, banking and financial services, real estate, consumer products and entertainment. I also represented traditional business for their corporate, contracts and intellectual property needs.

Senior Management Team



Hasan Mahmood Raja
Managing Director

Born in 1957, Mr. Hasan Mahmood Raja has completed Bachelor of Commerce. He was associated with different companies of United Group since 1978.

He is the Chairman of United Enterprises & Co. Ltd. –a parent company of United Group. He is also the Chairman of the Board of Trustees (BoT) of United International University. Some of units of United Group are United Power Generation & Distribution Company Ltd., United Ashugonj Power, United Hospital Ltd and many more.



Md. Abdur Rahim
Chief Operating Officer

Mr. Md. Abdur Rahim was born on 1 January 1947. He obtained B. Sc in Marine Engineering from the Merchant Marine University College of Rijeka, Yugoslavia in 1968. He worked on board various vessels of DDG "Hansa" Lines of West Germany upto 1975. Afterwards, he worked in Bangladesh Steel & Engineering Corporation in various capacities from 1976 to 1993 starting as Deputy Chief Engineer. He was the General Manager of Khulna Shipyard Ltd from 1982 to 1987 and the Managing Director of Dockyard & Engineering Works Ltd. Narayangonj from 1987 to 1993. He served on deputation as Technical Director in Bangladesh Shipping Corporation and Bangladesh Inland Water Transport Corporation from 1993 to 1997. Thereafter, then he joined in Khulna Power Company Ltd. in 1997 as a Project Director and he was actively involved in formation of the company and was pivotal to timely implementation of the project.



Md. Shoharab Ali Khan
Financial Controller &
Company Secretary

Mr. Md. Shoharab Ali Khan, FCMA was born on 28 October 1962. He is a Cost & Management Accountant, qualified from the Institute of Cost & Management Accountants of Bangladesh (ICMAB). He obtained his Master degree in Accounting from Dhaka University and also MBA from Southeast University in Bangladesh. He is having more than 24 years of service experience in the field of accounts, finance and company secretarial matters in various Govt. organization and local companies like Bangladesh Agricultural Research Council (BARC), Lexco Ltd. Anudip Services Pvt. Ltd., Social Development Foundation (SDF), Bangladesh Arsenic Mitigation Water Supply Project (BAMWSP) of World Bank and more than six years working experience in senior management position in Ashugonj Power Station Company Ltd (APSCL) second largest power generation company in Bangladesh and joint in July 2011 in Khulna Power Company Ltd. as Financial Controller & Company Secretary. He has attended in various training courses and seminars in home and abroad.

Code of Conduct and Ethics

This Code of Business Conduct and Ethics applies to all Khulna Power Company Ltd (KPCL) directors, officers and employees, as well as to directors, officers and employees of each subsidiary and associate of KPCL. KPCL and its subsidiaries/ associates are referred to herein collectively as the “KPCL” and the directors, officers and employees are referred to herein collectively as “Officers”.

A. Objective

United Group and Summit Group is the major sponsors of KPCL and therefore all the standards of Code of Conduct and Ethics being followed in KPCL is the course of carrying its business stem from its sponsor, Summit & United. Summit & United holds the values with which it conducts business in high esteem. It has and will continue to uphold the highest levels of business ethics and personal integrity. Following suit, KPCL's Code of Business Conduct and Ethics serves to (1) emphasize the Group's commitment to ethics and compliance with the laws; (2) sets forth basic standards of ethical and legal behavior; (3) provides reporting mechanisms for known or suspected ethical or legal violations; and (4) helps prevent and detect wrongdoing. Given the variety and complexity of ethical questions that may arise in the course of KPCL's business, this Code of Business Conduct and Ethics serves only as guide. Confronted with ethically ambiguous situations, all should remember the KPCL's commitment to the highest ethical standards and seek advice from supervisors, managers or other appropriate personnel to ensure that all actions they take on behalf of KPCL honor this commitment.

B. Ethical Standards

1. Conflicts of Interest

A conflict of interest exists when a person's private interest interferes in any way with the interests of KPCL. A conflict can arise when one takes actions or has interests that may make it difficult to perform his or her work for KPCL

objectively and effectively. Conflicts of interest may also arise when an affiliates, or members of his or her family, receives improper personal benefits as a result of his or her position at the Group. It is always a conflict of interest for an officer to work simultaneously for a competitor, customer and supplier or for that matter any other establishment against precursory benefit.

Conflicts of interest may not always be clear-cut, so if anyone has a question, he/she should consult with his/her supervisor or manager or chief operating officer or chief financial officer of KPCL. Any officer who becomes aware of a conflict or potential conflict should bring it to the attention of a supervisor, manager or other appropriate personnel or consult the procedures described in Section E of this Code.

All directors and executive officers of the KPCL, and the chief executive officers and chief financial officers shall disclose any material transaction or relationship that reasonably could be expected to give rise to such a conflict to the Chairman of the KPCL.

2. Corporate Opportunities

All officers are prohibited from taking for themselves opportunities that are discovered through the use of corporate property, information or position without the consent of the Board of Directors of KPCL. No officer may use corporate property, information or position for improper personal gain and no employee may compete with the Group directly or indirectly. Officers owe a duty to the Group to advance its legitimate interests whenever possible.

3. Fair Dealing

Officers shall behave honestly and ethically at all times and with all people. They shall act in good faith, with due care, and shall engage only in fair and open competition, by treating ethically competitors, suppliers, customers, and colleagues. No officer should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair practice. The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with customers. No gift or entertainment should ever be offered or accepted unless it is consistent with customary business practices, cannot be construed as a bribe or payoff and does not violate any laws or regulations. Officers should discuss with their supervisors, managers or other appropriate personnel any gifts or proposed gifts which they think may be inappropriate.

4. Insider Trading

Officers who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of KPCL's business. All non-public information about the KPCL should be considered confidential information.

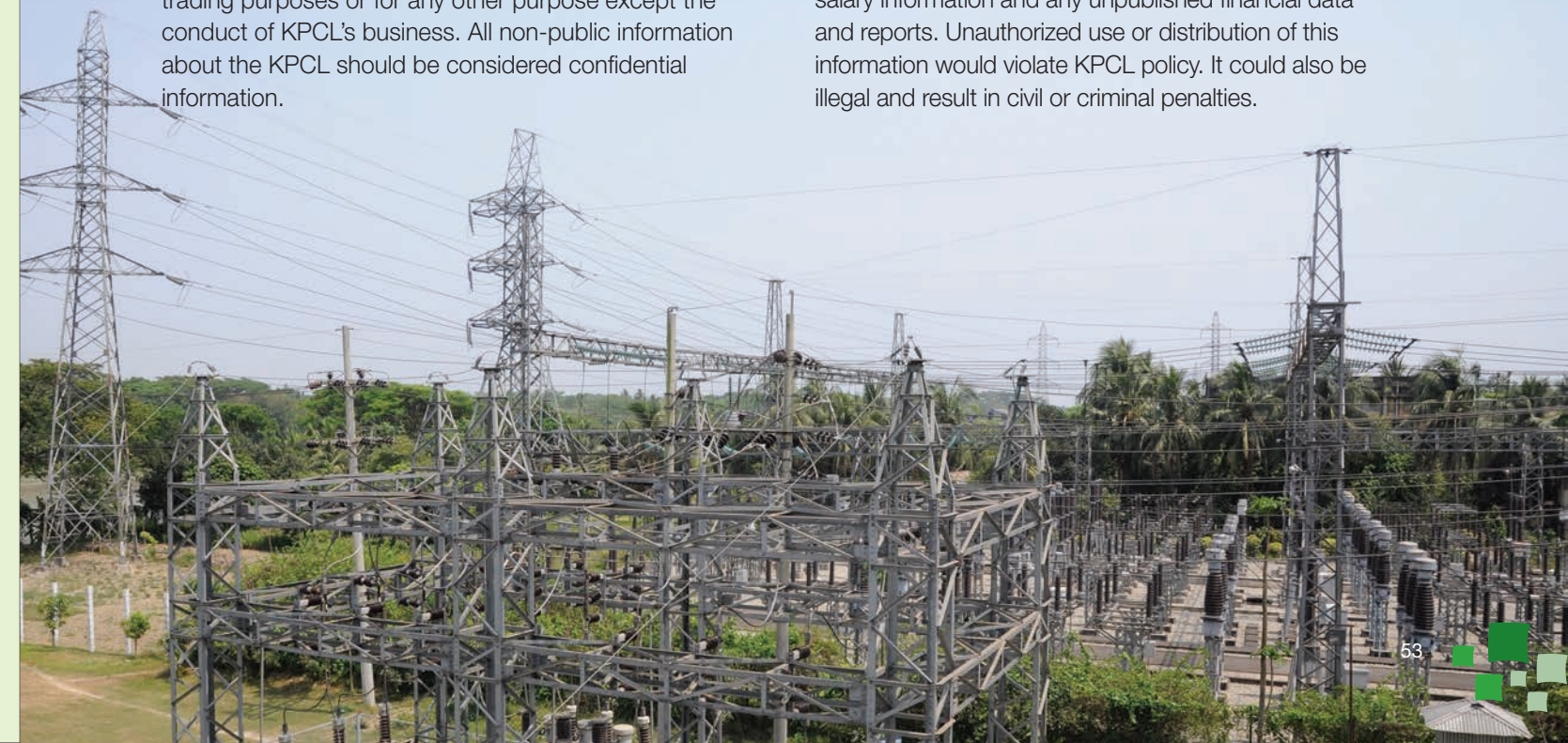
5. Confidentiality

Officers must maintain the confidentiality of confidential information entrusted to them. Confidential information includes all non-public information that might be of use to competitors or harmful to the KPCL or its customers if disclosed. It also includes information that suppliers and customers have entrusted to the KPCL. The obligation to preserve confidential information continues even after employment ends.

6. Protection and Proper Use of KPCL Assets

All should endeavor to protect the KPCL's assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on the KPCL's profitability. Any suspected incident of fraud or theft should be immediately reported for investigation. The KPCL's equipment should not be used for non-KPCL business, though incidental personal use is permitted.

The obligation of officers to protect the KPCL's assets includes its proprietary information. Proprietary information includes as trade secrets, trademarks, engineering and manufacturing ideas, designs, databases, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate KPCL policy. It could also be illegal and result in civil or criminal penalties.



7. Compliance with Laws, Rules and Regulations

Obeying the law, both in letter and in spirit, is the foundation on which the KPCL's ethical standards are built. In conducting the business of KPCL, the officers shall comply with applicable governmental laws, rules and regulations at all levels of government in Bangladesh.

8. Timely and Truthful Public Disclosure

In reports and documents filed with or submitted to the Securities and Exchange Commission, stock exchanges and other regulators by KPCL, and in other public communications made by KPCL, the officer involved in the preparation of such reports and documents (including those who are involved in the preparation of financial or other reports and the information included in such reports and documents) shall make disclosures that are full, fair, accurate, timely and understandable.

9. Significant Accounting Deficiencies

The CEO and each senior financial officer shall promptly bring to the attention of the board any information he or she may have concerning (a) significant deficiencies in the design or operation of internal control over financial reporting which could adversely affect the KPCL's ability to record, process, summarize and report financial data or (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the KPCL's financial reporting, disclosures or internal control over financial reporting.

C. Waivers

Any waiver of this Code for executive officers or directors may be made only by the KPCL's Board of Directors.

D. Violations of Ethical Standards

1. Reporting Known or Suspected Violations

The KPCL's directors, CEO, chief financial officers, and chief operating officer shall promptly report any known or suspected violations of this Code to the Chairman. All other officers should talk to supervisors, managers or other appropriate personnel about known or suspected illegal or unethical behavior.

2. Accountability for Violations

If the KPCL's Audit Committees or its designee determines that this Code has been violated, either directly, by failure to report a violation, or by withholding information related to a violation, the offending officers may be disciplined for non-compliance with penalties up to and including removal from office or dismissal. Violations of this Code may also constitute violations of law and may result in criminal penalties and civil liabilities for the offending officers and KPCL. All Covered Parties are expected to cooperate in internal investigations of misconduct.

E. Compliance Procedures

All must work together to ensure prompt and consistent action against violations of this Code. In some situations, however, it is difficult to know if a violation has occurred. Because we cannot anticipate every situation that will arise, it is important that we have a way to approach a new question or problem. Steps to keep in mind are as follows -

- Make sure you have all the facts. In order to reach the right solutions, we must be as informed as possible.
- Clarify your responsibility and role. In most situations, there is shared responsibility. Are your colleagues informed? It may help to get others involved and discuss the problem.
- Discuss the problem with your manager. This is the basic guidance for all situations. In many cases, your superior will be more knowledgeable about the questions, and he or she will appreciate being consulted as part of the decision-making process.
- You may report ethical violations in confidence without fear of retaliation. If your situation requires that your identity be kept secret, your anonymity will be protected to the maximum extent consistent with KPCL's legal obligations. The KPCL in all circumstances prohibits retaliation of any kind against those who report ethical violations in good faith.
- Ask first, act later. If you are unsure of what to do in any situation, seek guidance before you act.

Success Milestones

October 1997

October 15, 1997 Incorporation of the Company
 October 16, 1997 Signing of Power Purchase Agreement with BPDB
 October 16, 1997 Signing of Implementation Agreement with GOB

November 19, 1997

O & M Agreement with Wärtsilä, Finland, a world renowned establishment for Power Sector

October 13, 1998

Full Commercial Operation Date (FCOD)

February 21, 2001

Plant operation has been Certified:
 • Quality Management System (QMS) with ISO 9001
 • Environmental Management System (EMS) with ISO 14001

September 4, 2003

Plant operation has been Certified:
 • Occupational Health & Safety Admn. System (OHSAS) 18001

June 2009

June 3, 2009 Appointment of Issue Manager
 June 29, 2009 Credit Rating by CRISL

July 19, 2009

Conversion from Private to Public Limited Company

March 2010

March 7, 2010 Agreement with CDBL
 March 15, 2010 Listing with Dhaka Stock Exchange Limited
 March 18, 2010 Listing with Chittagong Stock Exchange Limited
 March 29, 2010 Approval of Information Document (ID) from SEC
 March 30, 2010 Publication of Information Document (Share Offloading) in the daily newspaper

April 2010

April 4-6, 2010 Bidding for EII for price discovery under BBM
 April 15, 2010 Allotment of Shares for EII
 April 18, 2010 Commencement of Trading of Shares for General Investor

June 23, 2010

Signing of new project Khulna Power Company Unit II Ltd. (99% subsidiary of KPCL) with BPDB to implement 115MW Rental Power Plant Project.

December 21, 2010

Acquisition (90%) of Khanjahan Ali Power Company Ltd. by KPCL, a 40MW Rental Power Plant Project established for Supply of Electricity to BPDB.

May 29, 2011

Khanjahan Ali Power Company Ltd. (90% subsidiary of KPCL), a 40MW Rental Power Plant Project achieved COD and started its commercial operation from May 29, 2011.

June 2011

June 1, 2011
 Khulna Power Company Unit II Ltd. (99% subsidiary of KPCL), a 115MW Rental Power Plant Project achieved COD and started its commercial operation from June 1, 2011.

June 14, 2011
 Khanjahan Ali Power Company Ltd. (90% subsidiary of KPCL), a 40MW Rental Power Plant Project received USD 19.5 million Term Loan from Standard Chartered Bank, Mauritius.

June 8, 2012

Khulna Power Company Unit II Ltd. (99% subsidiary of KPCL), a 115MW Rental Power Plant Project borrowed USD 50.0 million Term Loan from DEG, Germany and FMO, Netherlands.

BPDB	Bangladesh Power Development Board
GOB	Government of Bangladesh
O & M	Operation & Maintenance
FCOD	Full Commercial Operation Date
CRISL	Credit Rating Information & Services Limited
CDBL	Central Depository Bangladesh Limited
SEC	Securities & Exchange Commission
ID	Information Document
EII	Eligible Institutional Investors
BBM	Book Building Method
COD	Commercial Operation Date
DEG	DEUTSCHE INVESTITIONS – UND ENTWICKLUNGSGESELLSCHAFT MBH
FMO	NEDERLANDSE FINANCIERINGS MAATSCHAPPIJ VOOR ONTWIKKELINGSLANDEN N.V.

Corporate Governance



The corporate governance philosophy of the Company is aimed at assisting the top management in efficient conduct of its affairs as well as in meeting obligations to all the stakeholders and is guided by strong emphasis on transparency, accountability and integrity. It provides the Company with strategic guidance as to how the objectives are set and achieved, how risk is monitored and assessed and how the performance is maximized.

Keeping in view the size, complexity and operations, the governance framework of the Company is based on the following principles:

- That the Board is appropriate in size and members are committed to their respective duties and responsibilities.
- That timely flow of information to the Board and its Committees are ensured to enable them discharge their functions effectively.
- That a sound system of risk management and internal control is in place.
- That timely and balanced disclosure of all material information concerning the Company is made to all Stakeholders.
- That all transactions of the Company are transparent and accountability for the same is well established.
- That all regulatory and statutory rules and regulations are complied with.

The Responsibilities of the Board

To ensure effective maintenance of corporate governance, the Board of Khulna Power Company Ltd. (KPCL) formulates strategic objectives and policies for the company, provides leadership and supervises management actions in implementing those objectives of the company. In KPCL, Board of Directors is in full control of the company's affairs and is also accountable to the shareholders. The Board firmly believes that the success of the company depends largely on the prevalence of a credible corporate governance practice. In discharging its responsibilities, the Board fulfills certain key functions, including:

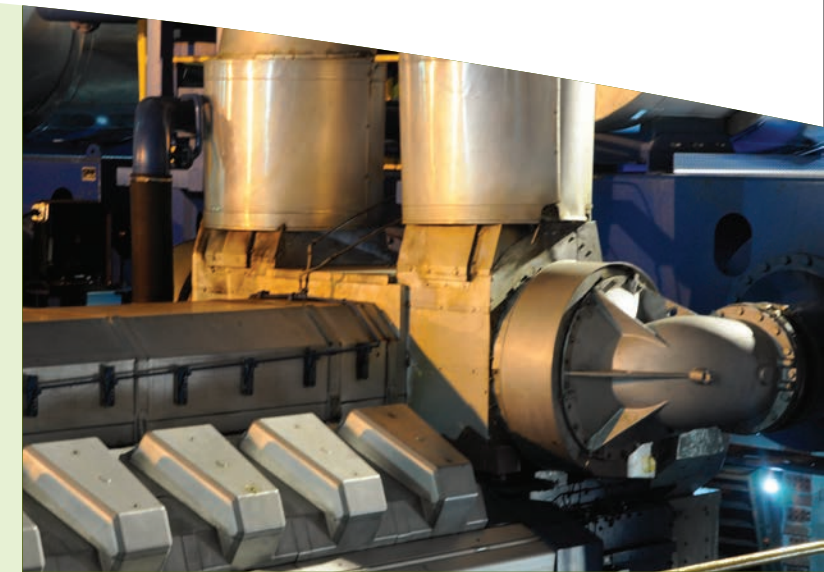
- Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance.
- Ensuring the integrity of the company's accounting & financial reporting systems, in particular, systems for risk management, financial and operational control and compliance with the law and relevant standards.
- Reviewing company's financial statements and oversee its compliance with applicable audit, accounting and reporting requirement.
- Monitoring implementation and effectiveness of the approved strategic and operating plans.
- Establish company's value.
- Oversee the corporate governance of the company

The Board has appointed one Independent Director as per the Securities and Exchange Commission's requirement. The short introduction of the Directors has been described separately in this Report. The Board ensures that the activities of the Company are always conducted with adherence to high ethical standard and in the best interest of the shareholders.

Board meetings and procedures

Five (5) meetings of the Board of Directors of the Company were held during the financial year ended 31 December 2012. The procedures of the board meeting are mentioned below:

- (a) Selection of Agenda: The Chairman of the Board, in consultation with Managing Director sets the agenda for Board meetings with the understanding that the Board is responsible for providing



suggestions for agenda items that are aligned with the advisor and monitoring functions of the Board. Any member of the Board may request that an item be included on the agenda.

- (b) Board Materials: Board materials related to agenda items are provided to Board members sufficiently in advance of Board meetings to allow the Directors to prepare for discussion of the items at the meeting.
- (c) Senior Management in the Board meeting: At the invitation of the Board, members of senior management attended Board meetings or portions thereof for the purpose of participating in discussions.

Internal Control Framework

The Management recognizes its responsibilities to present a balanced and understandable assessment of the company's position and prospect. The management has accountability for reviewing and approving the effectiveness of internal controls operated by the company, including financial, operational and compliance controls and risk management.

The company has adequate system of internal control in place. The well defined organization structure, predefined authority levels, documented policy guidelines and an extensive system of internal controls ensure optimal utilization and protection of resources, reporting of financial transactions and compliance with applicable laws and regulations. The system also ensures that assets are safeguarded against loss from unauthorized use or disposition.

Financial Statements

Hoda Vasi Chowdhury & Co

Chartered Accountants
Independent Correspondent Firm to Deloitte Touche Tohmatsu

Auditors' Report

to the Shareholders of Khulna Power Company Ltd.

Introduction

We have audited the accompanying financial statements of Khulna Power Company Ltd., which comprise the statement of financial position as at 31 December 2013, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes and all related consolidated financial statements of Khulna Power Company Ltd. and its subsidiaries (together referred to as "the Group").

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Accounting Standards (BAS), Bangladesh Financial Reporting Standards (BFRS), the Companies Act (#18) 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conduct our audit in accordance with Bangladesh Standard on Auditing (BSA). Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Qualified Opinion

Khulna Power Company Unit II has adjusted all exchange differences shown in Note 2.1 arising on outstanding foreign currency loans against the property, plant and equipment for which such foreign currency borrowing took place in accordance with Schedule XI of the Companies Act 1994. This treatment is not in accordance with BAS 21: *The Effects of Changes in Foreign Exchange Rates*, which requires all exchange differences arising from foreign exchange transactions to be recognized in the statement of comprehensive income. Had BAS 21 been followed, the profit for the year would have increased by Tk. 84,420,821.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements including consolidated financial statements, prepared in accordance with Bangladesh Accounting Standards (BAS), Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the state of the Company's/group's affairs as at 31 December 2013 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act (#18) 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

Emphasis of Matters

Without further qualifying our opinion we draw attention to the following as matters of emphasis:

- (i) We draw attention to Note 2.7 to the financial statements where management explains how they will continue in operational existence for the foreseeable future of Khanjahan Ali Power Company Ltd in spite of having net current liabilities as at the balance sheet date.
- (ii) We draw attention to note 7.3 to the financial statements where management explains in Khulna Power Company Unit II why BPDB's deductions of Tk. 206,918,350 due to liquidated damages have not been provided for in these statement.

We also report that

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company/Group so far as it appeared from our examination of these books;
- c) the statement of financial position (balance sheet) and statement of comprehensive income (profit and loss account) dealt with by the report are in agreement with the books of account; and
- d) the expenditures incurred were for the purposes of the Company and its subsidiaries.

Dhaka: 29 April 2014

Hoda Vasi Chowdhury & Co.
Chartered Accountants

Statement of Financial Position

as at 31 December 2013

Notes	2013		2012		
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate	
Assets					
Non-current assets:					
Property, plant and equipment, net	4	8,633,839,444	2,687,745,083	9,033,497,956	2,853,417,521
Investments in subsidiaries	5	-	2,052,519,679	-	2,052,519,679
		<u>8,633,839,444</u>	<u>4,740,264,762</u>	<u>9,033,497,956</u>	<u>4,905,937,200</u>
Current assets:					
Inventories	6	436,410,006	209,854,283	2,055,157,065	1,832,859,331
Accounts receivable	7	2,139,534,367	1,269,278,015	1,712,301,128	940,569,478
Other receivables	8	50,259,396	102,062,911	32,391,223	92,971,704
Advances, deposits and prepayments	9	103,832,302	74,647,082	36,390,838	35,495,019
Inter-company loans and advances	10	-	108,664,409	-	100,543,093
Inter-company receivables	11	20,472,960	-	473,672,960	-
Cash and cash equivalents	12	2,157,750,956	1,312,544,286	1,805,455,654	965,971,294
		<u>4,908,259,987</u>	<u>3,077,050,986</u>	<u>6,115,368,868</u>	<u>3,968,409,919</u>
Total assets		<u>13,542,099,431</u>	<u>7,817,315,748</u>	<u>15,148,866,824</u>	<u>8,874,347,119</u>
Equity and liabilities					
Equity:					
Share capital	13	3,440,806,760	3,440,806,760	3,058,494,900	3,058,494,900
Capital redemption reserve	3.16	277,688,140	277,688,140	440,000,000	440,000,000
Retained earnings		3,291,479,133	888,961,808	1,958,642,019	389,471,104
Equity attributable to owners of the company		7,009,974,033	4,607,456,708	5,457,136,919	3,887,966,004
Non controlling interest	14	86,541,752	-	54,913,081	-
Total equity		7,096,515,785	4,607,456,708	5,512,050,000	3,887,966,004
Non-current liabilities:					
Redeemable cumulative preference shares: non-current portion	15	-	-	220,000,000	220,000,000
Term loan: non-current portion	16	1,853,910,153	-	3,189,544,968	-
Deferred liabilities	17	13,790,271	13,790,271	11,957,391	11,957,391
Asset retirement obligations (ARO)	18	21,581,548	-	18,766,563	-
		<u>1,889,281,972</u>	<u>13,790,271</u>	<u>3,440,268,922</u>	<u>231,957,391</u>
Current liabilities:					
Accounts payable	19	2,850,302,995	2,706,473,591	4,507,882,623	4,408,837,032
Inter-company payables	20	12,244,497	157,176,316	12,244,497	35,488,604
Accrued expenses and others	21	28,535,300	10,143,215	21,892,616	8,245,206
Source tax and VAT payable	22	120,585,847	44,109,088	22,732,953	18,419,790
Liability for interest and other financial charges	23	30,956,023	14,242,709	53,797,653	28,485,417
Redeemable cumulative preference shares: current portion	15	220,000,000	220,000,000	220,000,000	220,000,000
Term loan: current portion	16	1,249,753,162	-	1,323,049,885	-
Unclaimed dividend	24	10,748,495	10,748,495	8,447,675	8,447,675
Income tax payable	25	33,175,355	33,175,355	26,500,000	26,500,000
		<u>4,556,301,674</u>	<u>3,196,068,769</u>	<u>6,196,547,902</u>	<u>4,754,423,724</u>
Total liabilities		6,445,583,646	3,209,859,040	9,636,816,824	4,986,381,115
Total shareholders' equity and liabilities		<u>13,542,099,431</u>	<u>7,817,315,748</u>	<u>15,148,866,824</u>	<u>8,874,347,119</u>

The annexed notes 1 to 40 form an integral part of these financial statements.


Chairman


Managing Director


Company Secretary

Dhaka, 29 April 2014


Chartered Accountants

Statement of Comprehensive Income

for the year ended 31 December 2013

Notes	2013		2012		
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate	
Revenue	26	10,249,769,348	7,697,168,662	10,347,960,769	7,678,624,899
Cost of sales	27	(7,910,716,460)	(7,256,116,969)	(7,914,599,266)	(7,329,361,427)
Gross profit		2,339,052,888	441,051,693	2,433,361,503	349,263,472
Other income	28	5,200,132	700,000,000	700,000	530,700,000
General and administrative expenses	29	(206,349,122)	(97,654,332)	(142,480,706)	(61,007,029)
Result from operating activities		2,137,903,898	1,043,397,361	2,291,580,797	818,956,443
Foreign exchange gain/(loss)	30	(8,024,640)	29,189,724	(21,440,084)	24,132,781
Finance income	31	118,044,073	97,321,063	32,389,761	26,849,783
Finance expenses	32	(247,970,328)	(34,930,226)	(614,984,331)	(186,355,011)
Net financial expenses		(137,950,895)	91,580,561	(604,034,654)	(135,372,447)
Profit before income tax		1,999,953,003	1,134,977,922	1,687,546,143	683,583,996
Income tax expenses		(33,175,355)	(33,175,355)	(26,500,000)	(26,500,000)
Profit after tax for the year		1,966,777,648	1,101,802,567	1,661,046,143	657,083,996
Other comprehensive income		-	-	-	-
Total comprehensive income		1,966,777,648	1,101,802,567	1,661,046,143	657,083,996
Total comprehensive income attributable to:					
Owners of the company		1,935,148,977	1,101,802,567	1,626,894,220	657,083,996
Non controlling interest		31,628,671	-	34,151,923	-
Total comprehensive income		1,966,777,648	1,101,802,567	1,661,046,143	657,083,996
Earning per share (EPS)	33	5.62	3.20	5.32	2.15
Restated earning per share (EPS)	33			4.73	1.91

The annexed notes 1 to 40 form an integral part of these financial statements.


Chairman


Managing Director


Company Secretary

Dhaka, 29 April 2014


Chartered Accountants

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

Particulars	Attributable to owners of the Company				Non-controlling interest	Total equity
	Ordinary shares	Capital redemption reserve	Retained earnings	Total		
	Taka	Taka	Taka	Taka		
Balance as at 1 January 2012	2,878,583,400	220,000,000	731,659,299	3,830,242,699	20,761,158	3,851,003,857
Transfer to capital redemption reserve	-	220,000,000	(220,000,000)	-	-	-
Stock dividend paid for the year 2011	179,911,500	-	(179,911,500)	-	-	-
Total comprehensive income for 2012 :						
Profit after tax for the year	-	-	1,626,894,220	1,626,894,220	34,151,923	1,661,046,143
Other comprehensive income	-	-	-	-	-	-
Balance as at 31 December 2012	3,058,494,900	440,000,000	1,958,642,019	5,457,136,919	54,913,081	5,512,050,000
Transfer to capital redemption reserve	-	220,000,000	(220,000,000)	-	-	-
Stock dividend paid for the year 2012	382,311,860	(382,311,860)	-	-	-	-
Cash dividend for the year 2012	-	-	(382,311,863)	(382,311,863)	-	(382,311,863)
Total comprehensive income for 2013 :						
Profit after tax for the year	-	-	1,935,148,977	1,935,148,977	31,628,671	1,966,777,648
Other comprehensive income	-	-	-	-	-	-
Balance as at 31 December 2013	3,440,806,760	277,688,140	3,291,479,133	7,009,974,033	86,541,752	7,096,515,785


Chairman


Managing Director


Company Secretary

Statement of Changes in Equity

for the year ended 31 December 2013

Particulars	Ordinary shares	Capital redemption reserve	Retained earnings	Total
	Taka	Taka	Taka	Taka
Balance as at 1 January 2012	2,878,583,400	220,000,000	132,298,608	3,230,882,008
Transfer to capital redemption reserve	-	220,000,000	(220,000,000)	-
Stock dividend paid for the year 2011	179,911,500	-	(179,911,500)	-
Total comprehensive income for 2012 :				
Profit after tax for the year	-	-	657,083,996	657,083,996
Other comprehensive income	-	-	-	-
Balance as at 31 December 2012	3,058,494,900	440,000,000	389,471,104	3,887,966,004
Transfer to capital redemption reserve	-	220,000,000	(220,000,000)	-
Stock dividend paid for the year 2012	382,311,860	(382,311,860)	-	-
Cash dividend for the year 2012	-	-	(382,311,863)	(382,311,863)
Total comprehensive income for 2013 :				
Profit after tax for the year	-	-	1,101,802,567	1,101,802,567
Other comprehensive income	-	-	-	-
Balance as at 31 December 2013	3,440,806,760	277,688,140	888,961,808	4,607,456,708


Chairman


Managing Director


Company Secretary

Statement of Cash Flows

for the year ended 31 December 2013

	2013		2012	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Cash flows from operating activities:				
Collection from BPDB	9,751,570,576	7,368,460,125	4,314,808,122	7,631,628,995
Cash paid to suppliers and employees	(7,577,484,056)	(7,141,859,899)	(3,193,988,463)	(5,241,849,997)
Cash generated from operations	2,174,086,520	226,600,226	1,120,819,659	2,389,778,998
Received from other sources	63,116,532	57,595,057	4,889,532	13,637,442
Interest and other financial charges paid	(233,293,346)	(48,771,892)	(668,526,302)	(228,979,158)
<i>Net cash generated from operating activities</i>	<u>2,003,909,706</u>	<u>235,423,391</u>	<u>457,182,889</u>	<u>2,174,437,282</u>
Cash flows from investing activities:				
Payment for acquisition of property, plant and equipment	(60,174,992)	(157,756)	(25,122,468)	(3,048,884)
<i>Net cash used in investing activities</i>	<u>(60,174,992)</u>	<u>(157,756)</u>	<u>(25,122,468)</u>	<u>(3,048,884)</u>
Cash flows from financing activities:				
Term loan received	-	-	4,116,500,000	-
Repayment of term loan	(1,319,188,448)	-	(178,605,536)	-
Repayment of short term loan	-	-	(2,907,500,000)	-
Working capital loan received	434,073,694	426,660,766	2,356,085,805	2,244,457,479
Repayment of working capital loan	(434,073,694)	(426,660,766)	(4,165,998,619)	(4,153,334,127)
Received through inter-company loan/payables	3,715,475,002	2,265,211,002	4,149,648,573	3,257,506,176
Repayment of inter-company loan/payables	(3,387,601,581)	(1,553,779,260)	(5,187,448,331)	(2,682,904,445)
Redemption of cumulative preference shares	(220,000,000)	(220,000,000)	(220,000,000)	(220,000,000)
Dividend paid to ordinary shareholders	(380,124,385)	(380,124,385)	(66,600)	(66,600)
<i>Net cash flow from/(used in) financing activities</i>	<u>(1,591,439,412)</u>	<u>111,307,357</u>	<u>(2,037,384,708)</u>	<u>(1,554,341,517)</u>
Net cash inflow/(outflow) for the year	352,295,302	346,572,992	(1,605,324,287)	617,046,881
Opening cash and cash equivalents	1,805,455,654	965,971,294	447,521,864	348,924,413
Closing cash and cash equivalents	<u>2,157,750,956</u>	<u>1,312,544,286</u>	<u>(1,157,802,423)</u>	<u>965,971,294</u>

Notes to the Financial Statements

as at and for the year ended 31 December 2013

1. Reporting entity

1.1 Company profile

Khulna Power Company Ltd. ("the Company") was incorporated in Bangladesh on 15 October 1997 as a private limited company under the Companies Act (# 18) 1994 and has subsequently been converted into public limited company on 19 July 2009. The plant came into operation on 13 October 1998 for 15 years and after successful completion of that tenor the Company awarded extension for another 5 years start from 12 October 2013. The Company has taken over the operation and maintenance of power plant from Wartsila Bangladesh Ltd after completion of contractual agreement with them. The address of the Company's registered office is Landmark, 3rd floor, 12-14 Gulshan North C/A, Gulshan-2, Dhaka-1212, Bangladesh. On 18 April 2010, the Company listed its shares with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. The authorised capital of the Company is Tk. 7,000,000,000 divided into 500,000,000 ordinary shares of Tk. 10 each and 2,000,000 preference shares of Tk. 1,000 each. Out of 2,000,000 preference shares, 1,100,000 were issued and fully paid up. In 2010, the Company took majority interest in two companies namely Khulna Power Company Unit II Ltd. and Khanjahan Ali Power Company Ltd. (hereinafter referred to as "the subsidiaries"). Profile of these subsidiaries are as follows:

Khulna Power Company Unit II Ltd. was incorporated in Bangladesh on 22 June 2010 as a Private Limited Company under Companies Act (# 18) 1994. The present authorised share capital of the company is Tk. 2,000,000,000 divided into 200,000,000 ordinary shares of Taka 10 each. Registered office of the Company is Landmark, 3rd floor, 12-14 Gulshan North C/A, Gulshan-2, Dhaka-1212, Bangladesh. Khulna Power Company Ltd. on 31 December 2013 was holding 99.96% shares of Khulna Power Company Unit II Ltd.

Khanjahan Ali Power Company Ltd. was incorporated in Bangladesh on 19 July 2010 as a Private Limited Company under Companies Act (# 18) 1994 with an authorised share capital of Taka 30,000,000 divided into 300,000 ordinary shares of Taka 100 each. Registered office of the Company is Landmark, 3rd floor, 12-14 Gulshan North C/A, Gulshan-2, Dhaka-1212, Bangladesh. Khulna Power Company Ltd. acquired 90% shares of Khanjahan Ali Power Company Ltd. on 21 December 2010 in an acquisition process.

These financial statements as at and for the year ended 31 December 2013 include consolidated and separate financial statements. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as "the Group"). The separate financial statements present the stand alone financial statements of Khulna Power Company Ltd ("the Company").

1.2 Nature of business

The principal activity of the Company is to generate electricity, to sell generated electricity to any legal entity and to acquire fuel required for such electricity generation from home and abroad. For this purpose, the Company has set up a nominally rated 110 MW liquid fuel-fired, convertible to dual fuel-fired (liquid gas), barge mounted power plant in Khulna, Bangladesh. Since inception the Company has been supplying electricity to the national grid of Bangladesh through selling the same to Bangladesh Power Development Board (BPDB) under Power Purchase Agreement (PPA) between the Company and BPDB.

The subsidiaries have been awarded two separate contracts by Bangladesh Power Development Board (BPDB) to supply electricity under the Contract for Supply of Electricity on Rental Basis. Khulna Power Company Unit II Ltd. and Khanjahan Ali Power Company Ltd. have set up the nominally rated 115 MW and 40 MW liquid fuel-fired, rental power plant respectively in Khulna and Jessore, Bangladesh for generation of electricity. The principal activity of the subsidiaries is to supply electric power and energy to BPDB on rental basis for a period of five years from the date of commercial operation. Khulna Power Company Unit II Ltd. commenced commercial operation from 1 June 2011 and Khanjahan Ali Power Company Ltd. from 29 May 2011. However, the companies intend to seek extension after the existing five years contract, and except a renewal of contract, even if under somewhat different terms.

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Bangladesh Accounting Standards (BAS), Bangladesh Financial Reporting Standards (BFRS), the Companies Act (#18) 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.


Chairman


Managing Director


Company Secretary

Notes to the Financial Statements

as at and for the year ended 31 December 2013

There is a departure from BFRS/BAS in the accounting for foreign exchange gain/loss on foreign term loan for Khulna Power Company Unit II Ltd., a subsidiary company of Khulna Power Company Ltd. As per BAS-21, such gain/loss should be recognised in the profit and loss account. The aforesaid subsidiary company has capitalised the foreign exchange gain/loss in accordance with the Companies Act (#18) 1994, Schedule XI. Had BAS-21 been followed, profit of Khulna Power Company Unit II Ltd. for the year would be increased by Tk 84,420,821. As both the guide lines are contradictory to each other, the management has accepted the guide line of the Companies Act (#18) 1994 to satisfy law compliance for giving accounting treatment in this regard.

2.2 Date of authorisation

These financial statements have been authorised for issue by the Board of Directors of the Company on 29 April 2014.

2.3 Basis of measurement

The financial statements have been prepared on historical cost basis except for asset retirement obligations (ARO) are measured at present value of expected future expenditure.

2.4 Functional and presentational currency and level of precision

The financial statements are prepared in Bangladesh Taka (Taka/Tk/BDT), which is the Group's/Company's functional and presentational currency and have been rounded off to the nearest Taka.

2.5 Use of estimates and judgments

The preparation of financial statements in conformity with BFRS/BAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 4: Depreciation
 Note 6: Inventories
 Note 17: Deferred liabilities
 Note 21: Accrued expenses and others

2.6 Reporting period

The financial period of the Company covers one year from 1 January to 31 December.

2.7 Going concern assumption

The financial statements of the Company / the Group have been prepared on going concern basis. In spite of the net current liabilities amounting Tk. 200,359,680 of Khanjahan Ali Power Company Ltd. a subsidiary of the Company, is a going concern as the directors believe to be appropriate for the following reason. This subsidiary company for its working capital on fund

Notes to the Financial Statements

as at and for the year ended 31 December 2013

provided to it by Khulna Power Company Ltd. has indicated that for at least 12 months from the date of approval of the financial statements will continue to make available required fund needed for Khanjahan Ali Power Company Ltd. will no seek repayment of the same till the date its cash flow permit such repayment. The directors consider that this should enable Khanjahan Ali Power Company Ltd. to continue in operational existence for the foreseeable future.

2.8 Preparation and presentation of Financial Statements

The management of the Company is responsible for the preparation and presentation of Financial Statements of Khulna Power Company Ltd. and the consolidated financial statements of the Group for the year ended 31 December 2013.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Property, plant and equipment

3.1.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of an item of property, plant and equipment comprises its purchase price, import duties and non-refundable taxes, after deducting trade discount and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner. Cost also includes initial estimate of the costs of dismantling and removing the item and restoring at the site on which it is located and capitalised borrowing costs. The costs of obligations for dismantling and removing the item and restoring the site (generally called 'asset retirement obligation') are recognised and measured in accordance with BAS 37: *Provisions, Contingent Liabilities and Contingent Assets*.

3.1.2 Subsequent costs

The cost of replacing an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day to day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

3.1.3 Maintenance activities

The Group/Company incurs maintenance costs for all of its major items of property, plant and equipment. Repair and maintenance costs are charged as expenses when incurred.

3.1.4 Depreciation

Depreciation on power plant has been charged considering 30 years of useful life and residual value at 15% of original cost, on straight line basis on the ground that the management intends to continue with operation after completion of 5 to 15 years as stated in the Power Purchase Agreement (PPA) and Contract for Supply of Electricity on Rental Basis. Addition during the period is depreciated for full period irrespective of date of capitalisation, while no depreciation is charged in the year of disposal. For initial year of the project, depreciation has been charged from the date of commercial operation in respect of power plant.

Notes to the Financial Statements

as at and for the year ended 31 December 2013

The estimated useful lives of assets are as follows:

	2013 Year	2012 Year
Power plant	30	30
Building and construction	10	10
Vehicles	4	4
Furniture and fixtures	5	5
Office equipment	5	5
Office renovation	5	5

3.1.5 Retirements and disposals

An asset is derecognised on disposal or when no future economic benefits are expected from its use, whichever comes earlier. Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the same, and are recognised on net basis within 'other income' in the statement of comprehensive income.

3.1.6 Capitalisation of borrowing cost

Finance cost that is directly attributable to the construction of power plant is included in the cost of the asset in compliance with BAS 23: Borrowing Costs. Capitalisation of borrowing costs ceases upon receipt of COD certificate from BPDB which confirms that the plant is ready for intended use.

3.2 Inventories

Inventories are measured at cost. The fuel tariff calculation formula as per PPA between the Company and BPDB assures recovery of cost. The cost of inventories is based on the first in first out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. When inventories are used, the carrying amount of those inventories is recognised in the period in which the related revenue is recognised.

3.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Accounting policies relating to different types of financial instruments are described below:

3.3.1 Financial assets and liabilities

Financial assets and liabilities include cash and cash equivalents, accounts receivable, other receivables, inter company receivables accounts payable, short term/working capital loan and redeemable preference share.

3.3.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash at bank which are held and available for use by the Group/Company without any restriction. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at bank and financial institutions and short-term highly liquid investments with maturities of three months or less from the date of acquisition. Cash flows from operating activities have been presented under direct method.

3.3.3 Accounts receivable and other receivables

Accounts receivable are recognised at cost which is the fair value of the consideration given for them.

Provision for debts doubtful of recovery, if any, are made at the discretion of management.

Notes to the Financial Statements

as at and for the year ended 31 December 2013

3.3.4 Loans and borrowings

Principal amounts of the loans and borrowings are stated at their amortised amount. Borrowings repayable after twelve months from the date of statement of financial position are classified as non-current liabilities, and the portion of borrowings repayable within twelve months from the date of Financial Statements along with unpaid interest and other charges are classified as current liabilities. All short term and working capital loans are classified as current liabilities.

3.3.5 Accounts payable

The Group/Company recognises a financial liability when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the entity of resources embodying benefits.

3.3.6 Redeemable preference share

The Company has redeemable preference shares in issue. As per BAS 32: Financial Instruments: Presentation, the substance of a financial instrument rather than its legal form governs its classification on the entity's financial statements. Accordingly, the redeemable preference shares which, in substance, meets the condition of a financial liability have been classified as liabilities in these financial statements.

3.4 Provisions

A provision is recognised on the reporting date if, as a result of past events, the Group/Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Asset retirement obligations (ARO)

Asset retirement obligations (ARO) are recognised when there is a legal or constructive obligation as a result of past event for dismantling and removing an item of property, plant and equipment and restoring the site on which the item is located and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its present value. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The group recognises ARO in respect of project's site based on the present value of expected expenditures required to settle the obligation. The periodic unwinding of the discount is recognised in profit or loss as a finance cost as and when it occurs.

3.5 Impairment

3.5.1 Financial assets

Accounts receivable is assessed at each date of statement of financial position to determine whether there is objective evidence that it is impaired. Account receivable is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

3.5.2 Non-financial assets

At each reporting date, indications of impairment are reviewed. For this review, the Group is considered as a single cash generating unit and both tangible and intangible assets are reviewed. If any indication exists, the assets' recoverable amount will need to be estimated. As at 31 December 2013, the assessment of indicators of impairment reveals that impairment testing is not required for the Group.

Notes to the Financial Statements

as at and for the year ended 31 December 2013

3.5.3 Inventories

Inventories are measured and stated at cost less allowance for obsolescence. These are for use in the operation and maintenance of power plants. As inventories are for internal use, the value is unlikely to diminish.

3.6 Contingencies

Contingencies arising from claim, litigation assessment, fines, penalties etc. are recorded/ recognised when it is probable that a liability has been incurred and the amount can reasonably be measured.

3.7 Revenue

Revenue is recognised in the statement of comprehensive income upon supply of electricity to BPDB, quantum of which is determined by survey of meter reading as per Power Purchase Agreement (PPA) with BPDB for Khulna Power Company Ltd. and Contract for Supply of Electricity on Rental Basis with BPDB for Khulna Power Company Unit II Ltd. and Khanjahan Ali Power Company Ltd.

3.8 Foreign currency transactions

BAS 21: The Effect of Changes in Foreign Exchange Rates, requires balances resulting from transactions denominated in a foreign currency to be converted into Taka at the rate prevailing on the date of the transaction. All monetary assets and liabilities at the statement of financial position date, denominated in foreign currencies, are to be translated at the exchange rates prevailing on the statement of financial position date.

Foreign exchange difference arising from all foreign currency transactions are charged or credited to statement of comprehensive income, except the transaction relating to procurement of fixed assets in that case foreign exchange gains/ (loss) have been recognised and capitalised by the concerned subsidiary entities.

3.9 Lease

Lease payments under operating lease are recognised as expenses in statement of comprehensive income on a straight line basis over the period of lease agreement. About the existing land lease agreement with BPDB, lessor reserves the right to revise the rent after each period of five years and can increase the rent by a maximum of twenty percent for every five years of agreement.

3.10 Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised on accrual basis, while dividend income is recognised on receipts.

Finance expenses comprise interest expense on loans, overdraft, finance lease and bank charges and other finance related costs. All borrowing costs are recognised in the statement of comprehensive income using effective interest method except to the extent of amounts that are capitalised during construction period of the project in accordance with BAS 23: Borrowing cost.

3.11 Provision for tax

No provision for tax has been made in the accounts as the Company is entitled to tax exemption for a period of 15 years with effect from commencement of commercial production, vide SRO no. 114-Law/99 dated 26 May 1999 issued by Government of Bangladesh, under private sector power generation policy. During the year ended 31 December 2013, Khulna Power Company Ltd. has earned Tk 700,000,000 as Project Implementation Fee from its subsidiary Company Khulna Power Company Unit II Ltd., against which Tk 33,175,355 has been provided as 5% tax payable in this regard.

And no provision is made for income tax for its subsidiary companies (Khulna power Company Unit II Ltd. and Khanjahan Ali Power Company Ltd.) as Bangladesh Power Development Broad (BPDB) is responsible for payment of income taxes, VAT, duties, levies, and all other charges impose inside Bangladesh on any payment made by BPDB to the Company for a period of 5 years from start of its commercial operation.

3.12 Deferred tax

As there is considerable uncertainty with regard to the taxation of the Company/Group after the expiry of the tax exemption period, management feels it is not possible to make a reasonable estimate of deferred tax assets/liabilities at this stage.

Notes to the Financial Statements

as at and for the year ended 31 December 2013

3.13 Statement of cash flows

Statement of cash flows has been presented under direct method.

3.14 Employee benefit schemes

a. Defined benefit plan (Gratuity)

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company operates an unfunded gratuity scheme, which is a defined benefit scheme, a provision in respect of which is made periodically covering all permanent employees by applying period of employment to latest basic salary. Although no valuation was done to quantify actuarial liabilities as per Bangladesh Accounting Standard 19: Employee Benefits and for the year ended 31 December 2013, such valuation for only 13 employees is not likely to yield a result significantly different from the current provision. The Gratuity Scheme is not recognised by the National Board of Revenue (NBR).

b. Defined contribution plan (CPF)

The Company maintains a provident fund (CPF) for all local employees, recognised by the National Board of Revenue, Bangladesh. This is a defined contribution scheme as per BAS 19: Employee Benefits. All permanent employees contribute 10% of their basic salary to the provident fund and the Company also makes equal contribution.

c. Defined earned leave encashment policy

The Company has also a policy of earned leave encashment. Under this policy, an employee is allowed twenty one days earned leave for each completed twelve months of continuous service with a maximum accumulation of one hundred and five days.

3.15 Workers profit participation fund (WPPF)

The government of Bangladesh has made an amendment to the Labour Law 2006 in July 2013. As per amended section-232 (chha) of the Act, any undertaking carrying on business to earn profit is liable to make provision for WPPF at 5% of the net profit and also need to be distributed within 9 months of the statement of financial position/balance sheet date. Operation and maintenance activities of Khulna Power Company Ltd. (KPCL) along with that of its two subsidiary companies were managed by 175 employees of Wartsila Bangladesh Ltd. under an O & M Contract and it expired, after completing all formalities from 14 December 2013 to February 2014. Only 13 officials in the Corporate Office of the Company are engaged to look after the administrative, accounting, finance and other supervisory functions.

Considering the situation as above KPCL board of directors are of the view that KPCL and its two subsidiaries are not required to make provision for WPPF for the year 2013 and as such no provision for workers profit participation fund (WPPF) has been made in the accounts of these companies for the year ended 31 December 2013.

3.16 Capital Redemption Reserve

In consideration to the section 154 of the Companies Act, 1994 KPCL has issued 12.5% as bonus share for the year 2012 equivalent to BDT 382.31 million during the year 2013 out of Capital Redemption Reserve. A legal opinion for the utilization of Capital Redemption Reserve for the issuance of bonus share from Dr. M. Zahir, Barrister-at-Law, Senior Advocate Supreme Court had also been received.

3.17 Earnings per share

The Group/Company represent basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group/Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary share holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. However, dilution of EPS is not applicable for these financial statements as there was no potential dilutive ordinary shares during the year ended 31 December 2013.

Notes to the Financial Statements

as at and for the year ended 31 December 2013

4. Property, plant and equipment

As at 31 December 2013 (Consolidated):

Particulars	Cost					Rate	Depreciation					Written Down Value as at 31 December 2013
	Balance as at 1 January 2013	Addition during the year	Disposal during the year	Adjustment during the year	Balance as at 31 December 2013		Balance as at 1 January 2013	Charge for the year	Disposal during the year	Adjustment during the year	Balance as at 31 December 2013	
	Taka	Taka	Taka	Taka	Taka		%	Taka	Taka	Taka	Taka	
Power Plant	11,691,006,864	76,629,619	-	(114,393,072)	11,653,243,411	3.33	2,660,422,221	364,758,563	-	(4,025,840)	3,021,154,944	8,632,088,467
Vehicles	7,334,657	-	-	-	7,334,657	25.00	6,847,152	487,500	-	-	7,334,652	5
Building and construction	9,428,606	-	-	-	9,428,606	10.00	9,406,263	13,551	-	-	9,419,814	8,792
Furniture and fixtures	1,162,211	-	-	-	1,162,211	20.00	809,500	115,648	-	-	925,148	237,063
Office equipment	3,556,690	165,500	-	-	3,722,190	20.00	2,559,560	359,925	-	-	2,919,485	802,705
Office renovation	1,756,040	-	-	-	1,756,040	20.00	702,416	351,212	-	-	1,053,628	702,412
Total	11,714,245,068	76,795,119	-	(114,393,072)	11,676,647,115		2,680,747,112	366,086,399	-	(4,025,840)	3,042,807,671	8,633,839,444

As at 31 December 2012 (Consolidated):

Particulars	Cost					Rate	Depreciation					Written Down Value as at 31 December 2012
	Balance as at 1 January 2012	Addition during the year	Disposal during the year	Adjustment during the year	Balance as at 31 December 2012		Balance as at 1 January 2012	Charge for the year	Disposal during the year	Adjustment during the year	Balance as at 31 December 2012	
	Taka	Taka	Taka	Taka	Taka		%	Taka	Taka	Taka	Taka	
Power plant	11,764,089,803	47,998,407	-	(121,081,346)	11,691,006,864	3.33	2,289,882,558	374,656,033	-	(4,116,370)	2,660,422,221	9,030,584,643
Vehicles	7,334,657	-	-	-	7,334,657	25.00	5,513,490	1,333,662	-	-	6,847,152	487,505
Building and construction	9,428,606	-	-	-	9,428,606	10.00	9,381,720	24,543	-	-	9,406,263	22,343
Furniture and fixtures	1,028,769	133,442	-	-	1,162,211	20.00	679,483	130,017	-	-	809,500	352,711
Office equipment	3,640,119	279,162	(362,591)	-	3,556,690	20.00	2,527,323	394,828	(362,591)	-	2,559,560	997,130
Office renovation	1,756,040	-	-	-	1,756,040	20.00	351,208	351,208	-	-	702,416	1,053,624
Total	11,787,277,994	48,411,011	(362,591)	(121,081,346)	11,714,245,068		2,308,335,782	376,890,291	(362,591)	(4,116,370)	2,680,747,112	9,033,497,956

Notes to the Financial Statements

as at and for the year ended 31 December 2013

As at 31 December 2013 (Separate):

Particulars	Cost					Rate	Depreciation					Written Down Value as at 31 December 2013
	Balance as at 1 January 2013	Addition during the year	Disposal during the year	Adjustment during the year	Balance as at 31 December 2013		Balance as at 1 January 2013	Charge for the year	Disposal during the year	Adjustment during the year	Balance as at 31 December 2013	
	Taka	Taka	Taka	Taka	Taka		%	Taka	Taka	Taka	Taka	
Power plant	5,198,301,014	-	-	-	5,198,301,014	3.33	2,347,309,306	164,997,602	-	-	2,512,306,908	2,685,994,106
Vehicles	5,384,657	-	-	-	5,384,657	25.00	5,384,652	-	-	-	5,384,652	5
Building and construction	9,428,606	-	-	-	9,428,606	10.00	9,406,263	13,551	-	-	9,419,814	8,792
Furniture and fixtures	1,162,211	-	-	-	1,162,211	20.00	809,500	115,648	-	-	925,148	237,063
Office equipment	3,556,690	165,500	-	-	3,722,190	20.00	2,559,560	359,925	-	-	2,919,485	802,705
Office renovation	1,756,040	-	-	-	1,756,040	20.00	702,416	351,212	-	-	1,053,628	702,412
Total	5,219,589,218	165,500	-	-	5,219,754,718		2,366,171,697	165,837,938	-	-	2,532,009,635	2,687,745,083

As at 31 December 2012 (Separate):

Particulars	Cost					Rate	Depreciation					Written Down Value as at 31 December 2012
	Balance as at 1 January 2012	Addition during the year	Disposal during the year	Adjustment during the year	Balance as at 31 December 2012		Balance as at 1 January 2012	Charge for the year	Disposal during the year	Adjustment during the year	Balance as at 31 December 2012	
	Taka	Taka	Taka	Taka	Taka		%	Taka	Taka	Taka	Taka	
Power plant	5,188,804,153	9,496,861	-	-	5,198,301,014	3.33	2,173,833,936	173,475,370	-	-	2,347,309,306	2,850,991,708
Vehicles	5,384,657	-	-	-	5,384,657	25.00	4,538,490	846,162	-	-	5,384,652	5
Building and construction	9,428,606	-	-	-	9,428,606	10.00	9,381,720	24,543	-	-	9,406,263	22,343
Furniture and fixtures	1,028,769	133,442	-	-	1,162,211	20.00	679,483	130,017	-	-	809,500	352,711
Office equipment	3,640,119	279,162	(362,591)	-	3,556,690	20.00	2,527,323	394,828	(362,591)	-	2,559,560	997,130
Office renovation	1,756,040	-	-	-	1,756,040	20.00	351,208	351,208	-	-	702,416	1,053,624
Total	5,210,042,344	9,909,465	(362,591)	-	5,219,589,218		2,191,312,160	175,222,128	(362,591)	-	2,366,171,697	2,853,417,521

- (i) Adjustment made for Tk 114,393,072 with relevant depreciation of Tk 4,025,840 during the year ended 31 December 2013 and Tk 121,081,346 with relevant depreciation of Tk 4,116,370 during the year ended 31 December 2012 are relates to capitalisation of foreign currency gain/loss in accordance with schedule XI of Companies Act (#18) 1994.
- (ii) Though the general policy is to charge depreciation on power plant considering 30 years useful life and value of original cost, on straight line basis as stated in the Power Purchase Agreement (PPA), but since long the KPCL management has been charging depreciation at the rate mention each against for every year considering residue balance of life of individual assets under power plant as shown below:

Particulars/Year	Depreciation Rate
Power Plant -2008	12/249.5
Addition -Power Plant'09	12/237.5
Addition -Power Plant'10	12/225.5
Addition -Power Plant'11	12/213.5
Addition -Power Plant'12	12/201.5
Addition -Power Plant'13	12/189.5
Power Plant -Dev Cost (From 2006)	12/93.5

Notes to the Financial Statements

as at and for the year ended 31 December 2013

	2013		2012	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Property, plant and equipment (contd..)				
Total depreciation has been charged in the financial statements as follows:				
Depreciation charged during the year	362,060,559	165,837,938	372,773,921	175,222,128
4.1 Allocation of depreciation				
Cost of sales (power plant, after considering adjustment)	360,732,723	164,997,602	370,539,663	173,475,370
Operating expenses (other than power plant)	1,327,836	840,336	2,234,258	1,746,758
	362,060,559	165,837,938	372,773,921	175,222,128
5. Investments in subsidiaries				
Khulna Power Company Unit II Ltd.	-	1,599,500,000	-	1,599,500,000
Khanjahan Ali Power Company Ltd. (Share capital)	-	18,000,000	-	18,000,000
Khanjahan Ali Power Company Ltd. (Share money deposit)	-	435,019,679	-	435,019,679
	-	2,052,519,679	-	2,052,519,679
6. Inventories				
Heavy fuel oil (HFO)	109,992,832	109,992,832	1,735,099,806	1,735,099,806
Light fuel oil (LFO)	4,397,359	1,764,762	3,027,850	2,001,525
Lube oil	10,017,991	2,338,689	5,027,585	-
Spare parts for plant maintenance (Note 6.2)	312,001,824	95,758,000	312,001,824	95,758,000
	436,410,006	209,854,283	2,055,157,065	1,832,859,331

Notes to the Financial Statements

as at and for the year ended 31 December 2013

6.1 Movement in inventories

As at 31 December 2013 (Consolidated):

Particulars	Balance as at 1 January		Addition during the year		Consumption during the year		Balance as at 31 December	
	Quantity (MT/Ltr)	Amount (Taka)	Quantity (MT/Ltr)	Amount (Taka)	Quantity (MT/Ltr)	Amount (Taka)	Quantity (MT/Ltr)	Amount (Taka)
Heavy fuel oil (HFO)	29,432	1,735,099,806	88,483	4,963,330,851	115,990	6,588,437,825	1,924	109,992,832
Light fuel oil (LFO)	51,224	3,027,850	233,220	15,272,208	217,625	13,902,699	66,819	4,397,359
Lube oil	12,497	5,027,585	497,687	164,748,113	479,773	159,757,707	30,411	10,017,991
Spare parts for plant maintenance	-	312,001,824	-	-	-	-	-	312,001,824
Total		2,055,157,065		5,143,351,172		6,762,098,231		436,410,006

As at 31 December 2013 (Seperate)

Particulars	Balance as at 1 January		Addition during the year		Consumption during the year		Balance as at 31 December	
	Quantity (MT/Ltr)	Amount (Taka)	Quantity (MT/Ltr)	Amount (Taka)	Quantity (MT/Ltr)	Amount (Taka)	Quantity (MT/Ltr)	Amount (Taka)
Heavy fuel oil (HFO)	29,432	1,735,099,806	88,483	4,963,330,851	115,990	6,588,437,825	1,924	109,992,832
Light fuel oil (LFO)	33,861	2,001,525	30,292	1,993,516	37,337	2,230,279	26,816	1,764,762
Lube oil	-	-	33,280	8,051,819	24,580	5,713,130	8,700	2,338,689
Spare parts for plant maintenance	-	95,758,000	-	-	-	-	-	95,758,000
Total		1,832,859,331		4,973,376,186		6,596,381,234		209,854,283

As at 31 December 2012 (Consolidated):

Particulars	Balance as at 1 January		Addition during the year		Consumption during the year		Balance as at 31 December	
	Quantity (MT/Ltr)	Amount (Taka)	Quantity (MT/Ltr)	Amount (Taka)	Quantity (MT/Ltr)	Amount (Taka)	Quantity (MT/Ltr)	Amount (Taka)
Heavy fuel oil (HFO)	14,097	940,928,120	119,233	7,516,421,719	103,899	6,722,250,033	29,432	1,735,099,806
Light fuel oil (LFO)	106,450	5,300,911	306,000	18,140,801	361,226	20,413,862	51,224	3,027,850
Lube oil	64,624	20,495,770	296,839	101,562,857	348,966	117,031,042	12,497	5,027,585
Spare parts for plant maintenance	-	95,758,000	-	216,243,824	-	-	-	312,001,824
Total		1,062,482,801		7,852,369,201		6,859,694,937		2,055,157,065

As at 31 December 2012 (Seperate)

Particulars	Balance as at 1 January		Addition during the year		Consumption during the year		Balance as at 31 December	
	Quantity (MT/Ltr)	Amount (Taka)	Quantity (MT/Ltr)	Amount (Taka)	Quantity (MT/Ltr)	Amount (Taka)	Quantity (MT/Ltr)	Amount (Taka)
Heavy fuel oil (HFO)	14,097	940,928,120	119,233	7,516,421,719	103,899	6,722,250,033	29,432	1,735,099,806
Light fuel oil (LFO)	65,653	3,370,788	99,198	6,005,594	130,990	7,374,857	33,861	2,001,525
Spare parts for plant maintenance	-	95,758,000	-	-	-	-	-	95,758,000
Total		1,040,056,908		7,522,427,313		6,729,624,890		1,832,859,331

Spare parts inventory of Khulna Power Company Ltd. was acquired under a provision of the Engineering, Procurement and Construction (EPC) contract. The provision called for the contractor to provide with safety spares on historical cost basis of USD 2,000,000 (prevailing exchange rate was 1 USD= BDT 47.88). In addition to above safety spares, the operator maintains usual maintenance spares at their cost against variable fees paid to them.

Spare parts inventory of subsidiary companies were acquired under a provision of the Operation and Maintenance (O & M) contract. The provision called for the contractor to provide with safety spares on historical cost basis. In addition to above safety spares, the operator maintains usual maintenance spares at their cost against Variable fees paid to them.

Notes to the Financial Statements

as at and for the year ended 31 December 2013

	2013		2012	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
7. Accounts receivable				
Other monthly tariff/ Capacity payment	261,710,769	261,710,769	250,092,799	250,092,799
Fuel tariff / Energy payment	1,007,567,246	1,007,567,246	690,476,679	690,476,679
Rental payment	605,995,709	-	621,875,693	-
Energy payment (variable operation & maintenance payment)	264,260,643	-	149,855,957	-
	<u>2,139,534,367</u>	<u>1,269,278,015</u>	<u>1,712,301,128</u>	<u>940,569,478</u>

7.1 Out of the total Fuel Tariff / Energy payment receivable from BPDB, an amount of BDT 312,886,832 has been short paid by them from the monthly invoices raised for the period from January 2010 to December 2012 on account of fuel cost, handling loss, service charges, duty & taxes etc. reimbursable by BPDB to the Company. The Company is confident to realise the amount from BPDB in near future.

7.2 In accordance with the clause 26.1 of Contract for Supply of Electricity on Rental Basis (the contract) with Khulna Power Company Unit II Ltd. and Khanjahan Ali Power Company Ltd, "Bangladesh Petroleum Corporation (BPC) will be the liquid fuel (Furnace oil/HSD) supplier and BPDB will make payment for the fuel". But since the start of the operation of plant, the quality and quantity of the supplied fuel were not as per given specification in the contract. For this reason, the actual fuel consumption was higher per unit of Electricity generation. On account of the actual fuel consumption, BPDB started deduction from some of monthly invoices of these two subsidiaries which amounted to Tk 114,972,917 for Khulna Power Company Unit II Ltd. and Tk. 134,453,209 for Khanjahan Ali Power Company Ltd. for the year 2012 and 2013 shown included in consolidation. On continuous objection raised to BPDB by these organisations, the power Division of Bangladesh Government had formed a committee to justify the quality and quantity of supplied fuel. The decision on this issue is under process with the Power Division as of the reporting date.

7.3 Included in consolidation accounts receivable of Khulna Power Company Unit II Ltd Tk 206,918,350 as deduction for liquidated damage for the year 2011. These amounts under references have been deducted by BPDB from the monthly invoices of this company. The company is in discussion with BPDB to realise the same and strongly feels that these amounts are recoverable.

	2013		2012	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
8. Other receivables				
BPDB (agreed charges paid to BIWTA)	12,361,200	10,073,650	10,012,215	4,215,755
FDR interest due from bank	27,229,086	14,580,753	13,932,341	12,282,341
Khanjahan Ali Power Company Ltd. for Project Implementation Fee	-	76,000,000	-	76,000,000
Insurance premium -Fuel oil	-	-	248,608	248,608
Income tax authority (corporate tax deposition at the time of appeal for Accounting Year 1998, 2005, 2006, 2007)	1,379,700	1,379,700	225,000	225,000
BPDB (on account of AIT for spare parts)	8,615,180	-	7,973,059	-
DEG (on account of CSR program)	645,422	-	-	-
Others	28,808	28,808	-	-
	<u>50,259,396</u>	<u>102,062,911</u>	<u>32,391,223</u>	<u>92,971,704</u>

Notes to the Financial Statements

as at and for the year ended 31 December 2013

	2013		2012	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
9. Advances, deposits and prepayments				
Advances:				
Padma Oil and Jamuna Oil for HFO supply	634,530	634,530	634,530	634,530
Office rent and service charges	388,320	388,320	1,941,600	1,941,600
Advance Income Tax (TDS)	34,517,456	33,175,355	388,998	26,500,000
Advance Value Added Tax (VAT)	36,492,891	36,492,891	-	-
BIWTA for fuel oil landing charges	459,700	415,650	-	4,250,000
Alif International for C & F bill	1,053,000	1,053,000	-	-
Others	404,187	215,886	383,178	1,500
	<u>73,950,084</u>	<u>72,375,632</u>	<u>3,348,306</u>	<u>33,327,630</u>
Deposits:				
Bangladesh Telephone & Telegraph Board	16,000	16,000	16,000	16,000
Grameenphone Ltd.	89,006	89,006	89,006	89,006
Central Depository Bangladesh Ltd. (CDBL)	500,000	500,000	500,000	500,000
Security deposit for office rent	258,880	258,880	258,880	258,880
Security deposit for C & F licence	250,000	250,000	250,000	250,000
Margin on bank guarantee for leasehold land -DBBL	13,662,500	-	13,662,500	-
Leasehold land -BPDB	183,675	-	183,675	-
Others	37,500	37,500	28,500	28,500
	<u>14,997,561</u>	<u>1,151,386</u>	<u>14,988,561</u>	<u>1,142,386</u>
Prepayments:				
General insurance premium (fire, fidelity, health, motor, etc.)	93,064	93,064	85,428	85,428
Leasehold land -BPDB	73,470	-	243,375	243,375
Insurance premium -Plant	6,385,631	1,027,000	6,647,360	696,200
Commission on bank guarantee -BRAC Bank	6,985,340	-	9,766,208	-
Commission on operation security deposit -DBBL	1,347,152	-	1,311,600	-
	<u>14,884,657</u>	<u>1,120,064</u>	<u>18,053,971</u>	<u>1,025,003</u>
	<u>103,832,302</u>	<u>74,647,082</u>	<u>36,390,838</u>	<u>35,495,019</u>
10. Inter-company loans and advances				
Khanjahan Ali Power Company Ltd	-	108,664,409	-	100,543,093
	<u>-</u>	<u>108,664,409</u>	<u>-</u>	<u>100,543,093</u>
11. Inter-company receivables				
Khulna Power Company Unit II Ltd	-	-	460,000,000	-
Neptune Commercial Ltd.	1,402,500	-	1,402,500	-
Loan to IFDC Vulcan Energy (BD) Ltd.	19,070,460	-	12,270,460	-
	<u>20,472,960</u>	<u>-</u>	<u>473,672,960</u>	<u>-</u>

Notes to the Financial Statements

as at and for the year ended 31 December 2013

	2013		2012	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
12. Cash and cash equivalents				
Cash in hand	78,210	34,955	138,025	82,460
Cash at bank:				
<u>Current account:</u>				
Citibank, NA (operating a/c # 129039 -Taka)	66,061,482	66,061,482	5,939,242	5,939,242
Citibank, NA (operating a/c # 129032 -US Dollar)	4,367,730	4,367,730	128,396,399	128,396,399
BRAC Bank Ltd. (A/c # 1501200976943001)	2,076	2,076	4,186	4,186
Pubali Bank Ltd. (A/c # 3555901037145)	18,818	18,818	19,278	19,278
Standard Bank Ltd. (A/c # 233011318)	40,439	40,439	41,709	41,709
Standard Chartered Bank (A/c # 01-5547202-01)	3,208,368	3,208,368	4,387,253	4,387,253
BRAC Bank Ltd. (A/c # 1501200976943002)	239,897,095	239,897,095	155,050,976	155,050,976
Standard Chartered Bank (A/c # 01-1110754-01)	2,821	-	5,271	-
Trust Bank Ltd. (A/c # 300210002865)	469,361	-	470,861	-
BRAC Bank Ltd. (A/c # 1501201870861002)	160,749,209	-	132,548,410	-
BRAC Bank Ltd. (A/c # 1501201870861001-US\$)	95,448,675	-	200,219,482	-
BRAC Bank Ltd. (A/c # 1501201831046001)	1,049,909	-	626,879	-
Dutch-Bangla Bank Ltd. (A/c # 103110000019467)	7,369	-	8,519	-
Standard Chartered Bank (A/c # 01-114572701)	768	-	60,748	-
Trust Bank Ltd. (A/c # 300210002767)	169,920	-	171,420	-
Standard Chartered Bank (US \$ A/c # 01-1145727-02)	33,904,566	-	52,971,824	-
Total current account	605,398,606	313,596,008	680,922,457	293,839,043
<u>Special notice deposit (SND) account:</u>				
BRAC Bank Ltd. (A/c # 1501100976943001)	38,699	38,699	38,893	38,893
BRAC Bank Ltd. (A/c # 1501101870861001)	47,572,644	-	238,916	-
Dutch Bangla Bank Ltd. (A/c # 107120000000671)	9	9	1,056	1,056
Dutch Bangla Bank Ltd. (A/c # 103120000001348)	181,115	181,115	314,940	314,940
Dutch Bangla Bank Ltd. (A/c # 103120000001381)	126,671	-	812,079	-
Standard Chartered Bank (A/c # 02111075401)	96,054	-	106,055	-
Standard Chartered Bank (A/c # 02114572701)	160,599	-	788,622	-
Citibank, NA (A/c # G010001200812006)	404,849	-	399,709	-
Trust Bank Ltd. (A/c # 300320000097)	1,401	1,401	12,121	12,121
BRAC Bank Ltd. -Dividend'09 distribution a/c	758,554	758,554	752,781	752,781
BRAC Bank Ltd. -Dividend'12 distribution a/c	2,933,545	2,933,545	-	-
Total SND account	52,274,140	3,913,323	3,465,172	1,119,791
<u>Fixed deposit receipt (FDR) account:</u>				
Standard Chartered Bank	-	-	970,930,000	520,930,000
BRAC Bank Ltd.	-	-	150,000,000	150,000,000
Bank Asia Ltd.	805,000,000	300,000,000	-	-
Jamuna Bank Ltd.	150,000,000	150,000,000	-	-
EXIM Bank Ltd.	545,000,000	545,000,000	-	-
Total FDR account	1,500,000,000	995,000,000	1,120,930,000	670,930,000
Total cash at bank	2,157,672,746	1,312,509,331	1,805,317,629	965,888,834
Total cash and cash equivalents	2,157,750,956	1,312,544,286	1,805,455,654	965,971,294

Notes to the Financial Statements

as at and for the year ended 31 December 2013

	2013		2012	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
13. Share capital				
Authorised:				
500,000,000 ordinary shares of Tk 10 each	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000
2,000,000 preference shares of Tk 1,000 each	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
	7,000,000,000	7,000,000,000	7,000,000,000	7,000,000,000
Issued, subscribed and paid-up:				
Ordinary shares:				
208,593,000 ordinary shares of Tk 10 each	2,085,930,000	2,085,930,000	2,085,930,000	2,085,930,000
31,288,950 ordinary shares of Tk 10 each issued as bonus shares in 2010	312,889,500	312,889,500	312,889,500	312,889,500
47,976,390 ordinary shares of Tk 10 each issued as bonus shares in 2011	479,763,900	479,763,900	479,763,900	479,763,900
17,991,150 ordinary shares of Tk 10 each issued as bonus shares in 2012	179,911,500	179,911,500	179,911,500	179,911,500
38,231,186 ordinary shares of Tk 10 each issued as bonus shares in 2013	382,311,860	382,311,860	-	-
	3,440,806,760	3,440,806,760	3,058,494,900	3,058,494,900

13.1 Shareholding position of ordinary shares is as follows:

Name of shareholders	2013			2012		
	No. of shares	Percentage of holding	Total value (Taka)	No. of shares	Percentage of holding	Total value (Taka)
United Enterprises & Co. Ltd. (incorporated in Bangladesh)	121,399,482	35.28%	1,213,994,820	107,910,651	35.28%	1,079,106,510
Summit Industrial & Mercantile Corporation (Pvt.) Ltd. (incorporated in Bangladesh)	60,699,740	17.64%	606,997,400	53,955,325	17.64%	539,553,250
Summit Power Limited (incorporated in Bangladesh)	60,699,741	17.64%	606,997,410	53,955,326	17.64%	539,553,260
Other sponsors	81,480	0.02%	814,800	72,436	0.02%	724,360
General investors	101,200,233	29.41%	1,012,002,330	89,955,752	29.41%	899,557,520
Total	344,080,676	100%	3,440,806,760	305,849,490	100%	3,058,494,900

Classification of Shareholders by holding as at 31 December 2013:

Range of share holdings	No. of shareholders	No. of shares holdings	Percentage of share holdings
Less than 5,000 shares	42,155	23,414,794	6.81%
5,000 to 10,000 shares	909	6,191,389	1.80%
10,001 to 25,000 shares	378	5,767,423	1.68%
25,001 to 50,000 shares	113	3,846,166	1.12%
50,001 to 100,000 shares	86	6,391,455	1.86%
100,001 to 250,000 shares	46	7,005,917	2.04%
250,001 to 500,000 shares	20	7,338,793	2.13%
500,001 to 2,500,000 shares	16	14,016,093	4.07%
2,500,001 to 5,000,000 shares	5	17,962,915	5.22%
Over 5,000,000 shares	4	252,145,731	73.28%
Total	43,732	344,080,676	100%

Notes to the Financial Statements

as at and for the year ended 31 December 2013

	2013		2012	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
14. Non controlling interest				
Khulna Power Company Unit II Ltd.:				
Share capital (0.03125%)	500,000	-	500,000	-
Share of total comprehensive income	13,223,289	-	13,051,286	-
Khanjahan Ali Power Company Ltd.:				
Share capital (10%)	2,000,000	-	2,000,000	-
Share of total comprehensive income	70,818,463	-	39,361,795	-
	<u>86,541,752</u>	<u>-</u>	<u>54,913,081</u>	<u>-</u>

15. Redeemable cumulative class 'A' preference shares

The company issued 1,100,000 redeemable cumulative class 'A' preference shares in favour of The City Bank Ltd. (600,000 shares), Pubali Bank Limited (200,000 shares), One Bank Limited (200,000 shares) and Trust Bank Limited (100,000 shares) on 14 May 2008. These shares, under ordinary circumstances, are redeemable at par value in five annual equal installments from 14 May 2010, the second anniversary of the issue date. Annual dividend on these preference shares is payable at the rate 8.25% (net of withholding tax).

Balance as at 1 January	440,000,000	440,000,000	660,000,000	660,000,000
Issued during the year	-	-	-	-
	<u>440,000,000</u>	<u>440,000,000</u>	<u>660,000,000</u>	<u>660,000,000</u>
Repayment during the year	(220,000,000)	(220,000,000)	(220,000,000)	(220,000,000)
Balance as at 31 December	<u>220,000,000</u>	<u>220,000,000</u>	<u>440,000,000</u>	<u>440,000,000</u>
Non-current portion	-	-	220,000,000	220,000,000
Current portion	<u>220,000,000</u>	<u>220,000,000</u>	<u>220,000,000</u>	<u>220,000,000</u>
	<u>220,000,000</u>	<u>220,000,000</u>	<u>440,000,000</u>	<u>440,000,000</u>

Redeemable cumulative class 'A' preference shares has been classified as liability as required by Bangladesh Accounting Standard 32, Financial Instruments: Presentation.

15.1 Shareholding position of redeemable cumulative class 'A' preference shares

Name of shareholders	2013 Taka Consolidated	2013 Taka Separate	2012 Taka Consolidated	2012 Taka Separate
The City Bank Limited	120,000,000	120,000,000	240,000,000	240,000,000
Pubali Bank Limited	40,000,000	40,000,000	80,000,000	80,000,000
One Bank Limited	40,000,000	40,000,000	80,000,000	80,000,000
Trust Bank Limited	20,000,000	20,000,000	40,000,000	40,000,000
	<u>220,000,000</u>	<u>220,000,000</u>	<u>440,000,000</u>	<u>440,000,000</u>
16. Term loan				
DEG/FMO term loan (Note 16.1):				
Current maturity portion	922,984,960	-	980,488,709	-
Long term portion	1,493,202,821	-	2,483,922,360	-
	<u>2,416,187,781</u>	<u>-</u>	<u>3,464,411,069</u>	<u>-</u>
Standard Chartered Bank term loan (Note 16.2):				
Current maturity portion	326,768,202	-	342,561,176	-
Long term portion	360,707,332	-	705,622,608	-
	<u>687,475,534</u>	<u>-</u>	<u>1,048,183,784</u>	<u>-</u>
Total:				
Current maturity portion	1,249,753,162	-	1,323,049,885	-
Long term portion	1,853,910,153	-	3,189,544,968	-
	<u>3,103,663,315</u>	<u>-</u>	<u>4,512,594,853</u>	<u>-</u>

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16.1 Khulna Power Company Unit II Ltd. is enjoying long term loan facility from DEG/FMO under the following terms and conditions:

Limit	USD 50,000,000
Purpose	Set-up power plant / Import of capital machinery.
Interest	3 month LIBOR + 4% margin
Tenor	48 months (effective from 8 June 2012)
Repayment	16 equal quarterly instalments
Security	i) Floating charge over the book debts, receivables, plant, machinery, equipment and current assets of the borrower by way of hypothecation supported by an irrevocable general power of attorney. ii) Fixed charge over the machinery and equipment of the borrower by way of hypothecation supported by an irrevocable general power of attorney.

Various loan related arrangement fees and financial charges will be amortised proportionately during the tenor of DEG/FMO loan.

16.2 Khanjahan Ali Power Company Ltd. is enjoying long term loan facility from Standard Chartered Bank Mauritius Ltd. under the following terms and conditions:

Limit	USD 19,500,000
Purpose	Import of capital machinery
Interest	3 month LIBOR (2% caps and 1% floors) + 4% margin
Tenor	56 months (effective from 20 June 2011)
Repayment	18 equal quarterly instalments
Security	i) Floating charge over the book debts, receivables, plant, machinery, equipment and current assets of the borrower by way of hypothecation supported by an irrevocable general power of attorney. ii) Fixed charge over the machinery and equipment of the borrower by way of hypothecation supported by an irrevocable general power of attorney.

Various loan related arrangement fees and financial charges will be amortised proportionately during the tenor of the loan.

	2013		2012	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
17. Deferred liabilities				
Gratuity scheme:				
Balance as at 1 January	9,030,536	9,030,536	7,631,493	7,631,493
Provision made during the year	1,476,603	1,476,603	1,399,043	1,399,043
	<u>10,507,139</u>	<u>10,507,139</u>	<u>9,030,536</u>	<u>9,030,536</u>
Gratuity paid during the year	-	-	-	-
Balance as at 31 December	<u>10,507,139</u>	<u>10,507,139</u>	<u>9,030,536</u>	<u>9,030,536</u>
Provision for leave encashment:				
Balance as at 1 January	2,926,855	2,926,855	2,504,442	2,504,442
Provision/(adjustment) made during the year	584,373	584,373	493,288	493,288
	<u>3,511,228</u>	<u>3,511,228</u>	<u>2,997,730</u>	<u>2,997,730</u>
Payment made during the year	(228,096)	(228,096)	(70,875)	(70,875)
Balance as at 31 December	<u>3,283,132</u>	<u>3,283,132</u>	<u>2,926,855</u>	<u>2,926,855</u>
	<u>13,790,271</u>	<u>13,790,271</u>	<u>11,957,391</u>	<u>11,957,391</u>

Notes to the Financial Statements

as at and for the year ended 31 December 2013

	2013		2012	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
18. Asset retirement obligations (ARO)				
Opening balance	18,766,563	-	15,000,000	-
Provision made during the year	2,814,985	-	3,766,563	-
	<u>21,581,548</u>	<u>-</u>	<u>18,766,563</u>	<u>-</u>
Adjustment/payment made during the year	-	-	-	-
Closing balance	<u>21,581,548</u>	<u>-</u>	<u>18,766,563</u>	<u>-</u>
This provision relates to asset retirement obligations (ARO).				
19. Accounts payable				
Handling commission for fuel oil	734,334,979	734,334,979	1,193,914,516	1,193,914,516
BP Singapore Pte Ltd. -Fuel cost	1,534,165,827	1,534,165,827	2,669,853,512	2,669,853,512
USCOL - Fuel carrying and storage	139,987,769	139,987,769	405,852,958	405,852,958
Operation and maintenance (O&M)	441,814,420	297,985,016	238,261,637	139,216,046
	<u>2,850,302,995</u>	<u>2,706,473,591</u>	<u>4,507,882,623</u>	<u>4,408,837,032</u>
20. Inter-company payables				
United Enterprises & Company Ltd.	12,244,497	-	12,244,497	-
Khulna Power Company Unit II Ltd.	-	157,176,316	-	35,488,604
	<u>12,244,497</u>	<u>157,176,316</u>	<u>12,244,497</u>	<u>35,488,604</u>
21. Accrued expenses and others				
Electricity, gas and water	30,000	30,000	20,000	20,000
Legal and other professional fees	140,000	20,000	86,825	26,825
Audit fee	831,500	456,500	765,000	415,000
Lease rent payable - BPDB	1,232,086	1,022,696	2,354,890	2,288,766
Telephone, fax and e-mail	45,000	45,000	35,000	35,000
Employee expenses	6,660,606	6,660,606	4,522,222	4,522,222
Falcon Security Limited - plant security	447,078	172,323	456,701	185,530
Employees' provident fund	325,716	325,716	35,488	35,488
Wartsila Bangladesh Ltd. -Mobilization fee	12,636,000	-	12,636,000	-
Commission on performance bond -DBBL	2,694,329	-	-	-
DEG/ Paribahan, Khulna- CSR program	1,827,507	-	-	-
Others	1,665,478	1,410,374	980,490	716,375
	<u>28,535,300</u>	<u>10,143,215</u>	<u>21,892,616</u>	<u>8,245,206</u>
22. Source tax and VAT payable				
Source Tax (TDS) and VAT payable	<u>120,585,847</u>	<u>44,109,088</u>	<u>22,732,953</u>	<u>18,419,790</u>
23. Liability for interest and other financial charges				
Dividend on redeemable cumulative preference shares	14,242,709	14,242,709	28,485,417	28,485,417
Interest payable on:				
Term loan- Standard Chartered Bank	3,178,693	-	5,548,999	-
Term loan- DEG/FMO loan	13,534,621	-	19,763,237	-
	<u>30,956,023</u>	<u>14,242,709</u>	<u>53,797,653</u>	<u>28,485,417</u>

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	2013		2012	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
24. Unclaimed dividend				
The following amount of cash dividend remained unclaimed by the shareholders. The amount of dividend is deposited in dedicated bank account and is payable on demand.				
Final cash dividend for the year 2009	8,433,815	8,433,815	8,447,675	8,447,675
Final cash dividend for the year 2012	2,314,680	2,314,680	-	-
	<u>10,748,495</u>	<u>10,748,495</u>	<u>8,447,675</u>	<u>8,447,675</u>
25. Income tax payable				
The details of income tax payable has been shown below:				
Provision for the year 2012	-	-	26,500,000	26,500,000
Provision for the year 2013	33,175,355	33,175,355	-	-
	<u>33,175,355</u>	<u>33,175,355</u>	<u>26,500,000</u>	<u>26,500,000</u>
No provision for tax has been made in the accounts as the Company is entitled to tax exemption for a period of 15 years with effect from commencement of commercial production vide SRO no. 114-Law/99 dated 26 May 1999 issued the Gov. of Bangladesh, under private sector power generation policy. During the year ended 31 December 2013 the Company has earned Tk. 700,000,000 as Project Implementation Fee from its subsidiary company Khulna Power Company Unit II Ltd. against which Tk.33,175,355 has been provided as 5% tax payable in this regard.				
26. Revenue				
Other monthly tariff/Capacity payment (Note 26.1)	1,673,119,224	1,673,119,224	1,660,137,575	1,660,137,575
Fuel tariff/Energy payment (Note 26.2)	6,024,049,438	6,024,049,438	6,018,487,324	6,018,487,324
Rental payment (Note 26.3)	2,398,018,221	-	2,519,896,629	-
Energy payment (variable operation & maintenance payment. Note 26.4)	154,582,465	-	149,439,241	-
	<u>10,249,769,348</u>	<u>7,697,168,662</u>	<u>10,347,960,769</u>	<u>7,678,624,899</u>
26.1	Other monthly tariff is the price component of all other costs including profit per KW of energy supplied at the delivery point excluding fuel. Capacity payment is payable for each month by BPDB for making available the Depadable Capacity in each month.			
26.2	The price component of fuel tariff is comprised of the cost of fuel per KW of energy generated which is reimbursable from BPDB after making adjustments as per agreement. Energy payment is made up of two components (i) variable operation and maintenance payment and (ii) liquid fuel payment.			
26.3	Rental Payment is payable for each month by Bangladesh Power Development Board (BPDB) for making available the Dependable Capacity in such month.			
26.4	Energy payment is made up of two components (i) variable operation and maintenance payment and (ii) liquid fuel payment. However, liquid fuel payment is considered zero because Bangladesh Petroleum Corporation (BPC) supplies liquid fuel and Bangladesh Power Development Board (BPDB) pays BPC for the fuel. BPDB acts as a facilitator to ensure that the rental power company receives liquid fuel from BPC for operation of the plant.			
27. Cost of sales				
Consumption of heavy fuel oil (HFO) and related expenses	6,650,107,795	6,650,107,795	6,719,866,129	6,719,866,129
Consumption of light fuel oil (LFO)	13,902,699	2,230,279	20,413,862	7,374,857
Consumption of lube oil	159,757,707	5,713,130	117,031,042	-
Operation and maintenance cost	698,516,578	408,666,265	671,313,067	416,328,875
Security service -Plant site	5,349,463	2,052,403	5,102,241	1,982,934
Duty on spare parts	22,349,495	22,349,495	10,333,262	10,333,262
Depreciation of power plant	360,732,723	164,997,602	370,539,663	173,475,370
	<u>7,910,716,460</u>	<u>7,256,116,969</u>	<u>7,914,599,266</u>	<u>7,329,361,427</u>

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as at and for the year ended 31 December 2013

	2013		2012	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate

The above expenses of Khulna Power Company Ltd. arise after considering various fuel related expenses and adjustments which are not relevant with HFO inventory. That is why, the actual consumption shown in HFO inventory (note no. 6.1) is not directly matchable with the above mentioned expenses.

28. Other income				
Project implementation fee	-	700,000,000	-	530,000,000
Prior years' adjustment	-	-	700,000	700,000
Sale proceeds of sludge, used lube oil, empty drums	5,200,132	-	-	-
	5,200,132	700,000,000	700,000	530,700,000

These represents project implementation fee received from its subsidiary companies, sale proceeds of sludge, used lube oil, empty lube oil drums and prior years' adjustment for written-back provisions.

29. General and administrative expenses				
Salary and allowances	19,871,450	19,871,450	17,950,783	17,950,783
Employer's contribution to P.F.	796,900	796,900	669,880	669,880
Gratuity provision	1,476,603	1,476,603	1,399,043	1,399,043
Earned leave provision	584,373	584,373	493,288	493,288
Leave fare assistance	401,399	401,399	309,479	309,479
Office & guest house rent and maintenance	4,119,325	4,119,325	4,216,863	4,216,863
Telephone, fax and e-mail	391,235	383,208	383,282	383,282
Advertisement, publicity, press and seminar	938,884	938,884	1,478,084	1,476,246
Entertainment expenses	200,186	153,611	410,395	342,812
Bank charges and commission	2,678,449	779,443	4,641,535	347,073
Printing, postage and stationeries	458,197	442,397	320,369	317,369
Travel and conveyance	1,586,821	681,591	1,390,951	491,155
Vehicle fuel and maintenance	265,738	265,738	454,401	454,401
Newspapers, books and periodicals	21,145	21,145	19,616	19,616
Business promotion, subscription, gift and donation	6,803,248	2,144,016	7,214,624	4,253,174
Uniform and liveries	28,370	28,370	20,900	20,900
Insurance premium	41,341,051	8,351,680	38,139,387	5,333,762
Lease rent - BPDB (Note 29.1)	4,404,018	3,452,582	4,582,205	3,355,293
Directors' fees and board meeting expenses	613,148	521,148	579,462	579,462
Auditor's fee (Note 29.2)	1,071,500	456,500	1,245,000	415,000
Legal, tax and other professional fees	1,476,958	1,144,906	17,563,499	354,801
Survey, testing and inspection fees	236,547	219,248	3,180,180	3,180,180
Company matters & share related expenses	2,665,865	2,260,865	3,164,012	1,016,722
Licence fee- BIWTA	76,147	-	-	-
Performance bond/bank guarantee charges	9,343,209	539,926	7,167,643	14,000
Environmental compliance expenses	1,146,262	622,788	10,801,076	900,196
Computer consumable and maintenance	427,153	427,153	419,193	419,193
River intake dredging	195,000	195,000	-	-
Annual General Meeting (AGM) expenses	8,970,451	8,970,451	10,544,580	10,544,580
Depreciation - Other property, plant and equipment	1,327,836	840,336	2,234,258	1,746,758
Bad debts expenses (Note 29.3)	55,680,358	-	-	-
VAT expense (Note 29.4)	36,492,891	36,492,891	-	-
Miscellaneous and incidental expenses	258,405	70,405	1,486,718	1,718
	206,349,122	97,654,332	142,480,706	61,007,029

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	2013		2012	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate

29.1 Operating leases

Khulna Power Company Ltd. and Khulna Power Company Unit II Ltd. are obligated under non-cancellable lease for use of land leased out by BPDB that are renewable on a periodic basis at the option of both lessor and lessee. During the year, the consolidated rental expenses under non-cancellable operating leases aggregated Tk. 4,404,018 (2012: Tk. 4,582,205).

The future minimum lease payments in respect of operating leases as at 31 December 2013 are as follows:

Amount due:				
Not later than one year	5,533,246	4,475,278	5,265,081	4,475,278
Later than one year but not later than five years	661,230	-	5,907,943	4,475,278
	6,194,476	4,475,278	11,173,024	8,950,556

29.2 The break-up of auditor's fee are as below:

Statutory audit	831,500	456,500	765,000	415,000
Various certification for DEG loan	240,000	-	480,000	-
	1,071,500	456,500	1,245,000	415,000

29.3 This includes receivables from BPDB of BDT 10,075,647 for Khulna Power Company Unit II Ltd. and BDT 6,245,942 for Khanjahan Ali Power Company Ltd. in connection with power factor considered for revenue calculation which BPDB did not agree with. Additional amount of BDT 16,495,795 for Khulna Power Company Unit II Ltd. and BDT 22,862,974 for Khanjahan Ali Power Company Ltd. were deducted by BPDB due to excess fuel consumption in 2011 which the Companies feels is no longer recoverable.

29.4 During the year ended 31 December 2013, Khulna Power Company Ltd. has earned Tk 700,000,000 as Project Implementation Fee from one of its subsidiary Company (Khulna Power Company Unit II Ltd.) against which Tk 36,492,891 has been provided as 5.5% VAT payable in this regard.

30. Foreign exchange gain/(loss)

Exchange gain/(loss) arises on translating foreign currency denominated monetary assets and liabilities at the exchange rates prevailing on the reporting date. Exchange gain/(loss) arose from following foreign currency denominated monetary assets and liabilities:

Handling commission for fuel oil	25,039,503	25,039,503	25,576,786	25,576,786
US Dollar accounts	(17,541,444)	(1,311,483)	(6,982,057)	(1,291,114)
Interest on term loan -SCB	285,704	-	1,531,714	-
Interest on term loan -DEG/FMO	384,209	-	141,498	-
Accounts receivable -BPDB	(15,641,997)	-	(29,388,307)	-
O & M fee payable to Wartsila Bd. Ltd.	(542,526)	5,461,704	(12,166,827)	-
Others	(8,089)	-	(152,891)	(152,891)
	(8,024,640)	29,189,724	(21,440,084)	24,132,781

31. Finance income

Interest on bank deposits	118,044,073	97,321,063	32,389,761	26,849,783
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32. Finance expenses

Interest on:				
Short term loan:				
Dutch Bangla Bank Ltd.	-	-	145,542,183	65,147,460
Pubali Bank Ltd.	-	-	31,425,965	-
Trust Bank Ltd.	-	-	42,874,831	5,425,046
BRAC Bank Ltd.	-	-	50,185,839	7,068,361

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	2013		2012	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Prime Bank Ltd.	-	-	19,269,221	-
Standard Chartered Bank	-	-	18,407,603	18,407,603
Uttata Finance & Investments Ltd.	-	-	8,450,000	-
Term loan -SCB	57,681,148	-	89,272,127	-
Term loan -DEG/FMO	152,539,999	-	115,320,497	-
Working capital facility	1,037,934	1,037,934	33,726,749	33,726,749
Annual agency fee -Security & Facility Agent	2,760,000	2,760,000	2,760,000	2,760,000
Other financial charges	2,818,955	-	3,929,524	-
Dividend on redeemable cumulative class 'A' preference shares	31,132,292	31,132,292	53,819,792	53,819,792
	<u>247,970,328</u>	<u>34,930,226</u>	<u>614,984,331</u>	<u>186,355,011</u>
33. Earnings per share (EPS)				
Basic earnings per share				
The computation of EPS is given below:				
a) Profit attributable to the ordinary shareholders	1,935,148,977	1,101,802,567	1,626,894,220	657,083,996
b) Weighted average number of ordinary shares outstanding	344,080,676	344,080,676	305,849,490	305,849,490
c) Restated weighted average number of ordinary shares outstanding			344,080,676	344,080,676
Earnings per share (EPS) (a/b)	5.62	3.20	5.32	2.15
Restated earnings per share (EPS) (a/c)			4.73	1.91

Since the bonus issue is an issue without consideration, the issue has been treated as if it occurred prior to the beginning of 2013, the earliest period reported for the purposes of EPS calculation.

33.1 Diluted earnings per share

No diluted earnings per share is required to be calculated for the year as there was no potentially dilutive ordinary shares during the year.

34. Expenses/expenditures and revenue in foreign currency during the year

<u>CIF value of imports:</u>				
Spare parts	332,052,981	218,378,523	654,917,973	328,912,346
Capital items	65,402,258	-	7,958,878	2,932,193
	<u>397,455,239</u>	<u>218,378,523</u>	<u>662,876,851</u>	<u>331,844,539</u>
<u>Expenditures:</u>				
Heavy fuel oil cost	4,778,897,613	4,778,897,613	5,221,325,126	5,221,325,126
Operation and maintenance cost	521,067,507	372,929,998	576,108,776	399,123,048
Interest on term loan	172,809,524	-	204,696,549	-
Others	2,160,829	92,212	17,921,687	776,673
	<u>5,474,935,473</u>	<u>5,151,919,823</u>	<u>6,020,052,138</u>	<u>5,621,224,847</u>
<u>Earnings:</u>				
Revenue	<u>4,250,612,761</u>	<u>1,698,012,075</u>	<u>4,324,062,899</u>	<u>1,654,727,029</u>

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35. Financial risk management

The Group/Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

35.1 Risk management framework

Board of directors has overall responsibility for the establishment and oversight of the Group's/Company's risk management framework.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The Group, through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations about the financial risk management in the Group.

35.2 Credit risk

Credit risk is the risk of 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. The Company's sales is made to Government entity, viz, Bangladesh Power Development Board (BPDB) under the conditions of the long term Power Purchase Agreement (PPA). Sales made to this entity is 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.

	2013		2012	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Accounts receivable	2,139,534,367	1,269,278,015	1,712,301,128	940,569,478
Other receivables	50,259,396	102,062,911	32,391,223	92,971,704
Inter-company receivables	20,472,960	-	473,672,960	-
Deposit	14,997,561	1,151,386	14,988,561	1,142,386
Cash at bank	2,157,672,746	1,312,509,331	1,805,317,629	965,888,834
	<u>4,382,937,030</u>	<u>2,685,001,643</u>	<u>4,038,671,501</u>	<u>2,000,572,402</u>

35.2.1 Exposure to credit risk

The carrying amount of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Accounts receivable	2,139,534,367	1,269,278,015	1,712,301,128	940,569,478
Other receivables	50,259,396	102,062,911	32,391,223	92,971,704
Inter-company receivables	20,472,960	-	473,672,960	-
Deposit	14,997,561	1,151,386	14,988,561	1,142,386
Cash at bank	2,157,672,746	1,312,509,331	1,805,317,629	965,888,834
	<u>4,382,937,030</u>	<u>2,685,001,643</u>	<u>4,038,671,501</u>	<u>2,000,572,402</u>
35.2.2 Aging of receivables				
Neither past due nor impaired	371,396,481	165,373,594	535,164,865	326,346,551
Past due 1-30 days	563,971,694	356,082,704	507,848,524	299,106,131
Past due 31-60 days	443,924,814	434,934,886	1,961,985	-
Past due 61-90 days	8,902,637	-	4,356,135	3,269,600
Past due 91-120 days	20,070,909	-	4,142,066	3,090,570
Past due above 120 days	731,267,832	312,886,831	658,827,553	308,756,626
	<u>2,139,534,367</u>	<u>1,269,278,015</u>	<u>1,712,301,128</u>	<u>940,569,478</u>

35.3 Capital management

Capital management refers to implementing policies and measures to maintain sufficient capital, assessing Company's internal capital adequacy to ensure Company's operation as a going concern. Board of directors are charged with the ultimate responsibility for maintaining a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, capital redemption reserve and retained earnings. All major investment and operational decisions with exposure to certain amount are evaluated and approved by the board. The Board of Directors also monitor the level of dividends to ordinary shareholders.

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35.4 Liquidity risk

Liquidity risk is the risk that the Group/Company will not be able to meet its financial obligations as they fall due. The Group'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 Group's/Company's reputation. Typically, the Group/Company ensures that it has sufficient cash and cash equivalent to meet expected operational expenses, including the servicing of financial obligation through preparation of the cash forecast, prepared based on time line of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date. Moreover, the group 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.

In extreme stressed condition, the group may get support from the each other in the form of inter-company loan.

The following are the contractual maturities of financial liabilities:

	Contractual Cash Flow					
	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	More than 2 years
	Taka	Taka	Taka	Taka	Taka	Taka
2013 (Consolidated):						
Non-derivative financial liabilities:						
Redeemable preference shares	220,000,000	220,000,000	220,000,000	-	-	-
Term loan	2,416,187,781	2,444,687,500	488,937,500	488,937,500	977,875,000	488,937,500
Accounts payable	2,850,302,995	2,850,302,995	2,850,302,995	-	-	-
Inter company payables	12,244,497	12,244,497	12,244,497	-	-	-
Accrued expenses and others	28,535,300	28,535,300	28,535,300	-	-	-
Source tax and VAT payable	120,585,847	120,585,847	120,585,847	-	-	-
Liability for interest and other financial charges	30,956,023	30,956,023	30,956,023	-	-	-
Unclaimed dividend	10,748,495	10,748,495	10,748,495	-	-	-
Income tax payable	33,175,355	33,175,355	33,175,355	-	-	-
	5,722,736,293	5,751,236,012	3,795,486,012	488,937,500	977,875,000	488,937,500
Derivative financial liabilities	687,475,534	692,203,822	169,498,316	169,498,316	338,996,632	14,210,558
	6,410,211,827	6,443,439,834	3,964,984,328	658,435,816	1,316,871,632	503,148,058
2012 (Consolidated):						
Non-derivative financial liabilities:						
Redeemable preference shares	440,000,000	440,000,000	220,000,000	-	220,000,000	-
Term loan	3,464,411,069	3,512,250,000	501,750,000	501,750,000	1,003,500,000	1,505,250,000
Accounts payable	4,507,882,623	4,507,882,623	4,507,882,623	-	-	-
Inter company payables	12,244,497	12,244,497	12,244,497	-	-	-
Accrued expenses and others	21,892,616	21,892,616	21,892,616	-	-	-
Source tax and VAT payable	22,732,953	22,732,953	22,732,953	-	-	-
Liability for interest and other financial charges	53,797,653	53,797,653	53,797,653	-	-	-
Unclaimed dividend	8,447,675	8,447,675	8,447,675	-	-	-
Income tax payable	26,500,000	26,500,000	26,500,000	-	-	-
	8,557,909,086	8,605,748,017	5,375,248,017	501,750,000	1,223,500,000	1,505,250,000
Derivative financial liabilities	1,048,183,784	1,058,222,842	173,939,982	173,939,982	347,879,964	362,462,914
	9,606,092,870	9,663,970,859	5,549,187,999	675,689,982	1,571,379,964	1,867,712,914

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	Contractual Cash Flow					
	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	More than 2 years
	Taka	Taka	Taka	Taka	Taka	Taka
2013 (Separate):						
Non-derivative financial liabilities:						
Redeemable preference shares	220,000,000	220,000,000	220,000,000	-	-	-
Accounts payable	2,706,473,591	2,706,473,591	2,706,473,591	-	-	-
Inter company payables	157,176,316	157,176,316	157,176,316	-	-	-
Accrued expenses and others	10,143,215	10,143,215	10,143,215	-	-	-
Source tax and VAT payable	44,109,088	44,109,088	44,109,088	-	-	-
Liability for interest and other financial charges	14,242,709	14,242,709	14,242,709	-	-	-
Unclaimed dividend	10,748,495	10,748,495	10,748,495	-	-	-
Income tax payable	33,175,355	33,175,355	33,175,355	-	-	-
	3,196,068,769	3,196,068,769	3,196,068,769	-	-	-
Derivative financial liabilities	-	-	-	-	-	-
	3,196,068,769	3,196,068,769	3,196,068,769	-	-	-
2012 (Separate) :						
Non-derivative financial liabilities:						
Redeemable preference shares	440,000,000	440,000,000	220,000,000	-	220,000,000	-
Accounts payable	4,408,837,032	4,408,837,032	4,408,837,032	-	-	-
Inter company payables	35,488,604	35,488,604	35,488,604	-	-	-
Accrued expenses and others	8,245,206	8,245,206	8,245,206	-	-	-
Source tax and VAT payable	18,419,790	18,419,790	18,419,790	-	-	-
Liability for interest and other financial charges	28,485,417	28,485,417	28,485,417	-	-	-
Unclaimed dividend	8,447,675	8,447,675	8,447,675	-	-	-
Income tax payable	26,500,000	26,500,000	26,500,000	-	-	-
	4,974,423,724	4,974,423,724	4,754,423,724	-	220,000,000	-
Derivative financial liabilities	-	-	-	-	-	-
	4,974,423,724	4,974,423,724	4,754,423,724	-	220,000,000	-

35.5 Market risk

Market risk is the risk that any change in market conditions, such as foreign exchange rates, interest rates and commodity prices that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

35.5.1 Commodity risk

Commodity risk refers to the uncertainties of future markets values and of the size of the future income, cost by the fluctuation in the prices of commodities. As the Company reimburses all fuel cost from BPDB, commodity risk is kept at minimal.

35.5.2 Currency risk

The Group is exposed to currency risk on certain revenues and purchases that are denominated in foreign currencies. Majority of the Group's foreign currency transactions are denominated in USD and Euro and relate to procurement of raw materials and capital items from abroad.

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(i) Exposure to currency risk

The Group/Company is exposed to foreign currency risk relating to purchases and other transactions which are denominated in foreign currencies.

As at 31 December, the Company was exposed to foreign currency risk in respect of financial assets and liabilities denominated in the foreign currencies:

	2013 (Consolidated)		2012 (Consolidated)	
	USD	EURO	USD	EURO
Foreign currency denominated assets				
Accounts receivable	14,961,252	-	12,697,104	-
Other receivable	8,250	-	-	-
Cash at bank (dollar account)	1,709,331	-	4,753,210	-
	<u>16,678,833</u>	<u>-</u>	<u>17,450,314</u>	<u>-</u>
Foreign currency denominated liabilities				
Term loan	40,098,252	-	56,206,867	-
Accounts payable	32,248,696	661,744	49,862,781	317,278
Accrued expenses and others	19,581	-	-	-
Liability for interest and other financial charges	213,643	-	315,299	-
	<u>72,580,172</u>	<u>661,744</u>	<u>106,384,947</u>	<u>317,278</u>
Net exposure -assets/(liabilities)	<u>(55,901,339)</u>	<u>(661,744)</u>	<u>(88,934,633)</u>	<u>(317,278)</u>

	2013 (Separate)		2012 (Separate)	
	USD	EURO	USD	EURO
Foreign currency denominated assets				
Accounts receivable	3,836,922	-	3,084,104	-
Cash at bank (dollar account)	55,832	-	1,599,357	-
	<u>3,892,754</u>	<u>-</u>	<u>4,683,461</u>	<u>-</u>
Foreign currency denominated liabilities				
Accounts payable	32,248,696	232,895	49,862,781	-
	<u>32,248,696</u>	<u>232,895</u>	<u>49,862,781</u>	<u>-</u>
Net exposure -assets/(liabilities)	<u>(28,355,942)</u>	<u>(232,895)</u>	<u>(45,179,320)</u>	<u>-</u>

The following significant exchange rates are applied:

	2013	2012
BDT/USD	78.23	80.28
BDT/EURO	105.35	104.05

(ii) Foreign exchange rate sensitivity analysis

A change in foreign exchange rates would have affected the measurement of financial instruments denominated in a foreign currency and increased/(decreased) equity and profits or loss by the amounts shown below. This analysis is based on foreign exchange rate variances that the Group/Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2012, albeit that the reasonably possible foreign exchange rate variances were different for USD denominated items as indicated below:

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	Profit or loss (Taka)		Equity (Taka)	
	Taka strengthening	Taka weakening	Taka strengthening	Taka weakening
2013 (Consolidated):				
USD denominated assets (1%)	(13,047,851)	13,047,851	(13,047,851)	13,047,851
USD denominated liabilities (1%)	(56,779,469)	56,779,469	(56,779,469)	56,779,469
EURO denominated liabilities (1%)	697,171	(697,171)	697,171	(697,171)
2012 (Consolidated):				
USD denominated assets (3%)	(42,027,337)	42,027,337	(42,027,337)	42,027,337
USD denominated liabilities (3%)	256,217,508	(256,217,508)	256,217,508	(256,217,508)
EURO denominated liabilities (1%)	330,126	(330,126)	330,126	(330,126)
2013 (Separate):				
USD denominated assets (1%)	(3,045,301)	3,045,301	(3,045,301)	3,045,301
USD denominated liabilities (1%)	(25,228,155)	25,228,155	(25,228,155)	25,228,155
EURO denominated liabilities (1%)	245,363	(245,363)	245,363	(245,363)
2012 (Separate):				
USD denominated assets (3%)	(11,279,648)	11,279,648	(11,279,648)	11,279,648
USD denominated liabilities (3%)	120,089,522	(120,089,522)	120,089,522	(120,089,522)

35.5.3 Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates. Foreign currency liabilities of the Company are not significantly affected by fluctuations in interest rates. The Company has not entered into any agreement involving derivative instrument at the reporting date.

As at 31 December, the interest rate profile of the Group's/Company's interest bearing financial instruments was:

	Carrying amount (Taka)			
	2013		2012	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Fixed rate instruments				
<i>Financial assets</i>				
Cash at bank	1,552,274,140	998,913,323	1,124,395,172	672,049,791
<i>Financial liabilities</i>				
Redeemable cumulative preference shares	220,000,000	220,000,000	440,000,000	440,000,000
Term loan	687,475,534	-	1,048,183,784	-
Liability for interest and other financial charges	17,421,402	14,242,709	34,034,416	28,485,417
Floating rate instruments				
<i>Financial assets</i>				
Financial assets	-	-	-	-
<i>Financial liabilities</i>				
Term loan	2,416,187,781	-	3,464,411,069	-
Liability for interest and other financial charges	13,534,621	-	19,763,237	-

35.6 Accounting classifications and fair values

The following table shows the carrying amounts and fair values, where applicable, of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

Notes	Carrying amount										
	Held for trading	Designated at fair value	Fair value hedging instruments	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total			
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	
As at 31 December 2013 (Consolidated)											
Financial assets measured at fair value	-	-	-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value	-	-	-	-	2,139,534,367	-	-	-	-	-	2,139,534,367
Accounts receivable	-	-	-	-	50,259,396	-	-	-	-	-	50,259,396
Other receivables	-	-	-	-	14,997,561	-	-	-	-	-	14,997,561
Deposits	-	-	-	-	20,472,960	-	-	-	-	-	20,472,960
Inter-company receivables	-	-	-	-	2,157,672,746	-	-	-	-	-	2,157,672,746
Cash at bank	-	-	-	-	4,382,937,030	-	-	-	-	-	4,382,937,030
Financial liabilities measured at fair value											
Financial liabilities not measured at fair value											
Redeemable cumulative preference shares	-	-	-	-	-	-	-	-	-	-	-
Term loan	-	-	-	-	-	-	-	-	220,000,000	-	220,000,000
Accounts payable	-	-	-	-	-	-	-	-	3,103,663,315	-	3,103,663,315
Inter-company payables	-	-	-	-	-	-	-	-	2,850,302,995	-	2,850,302,995
Accrued expenses and others	-	-	-	-	-	-	-	-	12,244,497	-	12,244,497
Source tax and VAT payable	-	-	-	-	-	-	-	-	28,535,300	-	28,535,300
Liability for interest and other financial charges	-	-	-	-	-	-	-	-	120,585,847	-	120,585,847
Unclaimed dividend	-	-	-	-	-	-	-	-	30,956,023	-	30,956,023
Income tax payable	-	-	-	-	-	-	-	-	10,748,495	-	10,748,495
	-	-	-	-	-	-	-	-	33,175,355	-	33,175,355
	-	-	-	-	-	-	-	-	6,410,211,827	-	6,410,211,827
As at 31 December 2012 (Consolidated)											
Financial assets measured at fair value	-	-	-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value	-	-	-	-	1,712,301,128	-	-	-	-	-	1,712,301,128
Accounts receivable	-	-	-	-	32,391,223	-	-	-	-	-	32,391,223
Other receivables	-	-	-	-	14,988,561	-	-	-	-	-	14,988,561
Deposits	-	-	-	-	473,672,960	-	-	-	-	-	473,672,960
Inter-company receivables	-	-	-	-	1,805,317,629	-	-	-	-	-	1,805,317,629
Cash at bank	-	-	-	-	4,038,671,501	-	-	-	-	-	4,038,671,501
Financial liabilities measured at fair value											
Financial liabilities not measured at fair value											
Redeemable cumulative preference shares	-	-	-	-	-	-	-	-	-	-	-
Term loan	-	-	-	-	-	-	-	-	440,000,000	-	440,000,000
Accounts payable	-	-	-	-	-	-	-	-	4,512,594,853	-	4,512,594,853
Inter-company payables	-	-	-	-	-	-	-	-	4,507,882,623	-	4,507,882,623
Accrued expenses and others	-	-	-	-	-	-	-	-	12,244,497	-	12,244,497
Source tax and VAT payable	-	-	-	-	-	-	-	-	21,892,616	-	21,892,616
Liability for interest and other financial charges	-	-	-	-	-	-	-	-	-	-	-
Unclaimed dividend	-	-	-	-	-	-	-	-	-	-	-
Income tax payable	-	-	-	-	-	-	-	-	-	-	-

Source tax and VAT payable	-	-	-	-	-	-	-	-	22,732,953	-	22,732,953
Liability for interest and other financial charges	-	-	-	-	-	-	-	-	53,797,653	-	53,797,653
Unclaimed dividend	-	-	-	-	-	-	-	-	8,447,675	-	8,447,675
Income tax payable	-	-	-	-	-	-	-	-	26,500,000	-	26,500,000
	-	-	-	-	-	-	-	-	9,606,092,870	-	9,606,092,870
As at 31 December 2013 (Separate)											
Financial assets measured at fair value											
Financial assets not measured at fair value											
Accounts receivable	-	-	-	-	1,269,278,015	-	-	-	-	-	1,269,278,015
Other receivables	-	-	-	-	102,062,911	-	-	-	-	-	102,062,911
Deposits	-	-	-	-	1,151,386	-	-	-	-	-	1,151,386
Inter-company loans and advances	-	-	-	-	108,664,409	-	-	-	-	-	108,664,409
Cash at bank	-	-	-	-	1,312,509,331	-	-	-	-	-	1,312,509,331
Financial liabilities measured at fair value											
Financial liabilities not measured at fair value											
Redeemable cumulative preference shares	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-	-	-	220,000,000	-	220,000,000
Inter-company payables	-	-	-	-	-	-	-	-	2,706,473,591	-	2,706,473,591
Accrued expenses and others	-	-	-	-	-	-	-	-	157,176,316	-	157,176,316
Source tax and VAT payable	-	-	-	-	-	-	-	-	10,143,215	-	10,143,215
Liability for interest and other financial charges	-	-	-	-	-	-	-	-	44,109,088	-	44,109,088
Unclaimed dividend	-	-	-	-	-	-	-	-	14,242,709	-	14,242,709
Income tax payable	-	-	-	-	-	-	-	-	10,748,495	-	10,748,495
	-	-	-	-	-	-	-	-	33,175,355	-	33,175,355
	-	-	-	-	-	-	-	-	3,196,068,769	-	3,196,068,769
As at 31 December 2012 (Separate)											
Financial assets measured at fair value											
Financial assets not measured at fair value											
Accounts receivable	-	-	-	-	940,569,478	-	-	-	-	-	940,569,478
Other receivables	-	-	-	-	92,971,704	-	-	-	-	-	92,971,704
Deposits	-	-	-	-	1,142,386	-	-	-	-	-	1,142,386
Inter-company loans and advances	-	-	-	-	100,543,093	-	-	-	-	-	100,543,093
Cash at bank	-	-	-	-	965,888,834	-	-	-	-	-	965,888,834
Financial liabilities measured at fair value											
Financial liabilities not measured at fair value											
Redeemable cumulative preference shares	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-	-	-	440,000,000	-	440,000,000
Inter-company payables	-	-	-	-	-	-	-	-	4,408,837,032	-	4,408,837,032
Accrued expenses and others	-	-	-	-	-	-	-	-	35,488,604	-	35,488,604
Source tax and VAT payable	-	-	-	-	-	-	-	-	8,245,206	-	8,245,206
Liability for interest and other financial charges	-	-	-	-	-	-	-	-	18,419,790	-	18,419,790
Unclaimed dividend	-	-	-	-	-	-	-	-	28,485,417	-	28,485,417
Income tax payable	-	-	-	-	-	-	-	-	8,447,675	-	8,447,675
	-	-	-	-	-	-	-	-	26,500,000	-	26,500,000
	-	-	-	-	-	-	-	-	4,974,423,724	-	4,974,423,724

36. Related party transactions and balance

During the year, the group/company carried out a number of transactions with related parties. In accordance with the provisions of BAS 24 Related Party Disclosures, these are detailed below:

Name of party	Nature of relationship	Nature of transactions	Transactions during the year 2013				Balance as at			
			Taka		Taka		31 December 2013		31 December 2012	
			Consolidated	Separate	Dr./ (Cr.)	Taka	Dr./ (Cr.)	Taka	Dr./ (Cr.)	Taka
United Summit Coastal Oil Ltd	Subsidiary of ultimate parent	Fuel carrying bill	(215,441,541)	(215,441,541)	(137,575,939)	(137,575,939)	(404,052,464)	(404,052,464)		
		Payment/adjustment	481,918,066	481,918,066						
Khulna Power Company Unit II Ltd.	Subsidiary	Loan receipt	-	(2,052,907,638)	-	-	-	-	-	(35,488,604)
		Loan payment	-	1,300,888,173	-	-	(157,176,316)	-	-	-
		Project implementation fee	-	630,331,754	-	-	-	-	-	-
Khulna Power Company Ltd.	Parent	Lending	(460,000,000)	-	-	-	460,000,000	-	-	
Khanjahan Ali Power Company Ltd.	Subsidiary	Lending	-	250,469,268	-	-	108,664,409	-	-	100,543,093
		Realised	-	(242,347,952)	-	-	-	-	-	-
		Project implementation fee	-	-	-	-	76,000,000	-	-	76,000,000
United Enterprises & Co. Ltd.	Shareholder of parent	Arises due to movement of inter-company current a/c	-	-	(12,244,497)	-	(12,244,497)	-	-	
Neptune Commercial Ltd.	Subsidiary of ultimate parent	Arises due to movement of inter-company current a/c	-	-	1,402,000	-	1,402,000	-	-	
United Power Generation & Distribution Co. Ltd.	Subsidiary of ultimate parent	Arises due to movement of inter-company current account	-	(3,828,050)	-	-	-	-	-	
IFDC Vulcan Energy (BD) Ltd.	Shareholder of subsidiary	Loan disbursed	6,800,000	-	19,070,460	-	12,270,460	-	-	

Name of party	Nature of relationship	Nature of transactions	Transactions during the year 2013				Transactions during the year 2012				
			Taka		Taka		Taka		Taka		
			Consolidated	Separate	Consolidated	Separate	Consolidated	Separate			
Key management personnel	Board of Directors	Fees to directors	420,000	340,000	450,000	450,000	450,000	450,000	450,000	450,000	
		Key employees	Salary & allowances and long term benefits	9,559,082	9,559,082	9,581,565	9,581,565	9,581,565	9,581,565	9,581,565	9,581,565
			Bonus	2,404,500	2,404,500	2,249,000	2,249,000	2,249,000	2,249,000	2,249,000	2,249,000

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	2013		2012	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate

37. Contingent liability

The following bank guarantees and performance bonds were existed at the reporting date:

Particulars	Beneficiary	As at 31 Dec 2013		As at 31 Dec 2012	
		Taka	Taka	Taka	Taka
Operation security deposit	BPDB	379,915,884	-	379,915,884	-
Security deposit	Padma Oil Co. Ltd.	273,250,000	-	273,250,000	-
Guarantee for debt service	DEG-FMO	604,536,765	-	604,536,765	-
		1,257,702,649	-	1,257,702,649	-

38. Capacity

Name of the Company/Period	Licensed capacity (MW)	Installed capacity (MW)	Plant factor (% on licensed capacity)	Energy generated (MWh)	Energy sold (MWh)
Khulna Power Company Ltd: January to December 2013	110	114	Average 52.04	510,454	502,184
January to December 2012	110	114	Average 46.56	457,506	449,680
Khulna Power Company Unit II Ltd: January to December 2013	115	119	Average 53.72	553,235	543,000
January to December 2012	115	119	Average 47.37	487,099	477,763
Khanjahan Ali Power Company Ltd: January to December 2013	40	44	Average 64.38	230,663	225,681
January to December 2012	40	44	Average 50.89	181,769	177,508

39. Events after reporting period

There have been no significant events after the reporting period that might require adjustment or disclosure in the financial statements except the Company has taken over the power plant operation and maintenance of subsidiary companies from Wartsila Bangladesh Ltd. on 21 January 2014.

40. General

- 40.1 During the year the company had 13 permanent employees and their individual remuneration rate was not less than Tk 36,000 per annum (31 December 2012: 12 permanent employees).
- 40.2 Previous year's figures have been rearranged, wherever considered necessary, to conform to current year's presentation.


Chairman


Managing Director


Company Secretary



KHULNA POWER COMPANY LTD.

Landmark (3rd floor), 12-14 Gulshan North C/A, Gulshan - 2, Dhaka 1212

Proxy Form

I/We.....of.....
..... being a member of Khulna Power Company Ltd. hereby appoint
Mr./Ms.....of.....
as my proxy to attend and vote for me on my behalf at the 16th Annual General Meeting of the Company to be held at 11.00 a.m. on Wednesday, the 18th June 2014 at **Bashundhara Convention Center**, Block-C, Umme Kulsum Road, Bashundhara R/A, Baridhara, Dhaka-1229 and at any adjournment thereof.
Signed thisday of 2014.

Signature of the Shareholder (s)

Signature of the Proxy

Number of Shares held

BO ID No. (Proxy)

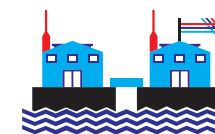
BO ID NO. (Shareholder)

Note: A member entitled to attend and vote at the General Meeting may appoint a proxy to attend and vote in his/her stead. The proxy form, duly stamped, must be deposited at the Registered Office of the Company not later than 48 hours before the time appointed for the meeting.

Revenue Stamp

Signature Verified

Authorised Signatory



KHULNA POWER COMPANY LTD.

Landmark (3rd floor), 12-14 Gulshan North C/A, Gulshan - 2, Dhaka 1212

SHAREHOLDERS' ATTENDANCE SLIP

I/We hereby record my attendance at the 16th Annual General Meeting of the Company to be held on Wednesday, the 11.00 a.m. on 18th June, 2014 at **Bashundhara Convention Center**, Block-C, Umme Kulsum Road, Bashundhara R/A, Baridhara, Dhaka-1229.

Name of the member/Proxy (in Block Letter)	
BO ID No. of Shareholder	
Mobile Number of Shareholder	
E-mail address (if any)	

Signature Verified by

Signature of the Member

Authorised Signatory of the Company

- Note: 1. Please note that AGM can only be attended by the honourable shareholder or properly constituted proxy. Therefore, any friend or children accompanying with honourable shareholder or proxy cannot be allowed in to the meeting.
2. Please present this slip at the reception desk.



Khulna Power Company Ltd.

Landmark (3rd floor)
12-14 Gulshan North C/A
Gulshan - 2
Dhaka 1212
Bangladesh

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