



2011 Annual Report



Khulna Power Company Ltd.

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

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www.khulnapower.com

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Khulna Power Company Ltd.

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Corporate Directories

Board of Directors

Muhammed Aziz Khan	Chairman
Hasan Mahmood Raja	Managing Director
Ahmed Ismail Hossain	Director
K. M. Ahsan Shamim	Director
Latif Khan	Director
Muhammad Farid Khan	Director
Jafer Ummeed Khan	Director
Faridur Rahman Khan	Director
Akhter Mahmud Rana	Director
Abul Kalam Azad	Director
Ayesha Aziz Khan	Director
Moinuddin Hasan Rashid	Director
Adeeba Aziz Khan	Director
Syed Fazlul Haque, FCA	Director

Chief Operating Officer
Md. Abdur Rahim

Company Secretary
Md. Shoharab Ali Khan, FCMA

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

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

Auditors

Rahman Rahman Huq
Member Firm of KPMG
9 Mohakhali C/A, Dhaka.

Legal Adviser

Mahmood Jabbar Khan
Barrister & Advocates
Summit Centre (6th floor)
18 Kawran Bazar C/A
Dhaka-1215

Main Bankers

Standard Chartered Bank
Citibank N.A.
BRAC Bank Limited
Dutch Bangla Bank Ltd
Pubali 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.

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.

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

The KPCL plant and two of its subsidiary units are 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.

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

The Shareholders

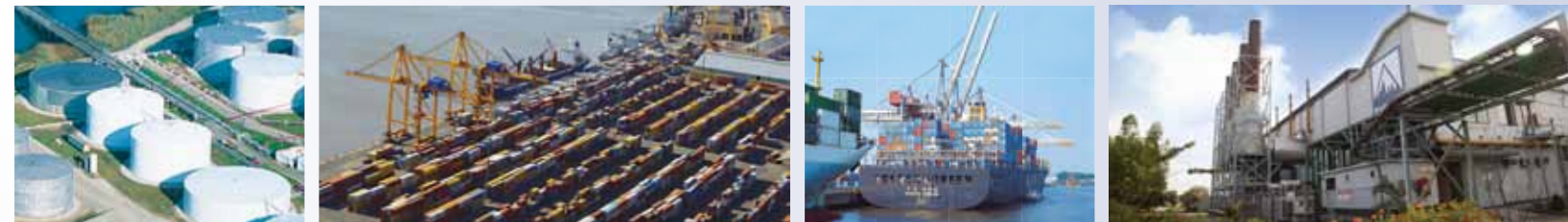
United Enterprises & Co Ltd. (United) own 37.49%, Summit Industrial & Mercantile Corporation (Pvt.) Ltd. (SIMCL) own 18.74%, Summit Power Limited own 18.74% and 14 individual sponsor shareholders own 0.03% of 287,858,340 shares of Khulna Power Company Ltd. . The rest of 25% shares are owned by the General Public investors.

**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 Limited
- Summit Bibiyana I Power Company Limited
- Summit Bibiyana II Power Company Limited
- Summit Meghnaghat Power Company Limited
- Summit Narayanganj Power Limited
- Summit Purbanchol Power Company Limited
- Summit Uttaranchol Power Company Limited

Summit Power Limited (SPL)

Summit Power Limited (SPL), sponsored by 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 Summit Power Limited in 2001, has successfully established three power plants of 11 MW capacity each, for sale of electricity to Rural Electrification Board (REB) on Build, Own and Operate basis at Savar, Narsingdi and Comilla. During 2006 and 2007 in each of the above three places, 2nd unit was commissioned enhancing the capacity of SPL to 105 MW. In 2009 SPL with its 99% owned two subsidiaries has established 4 new power plants raising its capacity to 215 MW. In 2011 SPL has commissioned another power plant of 102 MW capacity at Narayanganj under Summit Narayanganj Power Limited, where SPL has 55% ownership.



In the year 2011 Summit Power Limited has consolidated its position further by acquiring 53,955,326 numbers of ordinary shares of Khulna Power Company Limited (KPCL). It gives SPL the status of 18.7% of the ownership of KPCL and with that status an additional capacity of 50 MW (approximately) has been added with that of SPL being the total capacity of 367 MW.

Considering the immense opportunities, the company is striving to establish more power plants around the country. The fast-growing company has set a mission to expand the company with a power generation capacity to the tune of 1000 MW, which is a modest 20% of the electricity requirement in Bangladesh.



United Enterprises & Co Ltd.

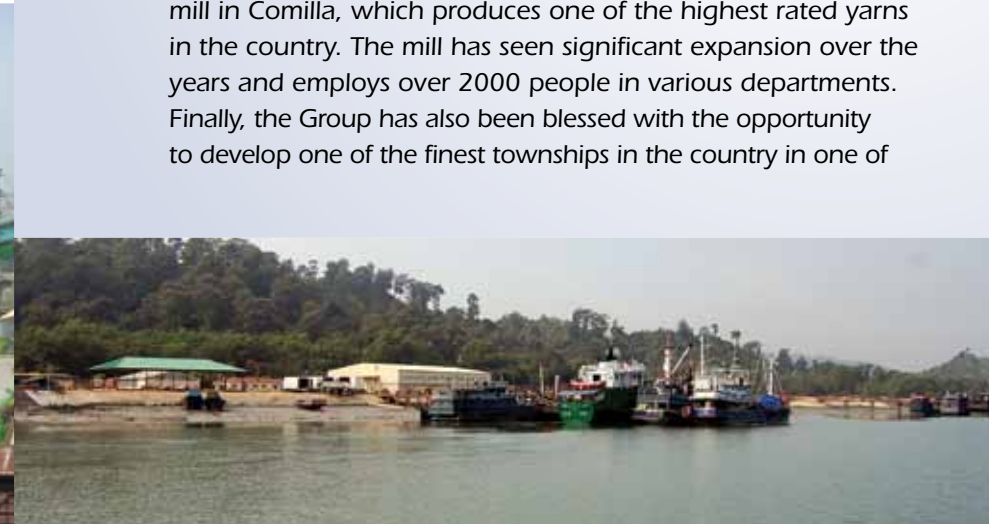
United Group of Bangladesh



United Group (UG) represents a group of companies, which together form as one of the most diversified infrastructural based organizations in Bangladesh. By Allah's Grace, the Group has been putting continuous efforts to implement various social and commercial infrastructure projects that have a significant impact on the economy today.

stepping stone for bigger plans in the future. The Group intends to develop a fully comprehensive single jetty sea port opposite the Chittagong Port in the south-eastern region of the country with facilities including container storage and handling, tank terminals and silos, efficient loading and unloading of vessels and capable of cargo management techniques. We hope, Insh'Allah, that this port will become the "go-to" destination for relevant import and export corporations as well as shipping firms who seek a quick turnaround time.

The Group also co-owns a state of the art mixed-yarn spinning mill in Comilla, which produces one of the highest rated yarns in the country. The mill has seen significant expansion over the years and employs over 2000 people in various departments. Finally, the Group has also been blessed with the opportunity to develop one of the finest townships in the country in one of



Two key institutions - United Hospital Ltd and United International University - stand out as the social infrastructure (SI) organizations of United Group. The former is currently one of the largest private sector multidisciplinary, state-of-the-art hospitals in the country with a capacity to house over 450 patient-beds of various categories. The latter, starting its journey in 2003 with active support and patronage of United Group, has been successful by establishing itself as one of the leading private university of the country, especially in the fields of business and engineering.

The commercial infrastructure (CI) projects of the Group include those involved in the power generation businesses, namely United Power Generation & Distribution Co. Ltd. (UPGD) and

Khulna Power Company Ltd. (KPCL). Both the power plants are considered to be the most efficient power generation plants in Bangladesh, while KPCL was jointly developed with Summit Group and other multinational entities, holds the distinction of being the first IPP of the country. The Group has added more power stations to their profile, including a 53 MW plant at Ashuganj in the name of United Ashuganj Power Ltd and acquired significant stake in Westmont Power (Bangladesh) Ltd.

Other CI ventures of the UG include a land port in Teknaf that sits in the scenic boundary between Bangladesh and Myanmar. It is being fully maintained and operated by the Group, causing a significant rise in revenue collection for the government. However, this company is a mere

the most premium locations of Dhaka City. Under the banner of United City, this mini township will have world-class residential and commercial facilities that would be comparable Insh'Allah to the best localities in Asia.

In over three 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 4000 hard working individuals, over fifty percent of whom are professional executives. With the continued effort of all those involved, and the support of the valued clients, partners and customers, it hopes to become one of the finest institutions of the country in the future.

The key companies representing United Group are as follows:

- United Enterprises & Co. Ltd.
- United Property Solutions Ltd.
- United Hospital Ltd.
- United Power Generation & Distribution Co. Ltd.
- United Ashuganj Power Ltd
- United International University Ltd.
- Neptune Land Development Ltd.
- NOVO Healthcare & Pharma Ltd.
- Comilla Spinning Mills Ltd.
- United Land Port Teknaf Ltd.
- United Polymers Ltd.
- United Makkah Madina Travel & Assistance Co. Ltd.

Notice of the 14th Annual General Meeting

Notice is hereby given that the 14th Annual General Meeting of the Shareholders of Khulna Power Company Ltd will be held on Sunday the 20th day of May, 2012, at Bashundhara Convention Center-02, Bashundhara R/A, Baridhara, Dhaka-1229, at 11.00 A.M to transact the following businesses:

Agenda:

1. To receive and adopt the Directors' Report and the audited financial statements for the year ended December 31, 2011 together with the auditors report thereon.
2. To declare dividend for the year 2011 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 2012 and to fix their remuneration.

By order of the Board



(Md. Shoharab Ali Khan FCMA)
Company Secretary

Dhaka, April 30, 2012

Notes:

1. Shareholders whose names appeared at the record date i.e. April 10, 2012 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.

13th AGM Photographs



Message from the Chairman



*Dear Fellow Owners of
Khulna Power Company Ltd.*

Assalamu Alaikum,

I have great pleasure in welcoming you to the 14th Annual General Meeting of your Company. Your presence expresses your keen interest in your company. And because your company is an electricity generating company, which is the core ingredient of national growth, it reflects your interest in our beloved country, Bangladesh.

Year 2011 has been a challenging year. The world is dealing with a Europe in financial disorder. The World Bank Group and other multilateral agencies are withdrawing or delaying in the delivery of their promised assistance to Bangladesh, oil prices reaching USD 110 per barrel and with essential commodity prices rising, Bangladesh cannot remain immune to such situations. Our national money market saw interest rates going up to 16% per annum, our stock markets shed about 50% of their value, our currency depreciated by about 20% against the US Dollar, and the inflation rose to double digits of 11%. Your company faced unprecedented challenges.

I am proud and pleased to inform you, that with your support, the relentless hard work of the employees, and persevered focused leadership of your board, we have not only faced the challenges but this has been our best year so far. Khulna Power Company Ltd has earned a consolidated net income of 8,338 million in financial year 2011, 54.49 % more than financial year 2010. Your company is one of the fastest growing companies in the power generation sector in Bangladesh. You will be glad to know that our generating capacity has increased by 155 MW which is more than 141% from 2010. We have generated 12,20,341 MWh electricity which is 59.27 % more than 2010.

I would like to state that with this year's 25% Stock Dividend for General Public investors, if approved by you in the AGM, your share holding position will be changed by the ratio approx 30 : 70 in comparison with the sponsors which is at present 25 : 75. I believe, your support, trust and confidence together with our experience, dedication and commitment will enable us to grow every year and to add value for our shareholders.

Yet this is the beginning of our long cherished goal: when each and every citizen of Bangladesh will have uninterrupted access to electricity. Only 40% of Bangladeshis have access to electricity. In order to provide electricity, the ingredient for prosperity, to all the citizens of Bangladesh by 2021, fifty years from country's liberation, we must add year on year 15% additional new electricity. This is a mammoth task, not only because the base will become larger and larger each year, but because the primary energy, be it natural gas, coal or liquid oil will become generally more expensive. Bangladesh has very limited potential of renewable energy, being a flat delta it is not conducive to hydroelectricity, having heavy monsoon and misty winter provides little opportunity for sun energy/ photovoltaic electricity, the density of population and not so windy Bangladesh has little potential for wind energy. We will have to rely on conventional hydrocarbon based electricity or atomic energy. Beside these we have to rely on our neighbour, Bhutan, to provide hydroelectricity.

While we will have to rely on hydrocarbon based electricity, your company Khulna Power is very conscious about the environment. Each of your plants goes through rigorous Environmental and Social Impact Assessments. You will be pleased to know each one of the plants not only complies with Bangladesh's Department of Environment's standards but of Multilateral and the World Bank guidelines. As you know DEG and FMO is financing your Khulna Power Company Unit II Ltd which is operated by Heavy Fuel Oil (HFO). We shall always work to improve the environment.

Dear shareholders, your company has been awarded "AA" Credit Rating in the long term and ST-1 rating in the short term by credit rating an internationally linked joint venture rating agency Credit Rating Information & Services Limited (CRISL), Bangladesh. The above ratings have been awarded on the basis of the following fundamentals:

- Sound equity based capital structure
- Debt repayment back ground
- High quality plant
- High quality operation & maintenance of the plant
- Satisfactory profitability
- Comfortable cash flow
- Satisfactory solvency

On your behalf, I convey my sincere appreciation to our management and employees, our best asset; their hard work has brought us so many accolades and appreciations. Our customer, Bangladesh Power Development Board have always supported us and guided like a guiding light on how to achieve excellence. Our financiers have stood by us through difficult times. On your behalf I thank them, especially Standard Chartered Bank, Citibank N.A, BRAC Bank for their solid support even during the most difficult financial market conditions. The government of Bangladesh has always acknowledged your company by providing their support to eradicate the curse of load shedding.

I am sure as prudent responsible investors you will see the merit of your company through the opaque, sometime irrational behavior of markets. You certainly own a great company and I hope to see next year and each year, to be able to announce great achievements of your company Khulna Power Company Ltd.

Thank you,

Muhammed Aziz Khan
Chairman

Directors' Report to the Shareholders

For the year ended December 31, 2011

Bismillahir Rahmanir Rahim

Dear Shareholders,

Assalamu Alaikum,

The Board of Directors of Khulna Power Company Ltd (KPCL) welcomes you to the 14th Annual General Meeting of the company. I would like to inform our valued shareholders at the outset that, by the Grace of the Almighty, we have successfully implemented KPCL II 115 MW and Khanjahan Ali 40 MW, 140% increase in plant generation capacity total 265 MW. 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, 2011.

The Directors' Report is prepared in compliance with Section 184 of the Companies Act 1994, Rules and Regulations of the Institute of Chartered Accountants of Bangladesh (ICAB), Listing Rules of Dhaka Stock Exchange (DSE) Ltd. and Securities & Exchange Commission's (SEC) notification no- SEC/CMRRCD/2006-158/Admin/02-08 dated 20th February 2006.

Scenario of the Power Sector

Power demand in Bangladesh is increasing at a very high rate and sufficient power plants were not set up during the last couple of years to cope up with the demand. As a result the country is now facing with severe power shortage.

The gap between supply and demand is widening

A forecast of Peak Demand for the next nine years is as follows as per Bangladesh Power Development Board (BPDB):

Fiscal Year	Peak Demand (MW)
2012	7,518
2013	8,349
2014	9,268
2015	10,283
2016	11,405
2017	12,644
2018	14,014
2019	15,527
2020	17,304

every day. The present generation capacity of the country is 6,065 MW against maximum peak demand of approximately 7,500 MW. The present Govt. has been putting very desperate efforts to mitigate the crisis. Your company, being pioneer in the private sector power generation, has been successfully supplying 110 MW power from its first unit of power plant since 1998 in addition to 110 MW your company has added additional 155 MW and present total generation capacity is 265 MW. The electricity generation from your company for the year 2011 is as under:



Directors' Report (Contd...)

Name	Licensed Capacity (MW)	Installed Capacity (MW)	Plant Factor	Energy Generated (MWh)	Plant in operation
KPCL	110	114	70.20 %	678617	Since 13 Oct 1998
KPCL II	115	119	71.50 %	428083	Since 1 Jun 2011
KJAPCL	40	44	53.95 %	113641	Since 29 May 2011
Total	265	277		1220341	

The Company with its total capacity of 265 MW power plants is meeting approximately 40% power demand of the south-western region of the country.

Business Activities

The principal activity of your company is to generate electricity and to deliver the output to the national grid. The only customer of the company is the Bangladesh Power Development Board (BPDB). In this year, the company exported about 1,202.01 million kWh of electricity and earned total revenue of Tk. 11,262.21 million as compared to 7,945.76 million in 2010.

Financial Results

During the year 2011, the company has earned a consolidated net profit of Tk. 815.50 million. Directors of the company would like to report the company's financial results for the year ended December 31, 2011 with the recommendation for appropriation as follows:

Appropriation of profit	Figure in million
Net Profit for the year 2011	Tk 815.50
Profit brought forward	136.16
Redemption of Preference Shares	(220.00)
Available for appropriation to Ordinary Shareholders	Tk 731.66
Appropriations:	
Proposed Dividend:	
Stock Dividend @ 25% for General Public Shareholders	(179.91)
Transferred to Retained Earning	Tk 551.75

Dividend

Your Board recommends a final dividend of 25% for the year 2011 as Bonus Share i.e. 1 (One) share of Tk. 10 each for 4 (Four) shares for the General Public Shareholders held on the Record Date and the Sponsors of the Company will not receive any dividend. This is subject to approval by the shareholders at the 14th Annual General Meeting.

Directors Meeting & Attendance

During the year ended December 31, 2011, the Board of Directors held 8 (Eight) meetings. Name of the Directors and the number of meetings attended by each are given below:

Name of Directors	Attended
Mr. Muhammed Aziz Khan	08
Mr. Hasan Mahmood Raja	08
Mr. Ahmed Ismail Hossain	07
Mr. K.M. Ahsan Shamim	08
Mr. Latif Khan	08
Mr. Muhammad Farid Khan	05
Mr. Jafer Ummeed Khan	07
Mr. Faridur Rahman Khan	07
Mr. Akhter Mahmud Rana	08
Mr. Abul Kalam Azad	07
Mrs. Ayesha Aziz Khan	08
Mr. Moinuddin Hasan Rashid	08
Ms. Adeeba Aziz Khan	04
Mr. Syed Fazlul Haque	05

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

Directors' Re-election & Appointment:

In compliance with SEC notification No SEC/CMRRCD/2009-193/Admin/34 dated 22nd November 2011 read in conjunction with SEC/CMRRCD/2009-193/120/Admin/35 dated 7th December 2011 all the 11 Directors out of 14 Directors" resigned from the Board for not holding qualifying shares. Simultaneously Board accepted the nominations from Summit Industrial & Mercantile Corporation (SIMCL) & United Enterprise & Co. Ltd respectively and in exercise of its power vested in article-20 of the company's Articles of Association Board appointed the following individuals as nominated Directors of the respective Institutional Shareholders in its meeting on 27 March 2012.

1. Mr. Md. Latif Khan
2. Muhammad Farid Khan
3. Mr. Jafer Ummeed Khan
4. Ms. Ayesha Aziz Khan
5. Ms. Adeeba Aziz Khan
6. Mr. Ahmed Ismail Hossain
7. Mr. K.M. Ahsan Shamim
8. Mr. Faridur Rahman Khan
9. Mr. Akhter Mahmud Rana
10. Mr. Abul Kalam Azad
11. Mr. Moinuddin Hasan Rashid

All the above 11 members of the board shall retire in the ensuing 14th AGM and being eligible, offer themselves for re-election.



Directors' Report (Contd...)

Auditors

Pursuant to SEC Order No.SEC/CMRRCD/2009-193/104/Admin dated 27th July 2011 present auditors, Rahman Rahman Huq, Chartered Accountants will retire after completing consecutive 3 years of service as Statutory Auditors of the Company, they will not be eligible for re-appointment in the ensuing 14th AGM. Your Board therefore, in its meeting held on 27th March 2012, resolved to recommend Hoda Vasi Chowdhury & Co, Chartered Accountants for appointment as new Statutory Auditors of the Company for the year 2012 subject to approval of the Shareholders in the forthcoming Annual General Meeting.

Business Expansion

Your company is on continuous look for opportunity to expand the company's operational capacity and business to add the value to the shareholders. We are pleased to apprise you that Khulna Power Company Unit II Ltd., a 99% owned subsidiary of your Company, pursuant to Rental Supply Contract with Bangladesh Power Development Board (BPDB) successfully implemented an 115MW power plant and achieved COD on June 1, 2011. Similarly, Khanjahan Ali Power Company Ltd., a 90% owned subsidiary of your Company has also implemented its 40MW power plant and achieved COD on May 29, 2011. In persuasion for further expansion we have participated in BPDB tender for two 100MW power plants in Khulna region. However, we could not come out as successful.

Business Risk & Uncertainties

In the backdrop of huge shortage of power in the country, the provisions of the power purchase agreement guaranteeing 50% 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 the plant manufacturer, 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 provision of Operation & Maintenance Agreement with Wärtsilä covers all risk of incurring any liquidated damage due to the non-performance of the plant as per the requirement of BPDB. The availability of all sorts of spare parts is ensured under the Operation & Maintenance Agreement with Wärtsilä. Wärtsilä maintains sufficient spares parts inventory for smooth operation of KPCL plants. In addition, KPCL maintains safety spare parts stock of US\$ 5 million.

Heavy Fuel Oil (HFO) is used as basic raw material for the operation of the KPCL plant. Kuo Oil Pte Ltd., Singapore has been supplying Heavy Fuel Oil (HFO) to the Company through USCOL 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 Kuo Oil is unable to supply.

Liquid Fuel Oil is also used as basic raw material for the operation of both the KPC Unit II and KJAPCL plant. Liquid Fuel Tariff 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 rental power Company receives liquid fuel from BPC for operation of both the plant.

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

Going Concern

While approving the financial statements, Directors have made appropriate enquiries and analyzed the significant financial, operating as well as other indicators for enabling them to understand the ability of the company to continue its operations for a foreseeable period. Directors are convinced and have a reasonable expectation that the company has adequate resources and legal instruments to continue its operation consistently for the foreseeable future. Therefore the company adopted the going concern basis in preparing these financial statements.

Directors' Report (Contd...)

Corporate Governance

Corporate Governance is the system through which companies are directed, guided and controlled by the Board, 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

As a part of the ongoing commitment to the society and environment in which the company conducts its business, KPCL continues to perform its obligations. As in the previous years, the company remains committed to support the following CSR activities that included:

- KPCL distributed school dress, text books, copies, pen and educational materials to the students of Khalishpur Primary and High School at Khalishpur, Khulna.
- KPCL contributed monthly stipend and other educational expenses of a visually disabled student completed post graduation from Dhaka University. Currently is a government employee. This may be mentioned that KPCL has been supporting this student from his school level since 1998.

- KPCL contributed Tk 1,000,000 for construction of Padma Gate Jami Mosque at Kashipur, Khalishpur, Khulna.
- KPCL distributed thirty six Singer Foot Operated Sewing Machine (With Stand, Table & Cover) among the poor trainees of Meghna CDC Cluster at Kashipur, Khalishpur, Khulna area.

Human Resource Management

Your company recognizes that people are the most important resource and key to success of any organization. To develop and equip the employees with key skills, the company places great emphasis on the development of its people and hence regular courses and workshops are arranged at regular interval for their training and updating knowledge on the respective functional areas.

Status of Compliance

In accordance with the requirement stipulated in condition No. 5.00 of the Securities and Exchange Commission's Notification No. SEC-CMRRCD/2006-158/Admin/02-08 dated February 20, 2006 Corporate Governance Compliance Report is attached in the Annexure-1

Corporate and Financial Reporting Framework

- a. The Financial Statements prepared by the management of the Company present fairly its State of Affairs, the result of its Operations, Cash Flows and Changes in Equity.
- b. Proper Books of Accounts 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 Financial Reporting Standards (IFRS), as applicable in Bangladesh have been followed in the preparation of the Financial Statements.
- e. The company maintains a sound Internal Control System which gives reasonable assurance against any material misstatement of loss. The Internal Control System is regularly reviewed by the management.
- f. There are no significant doubts upon the company's ability as a going concern.
- g. Significant deviations from the last year's operating results of the company, if any, have been highlighted under the headings Appropriation of profit, Financial Performance herein before.



Directors' Report (Contd...)

Shareholding Information

The shareholding information as at December 31, 2011 with other related information are set out in Annexure-2.

Audit Committee

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

Name	Status	Attended
Mr. Syed Fazlul Haque FCA	Chair	03
Ms. Ayesha Aziz Khan	Member	03
Mr. Abul Kalam Azad	Member	02

Key Operating & Financial Data

The summarized key data for the last five years is set out in Annexure-3



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 Board would also like to express their humble gratitude to all the stakeholders including the investors, suppliers, banks & financial institutions,

insurance companies, service providers, the 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

Dhaka, 27 March 2012

Compliance Report on SEC's Notification

Annexure-1

Status of Compliance with the conditions imposed by the Commissions Notification No. SEC/CMRRCD/2006-158/Admin/02-08 dated February 20, 2006 issued under section 2CC of the Securities & Exchange Ordinance 1969.

(Report under condition No. 5.00)

Condition	Title	Compliance status		Explanation for non-compliance with the condition
		Complied	Not complied	
1.1	Board's size	✓		
1.2(i)	Independent Directors	✓		
1.2(ii)	Appointment of Independent Non-shareholder Director	✓		
1.3	Chairman and Chief Executive	✓		
1.4	Directors' report to include declarations on:	✓		
	a. Fairness of state of the affairs	✓		
	b. Keeping proper books of accounts	✓		
	c. Consistent application of Accounting Policies in preparation of financial statements	✓		
	d. Observance of Bangladesh Accounting Standard(BAS)	✓		
	e. Soundness and efficiency of Internal Control	✓		
	f. Ability of Khulna Power to continue as a going concern	✓		
	g. Significant deviations from last year in operating results	✓		
	h. Presentation of key operating and financial data for last three years	✓		
	i. Declaration of dividend	✓		
	j. Number of Board meeting held during the year and attendance by each Director	✓		
	k. Shareholding pattern	✓		
2.1	Appointment of CFO and Company Secretary in the Board Meeting	✓		CFO is the Company Secretary
2.2	Attendance of CFO and Company Secretary in the Board Meeting	✓		
3.0	Audit Committee			
3.1	i. Composition of Audit Committee			
	ii. Audit Committee Members Appointment			
	iii. Filling of casual vacancy in Audit Committee			
3.2	i. Chairman of Audit Committee			
	ii. Audit Committee Chairman's Qualification			
3.3.1	i. Reporting to the Board of Directors			
	ii. Report on:			
	a. Conflicts of interests			No such incident arose
	b. Suspected material defect in the internal control system			No such incident arose
	c. Suspected infringement of laws			No such incident arose
	d. Any other matter			No such incident arose
3.3.2	Reporting to the Authorities			No such incident arose
3.4	Reporting to the shareholders			No such incident arose
4.0	Statutory Auditors not to engage in:			
	i. Appraisal or valuation services	✓		
	ii. Financial information systems design and implementation	✓		
	iii. Book keeping or other services related to financial statements	✓		
	iv. Broker-dealer services	✓		
	v. Actuarial services	✓		
	vi. Internal audit services	✓		
	vii. Any other services that the Audit committee determines	✓		

Shareholding Information

as at 31 December 2011

Annexure-2

Name of Shareholders	No. of Shares	% of Shareholding
A) Sponsors:		
1. United Enterprises & Co. Ltd. (incorporated in Bangladesh)	107,910,651	37.4874%
2. Summit Industrial & Mercantile Corporation (Pvt.) Ltd. (incorporated in Bangladesh)	53,955,325	18.7437%
3. Summit Power Limited (incorporated in Bangladesh)	53,955,326	18.7437%
4. Muhammed Aziz Khan, Chairman	5,174	0.0018%
5. Hasan Mahmood Raja, Managing Director	5,174	0.0018%
6. Anjuman Aziz Khan	5,174	0.0018%
7. Latif Khan, Director	5,174	0.0018%
8. Muhammad Farid Khan, Director	5,174	0.0018%
9. Jafer Ummeed Khan, Director	5,174	0.0018%
10. Ayesha Aziz Khan, Director	5,174	0.0018%
11. Adeeba Aziz Khan, Director	5,174	0.0018%
12. Ahmed Ismail Hossain, Director	5,174	0.0018%
13. K.M. Ahsan Shamim, Director	5,174	0.0018%
14. Akhter Mahmud Rana, Director	5,174	0.0018%
15. Faridur Rahman Khan, Director	5,174	0.0018%
16. Abul Kalam Azad, Director	5,174	0.0018%
17. Moinuddin Hasan Rashid, Director	5,174	0.0018%
B) General Invesrots	71,964,602	25%
C) Shares of Directors, Chief Operating Officer, Financial Controller, Company Secretary, Head of Internal Audit and their spouses	-	-
D) Shares of Executives	-	-
Total:	287,858,340	100%

10% and above shareholding

Name of Shareholders	No. of Shares	% of Shareholding
1. United Enterprises & Co. Ltd.	107,910,651	37.4874%
2. Summit Industrial & Mercantile Corporation (Pvt.) Ltd.	53,955,325	18.7437%
3. Summit Power Limited	53,955,326	18.7437%

Financial Highlights

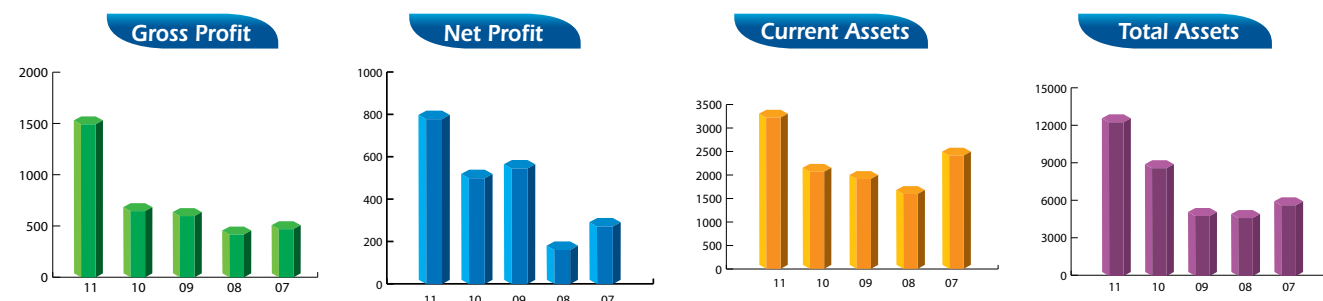
Annexure-3

	2011	2010	2009 (Restated)	2008 (Restated)	2007
Operating data (Taka in million)					
Operating Revenues	11,262.20	7,945.76	6,393.27	8,160.42	5,698.21
Operating Expenses	9,697.12	7,222.67	5,718.43	7,664.82	5,154.66
Gross Profit	1,565.08	723.09	674.84	495.60	543.55
General & Admin. Expenses	131.31	78.68	64.08	61.50	101.43
Finance Expenses	531.62	120.80	130.92	248.81	156.99
Net profit	815.50	539.81	582.65	201.62	309.18
Balance Sheet data (Taka in million)					
Paid-up Capital	2,878.58	2,398.82	2,085.93	2,085.93	2,085.93
Shareholders' Equity	3,830.24	3,014.74	2,683.52	2,309.47	3,307.84
Total Debt (Non-current Liabilities)	1,551.04	671.05	890.89	1,185.10	923.22
Current Assets	3,383.40	2,235.43	2,084.76	1,758.91	2,580.87
Current Liabilities	7,460.30	5,514.39	1,817.48	1,727.62	1,985.31
Total Assets	12,862.34	9,202.59	5,391.90	5,222.19	6,216.38
Total Liabilities	9,011.34	6,185.44	2,708.37	2,912.72	2,908.53
Financial Ratios					
Gross Profit Ratio (%)	13.90	9.10	10.56	6.07	9.54
Net Profit Ratio (%)	7.40	6.79	9.11	2.47	5.43
Return on Assets (%)	6.34	5.87	10.81	3.86	4.97
Debt Equity Ratio	0.55	0.29	0.41	0.52	0.37
Other Data					
Earnings Per Share (Tk)*	2.83	2.25	2.79	N/A	N/A
Earnings Per Share (Tk) -Class-A Shares**	-	-	-	87.62	141.27
Earnings Per Share (Tk) -Class-B Shares**	-	-	-	3,141,140.50	2,416,861.00
Dividend (%)***	25.00	20.00	25.00	10.00	57.53
Total Number of Ordinary Shares Outstanding*	287,858,340	239,881,950	208,593,000	2,085,930	2,085,930
Total Number of Free Float Shares	71,964,602	59,970,496	-	-	-

*On 19 July 2009, Class-A and Class-B shares were converted to a single class of ordinary shares. Par value of the new ordinary shares has been changed to Tk 10 from Tk 1,000.

**Class-B ordinary shares were only entitled to a certain amount of dividend provided an annual declaration of dividend was made. Since no declaration of dividend was made for those years, no entitlement to dividend arose for those years. As a result no EPS is calculated for these years.

***Proposed 25% stock dividend for the General Public Shareholders for the year ended 31 December 2011. The Sponsors of the Company will not receive any dividend.



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 37 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.

Short biography of the directors



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.

Short biography of the directors



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 Narayanganj 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.



Adeeba Aziz Khan
Director

Ms. Adeeba Aziz Khan is a Barrister at Law and also an Advocate of the Dhaka Bar. She completed her LLB from the London School of Economic and Political Science, her Masters from the School of Oriental and African Studies and is currently a Doctoral Candidate at the same. She worked with Dr. Kamal Hossain & Associates, Bangladesh and later with Drew & Napier LLC, Singapore as an International Lawyer.



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.

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.



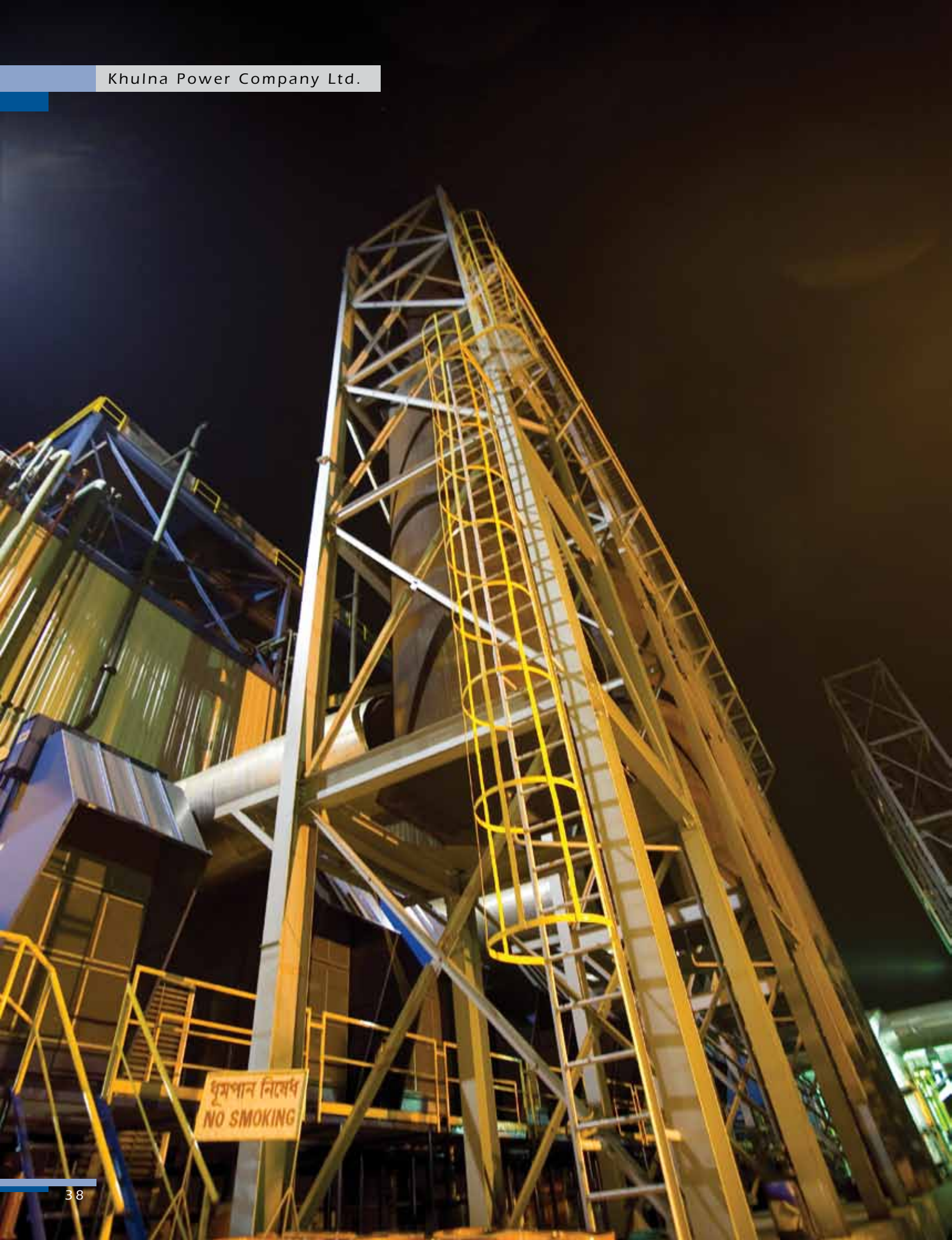
Md. Abdur Rahim
Chief Operating Officer

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 22 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 then six years working experience in senior management position in Ashugonj Power Station Company Ltd (APSCL) second largest power generation company in Bangladesh and presently working in Khulna Power Company Ltd. as Financial Controller & Company Secretary since July 2011. He has attended in various training courses and seminars in home and abroad.



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 Kharjahan Ali Power Company Ltd. by KPCL, a 40MW Rental Power Plant Project established for Supply of Electricity to BPDB.

May 29, 2011

Kharjahan 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

Kharjahan 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.

December 11, 2011

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

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

Eight (8) meetings of the Board of Directors of the Company were held during the financial year ended 31 December 2011. 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 advisory 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.



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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 2011, 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 Financial Reporting Standards (BFRS), the Companies Act 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 conducted our audit in accordance with Bangladesh Standards 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.

Opinion

In our opinion, the financial statements including consolidated financial statements, prepared in accordance with 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 2011 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

We also report that:

- 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;
- 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;
- 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
- the expenditures incurred were for the purposes of the Company's/Group's business.

Dhaka, 27 March 2012

Financial Statements

Statement of Financial Position



as at 31 December 2011

Notes	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Assets				
Non-current assets:				
Property, plant and equipment	5	9,478,942,212	3,018,730,184	3,184,307,445
Capital work in progress	6	-	-	3,782,852,102
Investments in subsidiaries	7	-	1,617,500,000	-
Total non-current assets		9,478,942,212	4,636,230,184	6,967,159,547
Current assets:				
Inventories	8	1,062,482,801	1,040,056,908	814,059,612
Accounts receivable	9	1,783,331,418	893,573,574	1,185,346,485
Other receivables	10	4,576,380	4,576,380	15,832,152
Advances, deposits and prepayments	11	80,938,098	9,179,364	149,152,489
Inter-company receivable	12	4,546,439	637,241,434	-
Cash and cash equivalents	13	447,521,864	348,924,413	71,038,693
Total current assets		3,383,397,000	2,933,552,073	2,235,429,431
Total assets		12,862,339,212	7,569,782,257	9,202,588,978
Equity and liabilities				
Equity:				
Share capital	14	2,878,583,400	2,878,583,400	2,398,819,500
Capital redemption reserve		220,000,000	220,000,000	220,000,000
Retained earnings		731,659,299	132,298,608	395,919,267
Equity attributable to owners of the company		3,830,242,699	3,230,882,008	3,014,738,767
Non controlling interest	15	20,761,158	-	2,412,135
Total equity		3,851,003,857	3,230,882,008	3,017,150,902
Non-current liabilities:				
Redeemable cumulative class 'A' preference shares: non-current portion	16	440,000,000	440,000,000	660,000,000
Term loan: non-current portion	17	1,085,904,307	-	-
Deferred liabilities	18	10,135,935	10,135,935	11,050,211
Long term provision	19	15,000,000	-	-
Total non-current liabilities		1,551,040,242	450,135,935	671,050,211
Current liabilities:				
Accounts payable	20	2,780,878,097	2,696,852,687	1,733,222,020
Short term/working capital loan	21	3,505,000,000	875,000,000	587,093,207
Inter-company loan	22	100,000,000	-	-
Inter-company payable	23	32,860,008	-	29,046,200
Accrued expenses and others	24	41,090,763	16,276,866	17,212,292
Liability for interest and other financial charges	25	280,825,969	72,120,486	63,507,263
Liability for project implementation expenditure	26	134,146,032	-	2,855,249,437
Redeemable cumulative class 'A' preference shares: current portion	16	220,000,000	220,000,000	220,000,000
Term loan: current portion	17	356,979,969	-	-
Unclaimed dividend	27	8,514,275	8,514,275	9,057,446
Total current liabilities		7,460,295,113	3,888,764,314	5,514,387,865
Total liabilities		9,011,335,355	4,338,900,249	6,185,438,076
Total shareholders' equity and liabilities		12,862,339,212	7,569,782,257	9,202,588,978

The annexed notes 1 to 45 form an integral part of these financial statements.


Chairman


Managing Director


Company Secretary
As per our report of same date.

Auditors

Dhaka, 27 March 2012

Statement of Comprehensive Income

for the year ended 31 December 2011

Notes	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Revenue	28	11,262,207,096	9,714,017,016	7,945,762,818
Cost of sales	29	(9,697,122,958)	(9,325,304,177)	(7,222,668,468)
Gross profit		1,565,084,138	388,712,839	723,094,350
Other income/(loss)	30	(194,389)	(194,389)	11,100
General and administrative expenses	31	(131,313,711)	(60,133,253)	(78,683,667)
Result from operating activities		1,433,576,038	328,385,197	644,421,783
Foreign exchange loss	32	(76,641,952)	(75,229,781)	(3,751,292)
Finance income	33	8,539,869	8,064,671	19,844,420
Finance expenses	34	(531,621,000)	(49,361,146)	(120,795,483)
Net financial expenses		599,723,083	116,526,256	(104,702,355)
Profit before income tax		833,852,955	211,858,941	539,719,428
Income tax expenses		-	-	-
Profit for the year		833,852,955	211,858,941	539,719,428
Other comprehensive income		-	-	-
Total comprehensive income		833,852,955	211,858,941	539,719,428
Total comprehensive income attributable to:				
Owners of the company		815,503,932	211,858,941	539,807,293
Non controlling interest		18,349,023	-	(87,865)
Total comprehensive income		833,852,955	211,858,941	539,719,428
Earning per share (EPS)	35	2.83	0.74	2.25

The annexed notes 1 to 45 form an integral part of these financial statements.


Chairman


Managing Director


Company Secretary

As per our report of same date.


Auditors

Dhaka, 27 March 2012

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

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 2010	2,085,930,000	-	597,594,474	2,683,524,474	-	2,683,524,474
Transfer to capital redemption reserve	-	220,000,000	(220,000,000)	-	-	-
Issue of ordinary share	-	-	-	-	2,500,000	2,500,000
Cash dividend paid for the year 2009	-	-	(208,593,000)	(208,593,000)	-	(208,593,000)
Stock dividend paid for the year 2009	312,889,500	-	(312,889,500)	-	-	-
Total comprehensive income for 2010:						
Profit for the year	-	-	539,807,293	539,807,293	(87,865)	539,719,428
Other comprehensive income	-	-	-	-	-	-
Balance as at 31 December 2010	2,398,819,500	220,000,000	395,919,267	3,014,738,767	2,412,135	3,017,150,902
Transfer to capital redemption reserve	-	220,000,000	(220,000,000)	-	-	-
Transfer from capital redemption reserve	-	(220,000,000)	220,000,000	-	-	-
Stock dividend paid for the year 2010	479,763,900	-	(479,763,900)	-	-	-
Total comprehensive income for 2011:						
Profit for the year	-	-	815,503,932	815,503,932	18,349,023	833,852,955
Other comprehensive income	-	-	-	-	-	-
Balance as at 31 December 2011	2,878,583,400	220,000,000	731,659,299	3,830,242,699	20,761,158	3,851,003,857

Statement of Changes in Equity

for the year ended 31 December 2011

Particulars	Ordinary shares	Capital redemption reserve	Retained earnings	Total
	Taka	Taka	Taka	Taka
	Balance as at 1 January 2010	2,085,930,000	-	597,594,474
Transfer to capital redemption reserve	-	220,000,000	(220,000,000)	-
Issue of ordinary share	-	-	-	-
Cash dividend paid for the year 2009	-	-	(208,593,000)	(208,593,000)
Stock dividend paid for the year 2009	312,889,500	-	(312,889,500)	-
Total comprehensive income for 2010:				
Profit for the year	-	-	544,091,593	544,091,593
Other comprehensive income	-	-	-	-
Balance as at 31 December 2010	2,398,819,500	220,000,000	400,203,567	3,019,023,067
Transfer to capital redemption reserve	-	220,000,000	(220,000,000)	-
Transfer from capital redemption reserve	-	(220,000,000)	220,000,000	-
Stock dividend paid for the year 2010	479,763,900	-	(479,763,900)	-
Total comprehensive income for 2011:				
Profit for the year	-	-	211,858,941	211,858,941
Other comprehensive income	-	-	-	-
Balance as at 31 December 2011	2,878,583,400	220,000,000	132,298,608	3,230,882,008

Statement of Cash Flows

for the year ended 31 December 2011

	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
A. Cash flow from operating activities:				
Collection from BPDB	10,636,233,769	10,009,594,667	7,148,356,938	7,148,356,938
Cash paid to suppliers and employees	(8,575,820,167)	(8,555,037,106)	(6,812,377,352)	(6,771,447,032)
Cash generated from operations	2,060,413,602	1,454,557,561	335,979,586	376,909,906
Finance income received	7,456,601	6,817,854	16,616,060	16,589,312
Interest and other financial charges paid	(317,231,431)	(203,670,234)	(129,102,959)	(129,102,959)
Net cash provided by operating activities	1,750,638,772	1,257,705,181	223,492,687	264,396,259
B. Cash flow from investing activities:				
Payment for acquisition of property, plant and equipment	(4,600,465,054)	(971,550)	(57,210,939)	(57,210,939)
Payment for capital work in progress	-	-	(986,963,681)	-
Investment in subsidiary	-	-	-	(49,500,000)
Loan to subsidiaries	-	(1,106,123,538)	-	(897,438,962)
Proceeds from sale of property, plant and equipment	-	-	11,100	11,100
Net cash provided by investing activities	(4,600,465,054)	(1,107,095,088)	(1,044,163,520)	(1,004,138,801)
C. Cash flow from financing activities:				
Proceeds from short term/working capital loan	2,810,163,128	354,905,707	587,093,207	520,094,293
Receipt of term loan	184,796,906	-	-	-
Repayment of term loan	(157,012,827)	-	-	-
Redemption of cumulative preference shares	(220,000,000)	(220,000,000)	(220,000,000)	(220,000,000)
Proceeds from issue of ordinary shares	-	-	2,500,000	-
Receipt from inter-company	608,905,418	2,000,000	20,516,285	-
Dividend paid to ordinary shareholders	(543,172)	(543,172)	(199,535,554)	(199,535,554)
Net cash used in financing activities	3,226,309,453	136,362,535	190,573,938	100,558,739
D. Net cash inflow/(outflow) for the year (A+B+C)	376,483,171	286,972,628	(630,096,895)	(639,183,803)
E. Opening cash and cash equivalents	71,038,693	61,951,785	701,135,588	701,135,588
F. Closing cash and cash equivalents	447,521,864	348,924,413	71,038,693	61,951,785

Notes to the Financial Statements

as at and for the year ended 31 December 2011

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 1994 and has subsequently been converted into public limited company on 19 July 2009. The plant came into operation on 13 October 1998. 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 the 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 1994 with an authorised share capital of Taka 1,000,000,000 divided into 100,000,000 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.

Khanjahan Ali Power Company Ltd. was incorporated in Bangladesh on 19 July 2010 as a Private Limited Company under Companies Act 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 2011 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.

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 is 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 this five years, and except a renewal, 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 Financial Reporting Standards (BFRS), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

Notes to the Financial Statements

as at and for the year ended 31 December 2011

Notes to the Financial Statements

as at and for the year ended 31 December 2011

There is a departure from BFRS in the accounting for foreign exchange gain/loss on foreign loan for Khanjahan Ali Power Company Ltd., a subsidiary of Khulna Power Company Ltd. As per BFRS, such gain/loss should be written off through profit and loss. Khanjahan Ali Power Company Ltd. has capitalised the foreign exchange gain/loss in accordance with Companies Act 1994, Schedule XI. However, the amount is immaterial for the purposes of the consolidated financial statement.

The financial statements were authorised for issue by the Board of Directors on 27 March 2012.

2.2 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.

2.3 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 integer.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with BFRS 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 5: Depreciation
 Note 8: Inventory
 Note 18: Deferred liabilities
 Note 24: Accrued expenses and others

2.5 Reporting period

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

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 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%. 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.

The estimated useful lives of assets are as follows:

	2011 Year	2010 Year
Power plant	30	30
Vehicles	4	4
Building and construction	10	10
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.

3.1.7 Capital work-in-progress

Capital work-in-progress consists of acquisition costs of plant, machinery, capital components of other equipment and related installation costs incurred until the date placed in service. In case of purchase of components, capital work-in-progress is recognised when risks and rewards associated with such assets are transferred to the group.

Notes to the Financial Statements

as at and for the year ended 31 December 2011

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 Non-derivative financial instruments

Financial assets carried in the statement of financial position include cash and cash equivalents, accounts receivable, 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 receivables 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.

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 whereas the portion of borrowings repayable within twelve months from the date of statement of financial position, unpaid interest and other charges are classified as current liabilities. All short term/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.

Notes to the Financial Statements

as at and for the year ended 31 December 2011

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 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 Company 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 2011, the assessment of indicators of impairment reveals that impairment testing is not required for the Company.

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 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.

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 retranslated at the exchange rates prevailing on the statement of financial position date.

Notes to the Financial Statements

as at and for the year ended 31 December 2011

Notes to the Financial Statements

as at and for the year ended 31 December 2011

Foreign exchange difference arising from all foreign currency transactions are charged or credited to statement of comprehensive income.

3.9 Lease

Lease payments under operating lease are recognised as expenses in statement of comprehensive income on a straight line basis over the lease term. The 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 five years.

3.10 Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised on accrual basis.

Finance expenses comprise interest expense on borrowings and other finance related costs. All borrowing costs are recognised in the statement of comprehensive income using effective interest method except to the extent that they 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.

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.

3.13 Employee benefit schemes

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 for the year ended 31 December 2011, such valuation for only 11 employees is not likely to yield a result significantly different from the current provision.

The Company maintains a provident fund 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.

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.

3.14 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 the 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 relevant periods.

3.15 Statement of cash flows

Statement of cash flows statement has been presented under direct method.

4. 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.

4.1 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.

4.2 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 Company held cash and cash equivalents of Taka 348,924,413 at 31 December 2011 (2010: Taka 61,951,785), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with different banks which are rated from AA1 to AAA, based on ratings by Credit Rating Agency of Bangladesh (CRAB) and Credit Rating Information and Services Limited (CRISL).

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

4.3 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 (Note 21.1) 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.

Notes to the Financial Statements

as at and for the year ended 31 December 2011

4.4 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.

a) 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.

b) 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.

c) Commodity risk

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

4.5 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. 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 monitors the level of dividends to ordinary shareholders.

Notes to the Financial Statements

as at and for the year ended 31 December 2011

5. Property, plant and equipment

Year 2011 (consolidated)

Particulars	Cost					Rate	Depreciation					Carrying amount as at 31 December 2011
	Balance as at 1 January 2011	Addition during the year	Disposal during the year	Adjustment during the year	Balance as at 31 December 2011		Balance as at 1 January 2011	Charge for the year	Disposal during the year	Adjustment during the year	Balance as at 31 December 2011	
	Taka	Taka	Taka	Taka	Taka	%	Taka	Taka	Taka	Taka	Taka	Taka
Power plant	5,179,942,483	6,582,474,265	-	1,673,055	11,764,089,803	3.33	2,000,924,136	288,683,811	-	274,611	2,289,882,558	9,474,207,245
Vehicles	7,334,657	-	-	-	7,334,657	25.00	4,179,826	1,333,664	-	-	5,513,490	1,821,167
Building and construction	10,028,606	-	-	(600,000)	9,428,606	10.00	9,397,844	43,876	-	(60,000)	9,381,720	46,886
Furniture and fixtures	1,664,540	340,000	-	(975,771)	1,028,769	20.00	970,960	147,879	-	(439,356)	679,483	349,286
Office equipment	3,862,372	1,158,968	-	(1,381,221)	3,640,119	20.00	3,052,480	339,647	-	(864,804)	2,527,323	1,112,796
Office renovation	1,299,590	1,756,040	-	(1,299,590)	1,756,040	20.00	1,299,557	351,241	-	(1,299,590)	351,208	1,404,832
Total	5,204,132,248	6,585,729,273	-	(2,583,527)	11,787,277,994		2,019,824,803	290,900,118	-	(2,389,139)	2,308,335,782	9,478,942,212

Year 2010 (consolidated)

Particulars	Cost					Rate	Depreciation					Carrying amount as at 31 December 2010
	Balance as at 1 January 2010	Addition during the year*	Disposal during the year	Adjustment during the year**	Balance as at 31 December 2010		Balance as at 1 January 2010	Charge for the year	Disposal during the year	Adjustment during the year	Balance as at 31 December 2010	
	Taka	Taka	Taka	Taka	Taka	%	Taka	Taka	Taka	Taka	Taka	Taka
Power plant	5,136,750,563	56,768,360	-	(13,576,440)	5,179,942,483	3.33	1,833,150,638	181,349,938	-	(13,576,440)	2,000,924,136	3,179,018,347
Vehicles	5,384,657	1,950,000	-	-	7,334,657	25.00	2,346,163	1,833,663	-	-	4,179,826	3,154,831
Building and construction	9,428,606	600,000	-	-	10,028,606	10.00	9,240,456	157,388	-	-	9,397,844	630,762
Furniture and fixtures	1,073,758	830,993	(240,211)	-	1,664,540	20.00	1,026,358	184,813	(240,211)	-	970,960	693,580
Office equipment	5,599,462	839,865	(2,576,955)	-	3,862,372	20.00	5,340,132	289,303	(2,576,955)	-	3,052,480	809,892
Office renovation	1,299,590	-	-	-	1,299,590	20.00	1,299,557	-	-	-	1,299,557	33
Total	5,159,536,636	60,989,218	(2,817,166)	(13,576,440)	5,204,132,248		1,852,403,304	183,815,105	(2,817,166)	(13,576,440)	2,019,824,803	3,184,307,445

Notes to the Financial Statements

as at and for the year ended 31 December 2011

Year 2011 (separate)

Particulars	Cost					Rate	Depreciation					Carrying amount as at 31 December 2011
	Balance as at 1 January 2011	Addition during the year	Disposal during the year	Adjustment during the year	Balance as at 31 December 2011		Balance as at 1 January 2011	Charge for the year	Disposal during the year	Adjustment during the year	Balance as at 31 December 2011	
	Taka	Taka	Taka	Taka	Taka	%	Taka	Taka	Taka	Taka	Taka	Taka
Power plant	5,179,942,483	8,861,670	-	-	5,188,804,153	3.33	2,000,924,136	172,909,800	-	-	2,173,833,936	3,014,970,217
Vehicles	5,384,657	-	-	-	5,384,657	25.00	3,692,326	846,164	-	-	4,538,490	846,167
Building and construction	9,428,606	-	-	-	9,428,606	10.00	9,337,844	43,876	-	-	9,381,720	46,886
Furniture and fixtures	1,235,350	340,000	-	(546,581)	1,028,769	20.00	885,122	147,879	-	(353,518)	679,483	349,286
Office equipment	3,218,507	1,158,968	-	(737,356)	3,640,119	20.00	2,923,707	339,647	-	(736,031)	2,527,323	1,112,796
Office renovation	1,299,590	1,756,040	-	(1,299,590)	1,756,040	20.00	1,299,557	351,241	-	(1,299,590)	351,208	1,404,832
Total	5,200,509,193	12,116,678	-	(2,583,527)	5,210,042,344		2,019,062,692	174,638,607	-	(2,389,139)	2,191,312,160	3,018,730,184

Year 2010 (separate)

Particulars	Cost					Rate	Depreciation					Carrying amount as at 31 December 2010
	Balance as at 1 January 2010	Addition during the year*	Disposal during the year	Adjustment during the year**	Balance as at 31 December 2010		Balance as at 1 January 2010	Charge for the year	Disposal during the year	Adjustment during the year	Balance as at 31 December 2010	
	Taka	Taka	Taka	Taka	Taka	%	Taka	Taka	Taka	Taka	Taka	Taka
Power plant	5,136,750,563	56,768,360	-	(13,576,440)	5,179,942,483	3.33	1,833,150,638	181,349,938	-	(13,576,440)	2,000,924,136	3,179,018,347
Vehicles	5,384,657	-	-	-	5,384,657	25.00	2,346,163	1,346,163	-	-	3,692,326	1,692,331
Building and construction	9,428,606	-	-	-	9,428,606	10.00	9,240,456	97,388	-	-	9,337,844	90,762
Furniture and fixtures	1,073,758	401,803	(240,211)	-	1,235,350	20.00	1,026,358	98,975	(240,211)	-	885,122	350,228
Office equipment	5,599,462	196,000	(2,576,955)	-	3,218,507	20.00	5,340,132	160,530	(2,576,955)	-	2,923,707	294,800
Office renovation	1,299,590	-	-	-	1,299,590	20.00	1,299,557	-	-	-	1,299,557	33
Total	5,159,536,636	57,366,163	(2,817,166)	(13,576,440)	5,200,509,193		1,852,403,304	183,052,994	(2,817,166)	(13,576,440)	2,019,062,692	3,181,446,501

*Addition of power plant is the cost of two newly installed Alternators by replacing the old one.

**Adjustment arises for disposal of old Alternator.

Notes to the Financial Statements

as at and for the year ended 31 December 2011

Property, plant and equipment (contd..)

Total depreciation has been charged in the financial statements as follows:

	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Depreciation charged during the year	290,900,118	174,638,607	183,815,105	183,052,994
5.1 Allocation of depreciation				
Cost of sales (power plant, after considering adjustment)	288,683,811	172,909,800	181,349,938	181,349,938
Operating expenses (other than power plant)	2,216,307	1,728,807	2,465,167	1,703,056
	290,900,118	174,638,607	183,815,105	183,052,994
6. Capital work in progress				
Khulna Power Company Unit-II Ltd.	-	-	3,636,024,824	-
Khanjahan Ali Power Company Ltd.	-	-	146,827,278	-
	-	-	3,782,852,102	-
6.1 Movement in capital work-in progress in 2011				
	Balance as at 1 January 2011	Addition during the year	Transfer to PPE during the year	Balance as at 31 December 2011
	Taka	Taka	Taka	Taka
Plant and machinery	3,771,399,641	-	(3,771,399,641)	-
Capitalised project development expenditure	11,452,461	-	(11,452,461)	-
	3,782,852,102	-	(3,782,852,102)	-
7. Investments in subsidiaries				
	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Khulna Power Company Unit-II Ltd.	-	1,599,500,000	-	49,500,000
Khanjahan Ali Power Company Ltd.	-	18,000,000	-	18,000,000
	-	1,617,500,000	-	67,500,000
8. Inventories				
Heavy furnace oil (HFO)	940,928,120	940,928,120	716,107,053	716,107,053
Light furnace oil (LFO)	5,300,911	3,370,788	2,194,559	2,194,559
Lube oil	20,495,770	-	-	-
Spare parts for plant maintenance	95,758,000	95,758,000	95,758,000	95,758,000
	1,062,482,801	1,040,056,908	814,059,612	814,059,612

Notes to the Financial Statements

as at and for the year ended 31 December 2011

8.1 Movement in inventories

2011 (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 furnace oil (HFO)	17,093	716,107,053	149,551	8,775,107,927	152,547	8,550,286,860	14,097	940,928,120
Light furnace oil (LFO)	53,710	2,194,559	375,422	17,745,030	322,682	14,638,678	106,450	5,300,911
Lube oil	-	-	418,448	109,986,801	353,824	89,491,031	64,624	20,495,770
Spare parts for plant maintenance*		95,758,000		-		-		95,758,000
Total		814,059,612		8,792,852,957		8,564,925,538		1,062,482,801

2011 (Separate)

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 furnace oil (HFO)	17,093	716,107,053	149,551	8,775,107,927	152,547	8,550,286,860	14,097	940,928,120
Light furnace oil (LFO)	53,710	2,194,559	110,348	5,825,911	98,405	4,649,682	65,653	3,370,788
Spare parts for plant maintenance*		95,758,000		-		-		95,758,000
Total		814,059,612		8,780,933,838		8,554,936,542		1,040,056,908

Year 2010 (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 furnace oil (HFO)	22,561.32	882,365,926	165,963.25	6,469,672,967	171,431.13	6,635,931,840	17,093.44	716,107,053
Light furnace oil (LFO)	87,690.00	3,516,344	-	-	33,980.00	1,321,785	53,710.00	2,194,559
Spare parts for plant maintenance		95,758,000		-		-		95,758,000
Total		981,640,270		6,469,672,967		6,637,253,625		814,059,612

Year 2010 (Separate):

Particulars	Balance as at 1 January		Addition during the year		Consumption during the year		Balance as at 31 December	
	Quantity (MT)	Amount (Taka)	Quantity (MT)	Amount (Taka)	Quantity (MT)	Amount (Taka)	Quantity (MT)	Amount (Taka)
Heavy furnace oil (HFO)	22,561.32	882,365,926	165,963.25	6,469,672,967	171,431.13	6,635,931,840	17,093.44	716,107,053
Light furnace oil (LFO)	87,690.00	3,516,344	-	-	33,980.00	1,321,785	53,710.00	2,194,559
Spare parts for plant maintenance*		95,758,000		-		-		95,758,000
Total		981,640,270		6,469,672,967		6,637,253,625		814,059,612

*Spare parts inventory 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 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.

Notes to the Financial Statements

as at and for the year ended 31 December 2011

9. Accounts receivable

	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Other monthly tariff	275,418,074	275,418,074	277,344,200	277,344,200
Fuel tariff	618,155,500	618,155,500	908,002,285	908,002,285
Rental payment	834,645,478	-	-	-
Energy payment (variable operation & maintenance payment)	55,112,366	-	-	-
Total	1,783,331,418	893,573,574	1,185,346,485	1,185,346,485

10. Other receivables

BPDB (agreed charges paid to BIWTA)	4,314,015	4,314,015	8,814,015	8,814,015
BRAC Bank, Citibank NA and SCB for interest	37,365	37,365	6,793,137	3,228,360
Income tax authority (corporate tax deposition for AY 2007)	225,000	225,000	225,000	225,000
Total	4,576,380	4,576,380	15,832,152	12,267,375

11. Advances, deposits and prepayments

Advances:				
Car/motor cycle loan	-	-	1,875	1,875
Bank guarantee for spare parts	1,400,000	1,400,000	1,400,000	1,400,000
Padma/Jamuna Oil for HFO supply	634,530	634,530	634,530	634,530
Neptune Commercial Ltd. (EPC contractor)	-	-	99,563,715	-
Office rent & service charges	3,494,880	3,494,880	-	-
Various parties for Alternator repair works	-	-	1,764,683	1,764,683
Other advances	3,476,878	1,353,264	1,307,960	1,071,471
	9,006,288	6,882,674	104,672,763	4,872,559
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 deposits	-	-	40,494,332	-
Security deposit for office rent	258,880	258,880	-	-
Others	28,500	28,500	28,500	28,500
	892,386	892,386	41,127,838	633,506
Prepayments:				
General insurance premium (fire, fidelity, health, motor, etc.)	25,234	25,234	92,268	63,826
Unamortised transaction cost- SCB Mauritius	17,405,516	-	-	-
Transaction cost -DEG/FMO term loan	50,279,950	-	-	-
Green Delta Insurance Company Ltd.	3,328,724	1,379,070	3,259,620	3,259,620
	71,039,424	1,404,304	3,351,888	3,323,446
Total	80,938,098	9,179,364	149,152,489	8,829,511

12. Inter-company receivable

Khulna Power Company Unit II Ltd.	-	233,221,755	-	799,813,469
Khanjahan Ali Power Company Ltd.	-	404,019,679	-	141,521,191
United Enterprises & Co. Ltd.	4,546,439	-	-	-
Total	4,546,439	637,241,434	-	941,334,660

Notes to the Financial Statements

as at and for the year ended 31 December 2011

13. Cash and cash equivalents

	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Cash in hand	93,135	93,135	60,130	60,130
Cash at bank:				
Current account:				
Citibank, NA (operating a/c # 129039 -Taka)	331,188,658	331,188,658	5,840,503	5,840,503
Citibank, NA (operating a/c # 129024 -Taka)	4,327	4,327	4,327	4,327
Citibank, NA (operating a/c # 129032 -US Dollar)	5,695,899	5,695,899	4,103,675	4,103,675
BRAC Bank Ltd. (A/c # 1501200976943001)	4,735	4,735	2,597	171
Pubali Bank Ltd. (A/c # 3555901037145)	20,893	20,893	25,863	25,863
Standard Bank Ltd. (A/c # 233011318)	42,979	42,979	44,249	44,249
Standard Chartered Bank (A/c # 01-5547202-01)	4,725,945	4,725,945	675,659	675,659
Prime Bank Ltd. (A/c # 11311050008045)	481	481	1,631	1,631
BRAC Bank Ltd. (A/c # 1501200976943002)	5,852,002	5,852,002	-	-
Pubali Bank Ltd. (A/c # 3555901039654)	2,400	-	-	-
Standard Chartered Bank (A/c # 01-1110754-01)	678,992	-	-	-
Trust Bank Ltd. (A/c # 300210002865)	472,310	-	-	-
BRAC Bank Ltd. (A/c # 1501201831046001)	507,395	-	-	-
Dutch-Bangla Bank Ltd. (A/c # 103110000019467)	9,669	-	2,927,271	-
Standard Chartered Bank (A/c # 01-114572701)	68,281	-	-	-
Trust Bank Ltd. (A/c # 300210002767)	172,570	-	-	-
Total current account	349,447,536	347,535,919	13,625,775	10,696,078
Special notice deposit (SND) account:				
BRAC Bank Ltd. (A/c # 1501100976943001)	20,547	20,547	40,393,623	40,393,623
BRAC Bank Ltd. (A/c # 1501101870861001)	1,934,941	-	63,106	-
Dutch Bangla Bank Ltd. (A/c # 107120000000671)	2,139	2,139	3,258	3,258
Dutch Bangla Bank Ltd. (A/c # 103120000001348)	86,384	86,384	-	-
Dutch Bangla Bank Ltd. (A/c # 103120000001381)	42,391,448	-	5,131,174	-
Standard Chartered Bank (A/c # 02111075401)	680,092	-	572,490	-
Standard Chartered Bank (A/c # 02114572701)	51,284,500	-	-	-
Citibank, NA (A/c # G010001200812006)	394,853	-	390,441	-
One Bank Ltd. (A/c # 5083683009)	-	-	3	3
Trust Bank Ltd. (A/c # 300320000097)	2,048	2,048	4,126	4,126
BRAC Bank Ltd. (EII Escrow II a/c)	-	-	1,630,524	1,630,524
BRAC Bank Ltd. -Dividend distribution a/c	1,184,241	1,184,241	9,164,043	9,164,043
Total SND account	97,981,193	1,295,359	57,352,788	51,195,577
Total cash at bank	447,428,729	348,831,278	70,978,563	61,891,655
Total cash and cash equivalents	447,521,864	348,924,413	71,038,693	61,951,785

Notes to the Financial Statements

as at and for the year ended 31 December 2011

14. Share capital

	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Authorised:				
500,000,000 ordinary shares of Tk 10 each	5,000,000,000	5,000,000,000	3,000,000,000	3,000,000,000
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	5,000,000,000	5,000,000,000
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	-	-
	2,878,583,400	2,878,583,400	2,398,819,500	2,398,819,500
Preference shares:				
660,000 redeemable cumulative class 'A' preference shares of Tk 1,000 each	660,000,000	660,000,000	880,000,000	880,000,000

Redeemable cumulative class 'A' preference shares has been classified as liability as required by Bangladesh Accounting Standard 32, Financial Instruments: Presentation. For details see note 16.

14.1 Shareholding position of ordinary shares is as follows:

Name of shareholders	2011			2010		
	No. of shares	Percentage of holding	Total value (Taka)	No. of shares	Percentage of holding	Total value (Taka)
United Enterprises & Company Ltd. (incorporated in Bangladesh)	107,910,651	37.4874%	1,079,106,510	89,925,543	37.4874%	899,255,430
Summit Industrial & Mercantile Corporation (Pvt.) Ltd. (incorporated in Bangladesh)	53,955,325	18.7437%	539,553,250	89,925,543	37.4874%	899,255,430
Summit Power Limited (incorporated in Bangladesh)	53,955,326	18.7437%	539,553,260	-	-	-
Other sponsors	72,436	0.0252%	724,360	60,368	0.0252%	603,680
General investors	71,964,602	25%	719,646,020	59,970,496	25%	599,704,960
	287,858,340	100%	2,878,583,400	239,881,950	100%	2,398,819,500

Classification of shareholders by holding as at 31 December 2011:

Range of share holdings	No. of shareholders	No. of shares	Percentage of shareholdings
Less than 5,000 shares	45,747	25,886,792	8.99%
5,000 to 10,000 shares	701	4,870,976	1.69%
10,001 to 25,000 shares	358	5,599,567	1.95%
25,001 to 50,000 shares	120	4,275,736	1.49%
50,001 to 100,000 shares	69	4,728,841	1.64%
100,001 to 250,000 shares	36	5,382,204	1.87%
250,001 to 500,000 shares	22	7,416,532	2.58%
500,001 to 2,500,000 shares	8	7,865,486	2.73%
2,500,001 to 5,000,000 shares	2	6,010,904	2.09%
Over 5,000,000 shares	3	215,821,302	74.97%
Total	47,066	287,858,340	100%

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15. Non controlling interest

	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Khulna Power Company Unit II Ltd.:				
Share capital (1%)	500,000	-	500,000	-
Share of total comprehensive income/(loss)	5,690,809	-	(38,816)	-
Khanjahan Ali Power Company Ltd.:				
Share capital (10%)	2,000,000	-	2,000,000	-
Share of total comprehensive income/(loss)	12,570,349	-	(49,049)	-
	20,761,158	-	2,412,135	-

16. 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 instalments 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).

	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Balance as at 1 January	880,000,000	880,000,000	1,100,000,000	1,100,000,000
Issued during the year	-	-	-	-
Repayment during the year	(220,000,000)	(220,000,000)	(220,000,000)	(220,000,000)
Balance as at 31 December	660,000,000	660,000,000	880,000,000	880,000,000
Non-current portion	440,000,000	440,000,000	660,000,000	660,000,000
Current portion	220,000,000	220,000,000	220,000,000	220,000,000
	660,000,000	660,000,000	880,000,000	880,000,000

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

Name of shareholders

	2011	2010	2011	2010
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
The City Bank Limited	360,000,000	360,000,000	480,000,000	480,000,000
Pubali Bank Limited	120,000,000	120,000,000	160,000,000	160,000,000
One Bank Limited	120,000,000	120,000,000	160,000,000	160,000,000
Trust Bank Limited	60,000,000	60,000,000	80,000,000	80,000,000
	660,000,000	660,000,000	880,000,000	880,000,000

17. Term loan

	2011	2010	2011	2010
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Standard Chartered Bank, Mauritius:				
Current maturity portion	356,979,969	-	-	-
Long term portion	1,085,904,307	-	-	-
	1,442,884,276	-	-	-

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18. Deferred liabilities

Gratuity scheme:

	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Balance as at 1 January	8,114,791	8,114,791	7,734,297	7,734,297
Provision made during the year	2,450,702	2,450,702	693,994	693,994
	10,565,493	10,565,493	8,428,291	8,428,291
Gratuity paid during the year	(2,934,000)	(2,934,000)	(313,500)	(313,500)
Balance as at 31 December	7,631,493	7,631,493	8,114,791	8,114,791
Provision for leave encashment:				
Balance as at 1 January	2,935,420	2,935,420	3,156,898	3,156,898
Provision/(adjustment) made during the year	777,477	777,477	(85,455)	(85,455)
	3,712,897	3,712,897	3,071,443	3,071,443
Payment made during the year	(1,208,455)	(1,208,455)	(136,023)	(136,023)
Balance as at 31 December	2,504,442	2,504,442	2,935,420	2,935,420
	10,135,935	10,135,935	11,050,211	11,050,211

19. Long term provision

	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Opening balance	-	-	-	-
Provision made during the year	15,000,000	-	-	-
	15,000,000	-	-	-
Adjustment/payment made during the year	-	-	-	-
Closing balance	15,000,000	-	-	-

This provision relates to asset retirement obligations (ARO).

20. Accounts payable

	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Kuo Oil (S) Pte Ltd. - Handling commission	818,683,046	818,683,046	200,162,551	200,162,551
Kuo Oil (S) Pte Ltd. - Fuel cost	1,312,844,474	1,312,844,474	1,211,161,998	1,211,161,998
USCOL - Fuel carrying and storage	346,319,045	346,319,045	169,042,669	169,042,669
Wartsila - Operation and maintenance - (O&M)	303,031,532	219,006,122	152,854,802	152,854,802
	2,780,878,097	2,696,852,687	1,733,222,020	1,733,222,020

21. Short term/working capital loan

	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
BRAC Bank Ltd.	650,000,000	150,000,000	384,094,293	384,094,293
Dutch Bangla Bank Ltd.	1,500,000,000	500,000,000	66,998,914	-
Citibank, N.A., Bangladesh	-	-	136,000,000	136,000,000
Prime Bank Ltd.	250,000,000	-	-	-
Pubali Bank Ltd.	430,000,000	-	-	-
Trust Bank Ltd.	675,000,000	225,000,000	-	-
	3,505,000,000	875,000,000	587,093,207	520,094,293

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21.1 The group enjoys both funded and non funded short term working capital facilities with seven banks. The non funded facilities include Letters of Credit (LC) and Letters of Guarantee. The funded facilities include overdraft facility and working capital/short term loan facility.

A detail of the total facilities is enumerated below:

Standard Chartered Bank for KPCL:

- (i) Funded facility - Taka 660,000,000
- (ii) Letters of credit facility- Taka 2,250,000,000.

Citibank, N.A. for KPCL:

- (i) Omnibus - USD 21,968,000
- (ii) Short term loan (inner limit of omnibus) - USD 5,000,000.
- (iii) Guarantee (inner limit of omnibus) - USD 500,000
- (iv) Guarantee - USD 32,000.

BRAC Bank Limited:

- (i) Revolving letter of credit - Taka 500,000,000 for KPCL
- (ii) Revolving LATR (inner limit of LC facility) - Taka 500,000,000 for KPCL
- (iii) Revolving STL (inner limit of LC facility) - 100,000,000 for KPCL
- (iv) Short term loan facility - Taka 500,000,000 for KPC Unit II

Dutch Bangla Bank Limited:

- (i) Short term loan facility - Taka 500,000,000 for KPCL
- (ii) Short term loan facility - Taka 1,000,000,000 for KPC Unit II

Trust Bank Limited:

- (i) Short term loan facility - Taka 250,000,000 for KPCL
- (ii) Short term loan facility - Taka 500,000,000 for KPC Unit II

Pubali Bank Limited:

Short term loan facility - Taka 500,000,000 for KPC Unit II

Prime Bank Limited:

Short term loan facility - Taka 250,000,000 for KPC Unit II

22. Inter-company loan

	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Summit Industrial & Mercantile Corp. (Pvt.) Ltd.	100,000,000	-	-	-

23. Inter-company payable

	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
United Enterprises & Company Ltd.	12,684,987	-	11,046,200	3,966,200
United Power Generation & Distribution Co. Ltd.	4,738,736	-	9,000,000	9,000,000
Cosmopolitan Traders (Pvt.) Ltd.	-	-	9,000,000	9,000,000
Neptune Commercial Ltd.	15,436,285	-	-	-
	32,860,008	-	29,046,200	21,966,200

Notes to the Financial Statements

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24. Accrued expenses and others

	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Electricity, gas and water	194,609	194,609	21,615	21,615
Legal, audit and other professional fees	782,500	472,500	795,000	565,000
Office rent and service charges	-	-	106,165	106,165
Lease rent payable - BPDB	3,429,710	2,419,497	2,793,603	2,793,603
Telephone, fax and e-mail	47,473	47,473	66,208	66,208
C&F agent's bill	-	-	1,046,141	-
Employee expenses	2,726,376	2,726,376	3,323,045	3,323,045
Withholding tax/VAT for O & M fees, professional fees and others	15,162,490	6,333,756	6,126,041	6,126,041
Wartsila - river intake dredging	300,000	300,000	140,000	140,000
Falcon Securities Ltd - plant security	403,665	155,946	226,220	226,220
Employees' provident fund	737,179	737,179	-	-
MAXXAM Analytics Inc.- passive analysis (air)	-	-	733,071	733,071
AGM related expenses	500,000	500,000	-	-
South Eastern Tank Terminal -Fuel storage bill	1,700,004	1,700,004	-	-
Pragati Insurance Ltd. - For premium	4,468	-	-	-
Eastland Insurance Ltd. - For premium	12,034	-	-	-
Wartsila Bangladesh Ltd. -Mobilization fee	14,196,000	-	-	-
Others	894,255	689,526	1,835,183	1,630,762
	41,090,763	16,276,866	17,212,292	15,731,730

25. Liability for interest and other financial charges

Dividend on redeemable cumulative preference shares	42,728,125	42,728,125	56,718,750	56,718,750
Interest payable on:				
Short term loan- Dutch Bangla Bank	103,172,949	12,486,111	916,301	-
Short term loan- Trust Bank Ltd.	59,103,861	15,718,750	-	-
Short term loan- Pubali Bank Ltd.	41,762,778	-	-	-
Short term loan- Prime Bank Ltd.	23,125,000	-	-	-
Working capital loan- BRAC Bank	7,442,605	1,187,500	5,872,212	5,872,212
Term loan- Standard Chartered Bank, Mauritius	3,490,651	-	-	-
	280,825,969	72,120,486	63,507,263	62,590,962

26. Liability for project implementation expenditure

Wartsila Finland Oy	-	-	2,850,608,519	-
Jamil Steel Industries	-	-	4,640,918	-
Neptune Commercial Ltd. (EPC contractor)	134,146,032	-	-	-
	134,146,032	-	2,855,249,437	-

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27. 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.

	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Final cash dividend for the year 2009	8,514,275	8,514,275	9,057,446	9,057,446

28. Revenue

	2011	2010
	Taka Consolidated	Taka Consolidated
Other monthly tariff	1,992,275,519	1,920,081,136
Fuel tariff	7,721,741,497	6,025,681,682
Rental payment	1,432,389,765	-
Energy payment (variable operation & maintenance payment)	115,800,315	-
	11,262,207,096	7,945,762,818

- 28.1 Other monthly tariff is the price component of all other costs including profit per KW of energy supplied at the delivery point excluding fuel.
- 28.2 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.
- 28.3 Rental Payment is payable for each month by Bangladesh Power Development Board (BPDB) for making available the Dependable Capacity in such month.
- 28.4 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.

29. Cost of sales

	2011	2010
	Taka Consolidated	Taka Consolidated
Consumption of heavy furnace oil (HFO) and related expenses*	8,610,855,672	6,512,914,400
Consumption of light furnace oil (LFO)	7,481,416	1,321,784
Consumption of lube oil	58,682,781	-
Operation and maintenance cost to operator	709,170,486	497,417,392
Security service - Plant	4,765,548	2,936,927
Duty on spare parts	17,483,244	26,728,027
Depreciation of power plant	288,683,811	181,349,938
	9,697,122,958	7,222,668,468

*The above expenses 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. 8.1) is not directly matchable with the above mentioned expenses.

30. Other income/(loss)

	2011	2010
	Taka Consolidated	Taka Consolidated
Gain/(loss) on sale of property, plant and equipment	(194,389)	11,100
	(194,389)	11,100

This represents disposal of furniture and fixtures and office equipment.

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31. General and administrative expenses

	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Salary and allowances	15,240,483	14,880,483	15,827,264	15,647,264
Employer's contribution to P.F.	616,406	616,406	551,760	551,760
Gratuity provision	2,450,702	2,450,702	693,994	693,994
Earned leave provision	777,477	777,477	(85,455)	(85,455)
Leave fare assistance	288,193	288,193	224,401	224,401
Office & guest house rent and maintenance	5,073,896	3,950,291	3,048,482	2,487,331
Telephone, fax and e-mail	385,369	303,919	308,060	300,884
Advertisement, publicity, press and seminar	2,768,435	2,612,104	1,023,974	926,094
Entertainment expenses	273,748	242,974	155,620	155,620
Bank charges and commission	791,289	209,689	1,197,870	1,034,612
Printing, postage and stationery	421,517	352,428	244,084	174,034
Travel and conveyance	1,003,600	395,876	1,507,403	258,798
Vehicles fuel and maintenance	453,463	415,535	237,032	237,032
Newspaper, books and periodicals	77,134	14,419	15,720	15,720
Business promotion, subscription, gift and donation	6,988,058	3,492,804	3,621,283	3,400,003
Uniform and liveries	18,740	18,740	16,400	16,400
Insurance premium	7,078,738	5,017,212	17,432,245	17,420,798
Lease rent - BPDB (Note 31.1)	4,365,506	3,355,293	3,355,293	3,355,293
Directors' fees and board meeting expenses	122,538	122,538	185,448	185,448
Audit fee	725,000	415,000	645,000	415,000
Legal, tax and other professional fees	842,378	623,428	3,365,904	3,297,904
Survey, testing and inspection fees	518,788	445,212	748,285	748,285
Company matter expenses	2,722,108	2,487,108	344,730	72,000
Performance bond/bank guarantee charges	2,708,283	-	-	-
Share offload related expenses	-	-	10,047,303	10,047,303
Environmental compliance expenses	3,849,583	408,828	1,491,098	1,491,098
Computer consumable and maintenance	382,363	372,313	317,422	317,422
River intake dredging	160,000	160,000	140,000	140,000
Annual General Meeting (AGM) expenses	11,410,286	11,410,286	8,930,445	8,930,445
Extra-ordinary General Meeting (EGM) expenses	2,481,613	2,481,613	-	-
Depreciation - Other property, plant and equipment	2,216,307	1,728,807	2,465,167	1,703,056
Liquidated damages	53,978,135	-	-	-
Miscellaneous and incidental expenses	123,575	83,575	627,435	122,210
	131,313,711	60,133,253	78,683,667	74,284,754

31.1 Operating leases

The company is 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, rental expenses under non-cancellable operating leases aggregated Tk. 3,355,293 (2010: Tk. 3,355,293).

The future minimum lease payments in respect of operating leases as at 31 December 2011 are as follows:

Amount due:	2011	2010
	Taka Consolidated	Taka Consolidated
Not later than one year	3,729,398	3,242,955
Later than one year but not later than five years	8,950,556	11,026,044
	12,679,954	14,268,999

32. Foreign exchange loss

Exchange gain/(loss) arise on retranslating 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:

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	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Kuo Oil (S) Pte Ltd. - Handling commission	(75,867,827)	(75,867,827)	(1,870,770)	(1,870,770)
Wartsila -Operation and maintenance - (O&M)	-	-	(2,807,902)	(2,807,902)
Citibank, NA (operating a/c # 129032 -US Dollar)	657,773	657,773	972,096	972,096
Interest on term loan -SCB, Mauritius	(1,412,171)	-	-	-
Others	(19,727)	(19,727)	(44,716)	(44,716)
	(76,641,952)	(75,229,781)	(3,751,292)	(3,751,292)
33. Finance income				
Interest on bank deposits	8,539,869	8,064,671	19,844,420	19,817,672
34. Finance expenses				
Interest on:				
Short term loan:				
Dutch Bangla Bank Ltd.	91,119,056	-	-	-
Pubali Bank Ltd.	39,351,666	-	-	-
Trust Bank Ltd.	42,976,389	-	-	-
BRAC Bank Ltd.	44,583,333	-	-	-
Prime Bank Ltd.	22,291,667	-	-	-
Uttara Finance and Investments Ltd.	17,463,539	-	-	-
United Enterprises & Co. Ltd.	13,049,653	-	-	-
Neptune Properties Ltd.	755,556	-	-	-
Term loan	39,113,136	-	-	-
Working capital facility (net of inter company interest charges) - Note 34.1	133,477,495	(30,158,229)	18,777,670	18,777,670
Annual agency fee - Security & Facility Agent 2,760,000	2,760,000	2,760,000	2,760,000	-
Amortised transaction costs -SCB, Mauritius loan	7,920,135	-	-	-
Dividend on redeemable cumulative class 'A' preference shares	76,759,375	76,759,375	99,257,813	99,257,813
	531,621,000	49,361,146	120,795,483	120,795,483

34.1 Working capital facility charges are shown net of interest income charged by KPCL to its subsidiaries for working capital support.

35. Earnings per share (EPS)

Basic earnings per share

The computation of EPS is given below:

a) Profit attributable to the ordinary shareholders	815,503,932	211,858,941	539,719,428	544,091,593
b) Weighted average number of ordinary shares outstanding	287,858,340	287,858,340	239,881,950	239,881,950
c) Restated weighted average number of ordinary shares outstanding	-	-	-	287,858,340
Earnings per share (EPS) (a/b)	2.83	0.74	2.25	2.27
Restated earnings per share (EPS) (a/c)				1.89

Since the bonus issue is an issue without consideration, the issue has been treated as if it occurred prior to the beginning of 2011, the earliest period reported for the purposes of EPS calculation.

35.1 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.

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36. Remittance of foreign currency

Purpose of payment	Name of the recipient	2011		2010	
		USD Consolidated	USD Separate	USD Consolidated	USD Separate
Purchase of fuel (HFO)	Kuo Oil (s) Pte Ltd.	1,782,124	1,782,124	5,679,490	5,679,490
Legal service/Barge registration	Quijano & Associates	-	-	11,689	11,689
Consultancy fee for KPC Unit II and KJAPCL	Envirotech East Pvt Ltd.	6,500	6,500	5,860	5,860
Passive analysis (air)	MAXXAM Analytics Inc.	15,633	15,633	23	23
Environmental consultancy fee for KPC Unit II	Poyry Environment GmbH	30,000	30,000	-	-
Commission for guarantee	Citibank, N A	200	200	-	-
		1,834,457	1,834,457	5,697,062	5,697,062

37. Receipts of foreign currency

Nature of receipt	Name of party	2011		2010	
		USD Consolidated	USD Separate	USD Consolidated	USD Separate
Other monthly tariff (99%)	BPDB	1,846,084	1,846,084	4,609,559	4,609,559

38. Value of imports calculated on CIF basis

Purpose of payment	Name of the recipient	2011		2010	
		Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Heavy furnace oil (fuel)		9,068,449,722	9,068,449,722	5,725,787,973	5,725,787,973

39. Financial instrument

39.1 Credit risk

39.1.1 Exposure to credit risk

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

Accounts receivable	1,783,331,418	893,573,574	1,185,346,485	1,185,346,485
Other receivable	4,576,380	4,576,380	15,832,152	12,267,375
Inter-company receivable	4,546,439	637,241,434	-	941,334,660
Cash at bank	447,428,729	348,831,278	70,978,563	61,891,655
	2,239,882,966	1,884,222,666	1,272,157,200	2,200,840,175

39.1.2 Aging of receivables

Invoiced 0-30 days	1,121,313,003	681,405,874	1,140,273,925	1,140,273,925
Invoiced 31-60 days	255,219,036	23,262,910	5,166,547	5,166,547
Invoiced 61-90 days	24,748,960	24,748,960	6,251,190	6,251,190
Invoiced 91-120 days	18,833,752	18,833,752	8,752,848	8,752,848
Invoiced above 120 days	363,216,667	145,322,078	24,901,975	24,901,975
	1,783,331,418	893,573,574	1,185,346,485	1,185,346,485

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39.2 Liquidity risk

The following are the contractual maturities of financial liabilities:

	Carrying amount Taka	Contractual cash flows Taka	6 months or less Taka	6 - 12 months Taka	1 - 2 years Taka	More than 2 years Taka
2011 (Consolidated):						
Redeemable preference shares	660,000,000	1,100,000,000	220,000,000	-	220,000,000	220,000,000
Accounts payable	2,780,878,097	2,780,878,097	2,780,878,097	-	-	-
Working capital/short term loan	3,505,000,000	3,505,000,000	3,505,000,000	-	-	-
Inter company loan	100,000,000	100,000,000	100,000,000	-	-	-
Inter company payable	32,860,008	32,860,008	32,860,008	-	-	-
Accrued expenses and others	41,090,763	41,090,763	41,090,763	-	-	-
Liability for interest and other financial charges	280,825,969	280,825,969	280,825,969	-	-	-
Liability for project implementation	134,146,032	134,146,032	134,146,032	-	-	-
Unclaimed dividend	8,514,275	8,514,275	8,514,275	-	-	-
2010 (Consolidated):						
Redeemable preference shares	880,000,000	1,100,000,000	220,000,000	-	220,000,000	440,000,000
Accounts payable	1,733,222,020	1,733,222,020	1,733,222,020	-	-	-
Short term loan/working capital	587,093,207	587,093,207	587,093,207	-	-	-
Inter company payable	29,046,200	29,046,200	29,046,200	-	-	-
Accrued expenses and others	17,212,292	17,212,292	17,212,292	-	-	-
Liability for interest and other financial charges	63,507,263	63,507,263	63,507,263	-	-	-
Liability for project implementation	2,855,249,437	2,855,249,437	2,855,249,437	-	-	-
Unclaimed dividend	9,057,446	9,057,446	9,057,446	-	-	-
2011 (Separate):						
Redeemable preference shares	660,000,000	1,100,000,000	220,000,000	-	220,000,000	220,000,000
Accounts payable	2,696,852,687	2,696,852,687	2,696,852,687	-	-	-
Short term loan/working capital	875,000,000	875,000,000	875,000,000	-	-	-
Accrued expenses and others	16,276,866	16,276,866	16,276,866	-	-	-
Liability for interest and other financial charges	72,120,486	72,120,486	72,120,486	-	-	-
Unclaimed dividend	8,514,275	8,514,275	8,514,275	-	-	-
2010 (Separate):						
Redeemable preference shares	880,000,000	1,100,000,000	220,000,000	-	220,000,000	440,000,000
Accounts payable	1,733,222,020	1,733,222,020	1,733,222,020	-	-	-
Short term loan/working capital	520,094,293	520,094,293	520,094,293	-	-	-
Inter company payable	21,966,200	21,966,200	21,966,200	-	-	-
Accrued expenses and others	15,731,730	15,731,730	15,731,730	-	-	-
Liability for interest and other financial charges	62,590,962	62,590,962	62,590,962	-	-	-
Unclaimed dividend	9,057,446	9,057,446	9,057,446	-	-	-

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39.3 Market risk

39.3.1 Currency risk

(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 liabilities denominated in the foreign currencies:

	2011 (Consolidated)		2010 (Consolidated)		
	BDT	USD	BDT	USD	EUR
Foreign currency denominated assets					
Cash at bank (dollar account)	5,695,899	69,142	4,103,675	57,515	-
Foreign currency denominated liabilities					
Liability for project implementation	-	-	(2,850,608,519)	-	(29,413,582)
Accounts payable	(2,434,559,052)	(29,552,793)	(1,564,179,351)	(21,922,626)	-
Net exposure	(2,428,863,153)	(29,483,651)	(4,410,684,195)	(21,865,111)	(29,413,582)
	2011 (Separate)		2010 (Separate)		
	BDT	USD	BDT	USD	
Foreign currency denominated assets					
Cash at bank (dollar account)	5,695,899	69,142	4,103,675	57,515	
Foreign currency denominated liabilities					
Accounts payable	(2,350,533,642)	(28,532,819)	(1,564,179,351)	(21,922,626)	
Net exposure	(2,344,837,743)	(28,463,677)	(1,560,075,676)	(21,865,111)	

The following significant exchange rates are applied:

BDT/USD	82.38	71.35
BDT/EUR	-	96.91

(ii) Foreign exchange rate sensitivity analysis

The basis for the sensitivity analysis to measure foreign exchange risk is an aggregate corporate-level currency exposure. The aggregate foreign exchange exposure is composed of all assets and liabilities denominated in foreign currencies.

A 3% change in foreign exchange rates would have increased/(decreased) equity and profits or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant.

	Profit or loss (Taka)		Equity (Taka)	
	3% increase	3% decrease	3% increase	3% decrease
2011 (Consolidated):				
USD denominated items	(72,865,895)	72,865,895	(72,865,895)	72,865,895
2010 (Consolidated):				
USD denominated items	(46,802,270)	46,802,270	(46,802,270)	46,802,270
EUR denominated items	(85,518,256)	85,518,256	(85,518,256)	85,518,256

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as at and for the year ended 31 December 2011

39.3.2 Interest rate risk

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

	Carrying amount (Taka)			
	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Fixed rate instruments				
<i>Financial assets</i>	-	-	-	-
<i>Financial liabilities</i>				
Redeemable cumulative preference shares	660,000,000	660,000,000	880,000,000	880,000,000
Short term/working capital loan	3,505,000,000	875,000,000	587,093,207	520,094,293
Floating rate instruments				
<i>Financial assets</i>	-	-	-	-
<i>Financial liabilities</i>				
Term loan	1,442,884,276	-	-	-

39.3.3 Accounting classification and fair values

Fair value of financial assets and liabilities together with carrying amount shown in the statement of financial position are as follows:

	2011 (Consolidated)		2010 (Consolidated)	
	Carrying amount Taka	Fair value Taka	Carrying amount Taka	Fair value Taka
Assets carried at fair value through profit or loss	-	-	-	-
Held to maturity assets	-	-	-	-
Loans and receivables				
Accounts receivable	1,783,331,418	1,783,331,418	1,185,346,485	1,185,346,485
Other receivables	4,576,380	4,576,380	15,832,152	15,832,152
Inter-company receivables	4,546,439	4,546,439	-	-
Cash at bank	447,428,729	447,428,729	70,978,563	70,978,563
Available for sale financial assets	-	-	-	-
Liabilities carried at fair value through profit or loss	-	-	-	-
Liabilities carried at amortised costs				
Redeemable preference shares	660,000,000	660,000,000	880,000,000	880,000,000
Short term/working capital loan	3,505,000,000	3,505,000,000	587,093,207	587,093,207
Accounts payable	2,780,878,097	N/A*	1,733,222,020	N/A*
Inter company payable	32,860,008	N/A*	29,046,200	N/A*
Accrued expenses and others	41,090,762	N/A*	17,212,292	N/A*
Liability for interest and other financial charges	280,825,969	N/A*	63,507,263	N/A*
Liability for project implementation expenditures	134,146,032	N/A*	2,855,249,437	N/A*
Unclaimed dividend	8,514,275	N/A*	9,057,446	N/A*

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Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable were as follows:

	2011		2010	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Redeemable preference shares	10.3125%**	10.3125%**	10.3125%**	10.3125%**
Short term/working capital loan	10.50-15.00%	10.50-15.00%	9.00-10.50%	9.00-10.50%

*Determination of fair value is not required as per the requirements of BFRS 7: Financial Instruments: Disclosure. However, fair value of such instruments is not likely to be significantly different from the carrying amounts of such instruments.

**The Company is liable to pay dividend on redeemable preference share @ 8.25%, net of tax. As applicable tax rate is 20%, gross rate comes to 10.3125%.

40. Related party transactions

Name of party	Relationship	Nature of transactions	Transaction value			
			2011		2010	
			Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
United Summit Coastal Oil Ltd.	Subsidiary of shareholder	Fuel carrying, storage and temporary loan	384,458,373	384,458,373	336,793,416	336,793,416
Summit Industrial & Mercantile Corporation (Pvt) Ltd.	Shareholder	Office rent, interest on loan and dividend payment	280,724,093	180,724,093	180,720,213	180,720,213
Summit Corporation	Subsidiary of shareholder	Service charge for other office facilities	211,745	211,745	747,330	747,330
Cosmopolitan Traders (Pvt) Ltd.	Subsidiary of shareholder	Paid up capital for KJAPCL	9,000,000	9,000,000	-	-
United Enterprises & Company Ltd.	Shareholder	Loan and dividend payment	180,639,073	179,851,086	184,661,191	179,851,191
United Power Generation & Distribution Co. Ltd.	Subsidiary of shareholder	Paid up capital for KJAPCL	9,000,000	9,000,000	4,738,436	-
Khanjahan Ali Power Company Ltd.	Subsidiary	Loan	-	262,498,483	-	-
Khulna Power Company Unit II Ltd.	Subsidiary	Share money deposit Loan	-	1,550,000,000 566,591,716	-	-
Neptune Commercial Ltd.	Subsidiary of shareholder	Construction of plant	249,146,032	-	18,693,715	-
Key management personnel	Shareholder and Board of Directors Key employees	Dividend paid and directors fees Salary, allowances and long term benefits Bonus	214,180 10,299,596 1,383,000	214,180 10,299,596 1,383,000	-	306,665 8,074,203 3,342,059

Key management personnel includes managing director, chief operating officer and financial controller & company secretary. However, the managing director did not receive any salary during the year under review.

