



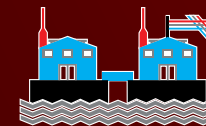
# Annual Report | 2012



**Khulna Power Company Ltd.**

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



**Khulna Power Company Ltd.**

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# Corporate Information

## Board of Directors

### Chairman

Muhammed Aziz Khan

### Managing Director

Hasan Mahmood Raja

### Directors

Ahmed Ismail Hossain

K. M. Ahsan Shamim

Latif Khan

Muhammad Farid Khan

Jafer Ummeed Khan

Faridur Rahman Khan

Akhter Mahmud Rana

Abul Kalam Azad

Ayesha Aziz Khan

Moinuddin Hasan Rashid

Adeeba Aziz Khan

### Independent Director

Syed Fazlul Haque, FCA

### Chief Operating Officer

Md. Abdur Rahim

### Financial Controller & Company Secretary

Md. Shoharab Ali Khan, FCMA

### Audit Committee

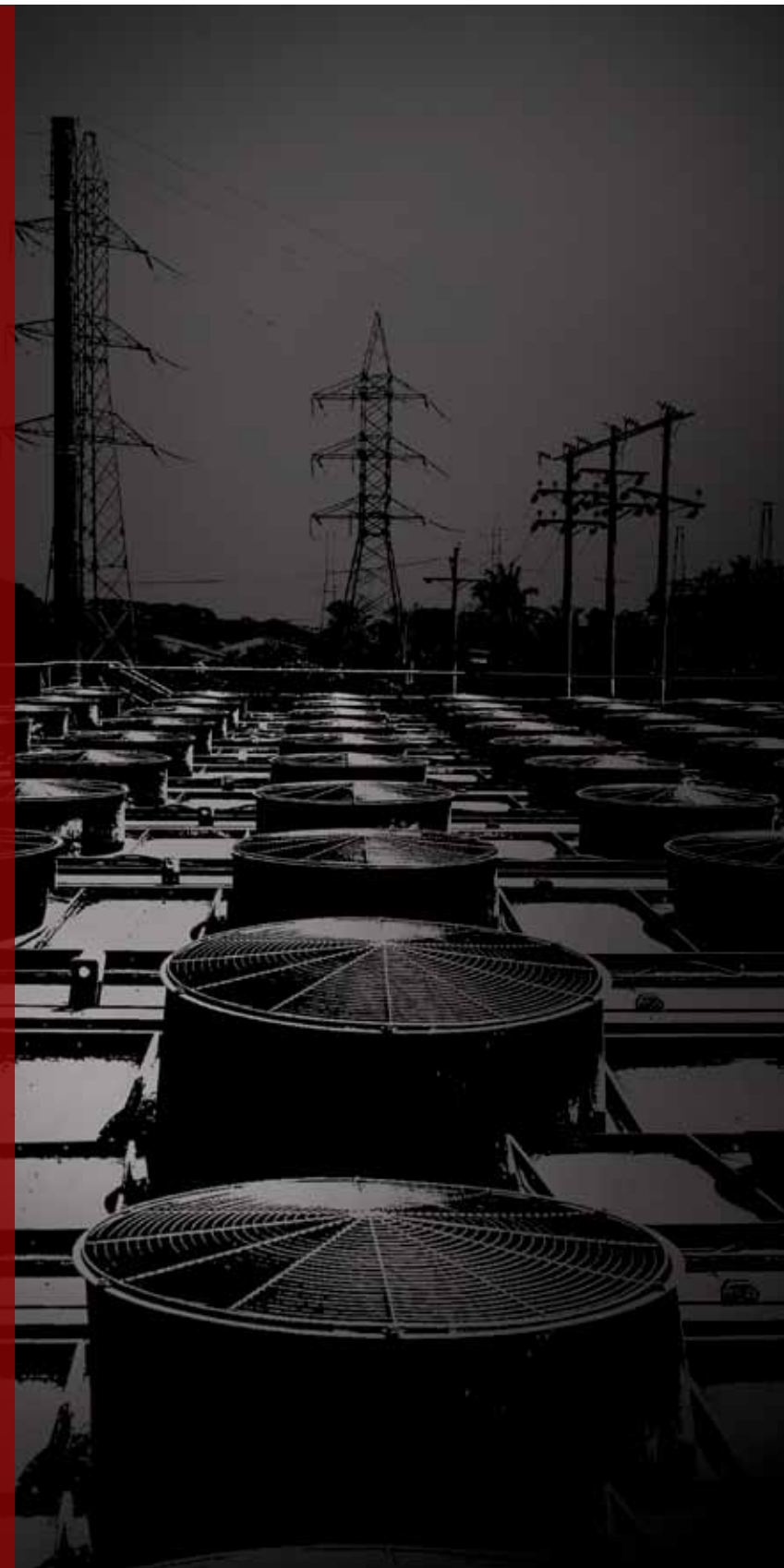
Syed Fazlul Haque, FCA, Chairman

Abul Kalam Azad

Ayesha Aziz Khan

### Head of Internal Audit

Placid Gomes, ACA



# Power Plants

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

Goalpara, Khalishpur, Daulatpur, Khulna-9202

Phone : +88-041 763556-8

Fax : +88-041 760227



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

Extended premises of KPCL, Goalpara, Khalishpur, Khulna.

Phone : +88-041 763556-8

Fax : +88-041 760227



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

Noapara, Avaynagar, Jessore

Phone : +88-04222 72354



### Registered Office

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

Tel : +88-02 8810932, 8810892

+88-02 8810868, 8824217

Fax : +88-02 882 3989

Email : kpcl@khulnapower.com

Web : www.khulnapower.com

### Auditors

Hoda Vasi Chowdhury & Co

Chartered Accountants

BTMC Bhaban

7-9 Karwan Bazar

Dhaka-1215, Bangladesh

### 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

# 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.

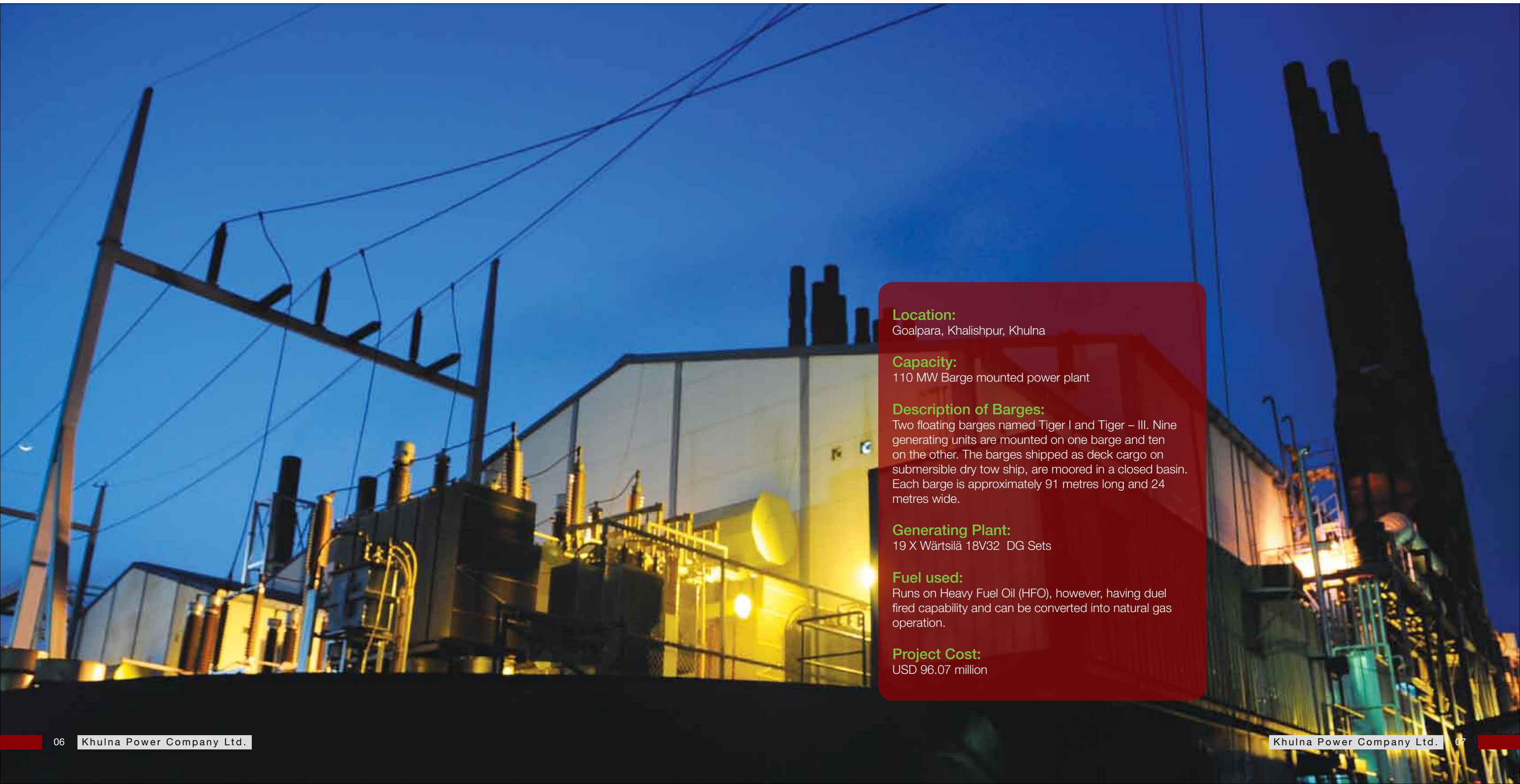
### Khanjahan Ali Power Company Ltd.

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 35.2823%, Summit Industrial & Mercantile Corporation (Pvt.) Ltd. (SIMCL) own 17.6411%, Summit Power Limited own 17.6411% and 14 individual sponsor shareholders own 0.0237% of 305,849,490 shares of Khulna Power Company Ltd. . The rest of 29.4118% shares are owned by the General Public investors.



United Power Generation & Distribution Co. Ltd. (Chittagong)



United Power Generation & Distribution Co. Ltd. (Dhaka)



United Hospital Ltd.



United International University



Shajahanullah Power Generation Company Ltd. (Sylhet)



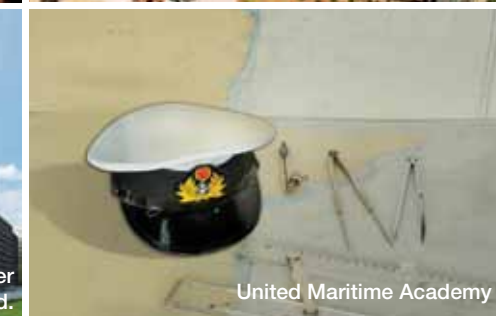
United Ashuganj Power Ltd.



United Land Port Teknaf Ltd.



United City Twin Tower Developers Ltd.



United Maritime Academy



Comilla Spinning Mills Ltd.

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.

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 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 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 Hospital Ltd.
- United International University Ltd.
- Neptune Land Development Ltd.
- United Property Solutions Ltd.
- United Power Generation & Distribution Co. Ltd.
- United Ashuganj Power Ltd.
- Shajahanullah Power Generation Company Ltd.
- NOVO Healthcare & Pharma Ltd.
- Comilla Spinning Mills Ltd.
- United Land Port Teknaf Ltd.
- United Maritime Academy
- United Polymers Ltd.
- United Makkah Madina Travel & Assistance Co. Ltd.
- United City Twin Tower Developers Ltd.



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

## Summit Group of Bangladesh



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



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

- |  |  |  |
|--|--|--|
| <ul style="list-style-type: none"> <li>• Summit Power Limited</li> <li>• Summit Communications Ltd</li> <li>• Summit Alliance Port Ltd.</li> <li>• Summit Shipping Ltd.</li> <li>• United Summit Coastal Oil Ltd.</li> <li>• Cosmopolitan Traders (Pvt.) Ltd</li> <li>• Ocean Containers Ltd.</li> </ul> | <ul style="list-style-type: none"> <li>• Cosmopolitan Finance Ltd.</li> <li>• Summit Bibiyana I Power Company Ltd.</li> <li>• Summit Bibiyana II Power Company Ltd.</li> <li>• Summit Meghnaghat Power Company Ltd.</li> </ul> | <ul style="list-style-type: none"> <li>• Summit Narayanganj Power Ltd.</li> <li>• Summit Purbanchol Power Company Ltd.</li> <li>• Summit Uttaranchol Power Company Ltd.</li> </ul> |
|--|--|--|

## 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.



## Notice of the 15<sup>th</sup> Annual General Meeting

Notice is hereby given that the 15th Annual General Meeting of the Shareholders of Khulna Power Company Ltd. will be held on Wednesday the 19th day of June, 2013, at Bashundhara Convention Center-02, Bashundhara R/A, Baridhara, Dhaka-1229, at 10.30 A.M to transact the following businesses:

### Ordinary Business:


1. To receive and adopt the Directors' Report and the audited financial statements for the year ended December 31, 2012 together with the auditors' report thereon.
2. To declare dividend for the year 2012 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 2013 and to fix their remuneration.

### Special Business:

5. To consider and if thought fit, to pass the following resolution as Special Resolution :  
"RESOLVED that the existing Article 20(a) of the Company's Articles of Association be amended by substituting the existing one as under:  
'20(a) Until otherwise determined in the General Meeting of the Company the number of the Directors shall be composed of not more than 20 (Twenty) members.

Dhaka. May 27, 2013

By order of the Board



(Md. Shoharab Ali Khan, FCMA)  
Company Secretary

### Notes:

1. Shareholders whose names appeared at the record date i.e. May 14, 2013 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.

## 14th AGM Photographs



## Message from the Chairman



### *Dear Fellow Owners of Khulna Power Company Ltd*

Assalamu Alaikum,

It is my privilege to welcome you all to the 15th Annual General Meeting of your company, which provides me with an opportunity to inform you of the policy and strategy of your good Company, Khulna Power Company Ltd, so that you may appraise our performance. Your company is an Electricity Generating Company, which is the core ingredient of national growth. Well, we have delivered a healthy performance about which we can all be reasonably proud.

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

This financial year in 2013-2014 Bangladesh will have elections. A country with 160 million people in 56,000 square miles, GDP growing at almost 7% year on year, having parliamentary democracy but with strong feelings amongst larger political parties will result in Hartals / strikes and all that is connected with divisive politics. Yet, I believe like all times Bangladesh will come out a more democratic country, a more free market oriented country

providing us with much more opportunity to serve the nation while building her infrastructure. Bangladesh's infrastructure, especially electricity is so important that there is no difference of opinion amongst the politicians on the requirement of dynamic electricity generating companies, thus providing us unhindered performance today and beyond.

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 Tk.1,6610 million in financial year 2012, 87.94 % more than financial year 2011. This year 2012 we have generated 11,26,374 Mwh electricity as per requirement of National Load Dispatch Center (NLDC) of the Bangladesh Govt.

We are very much confident that the company will maintain its momentum in achieving profitability in the years to come. We are greatly appreciative of the continued support of our valued shareholders and would look forward to continuation of the same. Last year your Managers bagged "Third Best Corporate Award" in the power companies' category in 2012 for its efforts to establish corporate governance by the **Institute of Cost and Management Accountants of Bangladesh (ICMAB)**. The management deserves a huge CONGRATULATION from us which I have conveyed to them on your behalf. The company continues to be managed professionally by qualified personnel and development of human resource is one of the priorities of the company to maintain its ability to provide services of the highest quality.

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

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

All the best wishes

Muhammed Aziz Khan  
Chairman

# Directors' Report to the Shareholders

## For the year ended December 31, 2012

Bismillahir Rahmanir Rahim

*Dear Shareholders,*

Assalamu Alaikum,

The Board of Directors of Khulna Power Company Ltd. (KPCL) welcomes you to the 15th Annual General Meeting of the company. We are pleased to submit before you the operational activities and audited financial statements of the company for the year, which ended on December 31, 2012.

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 Bangladesh Securities & Exchange Commission's (BSEC) notification no- SEC/CMRRCD/2006-158/134/Admin/44 dated 07th August 2012.

### Domestic Economic outlook

Bangladesh has witnessed higher GDP (gross domestic product) growth rates in comparison to the global economy in recent years. Despite a fall in world output during the immediate aftermath of the financial crisis in 2009, Bangladesh has consistently exceeded growth rates of five per cent since 2009. However, when compared to the developing and emerging countries which rebounded strongly from 2010, Bangladesh has achieved average growth rates - its economic growth has not quite stood out among other countries and is projected to remain close to the developing countries' averages in 2012 and 2013. Further disaggregating the countries in the developing Asia region, it can be seen that output growth of Bangladesh has been below average since 2009. While regional powers like India and China have witnessed growth rates of around 9 to 10 percent, Bangladesh has been hovering around the six per cent mark. The GDP growth is also projected to be lower till 2013 - China and India are estimated to have rates of 8.8 per cent and 7.3 percent respectively, while Bangladesh is estimated to be at the six percent mark. Compared to Pakistan, the economy of Bangladesh has fared much better over the last three years - the economy has grown more than three times faster on average.



**Table 1 - GDP Growth rates at a glance**

	Actual			Projections	
	2009	2010	2011	2012	2013
World Output	-0.6	5.3	3.9	3.5	4.1
Emerging and Developing Economies	2.8	7.5	6.2	5.7	6
Developing Asia	7.1	9.7	7.8	7.3	7.9
China	9.2	10.4	9.2	8.2	8.8
India	6.6	10.6	7.2	6.9	7.3
Pakistan	1.7	3.8	2.4	3.4	3.5
Bangladesh	5.9	6.4	6.1	5.9	6.4

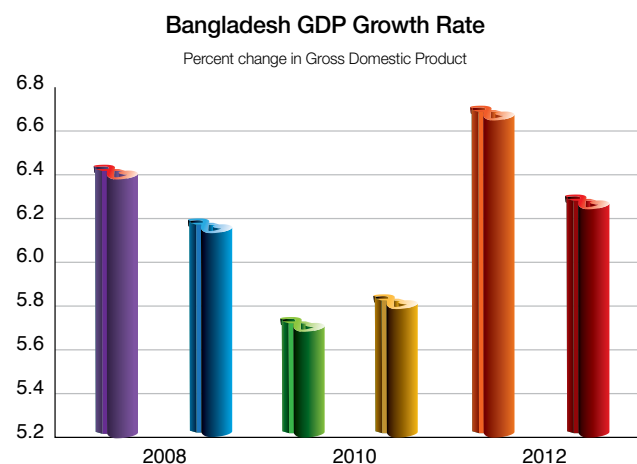
Source: IMF World Economic Outlook

In longer timeframe, the economy has grown 5-6% per year since 1996 despite political instability, poor infrastructure, corruption, insufficient power supplies, and slow implementation of economic reforms. The economy has persevered so far in the face of global recession, but the domestic challenges are manifold with respect to soaring inflation, import-export imbalances, devaluation of the currency, a slow growth of remittances, increasing budget deficit and government borrowing. Despite such adversities, the Gross Domestic Product (GDP) of Bangladesh expanded by 6.30 percent in 2012 from the previous year. Historically, from 1994 until 2012, Bangladesh GDP Growth Rate averaged 5.58 Percent reaching an all-time high of 6.70 Percent in June of 2011 and a record low of 4.08 Percent in June of 1994.

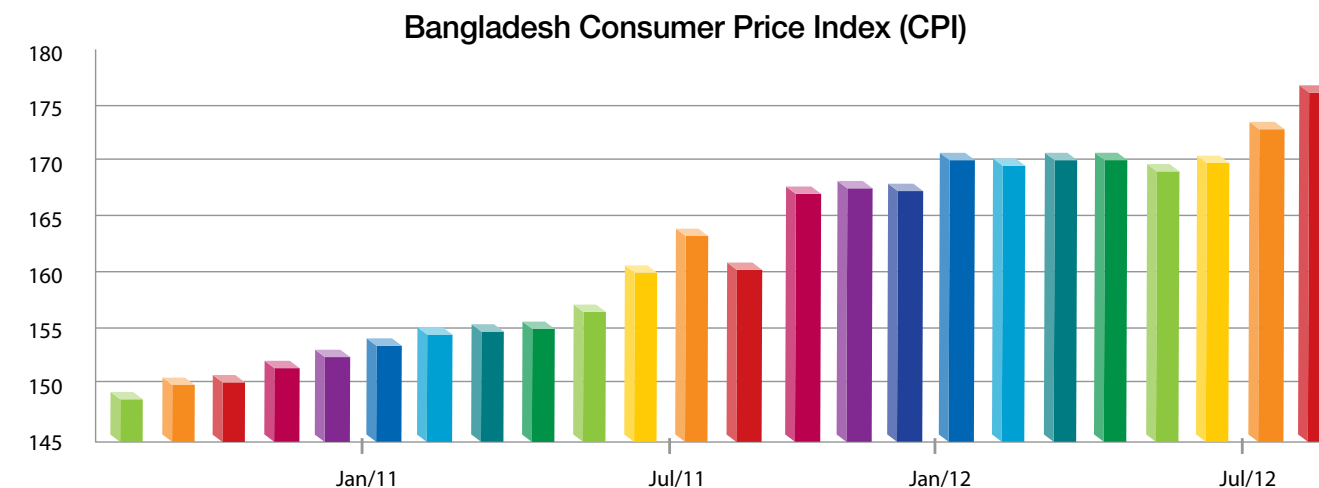
If we focus on one of the major macroeconomic indicators - Gross Domestic Product (GDP), Consumer Price Index (CPI), Foreign Exchange Reserves, Balance of Trade, Exports, Imports, Government Spending and Consumer Spending, we are bound to see that almost one-third of Bangladesh's 150m people live in extreme poverty.

In the last decade, the country has recorded GDP growth rates above 5 percent due to development of microcredit and garment industry. Although three fifths of Bangladeshis are employed in the agriculture sector, three quarters of exports revenues come from producing ready-made garments.

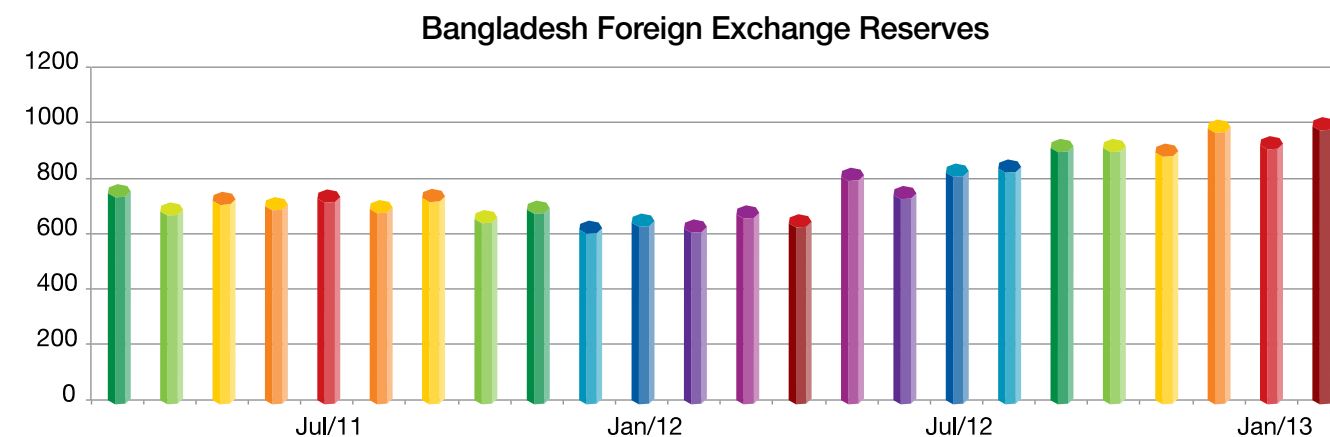
Below a chart with historical data for Bangladesh GDP Growth Rate is presented:



In Bangladesh, the Consumer Price Index or CPI measures changes in the prices paid by consumers for a basket of goods and services. Consumer Price Index (CPI) in Bangladesh increased to 176.38 Index Points in August of 2012 from 173.18 Index Points in July of 2012. Historically, from 1993 until 2012, Bangladesh Consumer Price Index (CPI) averaged 96.51 Index Points reaching an all-time high of 176.38 Index Points in August of 2012 and a record low of 51.99 Index Points in July of 1993. Below is a chart with historical data for Bangladesh Consumer Price Index (CPI).



In Bangladesh, Foreign Exchange Reserves are the foreign assets held or controlled by the country central bank. Foreign Exchange Reserves in Bangladesh increased to 1016.86 BDT Billion in January of 2013 from 949.60 BDT Billion in December of 2012. Historically, from 1990 until 2013, Bangladesh Foreign Exchange Reserves averaged 237.66 BDT Billion reaching an all-time high of 1016.86 BDT Billion in January of 2013 and a record low of 13.75 BDT Billion in May of 1990.



Source: www.tradingeconomics.com

### Energy Sector Outlook

Energy/Electricity is the basic fuel for the growth of the economy of Bangladesh like any other country in the world. The major contribution of the electricity on the economy is on industrialization. The more electricity available for industrial consumption, the more dynamic the economy is and the consequence is a better economy. There is a growing consensus throughout the world that energy policies to serve the current and future generations will need to respond to the triple aspects – Present Demand, Sustainability and Environment that means serving the growing demand of the current generation without compromising the ability of future generations to meet their needs of energy.

So far, the maximum demand served is 6,350 MW in 2012, which is greater than past year's maximum generation of 5,174 MW. A forecast of Peak Demand for the next nine years is as follows as per Bangladesh Power Development Board (BPDB)

Sl.	Fiscal Year	Peak Demand (MW)	Growth Rate
1.	2013	8,349	11.05%
2.	2014	9,268	11.01%
3.	2015	10,283	10.95%
4.	2016	11,405	10.91%
5.	2017	12,644	10.86%
6.	2018	14,014	10.84%
7.	2019	15,527	10.80%
8.	2020	17,304	11.44%
9.	2021	18,838	8.87%

Figure: A forecast of Peak Demand of electricity of Bangladesh for the next nine years

According to Bangladesh Power Development Board electricity demand in Bangladesh has been increasing by 200 MW per year since 1996. The total demand is projected to be more than 11,405 MW by 2016. At present the maximum generation capacity is 8525 MW. According to Bangladesh Power Sector Master Plan, in order to attain 8% GDP, the electricity demand would be 34,000 MW by the year 2030. Bangladesh needs total US\$17 billion investments in power sector to minimize this demand-supply gap.

Various measures taken by the Government to bring improvement to the power sector include:

- Setting up 54 new power plants that generated 3845 MW of electricity in total.
- Signing 59 agreements to put into operation 61 power plants with generation capacity of 8288 MW.
- 27 new power plants with generation capacity of 5437 MW are under construction currently and would start operating in 2016
- Ensuring that 60% of Bangladesh's population has access to electricity and increasing energy production per head from 183 kWh to 292 kWh. Between 2009 and 2012, around 28.40 lac people got access to electricity for the first time.
- Reduced system loss in electricity distribution from 15.67% to 12.26%.
- 19 new power grids of 2743 MVA capacity were set up and 644 kilometers of power grid was installed.

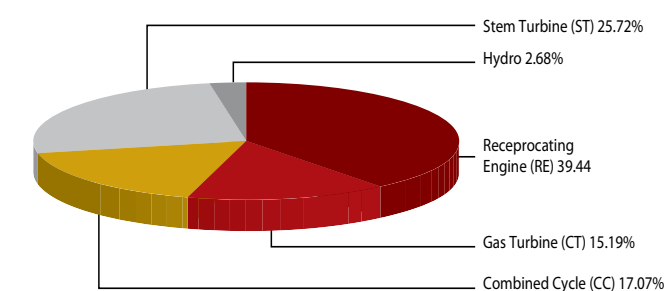
- To minimize the demand- supply gap, the Government has allocated Tk 78960 million for the power division this year, which is Tk 7040 million higher than the revised allocation of last year.

The Present Generation Capacity (In MW) Table as on December, 2012 of electricity indicates that the Public sector produced 58% (5,004 MW) and Private sector produced 42% (3,731 MW) of total electricity produced in the country.

Generation Planning is one of the most important parts of the power management system and the reliability of the whole power management system depends largely on the reliability of power generating system. The generation in the system should be able to support nonstop supply to the end consumers, who drive the economy.

As per the Generation Capacity by Plant Type we can see that the Reciprocating Engines had the lead in 2012. These engines generated 39.44% of electricity in 2012. The next major contribution was made by Steam Turbine (25.72%) engines and Combined Cycle (17.07%) engines. Only 2.58% electricity was generated by Hydro type plant.

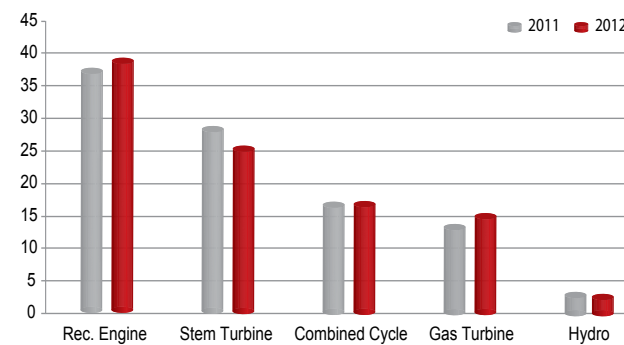
Generation Capacity as on Dec., 2012 (By Plant Type)



Public Sector		Generation Capacity (MW)
Sl.	Entities	
1.	BPDB (Bangladesh Power Development Board)	3,700
2.	APSCCL (Ashuganj Power Station Company Ltd.)	682
3.	EGCB (Electricity Generation Company of Bangladesh Ltd.)	210
4.	NWPGCL (North-West Power Generation Company Limited)	150
5.	RPCL (Rural Power Company Limited)	262
	<b>Subtotal</b>	<b>5,004(57%)</b>
Private Sector		Generation Capacity (MW)
1.	IPPs (Independent Power Producer)	1,297
2.	SIPPs (Small Independent Power Producer of BPDB)	99
3.	SIPPs (Small Independent Power Producer of REB)	226
4.	15 YR. Rental Power Plants	169
5.	3/5 YR. Rental Power Plants	558
6.	Quick Rental Power Plants	1,382
	<b>Subtotal</b>	<b>3,731 (43%)</b>
	<b>TOTAL</b>	<b>8,735</b>

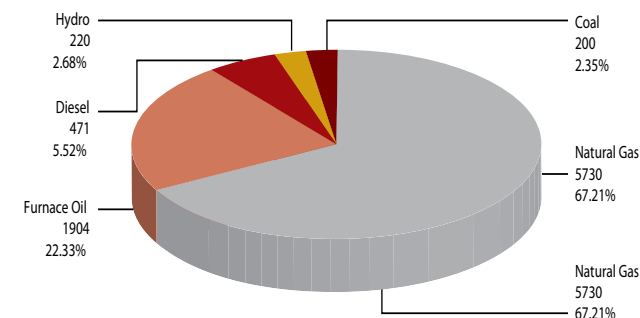
As per the comparison graph between Generation Capacity by plant type in 2011 versus that of 2012 we can see some changes. Steam Turbine Engines contributed 28.78% in 2011 but in 2012 it fell to 25.72% by almost 3%. Similarly Gas Turbines and Reciprocating Engines contributed almost 2% more Generation Capacity during 2012. The performance of Hydro Engines falls lightly during the year. The contribution of Combined Cycle Engines was almost steady.

Generation Capacity 2011 Vs. 2012 by Plant Type



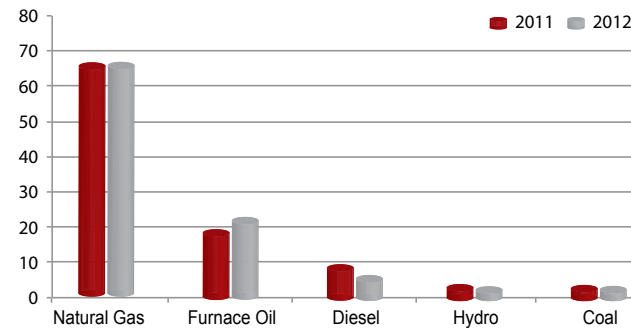
As per the Generation Capacity by Fuel Type, we can see that the Natural Gas consumed engines had the lead in 2012. These engines generated 67.21% of electricity in 2012. The next major contribution was made by engines run by Furnace Oil, Diesel, Hydro and Coal respectively.

Generation Capacity as on Dec., 2012 (By Fuel Type)

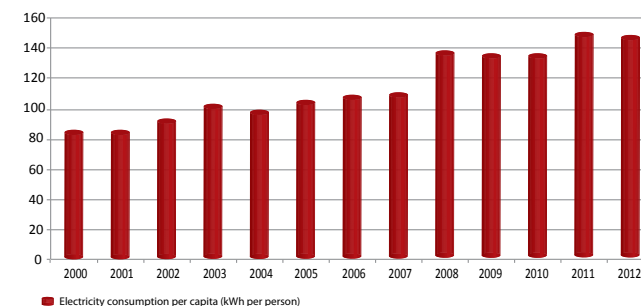


As per the comparison graph between Generation Capacity in 2011 versus 2012 we can see some changes on the pattern of dependency on the type of fuel consumed by the plants. The contribution made by Furnace Oil engines increased by around 3% and Diesel engines decreased by approximately 3%. The rest of the type of engines by fuel type contributed almost in the same proportion in 2012 as well.

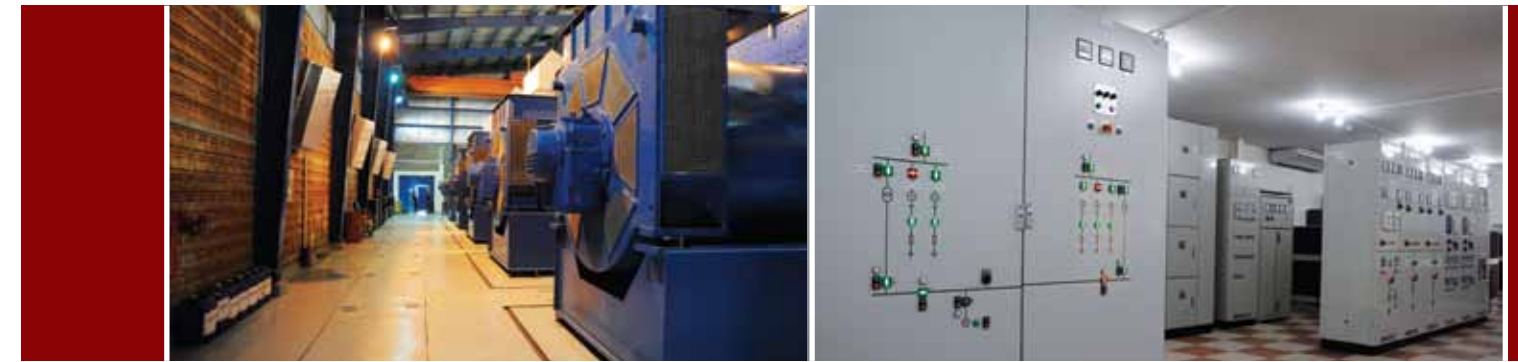
Generation Capacity 2011 Vs. 2012 by Fuel Type



Another outlook on the power sector can be electricity consumption per capita. The demand of electricity consistently increased and there is always a gap between demand and supply. But the growth of electricity consumption per capita indicates the decreasing gap. Since 2000 the highest per capita consumption of electricity was 150.97 and it slightly declined to 148.62 in 2012.



The government has given highest priority to the development of the power sector which has been reflected in the allocation of Annual Development Programme (ADP). The total allocation in the power sector was around Tk.72 billion (around £558 million) for the fiscal year 2011-12. Business opportunities are available in



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

**Facilities and incentives for private power companies:**

- Exemption from corporate income tax for a period of 15 years.
- Allowed to import plant and equipment and spare parts up to a maximum of ten percent (10%) of the original value of total plant and equipment within a period of twelve (12) years of commercial operation without payment of customs duties, VAT and any other surcharges as well as import permit fee except for indigenously produced equipment manufactured according to international standards.
- Repatriation of equity along with dividends allowed freely.
- Exemption from income tax for foreign lenders to such companies.

The foreign investors will be free to enter into joint ventures but this is optional and not mandatory.

**Facilities and incentives for foreign investors:**

- Tax exemption on royalties, technical know-how and technical assistance fees, and facilities for their repatriation.
- Tax exemption on interest on foreign loans.
- Tax exemption on capital gains from transfer of shares by the investing company.

- Avoidance of double taxation case of foreign investors on the basis of bilateral agreements.
- Exemption of income tax for up to three years for the expatriate personnel employed under the approved industry.
- Remittance of up to 50% of salary of the foreigners employed in Bangladesh and facilities for repatriation of their savings and retirement benefits at the time of their return.
- No restrictions on issuance of work permits to project related foreign nationals and employees.
- Facilities for repatriation of invested capital, profits and dividends.

The Government of the People's Republic of Bangladesh has been also putting renewed emphasis on Public Private Partnership (PPP) since 2009. The PPP policy is currently administered under the Prime Minister's Office (PMO), indicating high level of support for its effective implementation.

In spite of financial constraints and gas supply shortages, the government designed strategies to overcome the crisis and at the same time meet the ever increasing demand for power. It launched short, medium and long term programs to increase power supply based on introduction of fuel mix (gas, coal, liquid fuel, nuclear energy and renewable), demand side management, energy efficiency and conservation. After assessing the latest demands, the government has revised its targets for increasing power generation.

## Business Activities including its Operating Performance

Khulna Power Company Ltd. (KPCL) is the first Independent Power Producer ('IPP') of the country in private sector. Established under the private sector power generation policy 1996, has been in operation for the last 14 years. Initially KPCL started its journey to empower Bangladesh with its 110 MW barge mounted power plants. However in 2011 KPCL added another two efficient plants- 115 MW KPC Unit-II and 40 MW Khanjahan Ali Plant. Present total generation capacity is 265 MW. Following is a snapshot of KPCL plants' operational performance for the year 2012.

Name	Licensed Capacity MW	Installed Capacity MW	Availability	Energy Generated MWh	Plant Factor Average of 2012
KPCL	110	114	98 %	449680	47 %
KPCL II	115	119	98.5 %	477763	47 %
KJAPCL	40	44	92.5 %	177508	51 %
Total	265	277		1104951	

This year KPCL's plants added 1,105 million units (kWh) of electricity to the national grid.

From the beginning our plants are being operated and maintained by Wartsila Bangladesh Ltd., a 100% owned subsidiary of Wartsila OY, Finland; the manufacturer and spare parts supplier of these plants. Wartsila Bangladesh is certified for ISO 9001, 14001 and 18001 for their excellence in quality, environment and industrial health and safety.

KPC Unit-II Ltd. had achieved financial close by receiving foreign currency term-loan of USD 50 million from DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH and FMO – Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.

Khanjahan Ali Power Company Ltd. had achieved financial close by receiving a foreign currency term loan of USD 19.50 million from Standard Chartered Bank of Mauritius.

## Contribution to the National Exchequer & the Economy

Electricity is one of the main driving forces of the economy and it has a diversified use and multiplier effect on the economy. Significantly in the development of industrialization, electricity as fuel has no alternative. This year our power plants added 1,105 million units (kWh) of electricity to the national grid. This addition has contributed significantly in enhancing industrial productions and providing more job opportunities throughout the country. As a shareholder you can be proud of your Company's contribution to Bangladesh.

Your Company has received exemption from all such taxes from the Government of Bangladesh under the private sector power generation policy for a period of 15 years from start of its commercial operation. It has contributed a significant amount to the national exchequer in the form of different duties, taxes and VAT while importing spare parts for the power plants' maintenance work that was near about Tk. 15.07 million for the year 2012.

### Extra-ordinary gain or loss

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

### Related Party Transaction

The related party transactions carried out by the Company on a commercial basis during the year have been disclosed in the notes 39 to the financial statements.

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

Not applicable.

### Significant variance between Quarterly and Annual Financial Statements

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

### Remuneration of Directors

There is no executive director except Managing Director and no remuneration is being paid. Directors including Independent Director are paid attendance fee per meeting. Related fees have been disclosed in the notes 39 to the financial statements.

### Corporate and Financial Reporting Framework

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

- I. Selection of suitable accounting policies and then applying them consistently;
- II. Making judgments and estimates that are reasonable and prudent;
- III. Ensuring that the financial statements have been prepared in accordance with Bangladesh Accounting Standards and Bangladesh Financial Reporting

Standards; and

- IV. Preparing the financial statements in an ongoing concern basis unless it is appropriate to presume that the Company will not continue in business.

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

In compliance with the requirements of the BSEC's Notification dated 7th August 2012, the Directors are also pleased to make the following declarations in their report:

- a. The financial statement prepared by the management of your Company fairly presents its state of affairs, the result of its operations, cash flows and changes in equity;
- b. Proper books of accounts of your Company have been maintained;
- c. Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;
- d. International Accounting Standards and Bangladesh Financial Reporting Standards as applicable in Bangladesh, have been followed in preparation of the financial statements and any discrepancies have been adequately disclosed;
- e. The system of internal control is well structured and has been effectively implemented and monitored;
- f. There are no significant doubts upon your Company's ability to continue as an ongoing concern basis;
- g. Significant deviations from last year in operating results of the Company are highlighted and the reasons have been explained in financial results & profit appropriation;
- h. Key operating and financial data has been summarized for the preceding five years in Annexure- 3;
- i. The number of Board meetings held during the year and attendance of each director has been disclosed;
- j. The pattern of shareholding has been reported in Annexure-4 to disclose the aggregate number of shares;



## Financial Results and Performance of the Company

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

Particulars	2012 (In Million Taka)	2011 (In Million Taka)
Revenue	10,347.96	11,262.20
Cost of sales	(7,914.60)	(9,697.12)
Gross profit	2,433.36	1,565.08
General & administrative expenses	(142.48)	(131.32)
Operating profit	2,291.58	1,433.57
Finance expenses	(614.98)	(531.62)
Net Profit before Income tax	1,687.55	833.85
Income Tax	(26.50)	-
Net Profit after Income Tax	1,661.05	833.85

During the year, the percentage of cost of sales has reduced by 9.62% over last year due to reduction of fuel cost and favourable exchange rate. Therefore, gross profit and net profit margin has increased from 13.90% to 23.52% and 7.40% to 16.05% respectively.

### Profit Appropriation

During the year 2012, your company's consolidated net profit (Excluding non controlling interest) amounted to Tk. 1,626.89 million as compared to Tk. 815.50 million in the year 2011. Directors of the company would like to report the company's financial results for the year that ended on 31st December 2012 with the recommendations for appropriation as follows:

Particulars	Amount in Million Taka
Net Profit after tax for the year 2012	1,626.89
Profit brought forward	731.66
	2,358.55
Stock Dividend paid for the year 2011	(179.91)
Redemption of Preference Shares	(220.00)
<b>Profit available for appropriation</b>	<b>1,958.64</b>
<b>Appropriations:</b>	
Proposed Cash Dividend @12.50%:	(382.31)
Retained Earnings after proposed Cash Dividend	1,576.33

### Capital Redemption Reserve:

Particulars	Amount (In Million Taka)
Capital Redemption Reserve as at 31 Dec 2012	440.00
Proposed Stock Dividend @12.50%:	(382.31)
Capital Redemption Reserve after proposed Stock Dividend	57.69

### Dividend

Your Board recommends a stock dividend of 12.50% (i.e. 1 Bonus Share for every 8 Shares) and cash dividend of 12.50% (i.e. Tk 1.25 per share of Tk. 10.00 each) for the year 2012, subject to approval by the shareholders at the 15th Annual General Meeting.

### Directors meeting & attendance

During the year ended December 31, 2012, the Board of Directors held 05 meetings. Directors who attended the Board meetings are shown below:

Name of Directors	Attended
Mr. Muhammed Aziz Khan	05
Mr. Hasan Mahmood Raja	04
Mr. Latif Khan	05
Mr. Muhammad Farid Khan	04
Mr. Jafer Ummeed Khan	05
Ms. Ayesha Aziz Khan	04
Ms. Adeeba Aziz Khan (Resigned w.e.f. 29th April 2013)	01
Mr. Ahmed Ismail Hossain	02
Mr. K.M. Ahsan Shamim	05
Mr. Akhter Mahmud Rana	04
Mr. Faridur Rahman Khan	04
Mr. Abul Kalam Azad	04
Mr. Moinuddin Hasan Rashid	05
Mr. Syed Fazlul Haque FCA	04

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

### Directors' Election & Re-appointment

The board accepted resignations of Mr. Latif Khan, Ms. Ayesha Aziz Khan and Ms. Adeeba Aziz Khan (Nominated Directors of SIMCL) and simultaneously accepted the nomination of Mr. Latif Khan, Ms. Ayesha Aziz Khan from

Summit Power Ltd (SPL) and Mr. A.N.M Tariqur Rashid from Summit Industrial & Mercantile Corporation (Pvt.) Ltd (SIMCL). The board appointed them as nominated directors of the company in its meeting on 29 April 2013.

As per article 23 (b) Mr. Muhammed Aziz Khan, Mr. Ahmed Ismail Hossain, Mr. Latif Khan, Ms. Ayesha Aziz Khan and Mr. A.N. M Tariqur Rashid shall retire in the ensuing 15th AGM and being eligible, offer themselves for re-election.

### Audit Committee meeting & attendance

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

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

### Auditors

Hoda Vasi Chowdhury & Co, Chartered Accountants was appointed as the auditors of the Company in the 14th Annual General Meeting. They have carried out the audit for the year 2012 and the auditors of the Company will retire in the 15th Annual General Meeting. Being eligible under section 212 of the Companies Act, 1994 they have expressed their willingness for reappointment for the year 2013. As recommended by the Board, the resolution to reappoint Hoda Vasi Chowdhury & Co as auditors will be placed at the forthcoming Annual General Meeting of the Company.

### Business Risk & Uncertainties

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 Wartsila 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 Wartsila. 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. BP Singapore PTE. Limited 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 above sources are 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 plants.

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

Financial risk management has been disclosed in the notes 36 to the financial statements.

### Going Concern

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

### Corporate Governance

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

### Corporate Social Responsibility

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

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

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

### Human Resources and Safety Management

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

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

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

### Status of Compliance

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

### Acknowledgement

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

Your Directors would like to put on record its deep appreciation of the efforts made by the employees of the Company. Their commitment and passion, both

individually and through teamwork has helped KPCL achieve the success that it has today. The Board also recognizes and appreciates the critical support provided by the families of the employees, which enables them to focus on their daily work in KPCL.

The trust and confidence that our valued customers, BPDB & PGCB have placed upon KPCL are our main driving forces. We accept this trust in all humility and shall continue to strive to live up to the expectations. The Board expresses its heartfelt appreciation and gratitude to BPDB, the Power Division, MPEMR, Government of Bangladesh as well as Bangladesh Petroleum Corporation (BPC), Jamuna Oil Company Limited, Padma Oil Company Limited, Chittagong Port Authority, National Board of Revenue, Board of Investment (BoI), Department of Environment (DoE), the Deputy Commissioner, the Superintendent of Police, the local administration of Khulna and Noapara and the people of the locality for extending their support towards the Company. The Board also extends its best wishes to the operator (Wartsila Bangladesh), contractors and consultants who helped us running power plants and achieve this growth.

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

We look forward to even better days in future.

On behalf of the Board



**Hasan Mahmood Raja**  
Managing Director

Dhaka, 29 April 2013

# Compliance Report on BSEC's Notification

## Annexure-1

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

(Report under Condition no 7.00)

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Compliance	Not complied	
<b>1.</b>	<b>BOARD OF DIRECTORS</b>			
1.1	Board's Size (number of Board members – minimum 5 and maximum 20)	✓		
<b>1.2</b>	<b>Independent Directors</b>			
1.2 (i)	At least one fifth (1/5) of the total number of directors in the company's board shall be independent directors.		✓	Appointment of remaining (two) Independent Directors is in process. Shall be complied with by June 2013.
1.2 (ii)	For the purpose of this clause "independent director" means a director.			
1.2 (ii)(a)	Who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company;	✓		
1.2 (ii) (b)	Who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company;	✓		
1.2 (ii) (c)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/ associated companies;	✓		
1.2 (ii) (d)	Who is not a member, director or officer of any stock exchange;	✓		
1.2 (ii) (e)	Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market;	✓		
1.2 (ii) (f)	Who is not a partner or an executive or was not a Partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm;	✓		
1.2 (ii) (g)	Who shall not be an independent director in more than 3 (three) listed companies;	✓		
1.2 (ii) (h)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI);	✓		
1.2 (ii) (i)	Who has not been convicted for a criminal offence involving moral turpitude.	✓		
1.2 (iii)	The independent director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM).	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Compliance	Not complied	
1.2 (iv)	The post of independent director(s) cannot remain vacant for more than 90(ninety) days.	✓		
1.2 (v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded.		✓	The Company has laid a detailed Code of Conduct for all known as Code of Conduct and Ethics which is applicable to directors as well. It was approved by the Board on 29.04.2013
1.2 (vi)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1(one) term only.	✓		
<b>1.3</b>	<b>Qualification of Independent Director (ID)</b>			
1.3 (i)	Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.	✓		
1.3 (ii)	The person should be a Business Leader/Corporate Leader/ Bureaucrat/University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have a least 12(twelve) years of corporate management /professional experiences.	✓		
1.3 (iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.	✓		No such incidence arose
<b>1.4</b>	<b>Chairman of the Board and Chief Executive Officer</b>			
	The positions of the Chairman of the Board and the Chief executive Officer of the companies shall be filled by different individuals. The Chairman of the company shall be elected from among the directors of the company. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.	✓		
<b>1.5</b>	<b>The Director's Report to shareholders</b>			
1.5 (i)	Industry outlook and possible future developments in the industry.	✓		
1.5 (ii)	Segment-wise or product-wise performance.	✓		
1.5 (iii)	Risks and concerns.	✓		
1.5 (iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	✓		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss.	✓		No such item to Consider
1.5 (vi)	Basis for related party transactions-a statement of all related party transactions should be disclosed in the annual report.	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Compliance	Not complied	
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments.	✓		
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.	✓		No such incidence arose
1.5 (ix)	If significant variance occurs between Quarterly Financial Performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	✓		
1.5 (x)	Remuneration to directors including independent directors.	✓		
1.5 (xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	✓		
1.5 (xii)	Proper books of account of the issuer company have been maintained.	✓		
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	✓		
1.5 (xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standard (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	✓		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	✓		
1.5 (xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	✓		
1.5 (xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	✓		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	✓		
1.5 (xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	✓		Not Applicable
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	✓		
1.5 (xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by :-			

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Compliance	Not complied	
1.5 (xxi) (a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	✓		
1.5 (xxi) (b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	✓		
1.5 (xxi) (c)	(Executives);	✓		
1.5 (xxi) (d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	✓		
	Explanation : For the purpose of this clause, the expression "Executive" means top 5 (five) salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit.			
1.5 (xxii)	In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders :-			
1.5 (xxii) (a)	a brief resume of the director;	✓		
1.5 (xxii) (b)	nature of his/her expertise in specific functional areas;	✓		
1.5 (xxii) (c)	names of companies in which the person also holds the directorship and the membership of committees of the board.	✓		
<b>2.</b>	<b>CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS)</b>			
2.1	Appointment of CFO, Head of Internal Audit and Company Secretary and defining their respective roles, responsibilities and duties.	✓		Head of Internal Audit appointed by Board of Directors on 29.04.2013
2.2	The CFO and the CS shall attend the Board Meetings.	✓		
<b>3.</b>	<b>AUDIT COMMITTEE</b>			
3 (i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	✓		
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	✓		
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	✓		
<b>3.1</b>	<b>Constitution of the Audit Committee</b>			
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members.	✓		
3.1 (ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) independent director.	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Compliance	Not complied	
3.1 (iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	✓		
3.1 (iv)	Expiration of the term of service of the Audit Committee members making the number lower than 3 (three) and fill up the vacancy (ies) by the Board not later than 1 (one) month from the date of vacancy (ies) immediately or not later than 1 (one) month from the date of vacancy (ies).	✓		No such incidence arose
3.1 (v)	The company secretary shall act as the secretary of the Committee.	✓		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	✓		
<b>3.2</b>	<b>Chairman of the Audit Committee</b>			
3.2 (i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.	✓		
3.2 (ii)	Chairman of the Audit Committee shall remain present in the Annual General Meeting (AGM).	✓		
<b>3.3</b>	<b>Role of the Audit Committee</b>			
	Role of audit committee shall include the following :-			
3.3 (i)	Oversee the financial reporting process.	✓		
3.3 (ii)	Monitor choice of accounting policies and principles.	✓		
3.3 (iii)	Monitor Internal Control Risk management process.	✓		
3.3 (iv)	Oversee hiring and performance of external auditors.	✓		
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	✓		
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.	✓		
3.3 (vii)	Review the adequacy of internal audit function.	✓		
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	✓		
3.3 (ix)	Review Management Letters/Letter of Internal Control weakness issued by statutory auditors.	✓		
3.3 (x)	Declaration to Audit Committee by the company regarding utilization of IPO/RPO, Right issue money.	✓		Not Applicable
<b>3.4</b>	<b>Reporting of the Audit Committee</b>			
3.4.1	Reporting to the Board of Directors	✓		
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Compliance	Not complied	
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any :	✓		No such incidence arose
3.4.1 (ii) (a)	report on conflicts of interests;	✓		No such incidence arose
3.4.1 (ii) (b)	suspected or presumed fraud or irregularity or material defect in the internal control system;	✓		No such incidence arose
3.4.1 (ii) (c)	suspected infringement of laws, including securities related laws, rules and regulations;	✓		No such incidence arose
3.4.1 (ii) (d)	any other matter which shall be disclosed to the Board of Directors immediately.	✓		
3.4.2	Reporting to the Authorities (if any material impact on the financial condition and results of operation, unreasonably ignored by the management	✓		No such reportable incidence arose
3.5	Reporting to the Shareholders and General Investors	✓		
<b>4.</b>	<b>EXTERNAL/STATUTORY AUDITORS :</b>			
4 (i)	Non-engagement in appraisal or valuation services or fairness opinions.	✓		
4 (ii)	Non-engagement in financial information systems design and implementation.	✓		
4 (iii)	Non-engagement in book-keeping or other services related to the accounting records or financial statements.	✓		
4 (iv)	Non-engagement in broker-dealer services.	✓		
4 (v)	Non-engagement in actuarial services.	✓		
4 (vi)	Non-engagement in internal audit services.	✓		
4 (vii)	Non-engagement in any other service that the Audit Committee determines.	✓		
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	✓		
<b>5.</b>	<b>SUBSIDIARY COMPANY</b>			
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	✓		
5 (ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.		✓	Appointed on 29.04.2013
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	✓		

## Annexure-2

## Hoda Vasi Chowdhury & Co

### Chartered Accountants

Independent Correspondent Firm to Deloitte Touche Tohmatsu

#### Certificate on compliance of conditions of Corporate Governance Guidelines of Bangladesh Securities & Exchange Commission to the shareholders of Khulna Power Company Limited (KPCL)

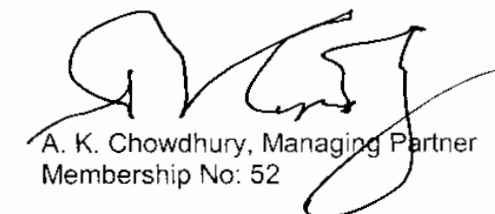
We have examined the Statement of Compliance of Corporate Governance Guidelines issued by Bangladesh Securities & Exchange Commission dated 7 August 2012 through Notification #. SEC/CMRRCD/2006-158/134/Admin/44, appended to the Directors' Report (as Annexure No: 1) of Khulna Power Company Limited for the year ended 31<sup>st</sup> December 2012, as has been produced before us for our examination.

The compliance of conditions of Corporate Governance Guidelines is the responsibility of the Company's management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance Guidelines. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with most conditions of Corporate Governance Guidelines of Bangladesh Securities & Exchange Commission and the ones remaining were addressed or will be addressed within the timeframe indicated in the Statement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Hoda Vasi Chowdhury & Co  
Chartered Accountants



A. K. Chowdhury, Managing Partner  
Membership No: 52

Dhaka, 29 April 2013

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Compliance	Not complied	
5 (iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.		✓	Will be recorded in the Board minutes of the holding company effective FY 2013
5 (v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	✓		
<b>6.</b>	<b>DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO)</b>			
	The CEO and CFO shall certify to the Board that :-			
6 (i)	They have reviewed financial statements for the year and that to the best of their knowledge and belief :	✓		
6 (i) (a)	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	✓		
6 (i) (b)	these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	✓		
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	✓		
<b>7.</b>	<b>REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE</b>			
7 (i)	The company shall obtain a certificate from a practicing Professional Accountant/Secretary regarding compliance of conditions of Corporate Governance Guidelines of the Commission and include in the Annual Report.	✓		
7 (ii)	The directors of the company shall state in the directors' report whether the company has complied with these conditions.	✓		

**National Office :** BTMC Bhaban (8th Floor), 7-9 Karwan Bazar Commercial Area, Dhaka- 1215, Bangladesh  
**Motijheel Office :** Ispahani Building (3rd Floor), 14-15 Motijheel Commercial Area, Dhaka-1000, Bangladesh  
**Chittagong Office :** Delwar Bhaban (4th Floor), 104 Agrabad Commercial Area, Chittagong-4100, Bangladesh

## Financial Highlights

Annexure-3

	2012	2011	2010 (Restated)	2009 (Restated)	2008
<b>Operating data (Taka in million)</b>					
Operating Revenues	10,347.96	11,262.20	7,945.76	6,393.27	8,160.42
Operating Expenses	7,914.60	9,697.12	7,222.67	5,718.43	7,664.82
Gross Profit	2,433.36	1,565.08	723.09	674.84	495.60
General & Admin. Expenses	142.48	131.31	78.68	64.08	61.50
Finance Expenses	614.98	531.62	120.80	130.92	248.81
Net profit	1,626.89	815.50	539.81	582.65	201.62
<b>Balance Sheet data (Taka in million)</b>					
Paid-up Capital	3,058.49	2,878.58	2,398.82	2,085.93	2,085.93
Shareholders' Equity	5,457.14	3,830.24	3,014.74	2,683.52	2,309.47
Total Debt (Non-current Liabilities)	3,440.27	1,540.88	671.05	890.89	1,185.10
Current Assets	6,115.37	3,365.99	2,235.43	2,084.76	1,758.91
Current Liabilities	6,196.55	7,453.05	5,514.39	1,817.48	1,727.62
Total Assets	15,148.87	12,844.93	9,202.59	5,391.90	5,222.19
Total Liabilities	9,636.82	8,993.93	6,185.44	2,708.37	2,912.72
<b>Financial Ratios</b>					
Gross Profit Ratio (%)	23.52	13.90	9.10	10.56	6.07
Net Profit Ratio (%)	16.05	7.40	6.79	9.11	2.47
Return on Assets (%)	10.74	6.35	5.87	10.81	3.86
Debt Equity Ratio	0.91	0.55	0.29	0.41	0.52
<b>Other Data</b>					
Earnings Per Share (Tk)*	5.32	2.83	2.25	2.79	N/A
Earnings Per Share (Tk) -Class-A Shares	-	-	-	-	87.62
Earnings Per Share (Tk) -Class-B Shares	-	-	-	-	3,141,140.50
Dividend (%)	25.00	25.00	20.00	25.00	10.00
Total Number of Ordinary Shares Outstanding*	305,849,490	287,858,340	239,881,950	208,593,000	2,085,930
Total Number of Free Float Shares	89,955,752	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.

## Shareholding Information

as at 31 December 2012

Annexure-4

Name of Shareholders	No. of Shares	% of Shareholding
<b>A) Sponsors:</b>		
1. United Enterprises & Co. Ltd. (incorporated in Bangladesh)	107,910,651	35.2823%
2. Summit Industrial & Mercantile Corporation (Pvt.) Ltd. (incorporated in Bangladesh)	53,955,325	17.6411%
3. Summit Power Limited (incorporated in Bangladesh)	53,955,326	17.6411%
4. Muhammed Aziz Khan, Chairman	5,174	0.0017%
5. Hasan Mahmood Raja, Managing Director	5,174	0.0017%
6. Anjuman Aziz Khan	5,174	0.0017%
7. Latif Khan, Director	5,174	0.0017%
8. Muhammad Farid Khan, Director	5,174	0.0017%
9. Jafer Ummeed Khan, Director	5,174	0.0017%
10. Ayesha Aziz Khan, Director	5,174	0.0017%
11. Adeeba Aziz Khan, Director	5,174	0.0017%
12. Ahmed Ismail Hossain, Director	5,174	0.0017%
13. K.M. Ahsan Shamim, Director	5,174	0.0017%
14. Akhter Mahmud Rana, Director	5,174	0.0017%
15. Faridur Rahman Khan, Director	5,174	0.0017%
16. Abul Kalam Azad, Director	5,174	0.0017%
17. Moinuddin Hasan Rashid, Director	5,174	0.0017%
<b>B) General Invesrots</b>	<b>89,955,752</b>	<b>29.41%</b>
<b>C) Shares of Directors, Chief Operating Officer, Financial Controller, Company Secretary, Head of Internal Audit and their spouses</b>	<b>-</b>	<b>-</b>
<b>D) Shares of Executives</b>	<b>-</b>	<b>-</b>
<b>Total:</b>	<b>305,849,490</b>	<b>100%</b>

10% and above shareholding

Name of Shareholders	No. of Shares	% of Shareholding
1. United Enterprises & Co. Ltd.	107,910,651	35.2823%
2. Summit Industrial & Mercantile Corporation (Pvt.) Ltd.	53,955,325	17.6411%
3. Summit Power Limited	53,955,326	17.6411%

## Report of Audit Committee

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

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

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

A total of 3 (three) meetings were held since the last Annual General Meeting of KPCL held on 20th May 2012, the last being on 28th April, 2013. Besides Company Secretary who supports the committee as its secretary as well, permanent invitee to the meetings was the CFO. Relevant heads of other functions and representative(s) of External Audit were also invited as required.

### Role of the Committee

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

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

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

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

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

- Reviewed, among other issues, the quarterly and half yearly financial statements of the Company and recommended to the Board for adoption and circulation as per the requirement of Securities & Exchange Commission.
- Also reviewed the audited financial statements of the Company together with consolidated statements with its subsidiaries for the year ended 31st December 2012 and being satisfied that the critical accounting policies, significant judgments and practices used by the Company are compliant with the required laws and regulations, also confirmed by the external auditor in their independent report, recommended to Board for adoption.
- Committee recommended Hoda Vasi Chowdhury & Co, Chartered Accountants, for re-appointment as the statutory auditors of the Company for the year ending on 31st December 2013.
- Reviewed the statutory auditors' findings arising from audit, particularly comments and responses given by the management.
- Reviewed the matters as per requirement from the Bangladesh Securities and Exchange Commission (BSEC).

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

On behalf of the Committee



Syed Fazlul Haque  
Chairman

## CEO & CFO's Declaration to the Board

Dated: April 29, 2013

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

Subject: CEO and CFO's Declaration to the Board

Dear Sirs,

Compliance with the condition no. 6 imposed by Bangladesh Securities & Exchange Commission's Notification No. SEC/CMRRC/2006-158/134/Admin/44 dated 07 August 2012 issued under section 200 of the Securities and Exchange Ordinance, 1969.

We do hereby certify to the Board that:

i) We have reviewed financial statements for the year ended 31st December, 2012 and that to the best of our knowledge and belief:

a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

b) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.

ii) There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the Company's code of conduct.

Sincerely yours,



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



(Hasan Mahmood Raja)  
Managing Director



## Short Biography of the Directors



**Muhammed Aziz Khan**  
Chairman

Mr. Muhammed Aziz Khan, a renowned and pioneering leading business personality in power sector of Bangladesh. After graduation Mr. Khan did his MBA in 1980 from the Institute of Business Administration (IBA), University of Dhaka. Mr. Khan has established himself as a dynamic and pro-active entrepreneur who has built Summit Group, recognized as the largest infrastructure Industrial organization of Bangladesh. Mr. Khan has helped to formulate the Private Sector Power Generation Policy of Bangladesh. He has 38 years of business experience, setting up country's first Inland Container Depot (ICD)-"Ocean Container Ltd", First Tanks Terminal-"Summit United Tanks Terminal", now known as "South Eastern Tanks Terminal". Mr. Khan was the Founder President of Bangladesh Energy Companies Association (BECA), which is formed to represent and to promote the interests of private sector business organizations engaged in the energy sector.

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



**Hasan Mahmood Raja**  
Managing Director

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

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



**Ahmed Ismail Hossain**  
Director

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



**K.M. Ahsan Shamim**  
Director

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



**Latif Khan**  
Director

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



**Muhammad Farid Khan**  
Director

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



**Jafer Ummeed Khan**  
Director

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



**Faridur Rahman Khan**  
Director

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



**Akhter Mahmud Rana**  
Director

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



**Abul Kalam Azad**  
Director

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



**Ayesha Aziz Khan**  
Director

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

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

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



**Moinuddin Hasan Rashid**  
Director

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



**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 Shipyards Ltd from 1982 to 1987 and the Managing Director of Dockyard & Engineering Works Ltd. Narayanganj 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 23 years of service experience in the field of accounts, finance and company secretarial matters in various Govt. organization and local companies like Bangladesh Agricultural Research Council (BARC), Lexco Ltd. Anudip Services Pvt. Ltd., Social Development Foundation (SDF), Bangladesh Arsenic Mitigation Water Supply Project (BAMWSP) of World Bank and more than six years working experience in senior management position in Ashugonj Power Station Company Ltd (APSCL) second largest power generation company in Bangladesh and joined in Khulna Power Company Ltd. in July 2011 as Financial Controller & Company Secretary. He has attended in various training courses and seminars in home and abroad.

# Code of Conduct and Ethics

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

## A. Objective

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

## B. Ethical Standards

### 1. Conflicts of Interest

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

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

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

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

### 2. Corporate Opportunities

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

### 3. Fair Dealing

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

### 4. Insider Trading

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

### 5. Confidentiality

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

### 6. Protection and Proper Use of KPCL Assets

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

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



### 7. Compliance with Laws, Rules and Regulations

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

### 8. Timely and Truthful Public Disclosure

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

### 9. Significant Accounting Deficiencies

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

### C. Waivers

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

### D. Violations of Ethical Standards

#### 1. Reporting Known or Suspected Violations

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

### 2. Accountability for Violations

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

### E. Compliance Procedures

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

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

## Success Milestones

#### October 1997

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

#### November 19, 1997

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

#### October 13, 1998

Full Commercial Operation Date (FCOD)

#### February 21, 2001

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

#### September 4, 2003

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

#### June 2009

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

#### July 19, 2009

Conversion from Private to Public Limited Company

#### March 2010

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

#### April 2010

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

#### June 23, 2010

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

#### December 21, 2010

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

#### May 29, 2011

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

#### June 2011

June 1, 2011  
Khulna Power Company Unit II Ltd. (99% subsidiary of KPCL), a 115MW Rental Power Plant Project achieved COD and started its commercial operation from June 1, 2011.  
June 14, 2011  
Khanjahan Ali Power Company Ltd. (90% subsidiary of KPCL), a 40MW Rental Power Plant Project borrowed USD 19.5 million Term Loan from Standard Chartered Bank, Mauritius.

#### June 8, 2012

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

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

# Corporate Governance



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

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

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

## The Responsibilities of the Board

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

- Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance.

- Ensuring the integrity of the company's accounting & financial reporting systems, in particular, systems for risk management, financial and operational control and compliance with the law and relevant standards.
- Reviewing company's financial statements and oversee its compliance with applicable audit, accounting and reporting requirement.
- Monitoring implementation and effectiveness of the approved strategic and operating plans.
- Establish company's value.
- Oversee the corporate governance of the company

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

## Board meetings and procedures

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

- (a) Selection of Agenda: The Chairman of the Board, in consultation with Managing Director sets the agenda for Board meetings with the understanding that the Board is responsible for providing suggestions for agenda items that are aligned with the advisor and monitoring functions of the Board. Any member of the Board may request that an item be included on the agenda.

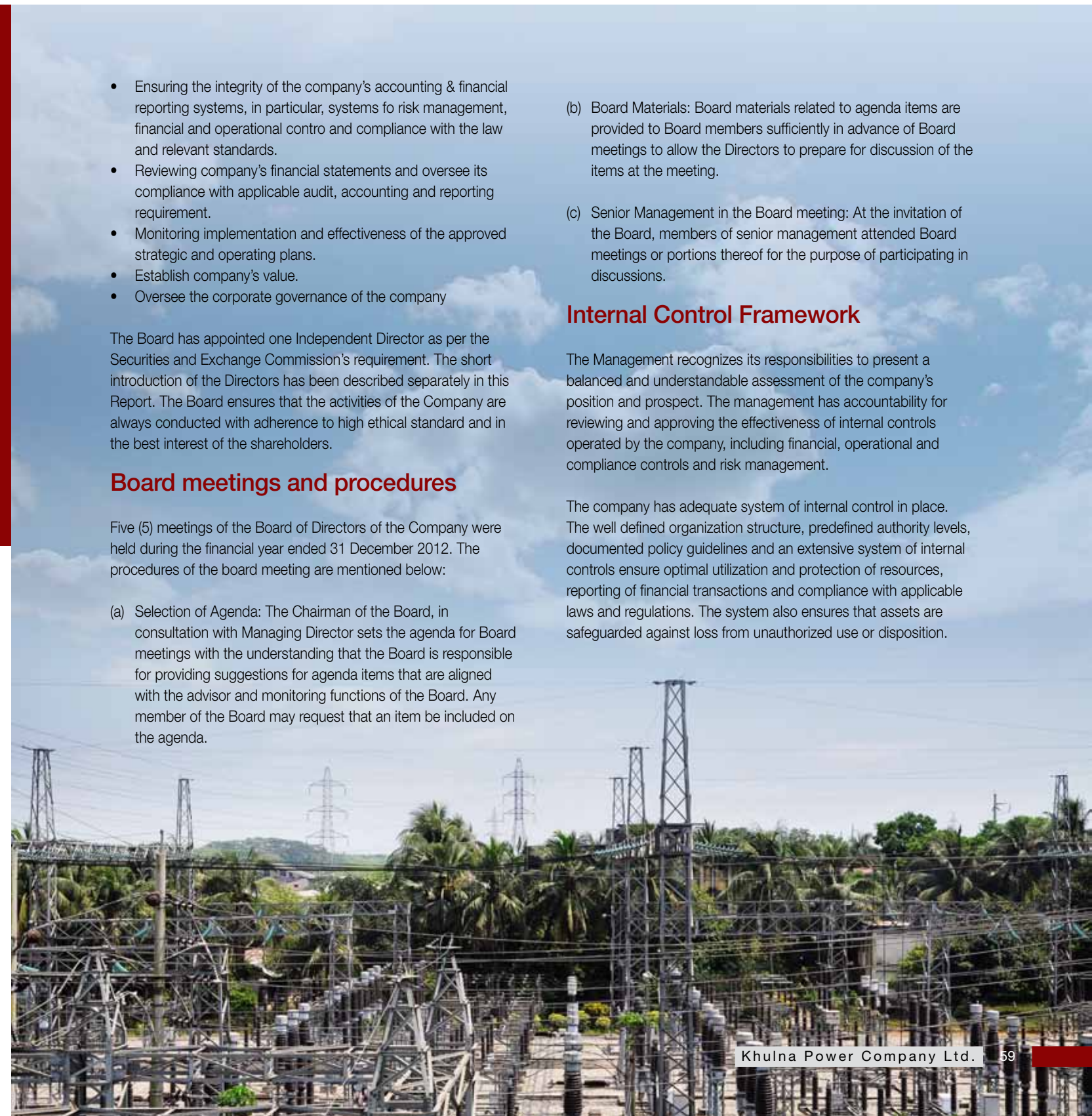
(b) Board Materials: Board materials related to agenda items are provided to Board members sufficiently in advance of Board meetings to allow the Directors to prepare for discussion of the items at the meeting.

(c) Senior Management in the Board meeting: At the invitation of the Board, members of senior management attended Board meetings or portions thereof for the purpose of participating in discussions.

## Internal Control Framework

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

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





# Financial Statements

## Hoda Vasi Chowdhury & Co

Chartered Accountants  
Independent Correspondent Firm to Deloitte Touche Tohmatsu

### Auditors' Report

to the Shareholders of **Khulna Power Company Ltd.**

#### Introduction

We have audited the accompanying financial statements of Khulna Power Company Ltd., which comprise the statement of financial position as at 31 December 2012, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes and all related consolidated financial statements of Khulna Power Company Ltd. and its subsidiaries (together referred to as "the Group").

#### Management's responsibility for the financial statements

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

#### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We 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 Accounting Standards (BAS), Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the state of the Company's/group's affairs as at 31 December 2012 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act (#18) 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations and as explained in note 2.1.

#### Emphasis of Matters

We draw attention to Note 2.7 to the financial statements where management explains how they will continue in operational existence for the foreseeable future of Khanjahan Ali Power Company Ltd, a subsidiary of Khulna Power Company Ltd, in spite of having net current liabilities as at the balance sheet date. It is not a qualified opinion in respect of this matter.

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 and its subsidiaries.

Dhaka, 29 April 2013

*Hoda Vasi Chowdhury & Co.*  
Chartered Accountants



## Statement of Financial Position

as at 31 December 2012

Notes	2012		2011		
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate	
<b>Assets</b>					
<b>Non-current assets:</b>					
Property, plant and equipment, net	4	9,033,497,956	2,853,417,521	9,478,942,212	3,018,730,184
Investments in subsidiaries	5	-	2,052,519,679	-	1,617,500,000
		<b>9,033,497,956</b>	<b>4,905,937,200</b>	<b>9,478,942,212</b>	<b>4,636,230,184</b>
<b>Current assets:</b>					
Inventories	6	2,055,157,065	1,832,859,331	1,062,482,801	1,040,056,908
Accounts receivable	7	1,712,301,128	940,569,478	1,783,331,418	893,573,574
Other receivables	8	32,391,223	97,221,704	4,576,380	4,576,380
Advances, deposits and prepayments	9	36,390,838	31,245,019	63,532,582	9,179,364
Inter-company receivables	10	473,672,960	100,543,093	4,546,439	637,241,434
Cash and cash equivalents	11	1,805,455,654	965,971,294	447,521,864	348,924,413
		<b>6,115,368,868</b>	<b>3,968,409,919</b>	<b>3,365,991,484</b>	<b>2,933,552,073</b>
<b>Total assets</b>		<b>15,148,866,824</b>	<b>8,874,347,119</b>	<b>12,844,933,696</b>	<b>7,569,782,257</b>
<b>Equity and liabilities</b>					
<b>Equity:</b>					
Share capital	12	3,058,494,900	3,058,494,900	2,878,583,400	2,878,583,400
Capital redemption reserve		440,000,000	440,000,000	220,000,000	220,000,000
Retained earnings		1,958,642,019	389,471,104	731,659,299	132,298,608
<b>Equity attributable to owners of the company</b>		<b>5,457,136,919</b>	<b>3,887,966,004</b>	<b>3,830,242,699</b>	<b>3,230,882,008</b>
<b>Non controlling interest</b>	13	54,913,081	-	20,761,158	-
<b>Total equity</b>		<b>5,512,050,000</b>	<b>3,887,966,004</b>	<b>3,851,003,857</b>	<b>3,230,882,008</b>
<b>Non-current liabilities:</b>					
Redeemable cumulative class 'A' preference shares: non-current portion	14	220,000,000	220,000,000	440,000,000	440,000,000
Term loan: non-current portion	15	3,189,544,968	-	1,075,745,475	-
Deferred liabilities	16	11,957,391	11,957,391	10,135,935	10,135,935
Long term provision	17	18,766,563	-	15,000,000	-
		<b>3,440,268,922</b>	<b>231,957,391</b>	<b>1,540,881,410</b>	<b>450,135,935</b>
<b>Current liabilities:</b>					
Accounts payable	18	4,506,082,129	4,407,036,538	2,780,878,097	2,696,852,687
Short term/working capital loan	19	-	-	3,505,000,000	875,000,000
Inter-company loan	20	-	-	100,000,000	-
Inter-company payables	21	12,244,497	35,488,604	32,860,008	-
Accrued expenses and others	22	23,693,110	10,045,700	25,928,273	9,943,110
Source tax and VAT payable	23	22,732,953	18,419,790	15,162,490	6,333,756
Liability for interest and other financial charges	24	53,797,653	28,485,417	280,825,969	72,120,486
Liability for project implementation expenditure	25	-	-	134,146,032	-
Redeemable cumulative class 'A' preference shares: current portion	14	220,000,000	220,000,000	220,000,000	220,000,000
Term loan: current portion	15	1,323,049,885	-	349,733,285	-
Unclaimed dividend	26	8,447,675	8,447,675	8,514,275	8,514,275
Income tax payable	27	26,500,000	26,500,000	-	-
		<b>6,196,547,902</b>	<b>4,754,423,724</b>	<b>7,453,048,429</b>	<b>3,888,764,314</b>
<b>Total liabilities</b>		<b>9,636,816,824</b>	<b>4,986,381,115</b>	<b>8,993,929,839</b>	<b>4,338,900,249</b>
<b>Total shareholders' equity and liabilities</b>		<b>15,148,866,824</b>	<b>8,874,347,119</b>	<b>12,844,933,696</b>	<b>7,569,782,257</b>

The annexed notes 1 to 43 form an integral part of these financial statements.

  
Chairman

  
Managing Director

  
Company Secretary

Dhaka, 29 April 2013

As per our report of same date

  
Chartered Accountants

## Statement of Comprehensive Income

for the year ended 31 December 2012

Notes	2012		2011		
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate	
Revenue	28	10,347,960,769	7,678,624,899	11,262,207,096	9,714,017,016
Cost of sales	29	(7,914,599,266)	(7,329,361,427)	(9,697,122,958)	(9,325,304,177)
Gross profit		2,433,361,503	349,263,472	1,565,084,138	388,712,839
Other income/(loss)	30	700,000	530,700,000	(194,389)	(194,389)
General and administrative expenses	31	(142,480,706)	(61,007,029)	(131,313,711)	(60,133,253)
<b>Result from operating activities</b>		<b>2,291,580,797</b>	<b>818,956,443</b>	<b>1,433,576,038</b>	<b>328,385,197</b>
Foreign exchange gain/(loss)	32	(21,440,084)	24,132,781	(76,641,952)	(75,229,781)
Finance income	33	32,389,761	26,849,783	8,539,869	8,064,671
Finance expenses	34	(614,984,331)	(186,355,011)	(531,621,000)	(49,361,146)
<b>Net financial expenses</b>		<b>(604,034,654)</b>	<b>(135,372,447)</b>	<b>(599,723,083)</b>	<b>(116,526,256)</b>
<b>Profit before income tax</b>		<b>1,687,546,143</b>	<b>683,583,996</b>	<b>833,852,955</b>	<b>211,858,941</b>
Income tax expenses		(26,500,000)	(26,500,000)	-	-
<b>Profit after tax for the year</b>		<b>1,661,046,143</b>	<b>657,083,996</b>	<b>833,852,955</b>	<b>211,858,941</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		<b>1,661,046,143</b>	<b>657,083,996</b>	<b>833,852,955</b>	<b>211,858,941</b>
Total comprehensive income attributable to:					
Owners of the company		1,626,894,220	657,083,996	815,503,932	211,858,941
Non controlling interest		34,151,923	-	18,349,023	-
<b>Total comprehensive income</b>		<b>1,661,046,143</b>	<b>657,083,996</b>	<b>833,852,955</b>	<b>211,858,941</b>
<b>Earning per share (EPS)</b>	35	<b>5.32</b>	<b>2.15</b>	<b>2.83</b>	<b>0.74</b>
<b>Restated earning per share (EPS)</b>	35			<b>2.67</b>	<b>0.69</b>

The annexed notes 1 to 43 form an integral part of these financial statements.

  
Chairman

  
Managing Director

  
Company Secretary

As per our report of same date

  
Chartered Accountants

Dhaka, 29 April 2013

## Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

Particulars	Attributable to owners of the company				Non-controlling interest	Total equity
	Ordinary shares	Capital redemption reserve	Retained earnings	Total		
	Taka	Taka	Taka	Taka		
<b>Balance as at 1 January 2011</b>	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	-	-	-	-	-	-
<b>Balance as at 31 December 2011</b>	<b>2,878,583,400</b>	<b>220,000,000</b>	<b>731,659,299</b>	<b>3,830,242,699</b>	<b>20,761,158</b>	<b>3,851,003,857</b>
Transfer to capital redemption reserve	-	220,000,000	(220,000,000)	-	-	-
Stock dividend paid for the year 2011	179,911,500	-	(179,911,500)	-	-	-
Total comprehensive income for 2012:						
Profit after tax for the year	-	-	1,626,894,220	1,626,894,220	34,151,923	1,661,046,143
Other comprehensive income	-	-	-	-	-	-
<b>Balance as at 31 December 2012</b>	<b>3,058,494,900</b>	<b>440,000,000</b>	<b>1,958,642,019</b>	<b>5,457,136,919</b>	<b>54,913,081</b>	<b>5,512,050,000</b>

## Statement of Changes in Equity

for the year ended 31 December 2012

Particulars	Ordinary shares	Capital redemption reserve	Retained earnings	Total
	Taka	Taka	Taka	Taka
	<b>Balance as at 1 January 2011</b>	2,398,819,500	220,000,000	400,203,567
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	-	-	-	-
<b>Balance as at 31 December 2011</b>	<b>2,878,583,400</b>	<b>220,000,000</b>	<b>132,298,608</b>	<b>3,230,882,008</b>
Transfer to capital redemption reserve	-	220,000,000	(220,000,000)	-
Stock dividend paid for the year 2011	179,911,500	-	(179,911,500)	-
Total comprehensive income for 2012:				
Profit after tax for the year	-	-	657,083,996	657,083,996
Other comprehensive income	-	-	-	-
<b>Balance as at 31 December 2012</b>	<b>3,058,494,900</b>	<b>440,000,000</b>	<b>389,471,104</b>	<b>3,887,966,004</b>

## Statement of Cash Flows

for the year ended 31 December 2012

	2012		2011	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
<b>Cash flow from operating activities:</b>				
Collection from BPDB	10,386,942,150	7,631,628,995	10,636,233,769	10,009,594,667
Cash paid to suppliers and employees	(5,795,343,617)	(5,241,849,997)	(8,575,820,167)	(8,555,037,106)
Cash generated from operations	4,591,598,533	2,389,778,998	2,060,413,602	1,454,557,561
Finance income received	16,977,855	13,637,442	7,456,601	6,817,854
Interest and other financial charges paid	(804,455,630)	(228,979,158)	(317,231,431)	(203,670,234)
Net cash provided by operating activities	3,804,120,758	2,174,437,282	1,750,638,772	1,257,705,181
<b>Cash flow from investing activities:</b>				
Payment for acquisition of property, plant and equipment	(19,154,683)	(3,048,884)	(4,600,465,054)	(971,550)
Loan to subsidiaries	-	-	-	(1,106,123,538)
Net cash provided by investing activities	(19,154,683)	(3,048,884)	(4,600,465,054)	(1,107,095,088)
<b>Cash flow from financing activities:</b>				
Term loan received	4,095,640,000	-	184,796,906	-
Repayment of term loan	(867,830,088)	-	(157,012,827)	-
Short term loan received	-	-	2,482,948,880	-
Repayment of short term loan	(2,907,500,000)	-	(27,691,459)	-
Working capital loan received	2,356,085,805	2,244,457,479	6,826,472,838	6,826,472,838
Repayment of working capital loan	(4,264,962,453)	(4,153,334,127)	(6,471,567,131)	(6,471,567,131)
Inter-company loan received	4,851,776,060	3,257,506,176	608,905,418	2,000,000
Repayment of inter-company loan	(5,470,175,009)	(2,682,904,445)	-	-
Redemption of cumulative preference shares	(220,000,000)	(220,000,000)	(220,000,000)	(220,000,000)
Dividend paid to ordinary shareholders	(66,600)	(66,600)	(543,172)	(543,172)
Net cash used in financing activities	(2,427,032,285)	(1,554,341,517)	3,226,309,453	136,362,535
<b>Net cash inflow/(outflow) for the year</b>	1,357,933,790	617,046,881	376,483,171	286,972,628
<b>Opening cash and cash equivalents</b>	447,521,864	348,924,413	71,038,693	61,951,785
<b>Closing cash and cash equivalents</b>	<b>1,805,455,654</b>	<b>965,971,294</b>	<b>447,521,864</b>	<b>348,924,413</b>

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

### 1. Reporting entity

#### 1.1 Company profile

Khulna Power Company Ltd. ("the company") was incorporated in Bangladesh on 15 October 1997 as a private limited company under the Companies Act (# 18) 1994 and has subsequently been converted into public limited company on 19 July 2009. The plant came into operation on 13 October 1998. 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 (# 18) 1994. The present authorised share capital of the company is Tk. 2,000,000,000 divided into 200,000,000 ordinary shares of Taka 10 each. Registered office of the Company is Landmark, 3rd floor, 12-14 Gulshan North C/A, Gulshan-2, Dhaka 1212, Bangladesh.

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

These financial statements as at and for the year ended 31 December 2012 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 has been supplying electricity to the national grid of Bangladesh through selling the same to Bangladesh Power Development Board (BPDB) under Power Purchase Agreement (PPA) between the Company and BPDB.

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

### 2. Basis of preparation

#### 2.1 Statement of compliance

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

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

In accordance with the Schedule XI of the Companies Act (#18) 1994, all differences arising on outstanding foreign currency loans have been adjusted against the property, plant and equipment of Khulna Power Company Unit II Ltd. and Kahanjahan Ali Power Company Ltd., two subsidiary companies of Khulna Power Company Ltd for which such foreign currency borrowing took place. This treatment is not in accordance with BAS 21 : *The effect of Changes in Foreign Exchange Rates*, which requires all differences arising foreign exchange transactions to be recognised in the statement of comprehensive income. Had BAS 21 been followed, profit of Khulna Power Company Unit II Ltd. and Kahanjahan Ali Power Company Ltd. for the year would be increases by and Tk. 87,846,140 and Tk. 29,118,836 respectively. As both the guide lines are contradictory to each other, the management has accepted the guide line of the Companies Act (#18) 1994 to satisfy law compliance for giving accounting treatment in this regard.

### 2.2 Date of authorisation

These financial statements have been authorised for issue by the Board of Directors of the Company on 29 April 2013.

### 2.3 Basis of measurement

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

### 2.4 Functional and presentational currency and level of precision

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

### 2.5 Use of estimates and judgments

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

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

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

Note 4: Depreciation  
 Note 6: Inventory  
 Note 16: Deferred liabilities  
 Note 22: Accrued expenses and others

### 2.6 Reporting period

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

### 2.7 Going concern assumption

The financial statements of the Company/ the Groups have been prepared on going concern basis. In spite of the net current liabilities amounting Tk.251,380,154 of Kahanjahan Ali Power Company Ltd, a subsidiary of the Company, is a going concern as the directors believe to be appropriate for the following reason, This subsidiary company for its working capital on fund provided to it by Khulna Power Company Ltd. the parent company. Khulna Power Company Ltd. has indicated that for at least 12 months from the date of approval of the financial statements will continue to make available required fund needed

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

for Kahanjahan Ali Power Company Ltd and will no seek repayments of the same till the date its cash flow permit such repayment. The directors consider that this should enable Kahanjahan Ali Power Company Ltd to continue in operational existence for the foreseeable future.

### 2.8 Preparation and presentation of Financial Statements

The management of the Company is responsible for the preparation and presentation of Financial Statements of Khulna Power Company Ltd and the consolidated accounts of the Group for the year ended 31 December 2012.

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

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

The estimated useful lives of assets are as follows:

	31-Dec-12 Year	2011 Year
Power plant	30	30
Building and construction	10	10
Vehicles	4	4
Furniture and fixtures	5	5
Office equipment	5	5
Office renovation	5	5

### 3.1.5 Retirements and disposals

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

### 3.1.6 Capitalisation of borrowing cost

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

### 3.1.7 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 of placement 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.

### 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

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

months or less from the date of acquisition. Cash flows from operating activities have been presented under direct method.

### 3.3.3 Accounts receivables 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, and the portion of borrowings repayable within twelve months from the date of Financial statement along with unpaid interest and other charges are classified as current liabilities. All short term and working capital loans are classified as current liabilities.

### 3.3.5 Accounts payable

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

### 3.3.6 Redeemable preference share

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

### 3.4 Provisions

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

#### *Asset retirement obligations (ARO)*

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

### 3.5 Impairment

#### 3.5.1 Financial assets

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

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

### 3.5.2 Non-financial assets

At each reporting date, indications of impairment are reviewed. For this review, the Group is considered as a single cash generating unit and both tangible and intangible assets are reviewed. If any indication exists, the assets' recoverable amount will need to be estimated. As at 31 December 2012, the assessment of indicators of impairment reveals that impairment testing is not required for the Group.

### 3.5.3 Inventories

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

### 3.6 Contingencies

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

### 3.7 Revenue

Revenue is recognised in the statement of comprehensive income upon supply of electricity to BPDB, quantum of which is determined by survey of meter reading as per Power Purchase Agreement (PPA) with BPDB.

### 3.8 Foreign currency transactions

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

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

### 3.9 Lease

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

### 3.10 Finance income and expenses

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

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

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

### 3.11 Provision for tax

No provision for tax has been made in the accounts as the Company is entitled to tax exemption for a period of 15 years with effect from commencement of commercial production, vide SRO no. 114-Law/99 dated 26 May 1999 issued by Government of Bangladesh, under private sector power generation policy. During the year ended 31 December 2012 the Company has earned Tk. 530,000,000 as Project Implementation Fee from its two subsidiaries against which Tk.26,500,000 has been provided as 5% tax payable in this regard.

### 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 Statement of cash flows

Statement of cash flow has been presented under direct method.

### 3.14 Employee benefit schemes

#### a. Defined benefit plan ( gratuity)

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company operates an unfunded gratuity scheme, which is a defined benefit scheme, a provision in respect of which is made periodically covering all permanent employees by applying period of employment to latest basic salary. Although no valuation was done to quantify actuarial liabilities as per Bangladesh Accounting Standard 19: *Employee Benefits* and for the year ended 31 December 2012, such valuation for only 12 employees is not likely to yield a result significantly different from the current provision. The Gratuity scheme is not recognised by the National Board of Revenue (NBR).

#### b. Defined contribution plan ( CPF)

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

#### c. Defined earned leave encashment policy

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

### 3.15 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 were no potential dilutive ordinary shares during the year ended 31 December 2012.

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

## 4. Property, plant and equipment

As at 31 December 2012 (Consolidated):

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

As at 31 December 2011 (Consolidated):

Particulars	Cost					Rate	Depreciation					Written Down Value 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	6,446,774,089	-	137,373,231	11,764,089,803	3.33	2,000,924,136	286,007,502	-	2,950,920	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
<b>Total</b>	<b>5,204,132,248</b>	<b>6,450,029,097</b>	<b>-</b>	<b>133,116,649</b>	<b>11,787,277,994</b>		<b>2,019,824,803</b>	<b>288,223,809</b>	<b>-</b>	<b>287,170</b>	<b>2,308,335,782</b>	<b>9,478,942,212</b>

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

As at 31 December 2012 (Separate):

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

As at 31 December 2011 (Separate):

Particulars	Cost					Rate	Depreciation					Written Down Value 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	7,334,657	-	-	-	7,334,657	25.00	3,692,326	846,164	-	-	4,538,490	846,167
Building and construction	10,028,606	-	-	-	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
<b>Total</b>	<b>5,200,509,193</b>	<b>12,116,678</b>	<b>-</b>	<b>(2,583,527)</b>	<b>5,210,042,344</b>		<b>2,019,062,692</b>	<b>174,638,607</b>	<b>-</b>	<b>(2,389,139)</b>	<b>2,191,312,160</b>	<b>3,018,730,184</b>

(i) Adjustment made for Tk 121,081,346 with relevant depreciation of Tk 4,116,370 during the year ended 31 December 2012 and Tk 135,700,176 with relevant depreciation of Tk 2,676,309 during the year ended 31 December 2011 are relates to capitalisation of foreign exchange gain in accordance with Schedule XI of Companies Act (#18) 1994.

(ii) Though the general policy is to charge depreciation on power plant considering 30 years of useful life and value of original cost, on straight line basis as stated in the Power Purchase agreement ( PPA), but since inception the KPCL Management has been charging depreciation at the rate mention each against for every year considering residue balance of life of individual asset under power plant as shown below:

Particulars of plants	Rate of Depreciation
Power Plant -2008	12/249.5
Addition- Power Plant'09	12/237.5
Addition- Power Plant'10	12/225.5
Addition- Power Plant'11	12/213.5
Addition- Power Plant'12	12/201.5
Power Plant -Dev Cost -2006	12/93.5

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

## Property, plant and equipment (contd..)

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

	2012		2011	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Depreciation charged during the year	372,773,921	175,222,128	290,900,118	174,638,607
<b>4.1 Allocation of depreciation</b>				
Cost of sales (power plant, after considering adjustment)	370,539,663	173,475,370	288,683,811	172,909,800
Operating expenses (other than power plant)	2,234,258	1,746,758	2,216,307	1,728,807
	<u>372,773,921</u>	<u>175,222,128</u>	<u>290,900,118</u>	<u>174,638,607</u>
<b>5. Investments in subsidiaries</b>				
Khulna Power Company Unit II Ltd.	-	1,599,500,000	-	1,599,500,000
Khanjahan Ali Power Company Ltd.	-	453,019,679	-	18,000,000
	<u>-</u>	<u>2,052,519,679</u>	<u>-</u>	<u>1,617,500,000</u>
<b>6. Inventories</b>				
Heavy fuel oil (HFO)	1,735,099,806	1,735,099,806	940,928,120	940,928,120
Light fuel oil (LFO)	3,027,850	2,001,525	5,300,911	3,370,788
Lube oil	5,027,585	-	20,495,770	-
Spare parts for plant maintenance	312,001,824	95,758,000	95,758,000	95,758,000
	<u>2,055,157,065</u>	<u>1,832,859,331</u>	<u>1,062,482,801</u>	<u>1,040,056,908</u>

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

## 6.1 Movement in inventories

As at 31 December 2012 (Consolidated):

Particulars	Balance as at 1 January		Addition during the year		Consumption during the year		Balance as at 31 December	
	Quantity (MT/Ltr)	Amount (Taka)	Quantity (MT/Ltr)	Amount (Taka)	Quantity (MT/Ltr)	Amount (Taka)	Quantity (MT/Ltr)	Amount (Taka)
Heavy fuel oil (HFO)	14,097	940,928,120	119,233	7,516,421,719	103,899	6,722,250,033	29,432	1,735,099,806
Light fuel oil (LFO)	106,450	5,300,911	306,000	18,140,801	361,226	20,413,862	51,224	3,027,850
Lube oil	64,624	20,495,770	296,839	101,562,856	348,966	117,031,042	12,497	5,027,584
Spare parts for plant maintenance		95,758,000		216,243,824		-		312,001,824
Total		1,062,482,801		7,852,369,200		6,859,694,937		2,055,157,064

As at 31 December 2012 (Seperate)

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

As at 31 December 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 fuel 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 fuel 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		8,902,839,758		8,654,416,569		1,062,482,801

As at 31 December 2011 (Seperate)

Particulars	Balance as at 1 January		Addition during the year		Consumption during the year		Balance as at 31 December	
	Quantity (MT/Ltr)	Amount (Taka)	Quantity (MT/Ltr)	Amount (Taka)	Quantity (MT/Ltr)	Amount (Taka)	Quantity (MT/Ltr)	Amount (Taka)
Heavy fuel oil (HFO)	17,093	716,107,053	149,551	8,775,107,927	152,547	8,550,286,860	14,097	940,928,120
Light fuel 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

\*Spare parts inventory of Khulna Power Company Ltd. was acquired under a provision of the Engineering, Procurement and Construction (EPC) contract. The provision called for the contractor to provide with safety spares on historical cost basis of USD 2,000,000 (prevailing 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 2012

	2012		2011	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
<b>7. Accounts receivable</b>				
Other monthly tariff	250,092,799	250,092,799	275,418,074	275,418,074
Fuel tariff	690,476,679	690,476,679	618,155,500	618,155,500
Rental payment	621,875,693	-	834,645,478	-
Energy payment (variable operation & maintenance payment)	149,855,957	-	55,112,366	-
	<u>1,712,301,128</u>	<u>940,569,478</u>	<u>1,783,331,418</u>	<u>893,573,574</u>
<b>8. Other receivables</b>				
BPDB (agreed charges paid to BIWTA)	10,012,215	8,465,755	4,314,015	4,314,015
FDR interest due from different banks	13,932,341	12,282,341	37,365	37,365
Khanjahan Ali Power Company Ltd. for Project implementation fee	-	76,000,000	-	-
Insurance premium -Fuel oil	248,608	248,608	-	-
Income tax authority (corporate tax deposition for Accounting Year 2007/Assessment Year 2008-2009)	225,000	225,000	225,000	225,000
BPDB (on account of AIT for spare parts)	7,973,059	-	-	-
	<u>32,391,223</u>	<u>97,221,704</u>	<u>4,576,380</u>	<u>4,576,380</u>
<b>9. Advances, deposits and prepayments</b>				
Advances:				
Bank guarantee for spare parts	-	-	1,400,000	1,400,000
Padma Oil and Jamuna Oil for HFO supply	634,530	634,530	634,530	634,530
Office rent and service charges	1,941,600	1,941,600	3,494,880	3,494,880
Advance Income Tax	388,998	26,500,000	-	-
Others	383,178	1,500	3,476,878	1,353,264
	<u>3,348,306</u>	<u>29,077,630</u>	<u>9,006,288</u>	<u>6,882,674</u>
Deposits:				
Bangladesh Telephone & Telegraph Board	16,000	16,000	16,000	16,000
Grameenphone Ltd.	89,006	89,006	89,006	89,006
Central Depository Bangladesh Ltd. (CDBL)	500,000	500,000	500,000	500,000
Security deposit for office rent	258,880	258,880	258,880	258,880
Security deposit for C & F licence	250,000	250,000	-	-
Margin on bank guarantee for leasehold land -DBBL	13,662,500	-	-	-
Leasehold land -BPDB	183,675	-	-	-
Others	28,500	28,500	28,500	28,500
	<u>14,988,561</u>	<u>1,142,386</u>	<u>892,386</u>	<u>892,386</u>
Prepayments:				
General insurance premium (fire, fidelity, health, motor, etc.)	85,428	85,428	25,234	25,234
Unamortised transaction cost -DEG/FMO term loan	-	-	50,279,950	-
Leasehold land -BPDB	243,375	243,375	-	-
Insurance premium -Plant	6,647,360	696,200	3,328,724	1,379,070
Commission on bank guarantee -BRAC Bank	9,766,208	-	-	-
Commission on operation security deposit -DBBL	1,311,600	-	-	-
	<u>18,053,971</u>	<u>1,025,003</u>	<u>53,633,908</u>	<u>1,404,304</u>
	<u>36,390,838</u>	<u>31,245,019</u>	<u>63,532,582</u>	<u>9,179,364</u>

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

	2012		2011	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
<b>10. Inter-company receivables</b>				
Khulna Power Company Unit II Ltd.	460,000,000	-	-	233,221,755
Khanjahan Ali Power Company Ltd	-	100,543,093	-	404,019,679
United Enterprises & Co. Ltd.	-	-	4,546,439	-
Neptune Commercial Ltd.	1,402,500	-	-	-
Loan to IFDC Vulcan Energy (BD) Ltd.	12,270,460	-	-	-
	<u>473,672,960</u>	<u>100,543,093</u>	<u>4,546,439</u>	<u>637,241,434</u>
<b>11. Cash and cash equivalents</b>				
Cash in hand	138,025	82,460	93,135	93,135
Cash at bank:				
Current account:				
Citibank, NA (operating a/c # 129039 -Taka)	5,939,242	5,939,242	331,188,658	331,188,658
Citibank, NA (operating a/c # 129024 -Taka)	-	-	4,327	4,327
Citibank, NA (operating a/c # 129032 -US Dollar)	128,396,399	128,396,399	5,695,899	5,695,899
BRAC Bank Ltd. (A/c # 1501200976943001)	4,186	4,186	4,735	4,735
Pubali Bank Ltd. (A/c # 3555901037145)	19,278	19,278	20,893	20,893
Standard Bank Ltd. (A/c # 233011318)	41,709	41,709	42,979	42,979
Standard Chartered Bank (A/c # 01-5547202-01)	4,387,253	4,387,253	4,725,945	4,725,945
Prime Bank Ltd. (A/c # 11311050008045)	-	-	481	481
BRAC Bank Ltd. (A/c # 1501200976943002)	155,050,976	155,050,976	5,852,002	5,852,002
Pubali Bank Ltd. (A/c # 3555901039654)	-	-	2,400	-
Standard Chartered Bank (A/c # 01-1110754-01)	5,271	-	678,992	-
Trust Bank Ltd. (A/c # 300210002865)	470,861	-	472,310	-
BRAC Bank Ltd. (A/c # 1501201870861002)	132,548,410	-	-	-
BRAC Bank Ltd. (A/c # 1501201870861001 -US Dollar)	200,219,482	-	-	-
BRAC Bank Ltd. (A/c # 1501201831046001)	626,879	-	507,395	-
Dutch-Bangla Bank Ltd. (A/c # 103110000019467)	8,519	-	9,669	-
Standard Chartered Bank (A/c # 01-114572701)	60,748	-	68,281	-
Trust Bank Ltd. (A/c # 300210002767)	171,420	-	172,570	-
Standard Chartered Bank (A/c # 01-1145727-02 -US Dollar)	52,971,824	-	-	-
Total current account	<u>680,922,457</u>	<u>293,839,043</u>	<u>349,447,536</u>	<u>347,535,919</u>
Special notice deposit (SND) account:				
BRAC Bank Ltd. (A/c # 1501100976943001)	38,893	38,893	20,547	20,547
BRAC Bank Ltd. (A/c # 1501101870861001)	238,916	-	1,934,941	-

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

	2012		2011	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Dutch Bangla Bank Ltd. (A/c # 10712000000671)	1,056	1,056	2,139	2,139
Dutch Bangla Bank Ltd. (A/c # 103120000001348)	314,940	314,940	86,384	86,384
Dutch Bangla Bank Ltd. (A/c # 103120000001381)	812,079	-	42,391,448	-
Standard Chartered Bank (A/c # 02111075401)	106,055	-	680,092	-
Standard Chartered Bank (A/c # 02114572701)	788,622	-	51,284,500	-
Citibank, NA (A/c # G010001200812006)	399,709	-	394,853	-
Trust Bank Ltd. (A/c # 300320000097)	12,121	12,121	2,048	2,048
BRAC Bank Ltd. -Dividend distribution a/c	752,781	752,781	1,184,241	1,184,241
Total SND account	3,465,172	1,119,791	97,981,193	1,295,359
Fixed deposit receipt (FDR) account:				
Standard Chartered Bank	970,930,000	520,930,000	-	-
BRAC Bank Ltd.	150,000,000	150,000,000	-	-
Total FDR account	1,120,930,000	670,930,000	-	-
Total cash at bank	1,805,317,629	965,888,834	447,428,729	348,831,278
Total cash and cash equivalents	1,805,455,654	965,971,294	447,521,864	348,924,413
<b>12. Share capital</b>				
Authorised:				
500,000,000 ordinary shares of Tk 10 each	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000
2,000,000 preference shares of Tk 1,000 each	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
	7,000,000,000	7,000,000,000	7,000,000,000	7,000,000,000
Issued, subscribed and paid-up:				
Ordinary shares:				
208,593,000 ordinary shares of Tk 10 each	2,085,930,000	2,085,930,000	2,085,930,000	2,085,930,000
31,288,950 ordinary shares of Tk 10 each issued as bonus shares in 2010	312,889,500	312,889,500	312,889,500	312,889,500
47,976,390 ordinary shares of Tk 10 each issued as bonus shares in 2011	479,763,900	479,763,900	479,763,900	479,763,900
17,991,150 ordinary shares of Tk 10 each issued as bonus shares in 2012	179,911,500	179,911,500	-	-
	3,058,494,900	3,058,494,900	2,878,583,400	2,878,583,400
Preference shares:				
440,000 redeemable cumulative class 'A' preference shares of Tk 1,000 each	440,000,000	440,000,000	660,000,000	660,000,000

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 # 14.

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

## 12.1 Shareholding position of ordinary shares is as follows:

Name of shareholders	2012			2011		
	No. of shares	Percentage of holding	Total value (Taka)	No. of shares	Percentage of holding	Total value (Taka)
United Enterprises & Co. Ltd. (incorporated in Bangladesh)	107,910,651	35.2823%	1,079,106,510	107,910,651	37.4874%	1,079,106,510
Summit Industrial & Mercantile Corporation (Pvt.) Ltd. (incorporated in Bangladesh)	53,955,325	17.6411%	539,553,250	53,955,325	18.7437%	539,553,250
Summit Power Limited (incorporated in Bangladesh)	53,955,326	17.6411%	539,553,260	53,955,326	18.7437%	539,553,260
Other sponsors	72,436	0.0237%	724,360	72,436	0.0252%	724,360
General investors	89,955,752	29.4118%	899,557,520	71,964,602	25%	719,646,020
<b>Total</b>	<b>305,849,490</b>	<b>100%</b>	<b>3,058,494,900</b>	<b>287,858,340</b>	<b>100%</b>	<b>2,878,583,400</b>

## Classification of shareholders by holding as at 31 December 2012:

Range of share holdings	No. of shareholders	No. of shares	Percentage of shareholdings
Less than 5,000 shares	43,613	26,608,462	8.70%
5,000 to 10,000 shares	1,050	7,181,909	2.35%
10,001 to 25,000 shares	416	6,531,586	2.14%
25,001 to 50,000 shares	166	5,876,274	1.92%
50,001 to 100,000 shares	94	6,524,610	2.13%
100,001 to 250,000 shares	58	9,526,657	3.12%
250,001 to 500,000 shares	14	5,090,246	1.66%
500,001 to 2,500,000 shares	15	15,521,139	5.07%
2,500,001 to 5,000,000 shares	2	7,167,305	2.34%
Over 5,000,000 shares	3	215,821,302	70.57%
<b>Total</b>	<b>45,431</b>	<b>305,849,490</b>	<b>100%</b>

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

	2012		2011	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
<b>13. Non controlling interest</b>				
Khulna Power Company Unit II Ltd.:				
Share capital (1%)	500,000	-	500,000	-
Share of total comprehensive income	13,051,286	-	5,690,809	-
Khanjahan Ali Power Company Ltd.:				
Share capital (10%)	2,000,000	-	2,000,000	-
Share of total comprehensive income	39,361,795	-	12,570,349	-
	<u>54,913,081</u>	<u>-</u>	<u>20,761,158</u>	<u>-</u>
<b>14. Redeemable cumulative class 'A' preference shares</b>				
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).				
Balance as at 1 January	660,000,000	660,000,000	880,000,000	880,000,000
Issued during the year	-	-	-	-
	<u>660,000,000</u>	<u>660,000,000</u>	<u>880,000,000</u>	<u>880,000,000</u>
Repayment during the year	(220,000,000)	(220,000,000)	(220,000,000)	(220,000,000)
Balance as at 31 December	<u>440,000,000</u>	<u>440,000,000</u>	<u>660,000,000</u>	<u>660,000,000</u>
Non-current portion	220,000,000	220,000,000	440,000,000	440,000,000
Current portion	<u>220,000,000</u>	<u>220,000,000</u>	<u>220,000,000</u>	<u>220,000,000</u>
	<u>440,000,000</u>	<u>440,000,000</u>	<u>660,000,000</u>	<u>660,000,000</u>
<b>14.1 Shareholding position of redeemable cumulative class 'A' preference shares</b>				
<b>Name of shareholders</b>				
The City Bank Limited	240,000,000	240,000,000	360,000,000	360,000,000
Pubali Bank Limited	80,000,000	80,000,000	120,000,000	120,000,000
One Bank Limited	80,000,000	80,000,000	120,000,000	120,000,000
Trust Bank Limited	40,000,000	40,000,000	60,000,000	60,000,000
	<u>440,000,000</u>	<u>440,000,000</u>	<u>660,000,000</u>	<u>660,000,000</u>
<b>15. Term loan</b>				
DEG/FMO term loan:				
Current maturity portion	980,488,709	-	-	-
Long term portion	2,483,922,360	-	-	-
	<u>3,464,411,069</u>	<u>-</u>	<u>-</u>	<u>-</u>
Standard Chartered Bank term loan:				
Current maturity portion	342,561,176	-	349,733,285	-
Long term portion	705,622,608	-	1,075,745,475	-
	<u>1,048,183,784</u>	<u>-</u>	<u>1,425,478,760</u>	<u>-</u>
Total:				
Current maturity portion	1,323,049,885	-	349,733,285	-
Long term portion	3,189,544,968	-	1,075,745,475	-
	<u>4,512,594,853</u>	<u>-</u>	<u>1,425,478,760</u>	<u>-</u>

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as at and for the year ended 31 December 2012

	2012		2011	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
<b>16. Deferred liabilities</b>				
Gratuity scheme:				
Balance as at 1 January	7,631,493	7,631,493	8,114,791	8,114,791
Provision made during the year	1,399,043	1,399,043	2,450,702	2,450,702
	<u>9,030,536</u>	<u>9,030,536</u>	<u>10,565,493</u>	<u>10,565,493</u>
Gratuity paid during the year	-	-	(2,934,000)	(2,934,000)
Balance as at 31 December	<u>9,030,536</u>	<u>9,030,536</u>	<u>7,631,493</u>	<u>7,631,493</u>
Provision for leave encashment:				
Balance as at 1 January	2,504,442	2,504,442	2,935,420	2,935,420
Provision/(adjustment) made during the year	493,288	493,288	777,477	777,477
	<u>2,997,730</u>	<u>2,997,730</u>	<u>3,712,897</u>	<u>3,712,897</u>
Payment made during the year	(70,875)	(70,875)	(1,208,455)	(1,208,455)
Balance as at 31 December	<u>2,926,855</u>	<u>2,926,855</u>	<u>2,504,442</u>	<u>2,504,442</u>
	<u>11,957,391</u>	<u>11,957,391</u>	<u>10,135,935</u>	<u>10,135,935</u>
<b>17. Long term provision</b>				
Opening balance	15,000,000	-	-	-
Provision made during the year	3,766,563	-	15,000,000	-
	<u>18,766,563</u>	<u>-</u>	<u>15,000,000</u>	<u>-</u>
Adjustment/payment made during the year	-	-	-	-
Closing balance	<u>18,766,563</u>	<u>-</u>	<u>15,000,000</u>	<u>-</u>
This provision relates to asset retirement obligations (ARO).				
<b>18. Accounts payable</b>				
Handling commission for fuel oil	1,193,914,516	1,193,914,516	818,683,046	818,683,046
BP Singapore Pte Ltd. -Fuel cost	2,669,853,512	2,669,853,512	1,312,844,474	1,312,844,474
USCOL - Fuel carrying and storage	404,052,464	404,052,464	346,319,045	346,319,045
Wartsila -Operation and maintenance - (O&M)	238,261,637	139,216,046	303,031,532	219,006,122
	<u>4,506,082,129</u>	<u>4,407,036,538</u>	<u>2,780,878,097</u>	<u>2,696,852,687</u>
<b>19. Short term/working capital loan</b>				
BRAC Bank Ltd.	-	-	650,000,000	150,000,000
Dutch Bangla Bank Ltd.	-	-	1,500,000,000	500,000,000
Prime Bank Ltd.	-	-	250,000,000	-
Pubali Bank Ltd.	-	-	430,000,000	-
Trust Bank Ltd.	-	-	675,000,000	225,000,000
	<u>-</u>	<u>-</u>	<u>3,505,000,000</u>	<u>875,000,000</u>
19.1 The group enjoys both funded and non funded short term working capital facilities with three 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 as at 31 December 2012 is enumerated below:				
Standard Chartered Bank for KPCL:				
(i) Funded facility - Taka 660,000,000.				
(ii) Letters of credit facility- Taka 2,400,000,000.				

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

Citibank, N.A. for KPCL:

- (i) Omnibus - USD 22,000,000.
- (ii) Short term loan (inner limit of omnibus) - USD 5,000,000.
- (iii) Guarantee (inner limit of omnibus) - USD 500,000.
- (iv) Guarantee (open ended) - USD 300,000.

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 (co-utilisation with KPCL)
- (v) Short term loan facility - Taka 500,000,000 for KJAPCL (co-utilisation with KPCL)

	2012		2011	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
<b>20. Inter-company loan</b>				
Summit Industrial & Mercantile Corp. (Pvt.) Ltd.	-	-	100,000,000	-
<b>21. Inter-company payables</b>				
United Enterprises & Company Ltd.	12,244,497	-	12,684,987	-
United Power Generation & Distribution Co. Ltd.	-	-	4,738,736	-
Neptune Commercial Ltd.	-	-	15,436,285	-
Khulna Power Company Unit II Ltd.	-	35,488,604	-	-
	<u>12,244,497</u>	<u>35,488,604</u>	<u>32,860,008</u>	<u>-</u>
<b>22. Accrued expenses and others</b>				
Electricity, gas and water	20,000	20,000	194,609	194,609
Legal, audit and other professional fees	851,825	441,825	782,500	472,500
Lease rent payable - BPDB	2,354,890	2,288,766	3,429,710	2,419,497
Telephone, fax and e-mail	35,000	35,000	47,473	47,473
Employee expenses	4,522,222	4,522,222	2,726,376	2,726,376
Wartsila - river intake dredging	-	-	300,000	300,000
Falcon Securities Ltd - plant security	456,701	185,530	403,665	155,946
Employees' provident fund	35,488	35,488	737,179	737,179
AGM related expenses	-	-	500,000	500,000
South Eastern Tank Terminal -Fuel storage bill	1,800,494	1,800,494	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	12,636,000	-	14,196,000	-
Others	980,490	716,375	894,255	689,526
	<u>23,693,110</u>	<u>10,045,700</u>	<u>25,928,273</u>	<u>9,943,110</u>
<b>23. Source tax and VAT payable</b>				
Source Tax (TDS) and VAT payable	<u>22,732,953</u>	<u>18,419,790</u>	<u>15,162,490</u>	<u>6,333,756</u>

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

	2012		2011	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
<b>24. Liability for interest and other financial charges</b>				
Dividend on redeemable cumulative preference shares	28,485,417	28,485,417	42,728,125	42,728,125
Interest payable on:				
Short term loan- Dutch Bangla Bank	-	-	103,172,949	12,486,111
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/short term loan- BRAC Bank	-	-	7,442,605	1,187,500
Term loan- Standard Chartered Bank	5,548,999	-	3,490,651	-
Term loan- DEG/FMO loan	19,763,237	-	-	-
	<u>53,797,653</u>	<u>28,485,417</u>	<u>280,825,969</u>	<u>72,120,486</u>
<b>25. Liability for project implementation expenditure</b>				
Neptune Commercial Ltd. (EPC contractor)	-	-	134,146,032	-
	<u>-</u>	<u>-</u>	<u>134,146,032</u>	<u>-</u>
<b>26. Unclaimed dividend</b>				
The following amount of cash dividend remained unclaimed by the shareholders. The amount of dividend is deposited in dedicated bank account and is payable on demand.				
Final cash dividend for the year 2009	<u>8,447,675</u>	<u>8,447,675</u>	<u>8,514,275</u>	<u>8,514,275</u>
<b>27. Income tax payable</b>				
The following amount of income tax payable for the accounting year 2012 (Assessment year 2013-2014):				
Provision for the year 2012	<u>26,500,000</u>	<u>26,500,000</u>	<u>-</u>	<u>-</u>
No provision for tax has been made in the accounts as the Company is entitled to tax exemption for a period of 15 years with effect from commencement of commercial production. During the year ended 31 December 2012 the Company has earned Tk. 530,000,000 as Project Implementation Fee from its two subsidiaries against which Tk.26,500,000 has been provided as 5% tax payable in this regard.				
<b>28. Revenue</b>				
Other monthly tariff	1,660,137,575	1,660,137,575	1,992,275,519	1,992,275,519
Fuel tariff	6,018,487,324	6,018,487,324	7,721,741,497	7,721,741,497
Rental payment	2,519,896,629	-	1,432,389,765	-
Energy payment (variable operation & maintenance payment)	149,439,241	-	115,800,315	-
	<u>10,347,960,769</u>	<u>7,678,624,899</u>	<u>11,262,207,096</u>	<u>9,714,017,016</u>

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.

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

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.

	2012		2011	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
<b>29. Cost of sales</b>				
Consumption of heavy fuel oil (HFO) and related expenses*	6,719,866,129	6,719,866,129	8,610,855,672	8,610,855,672
Consumption of light fuel oil (LFO)	20,413,862	7,374,857	7,481,416	4,649,682
Consumption of lube oil	117,031,042	-	58,682,781	-
Operation and maintenance cost to operator	671,313,067	416,328,875	709,170,486	517,136,643
Security service - Plant	5,102,241	1,982,934	4,765,548	2,269,136
Duty on spare parts	10,333,262	10,333,262	17,483,244	17,483,244
Depreciation of power plant	370,539,663	173,475,370	288,683,811	172,909,800
	<b>7,914,599,266</b>	<b>7,329,361,427</b>	<b>9,697,122,958</b>	<b>9,325,304,177</b>

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

### 30. Other income/(loss)

Gain/(loss) on sale of property, plant and equipment	-	-	(194,389)	(194,389)
Project implementation fee	-	530,000,000	-	-
Prior years' adjustment	700,000	700,000	-	-
	<b>700,000</b>	<b>530,700,000</b>	<b>(194,389)</b>	<b>(194,389)</b>

These represents project implementation fee received from subsidiary companies, prior years' adjustment for written-back provisions and disposal of furniture, fixtures and office equipment.

### 31. General and administrative expenses

Salary and allowances	17,950,783	17,950,783	15,240,483	14,880,483
Employer's contribution to P.F.	669,880	669,880	616,406	616,406
Gratuity provision	1,399,043	1,399,043	2,450,702	2,450,702
Earned leave provision	493,288	493,288	777,477	777,477
Leave fare assistance	309,479	309,479	288,193	288,193
Office & guest house rent and maintenance	4,216,863	4,216,863	5,073,896	3,950,291
Telephone, fax and e-mail	383,282	383,282	385,369	303,919
Advertisement, publicity, press and seminar	1,478,084	1,476,246	2,768,435	2,612,104
Entertainment expenses	410,395	342,812	273,748	242,974
Bank charges and commission	4,641,535	347,073	791,289	209,689
Printing, postage and stationeries	320,369	317,369	421,517	352,428
Travel and conveyance	1,390,951	491,155	1,003,600	395,876
Vehicle fuel and maintenance	454,401	454,401	453,463	415,535
Newspapers, books and periodicals	19,616	19,616	77,134	14,419

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as at and for the year ended 31 December 2012

	2012		2011	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Business promotion, subscription, gift and donation	7,214,624	4,253,174	6,988,058	3,492,804
Uniform and liveries	20,900	20,900	18,740	18,740
Insurance premium	38,139,387	5,333,762	7,078,738	5,017,212
Lease rent - BPDB (Note 31.1)	4,582,205	3,355,293	4,365,506	3,355,293
Directors' fees and board meeting expenses	579,462	579,462	122,538	122,538
Auditor's fee (Note 31.2)	1,245,000	415,000	725,000	415,000
Legal, tax and other professional fees	17,563,499	354,801	842,378	623,428
Survey, testing and inspection fees	3,180,180	3,180,180	518,788	445,212
Company matters & share related expenses	3,164,012	1,016,722	2,722,108	2,487,108
Performance bond/bank guarantee charges	7,167,643	14,000	2,708,283	-
Environmental compliance expenses	10,801,076	900,196	3,849,583	408,828
Computer consumable and maintenance	419,193	419,193	382,363	372,313
River intake dredging	-	-	160,000	160,000
Annual General Meeting (AGM) expenses	10,544,580	10,544,580	11,410,286	11,410,286
Extra-ordinary General Meeting (EGM) expenses	-	-	2,481,613	2,481,613
Depreciation-Other property, plant & equipment	2,234,258	1,746,758	2,216,307	1,728,807
Liquidated damages	-	-	53,978,135	-
Miscellaneous and incidental expenses	1,486,718	1,718	123,575	83,575
	<b>142,480,706</b>	<b>61,007,029</b>	<b>131,313,711</b>	<b>60,133,253</b>

### 31.1 Operating leases

Khulna Power Company Ltd. and Khulna Power Company Unit II Ltd. are obligated under non-cancellable lease for use of land leased out by BPDB that are renewable on a periodic basis at the option of both lessor and lessee. During the year, the consolidated rental expenses under non-cancellable operating leases aggregated Tk. 4,582,205 (2011: Tk. 4,365,506). Out of the amount Tk. 3,355,293 was for KPCL and the rest Tk.1,226,912 was for Khulna Power Company Unit II Ltd.

The future minimum lease payments in respect of operating leases as at 31 December 2012 are as follows:

Amount due:				
Not later than one year	5,265,081	4,475,278	4,464,098	3,729,398
Later than one year but not later than five years	5,907,943	4,475,278	11,173,024	8,950,556
	<b>11,173,024</b>	<b>8,950,556</b>	<b>15,637,122</b>	<b>12,679,954</b>

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

Statutory audit	765,000	415,000	725,000	415,000
Various certification for DEG loan	480,000	-	-	-
	<b>1,245,000</b>	<b>415,000</b>	<b>725,000</b>	<b>415,000</b>

### 32. Foreign exchange gain/(loss)

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

Handling commission for fuel oil	25,576,786	25,576,786	(75,867,827)	(75,867,827)
US Dollar accounts	(6,982,057)	(1,291,114)	657,773	657,773
Interest on term loan -SCB	1,531,714	-	(1,412,171)	-
Interest on term loan -DEG/FMO	141,498	-	-	-
Accounts receivable -BPDB	(29,388,307)	-	-	-
Wartsila payable	(12,166,827)	-	-	-
Others	(152,891)	(152,891)	(19,727)	(19,727)
	<b>(21,440,084)</b>	<b>24,132,781</b>	<b>(76,641,952)</b>	<b>(75,229,781)</b>

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	2012		2011	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
<b>33. Finance income</b>				
Interest on bank deposits	<u>32,389,761</u>	<u>26,849,783</u>	<u>8,539,869</u>	<u>8,064,671</u>
<b>34. Finance expenses</b>				
Interest on:				
Short term loan:				
Dutch Bangla Bank Ltd.	145,542,183	65,147,460	91,119,056	-
Pubali Bank Ltd.	31,425,965	-	39,351,666	-
Trust Bank Ltd.	42,874,831	5,425,046	42,976,389	-
BRAC Bank Ltd.	50,185,839	7,068,361	44,583,333	-
Prime Bank Ltd.	19,269,221	-	22,291,667	-
Standard Chartered Bank	18,407,603	18,407,603	-	-
Uttata Finance & Investments Ltd.	8,450,000	-	17,463,539	-
United Enterprises & Co. Ltd.	-	-	13,049,653	-
Neptune Properties Ltd.	-	-	755,556	-
Term loan -SCB	89,272,127	-	47,033,271	-
Term loan -DEG/FMO	115,320,497	-	-	-
Working capital facility	33,726,749	33,726,749	133,477,495	(30,158,229)
Annual agency fee - Security & Facility Agent	2,760,000	2,760,000	2,760,000	2,760,000
Other financial charges	3,929,524	-	-	-
Dividend on redeemable cumulative class 'A' preference shares	53,819,792	53,819,792	76,759,375	76,759,375
	<u>614,984,331</u>	<u>186,355,011</u>	<u>531,621,000</u>	<u>49,361,146</u>
<b>35. Earnings per share (EPS)</b>				
Basic earnings per share				
The computation of EPS is given below:				
a) Profit attributable to the ordinary shareholders	1,626,894,220	657,083,996	815,503,932	211,858,941
b) Weighted average number of ordinary shares outstanding	305,849,490	305,849,490	287,858,340	287,858,340
c) Restated weighted average number of ordinary shares outstanding	-	-	305,849,490	305,849,490
Earnings per share (EPS) (a/b)	5.32	2.15	2.83	0.74
Restated earnings per share (EPS) (a/c)	-	-	2.67	0.69

Since the bonus issue is an issue without consideration, the issue has been treated as if it occurred prior to the beginning of 2012, 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.

### 36. 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.

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

### 36.1 Risk management framework

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

### 36.2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivable from customers. The Company's sales is made to Government entity, viz, Bangladesh Power Development Board (BPDB) under the conditions of the long term Power Purchase Agreement (PPA). Sales made to this entity is fully secured by Letters of Credit issued by local scheduled banks. Credit risk does not arise in respect of any other receivables.

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

#### 36.2.1 Exposure to credit risk

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

	2012		2011	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Accounts receivable	1,712,301,128	940,569,478	1,783,331,418	893,573,574
Other receivables	32,391,223	97,221,704	4,576,380	4,576,380
Inter-company receivables	473,672,960	100,543,093	4,546,439	637,241,434
Cash at bank	1,805,317,629	965,888,834	447,428,729	348,831,278
	<u>4,023,682,940</u>	<u>2,104,223,109</u>	<u>2,239,882,966</u>	<u>1,884,222,666</u>

#### 36.2.2 Aging of receivables

Neither past due nor impaired	535,164,865	326,346,551	549,694,562	331,417,419
Past due 1-30 days	507,848,524	299,106,131	571,618,441	349,988,455
Past due 31-60 days	1,961,985	-	255,219,036	23,262,910
Past due 61-90 days	4,356,135	3,269,600	24,748,960	24,748,960
Past due 91-120 days	4,142,066	3,090,570	18,833,752	18,833,752
Past due above 120 days	658,827,553	308,756,626	363,216,667	145,322,078
	<u>1,712,301,128</u>	<u>940,569,478</u>	<u>1,783,331,418</u>	<u>893,573,574</u>

### 36.3 Capital management

Capital management refers to implementing policies and measures to maintain sufficient capital, assessing Company's internal capital adequacy to ensure Company's operation as a going concern. 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.

### 36.4 Liquidity risk

Liquidity risk is the risk that the Group/Company will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's/Company's reputation. Typically, the Group/Company ensures that it has sufficient cash and cash equivalent to meet expected operational expenses, including the servicing of financial obligation through preparation of the cash forecast, prepared based on time line of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date. Moreover, the group seeks to maintain short term lines of credit with scheduled commercial banks (Note 19.1) 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.

The following are the contractual maturities of financial liabilities:

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

	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
<b>2012 (Consolidated):</b>						
Redeemable preference shares	440,000,000	440,000,000	220,000,000	-	220,000,000	-
Term loan	-	4,570,472,842	675,689,982	675,689,982	1,351,379,964	1,867,712,914
Accounts payable	4,506,082,129	4,506,082,129	4,506,082,129	-	-	-
Inter company payables	12,244,497	12,244,497	12,244,497	-	-	-
Accrued expenses and others	23,693,110	23,693,110	23,693,110	-	-	-
Source tax and VAT payable	22,732,953	22,732,953	22,732,953	-	-	-
Liability for interest and other financial charges	53,797,653	53,797,653	53,797,653	-	-	-
Unclaimed dividend	8,447,675	8,447,675	8,447,675	-	-	-
Income tax payable	26,500,000	26,500,000	26,500,000	-	-	-
<b>2011 (Consolidated):</b>						
Redeemable preference shares	660,000,000	660,000,000	220,000,000	-	220,000,000	220,000,000
Term loan	1,425,478,760	1,442,884,276	178,489,982	178,489,982	356,979,964	728,924,348
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 payables	32,860,008	32,860,008	32,860,008	-	-	-
Accrued expenses and others	25,928,273	25,928,273	25,928,273	-	-	-
Source tax and VAT payable	15,162,490	15,162,490	15,162,490	-	-	-
Liability for interest and other financial charges	280,825,969	280,825,969	280,825,969	-	-	-
Liability for project implementation expenditure	134,146,032	134,146,032	134,146,032	-	-	-
Unclaimed dividend	8,514,275	8,514,275	8,514,275	-	-	-
<b>2012 (Separate):</b>						
Redeemable preference shares	440,000,000	440,000,000	220,000,000	-	220,000,000	-
Accounts payable	4,407,036,538	4,407,036,538	4,407,036,538	-	-	-
Inter company payables	35,488,604	35,488,604	35,488,604	-	-	-
Accrued expenses and others	10,045,700	10,045,700	10,045,700	-	-	-
Source tax and VAT payable	18,419,790	18,419,790	18,419,790	-	-	-
Liability for interest and other financial charges	28,485,417	28,485,417	28,485,417	-	-	-
Unclaimed dividend	8,447,675	8,447,675	8,447,675	-	-	-
Income tax payable	26,500,000	26,500,000	26,500,000	-	-	-
<b>2011 (Separate):</b>						
Redeemable preference shares	660,000,000	660,000,000	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	9,943,110	9,943,110	9,943,110	-	-	-
Source tax and VAT payable	6,333,756	6,333,756	6,333,756	-	-	-
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	-	-	-

**36.5 Market risk**

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

**36.5.1 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.

**36.5.2 Currency risk**

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

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

**(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:

	2012 (Consolidated)		2011 (Consolidated)	
	USD	EURO	USD	EURO
<b>Foreign currency denominated assets</b>				
Accounts receivable	12,697,104	-	14,110,485	-
Cash at bank (dollar account)	4,753,210	-	69,142	-
	17,450,314	-	14,179,627	-
<b>Foreign currency denominated liabilities</b>				
Term loan	56,206,867	-	17,283,801	-
Accounts payable	49,862,781	317,278	28,532,819	422,811
Liability for interest and other financial charges	315,299	-	42,373	-
	106,384,948	317,278	45,858,993	422,811
Net exposure -assets/(liabilities)	(88,934,633)	(317,278)	(31,679,366)	(422,811)

	2012 (Separate)		2011 (Separate)	
	USD	EURO	USD	EURO
<b>Foreign currency denominated assets</b>				
Accounts receivable	3,084,104	-	3,309,831	-
Cash at bank (dollar account)	1,599,357	-	69,142	-
	4,683,461	-	3,378,973	-
<b>Foreign currency denominated liabilities</b>				
Accounts payable	49,862,781	-	28,532,819	-
	49,862,781	-	28,532,819	-
Net exposure -assets/(liabilities)	(45,179,320)	-	(25,153,846)	-

The following significant exchange rates are applied:

BDT/USD	80.28	82.38
BDT/EURO	104.05	104.84

**(ii) Foreign exchange rate sensitivity analysis**

A change in foreign exchange rates would have affected the measurement of financial instruments denominated in a foreign currency and increased/ (decreased) equity and profits or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group/Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2011, albeit that the reasonably possible foreign exchange rate variances were different for USD denominated items as indicated below:

	Profit or loss (Taka)		Equity (Taka)	
	Taka strengthening	Taka weakening	Taka strengthening	Taka weakening
<b>2012 (Consolidated):</b>				
USD denominated assets (3%)	(42,027,337)	42,027,337	(42,027,337)	42,027,337
USD denominated liabilities (3%)	256,217,508	(256,217,508)	256,217,508	(256,217,508)
EURO denominated liabilities (1%)	330,126	(330,126)	330,126	(330,126)
<b>2011 (Consolidated):</b>				
USD denominated assets (8%)	(93,449,411)	93,449,411	(93,449,411)	93,449,411

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

USD denominated liabilities (8%)	302,229,106	(302,229,106)	302,229,106	(302,229,106)
EURO denominated liabilities (1%)	443,254	(443,254)	443,254	(443,254)
<b>2012 (Separate):</b>				
USD denominated assets (3%)	(11,279,648)	11,279,648	(11,279,648)	11,279,648
USD denominated liabilities (3%)	120,089,522	(120,089,522)	120,089,522	(120,089,522)
<b>2011 (Separate):</b>				
USD denominated assets (8%)	(22,268,783)	22,268,783	(22,268,783)	22,268,783
USD denominated liabilities (8%)	188,042,691	(188,042,691)	188,042,691	(188,042,691)

## 36.5.3 Interest rate risk

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

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

	Carrying amount (Taka)			
	2012		2011	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
<b>Fixed rate instruments</b>				
<i>Financial assets</i>				
Cash at bank	1,124,395,172	672,049,791	97,981,193	1,295,359
<i>Financial liabilities</i>				
Redeemable cumulative preference shares	440,000,000	440,000,000	660,000,000	660,000,000
Term loan	1,048,183,784	-	1,425,478,760	-
Short term/working capital loan	-	-	3,505,000,000	875,000,000
Liability for interest and other financial charges	34,034,416	28,485,417	280,825,969	72,120,486
<b>Floating rate instruments</b>				
<i>Financial assets</i>	-	-	-	-
<i>Financial liabilities</i>				
Term loan	3,464,411,069	-	-	-
Liability for interest and other financial charges	19,763,237	-	-	-
<b>37. Expenses/expenditures and revenue in foreign currency during the year</b>				
CIF value of imports:				
Spare parts	654,917,973	328,912,346	242,485,210	225,845,642
Capital items	7,958,878	2,932,193	2,421,073,413	6,207,728
	662,876,851	331,844,539	2,663,558,623	232,053,370
Expenditures:				
Heavy fuel oil cost	5,221,325,126	5,221,325,126	7,741,852,217	7,647,315,656
Operation and maintenance cost to operator	576,108,776	399,123,048	596,810,065	502,273,504
Interest on term loan	204,696,549	-	39,113,136	-
Others	17,921,687	776,673	5,092,889	1,157,436
	6,020,052,138	5,621,224,847	8,382,868,307	8,150,746,596
Earnings:				
Revenue	4,324,062,899	1,654,727,029	3,521,340,170	1,973,150,089

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

## 38. 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:

	2012 (Consolidated)		2011 (Consolidated)	
	Carrying amount Taka	Fair value Taka	Carrying amount Taka	Fair value Taka
<b>Assets carried at fair value through profit or loss</b>	-	-	-	-
<b>Held to maturity assets</b>	-	-	-	-
<b>Loans and receivables</b>				
Accounts receivable	1,712,301,128	N/A*	1,783,331,418	N/A*
Other receivables	32,391,223	N/A*	4,576,380	N/A*
Deposits	14,988,561	14,988,561	892,386	892,386
Inter-company receivables	473,672,960	N/A*	4,546,439	N/A*
Cash at bank	1,805,317,629	1,805,317,629	447,428,729	447,428,729
<b>Available for sale financial assets</b>	-	-	-	-
<b>Liabilities carried at fair value through profit or loss</b>	-	-	-	-
<b>Liabilities carried at amortised costs</b>				
Redeemable preference shares	440,000,000	440,000,000	660,000,000	660,000,000
Term loan	-	-	1,425,478,760	1,425,478,760
Short term/working capital loan	-	-	3,505,000,000	3,505,000,000
Accounts payable	4,506,082,129	N/A*	2,780,878,097	N/A*
Inter company payables	12,244,497	N/A*	32,860,008	N/A*
Accrued expenses and others	23,693,110	23,693,110	25,928,273	25,928,273
Source tax and VAT payable	22,732,953	22,732,953	15,162,490	15,162,490
Liability for interest and other financial charges	53,797,653	53,797,653	280,825,969	280,825,969
Liability for project implementation expenditures	-	-	134,146,032	134,146,032
Unclaimed dividend	8,447,675	8,447,675	8,514,275	8,514,275
Income tax payable	26,500,000	26,500,000	-	-

Interest rates used for determining fair value

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

	2012		2011	
	Consolidated	Separate	Consolidated	Separate
Term loan	5.50-6.66%	-	5.87%	-
Redeemable preference shares	10.3125%**	10.3125%**	10.3125%**	10.3125%**
Short term/working capital loan	14.50-19.00%	14.50-16.00%	10.50-15.00%	10.50-15.00%

\*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%.



## 39. Related party transactions and balance

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

Name of party	Nature of relationship	Nature of transactions	Transactions during the year 2012				Balance as at							
			Consolidated		Separate		31 December 2012		31 December 2011					
			Taka		Taka		Dr./(Cr.)	Taka	Dr./(Cr.)	Taka	Dr./(Cr.)			
United Summit Coastal Oil Ltd.	Subsidiary of ultimate parent	Fuel carrying bill Payment/adjustment	(324,915,408)		(324,915,408)		(267,181,989)	(404,052,464)		(404,052,464)		(346,319,045)		
Khulna Power Company Unit II Ltd.	Subsidiary	Loan receipt	-		(2,217,074,866)		-	(35,488,604)		-		-		
		Loan payment	-		1,754,086,062		-			-		-		
		Project implementation fee	-		427,500,000		-				-		-	
		Lending	-		414,270,589		-				-		231,056,376	
		Realised Interest on loan	-		(645,326,965)		-				-		2,165,379	
KPCL	Parent	Interest receipt	-		(2,165,379)		-			-		-		
Khanjahan Ali Power Company Ltd.	Subsidiary	Lending	460,000,000		-		460,000,000			-		-		
		Loan receipt	-		(33,917,095)		-			-		-		
		Loan payment	-		33,917,095		-				-		-	
		Lending	-		338,782,095		-		100,543,092		-		361,220,715	
		Realised Interest on loan	-		(599,459,718)		-				-		42,798,964	
United Industrial & Mercantile Corporation (Pvt) Ltd.	Shareholder of parent	Interest receipt	-		(42,798,964)		-			-		-		
		Project implementation fee	-		76,000,000		-		76,000,000		-		-	
Summit Industrial & Mercantile Corporation (Pvt) Ltd.	Shareholder of parent	Loan receipt	-		-		-			-		(100,000,000)		
		Loan payment	100,000,000		-		-		-		-		-	
United Enterprises & Co. Ltd.	Shareholder	Loan receipt	340,000,000		340,000,000		-			-		-		
		Repayment of loan	(340,000,000)		(340,000,000)		-				-		-	
Shareholder of parent	Shareholder of parent	Adjustment of inter-company outstanding	(4,321,063)		-		(12,244,497)			-		(7,923,444)		

(Contd.....)

Name of party	Nature of relationship	Nature of transactions	Transactions during the year 2012				Balance as at						
			Consolidated		Separate		31 December 2012		31 December 2011				
			Taka		Taka		Dr./(Cr.)	Taka	Dr./(Cr.)	Taka	Dr./(Cr.)		
Neptune Commercial Ltd.	Subsidiary of ultimate parent	Adjustment of EPC contractor's bill	134,146,032		-		-			-		(134,146,032)	
		Adjustment of inter-company outstanding	15,436,285		-		-			-		(15,436,285)	
United Power Generation & Distribution Co. Ltd.	Subsidiary of ultimate parent	Adjustment of inter-company outstanding	4,738,736		-		-			-		(4,738,736)	
		Arises due to movement of inter-company current account	(13,133,524)		-		-			-		-	
IFDC Vulcan Energy (BD) Ltd.	Shareholder of subsidiary	Short term loan	10,270,460		-		12,270,460			-		2,000,000	

Name of party	Nature of relationship	Nature of transactions	Transactions during the year 2012		Transactions during the year 2011	
			Consolidated Taka	Separate Taka	Consolidated Taka	Separate Taka
Key management personnel	Board of Directors	Fees to directors	450,000	450,000	214,180	214,180
	Key employees	Salary & allowances and long term benefits	9,581,565	9,581,565	10,299,596	10,299,596
		Bonus	2,249,000	2,249,000	1,383,000	1,383,000

## Notes to the Financial Statements

as at and for the year ended 31 December 2012

### 40. Bank guarantees and commitments

	2012		2011	
	Taka Consolidated	Taka Separate	Taka Consolidated	Taka Separate
Performance bond, bank guarantees, bank acceptance etc.	1,257,703,000	-	377,498,716	-
	1,257,703,000	-	377,498,716	-

### 41. Capacity

	Licensed capacity (MW)	Installed capacity (MW)	Plant factor (% on licensed capacity)	Energy generated (MWh)	Energy sold (MWh)
Khulna Power Company Ltd: January to December 2012	110	114	Average 46.56	457,506	449,680
January to December 2011	110	114	Average 70.02	678,617	668,235
Khulna Power Company Unit II Ltd: January to December 2012	115	119	Average 47.37	487,099	477,763
June to December 2011	115	119	Average 71.50	428,083	422,749
Khanjahan Ali Power Company Ltd: January to December 2012	40	44	Average 50.89	181,769	177,508
29 May to December 2011	40	44	Average 53.95	113,641	111,029

### 42. Events after reporting period

There is no material event that has occurred after the balance sheet date to the date of issue of these financial statements, which could affect the figures stated in the financial statements.

### 43. General

43.1 During the year the company had 12 permanent employees and their individual remuneration rate was not less than Tk 36,000 per annum (31 December 2011: 11 permanent employees).

43.2 Previous year's figures have been rearranged, wherever considered necessary, to conform to current year's presentation.



## KHULNA POWER COMPANY LTD.

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

## Proxy Form

I/We ..... of .....  
 .....being a member of Khulna Power Company Ltd. hereby  
 appoint Mr./Ms..... of .....  
 .....another member of the company, as my proxy to attend and vote for me on my  
 behalf at the 15th Annual General Meeting of the Company to be held at 10.30 a.m. on Wednesday, the 19th June 2013 at  
**Bashundhara Convention Center-02, Bashundhara R/A, Baridhara, Dhaka-1229** and at any adjournment thereof.  
 Signed this ..... day of ..... 2013.

Signature of the Shareholder (s)

Signature of the Proxy

Number of Shares held .....

BO ID NO.

BO ID NO.

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

Revenue  
Stamp  
Tk. 10.00

Signature Verified

Authorised Signatory



## KHULNA POWER COMPANY LTD.

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

## SHAREHOLDERS' ATTENDANCE SLIP

I/We hereby record my attendance at the 15th Annual General Meeting of the Company to be held on Wednesday, the 10.30 a.m. on 19th June, 2013 at **Bashundhara Convention Center-02, Bashundhara R/A, Baridhara, Dhaka-1229**.

Name of the member/Proxy (in Block Letter)	
BO ID No. of Shareholder	<input type="text"/>
Mobile Number of Shareholder	<input type="text"/>
E-mail address (if any)	<input type="text"/>

Signature Verified by

Signature of the Member

Authorised Signatory of the Company

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