

Annual Report

2015 - 2016

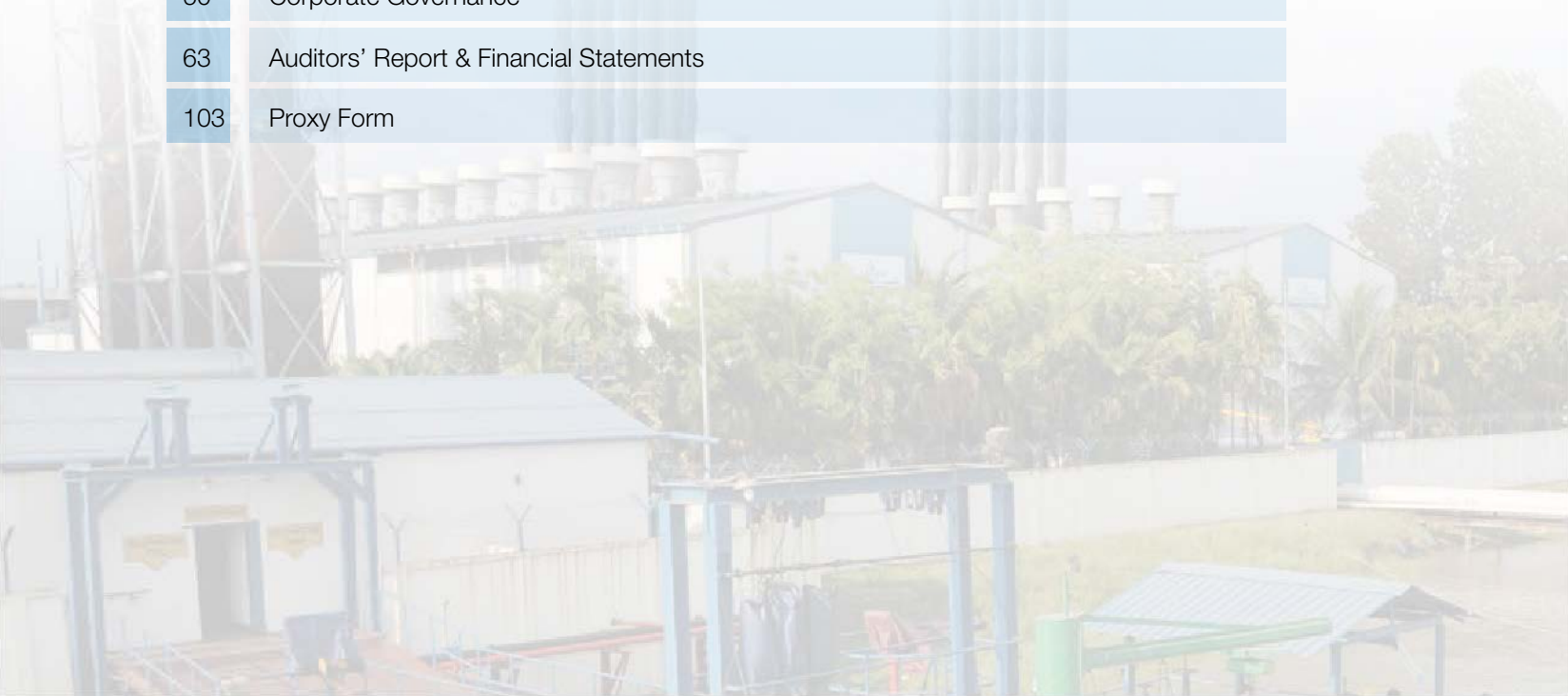


Khulna Power Company Ltd.



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Corporate Information

Board of Directors

Chairman

Hasan Mahmood Raja

Managing Director

Md. Abdur Rahim

Director

Muhammed Aziz Khan

Ahmed Ismail Hossain

K. M. Ahsan Shamim

Latif Khan

Md. Farid Khan

Jafer Ummeed Khan

Faridur Rahman Khan

Akhter Mahmud Rana

Abul Kalam Azad

Ayesha Aziz Khan

Moinuddin Hasan Rashid

A. N. M. Tariqur Rashid

Lt Gen (Retd) Abdul Wadud

Chief Financial Officer & Company Secretary

Md. Shoharab Ali Khan, FCMA

Audit Committee

Syed Fazlul Haque, FCA, Chairman

Abul Kalam Azad, Member

Ayesha Aziz Khan, Member

Head of Internal Audit

Md. Nafizur Rahman

Independent Director

Syed Fazlul Haque, FCA

Lt Gen Sina Ibn Jamali, awc, psc (Retd)

Karishma Jahan

Professor Mohammad Musa, PhD. - w.e.f. 29-10-2016





Power Plants

- 1. Khulna Power Company Ltd. (KPCL-I) - 110 MW**
Goalpara, Khalishpur, Daulatpur, Khulna-9202
Phone : +88-041 763556-8
Fax : +88-041 760227
- 2. Khulna Power Company Unit II Ltd. (KPCL-II) - 115 MW**
Amalgamated with Khulna Power Company Ltd. (KPCL) on 30 September 2014
Extended premises of KPCL, Goalpara, Khalishpur, Khulna.
Phone : +88-041 763556-8
Fax : +88-041 760227
- 3. Khanjahan Ali Power Company Ltd. (KPCL-III) - 40 MW**
Amalgamated with Khulna Power Company Ltd. (KPCL) on 30 September 2014
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 58810932, 58810892, 58810868, 9844217
Fax : +88-02 984 3989
Email : kpcl@khulnapower.com
Web : www.khulnapower.com

Auditors

Rahman Rahman Huq
Chartered Accountants
9 & 5 Mohakhali C/A
Dhaka 1212

Legal Adviser

Md. Sameer Sattar
Barrister, Lincoln's Inn
Sattar & Co.
Unit-A3, House-14, Road-13/G
Block-E, Banani, Dhaka-1213

Main Bankers

Standard Chartered Bank
Citibank, N.A.
BRAC Bank Limited
Bank Alfalah 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. had two

subsidiary companies named as: i) Khulna Power Company Unit II Ltd.; and ii) Khanjahan Ali Power Company Ltd. Both the subsidiaries subsequently merged with Khulna Power Company Ltd with the sanction of the Honorable High Court Division of Supreme Court of Bangladesh.

Khulna Power Company Unit II Ltd.

Khulna Power Company Unit II Ltd. (KPC Unit II) presently indentified as KPCL- 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 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) presently indentified as KPCL- III 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 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.



Amalgamation of Khanjahan Ali Power Company Ltd & Khulna Power Company Unit II Ltd with Khulna Power Company Ltd. (KPCL)

Khanjahan Ali Power Company Ltd and Khulna Power Company Unit II Ltd (“Transferor Companies”) and Khulna Power Company Ltd (“Transferee Company”) are under common management since incorporation. In order to enable effective management and diversified control of operations as well as to achieve greater financial strength and flexibility in the interests of maximizing overall shareholder value shareholders of the Transferee Company and the Transferor Companies have proposed to restructure, amongst others, assets by way of amalgamation. Further, the amalgamation would help the Companies to create an opportunity for better management of the assets.

On 22 March 2015, the high court division of Honorable Supreme Court of Bangladesh issued an order giving effect to our scheme of amalgamation under company matter no.322 of 2014. The high court ordered that under the amalgamation scheme, the entire undertaking of Khulna Power Company Unit II Ltd and Khanjahan Ali Power Company Ltd (the transferor companies) as going concerns will be transferred to and vested in the Khulna Power Company Ltd (the transferee company) with an effective date of 30 September 2014. In the said Judgment, the Hon’ble High Court took particular interest on the transfer and vesting part of the Scheme as appearing at page 8 of the Judgment which runs as follows:

“All the licenses, permits, quotas, approvals, permissions, incentives, loans, subsidies, concessions, grants, rights, claims, leases, tenancies, exemptions from income tax or other taxes, benefits, rights and privileges and right to extension under the Contract for Supply of Electricity on Rental Basis for 5 years being Contract No. 09751 dated 23.6.2010 and Contract No. 09766 dated 25.7.2010 (“the Power Purchase Agreements”) and any amendment thereof between respective Transferor Companies with the

Power Development Board and other benefits and privileges enjoyed or conferred upon or held or availed of by and all rights and benefits that have accrued, which may accrue to the Transferor Companies shall, pursuant to the provisions of Section 229(2) of the Act, without any further act, instrument or deed, be and stand transferred to and vested in and available to the Transferee Company so as to become as and from Appointed Date 30.9.2014.”

Operation & maintenance (O&M) of KPCL plants (KPCL-I, KPCL-II and KPCL-III)

The KPCL plant and two of its subsidiary units (KPC II & KJAPCL) subsequently amalgamated with KPCL from 30.09.2014 were being operated and maintained by Wärtsilä Bangladesh Ltd., a 100% owned subsidiary of Wärtsilä OY, Finland; the manufacturer and EPC contractor of these plants under a long term O&M Agreement. A team of highly skilled professionals are engaged in the operations of the plant. The operational process has been developed and managed by the expert team. For any technical issue, the equipment manufacturer extends their support as and when needed. The management team at plant level is also professional and possesses requisite expertise to run the operations. These plants are being operated and maintained by KPCL itself with full sets of experienced engineers and staff as engaged earlier since January 2014.





KPCL power plant (KPCL-I)

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



Plant Management



Plant Management and Officials





KPC Unit II power plant (KPCL-II)

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 (KPCL-III)

- **Location:** Noapara, Jessore
- **Capacity:** Land based 40 MW power plant
- **Generating Plant:** 5 X Wärtsilä 20V32 DG Sets
- **Fuel used:** Heavy Fuel Oil (HFO)
- **Project cost:** USD 25 million



Khanjahan Ali power plant



The Shareholders

Shajahanullah Power Generation Company Ltd (SPGCL) own 35.2823%, Summit Corporation Limited own 17.6411%, Summit Power Limited own 17.6411% and 14 individual sponsor shareholders own 0.0237% of 361,284,709 shares of Khulna Power Company Ltd. The rest of 29.4118% shares are owned by the General Public investors.



Shajahanullah Power Generation Company Ltd (SPGCL)

To cater the ever-increasing electricity demand of residential establishments and industrial & commercial projects in the Sylhet zone, Shajahanullah Power Generation Company Ltd. (SPGCL) set up a Commercially Independent Power Plant in Kumargaon, Sylhet in the year 2013.

The Company is operating a Natural Gas fired 28 MW power plant, consisting of Three (3) Rolls-Royce Norway B35:40V20AG2 engines, with each having capacity of 9.34 MW, for a total output of 28 MW.

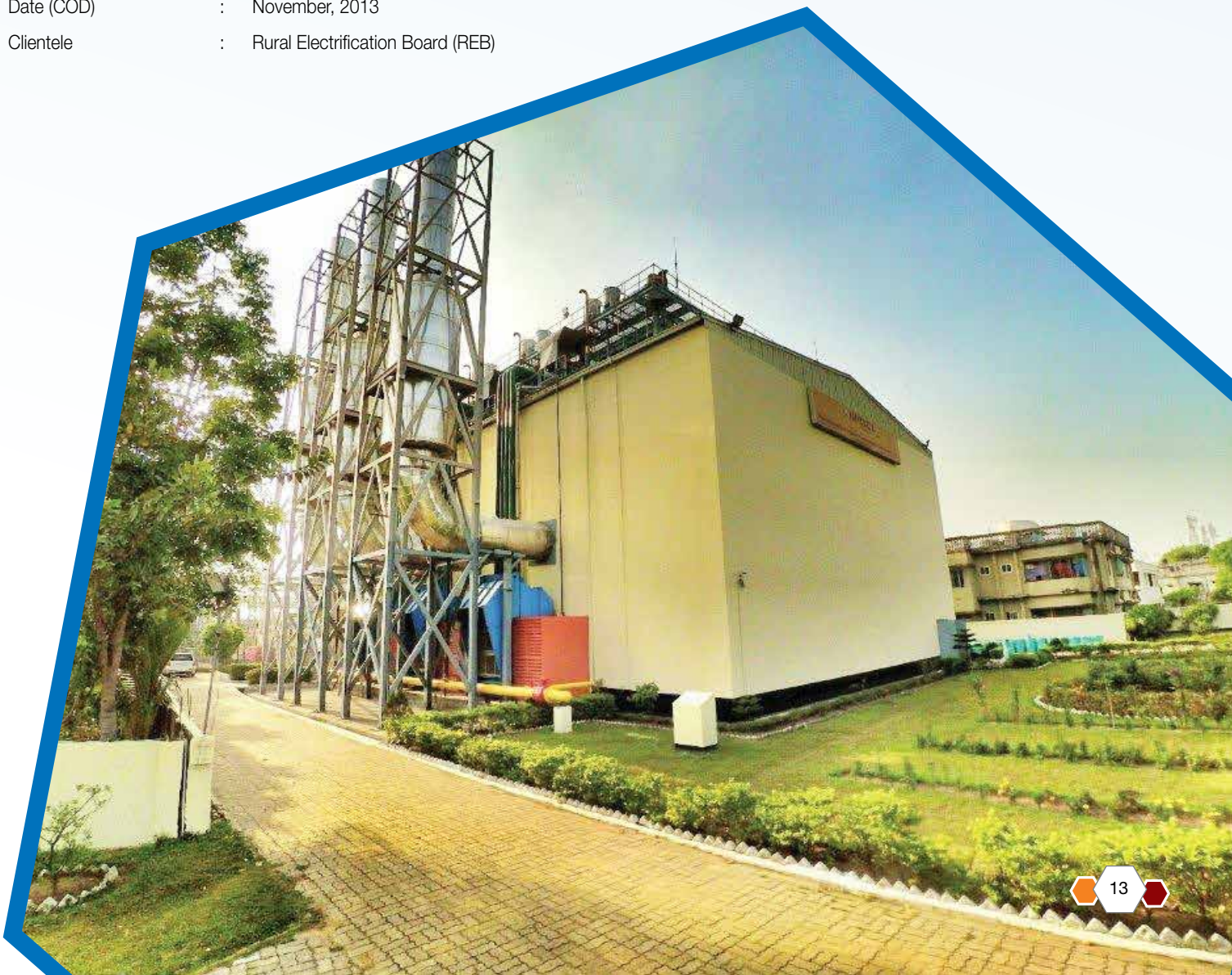




The power plant was successfully commissioned on October 2013 and the generated electricity is being supplied to Sylhet Palli Bidyut Samity (PBS) under the Rural Electrification Board of Bangladesh (REB) - lighting up thousands of homes, powering industries and driving numerous pumps in the irrigation season.

Information Snapshot

Number of Generators	:	3 units each of capacity 9.34 MW
Genset Model	:	Rolls-Royce Norway B35:40V20AG2
Capacity	:	28 Megawatts
Commercial Operation Date (COD)	:	November, 2013
Clientele	:	Rural Electrification Board (REB)

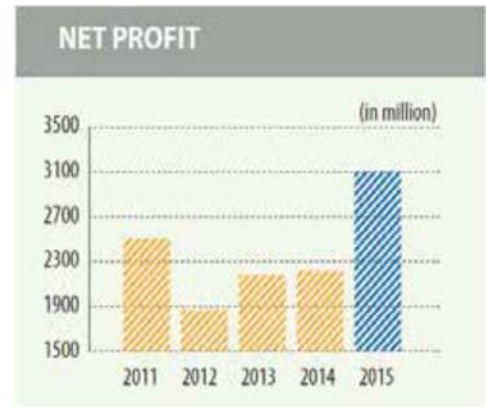




Summit Group of Bangladesh

The Summit Group is one of the leading private sector conglomerates of Bangladesh, comprising more than twenty business units ranging from power to shipping to communications and currently generating 1,423 MW of electricity. Summit Power Limited (SPL), a subsidiary of Summit Group is the first Bangladeshi Independent Power Producer (IPP) in Bangladesh in private sector providing power to national grid. SPL was incorporated in Bangladesh on March 30, 1997 as a Private Limited Company. On June 7, 2004, the Company was converted into Public Limited Company under the Companies Act 1994.

Today Summit Power Limited owns and operates 13 (thirteen) power plants at different locations across the country having a total capacity of 482 MW of its own. SPL plants are equipped with engines manufactured by world famous technotex companies, i.e. Wartsila – Finland, Caterpillar - USA, and GE Jenbacher, Austria. As per private sector power generation policy of Bangladesh, Summit sells electricity to the Bangladesh Power Development Board (BPDB) and Bangladesh Rural Electrification Board (BREB) only. Due to the practice of Integrated Management System (IMS) to run the day-to-day business operation, the Company has been certified by ISO 9001: 2008 - Quality Management System, ISO 14001: 2004 - Environmental Management System and OSHAS 18001: 2007 - Occupational Health and Safety Assessment System.



This fast-growing company has set a mission to expand the company with a power generation capacity to the tune of a modest 20% of the electricity requirement in Bangladesh. In the way to this mission to enlighten the nation, recently, the Company has been provided with another 149 MW HFO fired power project at Kodda, Gazipur.



Due to its Management's dedication, integrity and leadership, the Company has been applauded locally and internationally by several awards at different times, i.e. – Best Fast Track Power Project Award by Asian Power Awards, International Star for Leadership in Quality Award by Business Initiative Directions (BID), Best Presented Accounts and Corporate Governance Disclosures Awards by SAFA, ICAB National Award for Best Published Accounts and Reports in Manufacturing Sector, ICMA Best Corporate Award in Power Sector, ICSB National Award for Corporate Governance Excellence in General Manufacturing.

Recently, three of the subsidiaries of Summit Power Limited, namely Summit Uttaranchol Power Company Limited, Summit Purbanchol Power Company Limited and Summit Narayanganj Power Limited, have been amalgamated with Summit Power Limited and formed one legal entity as Summit Power Limited to transform the merged Company as a larger player than before in the private sector power generation not only in terms of asset base, generation of higher volume of electricity with consequential increase in revenue and profit, but also in terms of optimization of shareholders' return from conducting its activities more economically, efficiently and effectively.

Summit Power Limited supports various organizations, community capacity development institutions and contributes towards many social and humanitarian causes as part of its Corporate Social Responsibilities (CSR) including SEID Trust, Summit Professional and Amateur Cup Golf Tournament, Shilpangan Trust, PROYASH, Friendship Summit Energy Project and Siraj Khaleda Memorial Hospital in Dhaka Cantonment etc. Such activities are in favor of education, sports, underprivileged children and youth, electrification to the remote char dwellers and so on.

The Vision, Mission and Objectives, the Company articulates in the path of its sustainable growth, are as under:

Vision - To provide quality & uninterrupted electricity to the vast majority of rural Bangladesh for their personal, social & economic development.

Mission – “Empowering Bangladesh”

To expand the company into a power generation capacity to the tune of about 20% of the electricity requirement of Bangladesh and maintain that level.

Objectives –

- Generate and provide uninterrupted reasonably priced electricity to our customers.
- Efficient utilization of capital, machineries, materials and human resources.
- Continuous improvement of customer satisfaction and resource management.



Summit Corporation Limited

Brief Description of Summit Corporation Limited

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 actively invested in other power generation projects totaling 1465 MW in operation, serving a major portion of the country's power needs. The group is recognized as a major infrastructure-industry company of Bangladesh employing over 4,000 people.

Established in 1985, Summit's focus is in infrastructure development requirement and has aligned its long-term plan with the country's development requirement of the capital-intensive infrastructure. The company is highly regarded for its efficient and ethical business practices with a reputation for excellence and innovation. As a part of its business strategy, Summit continues to grow, implementing innovative and pioneering ideas to empower the infrastructure of Bangladesh.

Summit's companies are recipients of multiple awards including receiving ICAB's award for best financial reporting four years in a row. Other noteworthy accolades include the national awards for best power generation company award in 2013, best power generation project award in 2014, best power generation project award in 2015 and awards for being the best company in corporate governance. Major stakeholders include General Electric (GE), DEG, FMO, International Finance Corporation (IFC), Asian Development Bank (ADB) and Islamic Development Bank (IsDB), Standard Chartered Bank (SCB), Hong Kong Shanghai Banking Corporation (HSBC), DBS Bank of Singapore, among others.

SCL has around 1465-MW installed power generation capacity with electricity being supplied by 18 different power plants in operations utilizing various technologies and individual capacity ranging between 11-MW and 341-MW. The group has sponsored the first IPP, a 110 MW barge-mounted power plant developed by Khulna Power Company Ltd ("KPCL"). Summit Power Limited ("SPL"), sponsored by Summit Group, is the first Bangladeshi

Independent Power Producer ("IPP") in Bangladesh.

Summit Power Limited and Khulna Power Company are publicly listed in the Dhaka and Chittagong Stock Exchanges.



Summit's Experience In Power Generation

Summit has invested in and developed a vast portfolio of energy projects, which comprises of gas turbine, combined cycle gas turbine and gas engine based projects. Summit has developed, built and operates a power generation portfolio with a total installed capacity of about 1465 MW, and is working towards doubling that capacity in the next five years.

Major power entities of Summit Corporations Ltd.'s are as follows:

- Summit Power Ltd.
- Summit Bibiyana Power Company Ltd.
- Summit Meghnaghat Power Company Ltd.
- Summit Narayanganj Power Unit II Ltd.
- Summit Barisal Power Company Ltd.



Notice

of the 18th Annual General Meeting

Notice is hereby given that the 18th Annual General Meeting of the Shareholders of Khulna Power Company Ltd will be held on Thursday, the 15th day of December, 2016, at the auditorium of Krishibid Institution Bangladesh, Krishi Khamar Sarak, Farmgate, Dhaka-1215 at 11.00 A.M to transact the following businesses:

Ordinary Business:

1. To receive and adopt the Directors' Report and the audited financial statements for the eighteen-months period ended June 30, 2016 together with the auditor's report thereon.
2. To declare dividend for the eighteen-months period ended on June 30, 2016 as recommended by the Board of Directors.
3. To elect Directors in place of those retiring under Article 20(c) and 23(a) of the Company's Articles of Association.
4. To appoint auditors for the financial year 2016-2017 and to fix their remuneration.

Dhaka, November 30, 2016.

By order of the Board

(Md. Shoharab Ali Khan FCMA)
Company Secretary

Notes:

1. Shareholders whose names appeared at the record date i.e. November 24, 2016 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.
4. Shareholders who have not updated their respective BO ID with 12 digit Electronic Taxpayer's Identification Number (e-TIN) within the record date i.e. November 24, 2016 through their Depository Participant (DP), are requested to send the same to the registered office of the company before the AGM; failing which, Income Tax at source will be deducted from cash dividend @15% instead of 10% under Sec 54(1)(b)(ii) of Income Tax Ordinance 1984.

Special Note: No benefit or gift in cash or kind shall be given to the Shareholders for attending the 18th Annual General Meeting as per Bangladesh Securities and Exchange Commission's Circular no. SEC/CMRRC/2009-193/154 dated October 24, 2013.



17th AGM Photographs





Message from the Chairman

Dear Fellow Owners of Khulna Power Company Ltd.

Assalamu Alaikum,

It is always wonderful to meet all of you during the annual general meeting of this amazing company of ours. It is my privilege to welcome you, especially to this 18th Annual General Meeting of your Company, which provides me with an opportunity to apprise you about the policy and strategy of Khulna Power Company Ltd, so that you may be appraised our performance. Your Company is an Electricity

Generating Company, which is one of the core ingredients of our national growth. Well, so far, we have displayed quite a healthy performance about which we can all be thankful to the Almighty Allah.

As you know, in order to ensure effective management, diversified control of operations and, ultimately, to maximize the shareholders' value - the Company has merged its two subsidiaries (KPCL II & KJAPCL) to restructure, amongst



others, assets by way of amalgamation with effect from 30th September 2014. Honorable High Court has granted the amalgamation scheme on 22 March 2015. Accordingly, Alhamdulillah, your Company is now a merged/ amalgamated company of 265 MW power generation capacity. As an obligatory requirement of Finance Act 2015, your company has changed its financial reporting period to July to June from January to December. Consequently 18th AGM covers the financial reporting eighteen months period from 1 January 2015 to 30 June 2016.

Let me affirm that the biggest challenge to the growth of any capital intensive power generation company is “capital” itself. Your Company has specialized 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. could get financed by the multilaterals at less than 5% per annum. Your company also repaid the entire foreign finance in due time. Your company follows an Integrated Management System (IMS) to maintain all of its power plants, which includes – ISO 14001: 2004 - Environmental Management System (EMS), BS OHSAS 18001:2007 – Occupational Health & Safety (OH&S). Your company successfully passed the inspections and received the certificates of accreditation for all three standards e.g. ISO 9001:2008, ISO 14001:2004 & BS OHSAS 18001:2007.

At the moment, Bangladesh’s infrastructure, especially electricity, is so important that there is no difference of opinion amongst the politicians on the requirement of dynamic electricity generating companies, thus providing us unhindered growth opportunities today and beyond. It is indeed fulfilling to know that your company generated 1,896,606 MW of much needed electricity for the people of Bangladesh. Our electricity fuels industries, helps students learn, provides irrigation to the farmer thus creating our cherished “Sonar Bangla”.

Dear Fellow Owners, I am also pleased to inform you that Khulna Power Company Ltd. has earned a net income of

Tk.3,548 million during the financial period ended June 2016. I would like to congratulate all our stakeholders and employees for the overall good performance during the eighteen-months period ended on 30 June 2016. Let me also inform you with pleasure that there has also been an improvement in our gearing ratio which means that the Company has reduced its dependence on debt financing (zero), hence attributing further profits to our ordinary shareholders.

Now we stand on a platform rich with experience. We are confident that the Company will maintain its growth momentum in the business and, of course, in profitability in the years to come. We gratefully appreciate the continued support of our valued fellow owners and would look forward for the same in future as well. Let me assure you that the Company continues to be managed professionally by qualified personnel and development of human resources remains to be our priority sector to ensure services of the highest quality.

At the end, I would like to convey my sincere thanks to my fellow Directors for their continuous support and cooperation. The Management Team and Staff worked very hard to take the Company forward and bringing it to the point where we stand today. I would like to recognize their dedicated and unflinching services and convey our appreciations and thanks to all of them.

Thank you very much for being with us. May the Almighty Allah be with us always to let us prosper together, Ameen.

All the best wishes

Hasan Mahmood Raja
Chairman



Directors' Report to the Shareholders

For the eighteen-month period ended on 30 June 2016



Respected Shareholders,

Dear Shareholders,

Assalamu Alaikum,

The Board of Directors of Khulna Power Company Ltd (KPCL) welcomes you all in the 18th 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 eighteen-month period, which ended on June 30, 2016.

The Directors' Report is prepared in compliance with Section 184 of the Companies Act 1994, Listing Rules of Dhaka & Chittagong Stock Exchange Ltd (DSE&CSE) and Bangladesh Securities & Exchange Commission's (BSEC) notification no- SEC/CMRRCD/2006-158/134/Admin/44 dated 07th August 2012.



World economic outlook

Global growth, currently estimated at 3.2 percent in 2015, is projected at 3.5 percent in 2016. The pickup in global activity is projected to be more especially in emerging market and developing economies. In advanced economies, a modest and uneven recovery is expected to continue, with a gradual further narrowing of output gaps. The picture for emerging market and developing economies is diverse but in many cases challenging. The slowdown and rebalancing of the Chinese economy, lower commodity prices, and strains in some large emerging market economies will continue to weigh on growth prospects in 2016. The projected pickup in growth in the years 2016 despite the ongoing slowdown in China— primarily reflects forecasts of a gradual improvement of growth rates in countries currently in economic distress, notably Brazil, Russia, and some countries in the Middle East, though even this projected partial recovery could be frustrated by new economic or political shocks.

Risks to the global outlook remain tilted to the downside and relate to ongoing adjustments in the global economy: a generalized slowdown in emerging market economies, China’s rebalancing, lower commodity prices, and the gradual exit from extraordinarily accommodative monetary conditions in the United States. If these key challenges are not successfully managed, global growth could be derailed.

GDP growth will grind higher to 3.5% from 3.2% as recovery from crisis continues. Growth will come from rebounds in hard-hit emerging markets and shall improve in Europe, Japan etc. Labour markets will continue to march toward full employment in economies such as the USA and UK.

% change YOY	2015	2016
World	3.2	3.5
Developed Markets	2.0	2.0
Emerging Markets	4.4	4.9

*source: IMF

Domestic economic outlook

Bangladesh is a rapidly developing country that is classified as one of the “Next 11” emerging markets and as one of the “Frontier Five” economies, of the world based on macro-economic and demographic trends. According to recent opinion polls, Bangladesh has the second most pro-capitalist population in the developing world. Despite political turmoil, structural constraints and global volatility, the Bangladeshi economy is maintaining macroeconomic stability and moving forward at a steadily increasing pace. The global recovery, strong domestic demand growth and sustained macro stability bodes well for Bangladesh’s GDP growth and poverty reduction. Bangladesh has officially achieved lower middle income country (LMIC) status with the World Bank in mid-2015.

Selected economic indicators (%)	2015	2016
GDP Growth	6.5	7.05
Inflation	6.4	6.2
Current Account Balance (share of GDP)	-0.8	-0.5

*source: Bureau of Statistics

Furthermore, for the 6th straight year, Bangladesh has received favourable country credit ratings by the international issuer organizations. The ratings reflect Bangladesh’s strong track record of macroeconomic stability, a modest debt burden, limited external vulnerabilities and an ample foreign reserves buffer. The ratings are as follows:

Agency	Rating	Outlook
Standard & Poor	BB-	Stable
Moody	Ba3	Stable
Fitch	BB-	Stable
Source-BB		

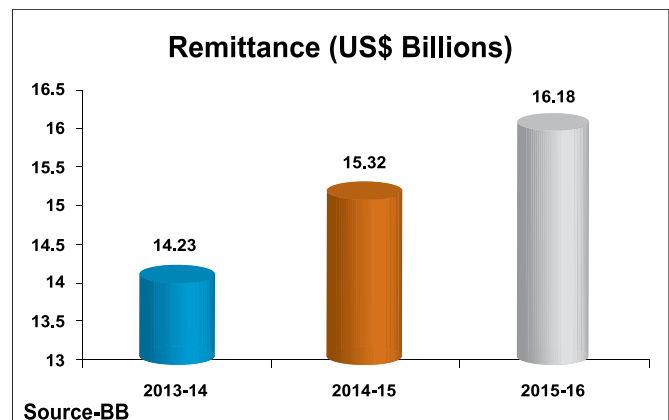
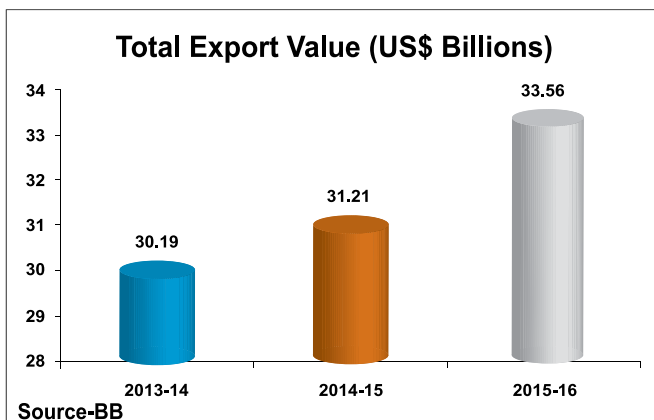
*source: Bangladesh Bank

Bangladesh’s GDP growth in the Fiscal Year (FY) 2015 was 6.5%, which is higher than the 6.1% recorded in FY2014. Despite political agitation early in 2015 that adversely affected transport services, exports, and private investment, growth in Bangladesh held up well because of brisk domestic demand, boosted by higher worker remittances, private sector wages, and



public investment. Inflation moderated and achieved 6.4% in FY2015, reflecting large public stocks of food grains, normal weather, a supportive monetary policy, and lower global food and commodity prices that a steady exchange rate allowed to pass through. Export growth was 3.3% in FY 2015, down significantly from 12.1% in FY 2014. Garments—accounting for about 80% of total exports grew slowly by 4.1%, reflecting supply chains disrupted by political demonstrations in early 2015, soft demand from the European Union and

the US, and a marked decline in prices for cotton, a major input cost that can affect pricing. Imports rose by 11.2%, accelerating from 8.9% growth in FY 2014. Larger imports of food grains, machinery, fertilizer, and industrial raw materials helped to propel the expansion. As exports grew significantly slower than imports, the trade deficit widened markedly. Despite a record amount of remittance received in FY 2015 (USD 15.30 billion), the current account recorded a small deficit.



The GDP growth forecast for FY2016 is revised to 7.05% somewhat higher still with the expectation that exports will grow with continued economic recovery in the US and the Euro area, strong expansion in remittances will boost consumption demand, private and public investment will pick up as the business climate improves under a stabilizing political situation, and spending will increase under the annual development program. The export target for FY2016 is USD 33.5 billion. The average inflation in FY2016 will be 6.2%, which matches the central bank's monetary policy statement. Although higher public sector wages and upward adjustments to administered prices for natural gas and electricity from 1 September 2015 will exert inflationary pressure, though the easing of supply constraints, a cautious monetary policy, and a better crop outlook should keep inflation in check. Export growth in FY2016 is projected to improve to 6.0% as economic growth in the European nation and the US strengthens. Imports are projected to increase by 13.0%, mainly for capital goods, industrial raw materials, and food grains. Despite the expansion in remittances, the larger trade deficit will likely mean a

current account deficit narrower than in FY2015 but failing to achieve the small surplus.

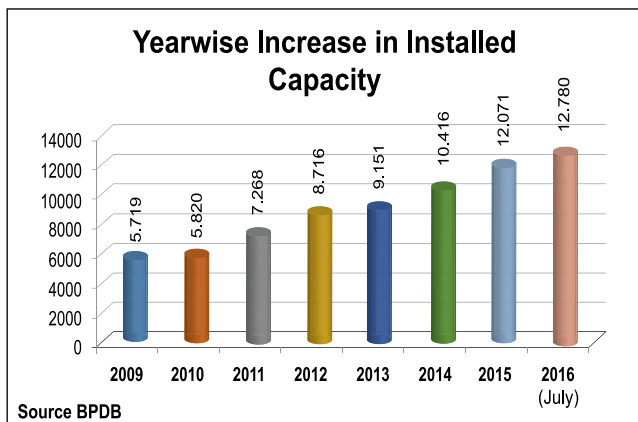
Power sector scenario in Bangladesh

Bangladesh with its 160 million people in a land of 147,570 square-km has shown tremendous growth in recent years. A booming economic growth, rapid urbanization, increased industrialization and development has increased the country's demand for electricity. Recognizing this pressing demand for power and its requirement for the development of the economy, the present government has prioritized power sector in its election manifesto. As per the manifesto, electricity generation in the country was supposed to be 5000 MW by the year 2011 and 7000 MW by the year 2013. The government has been successful in meeting these targets and has even been able to achieve higher level of precedents. With proper load management, irrigation for agriculture has been given the fullest support which contributed to bumper harvests during the last crop seasons.

A quick comparison of the key parameters of the power sector provided below bears evidence of the development of the power sector.



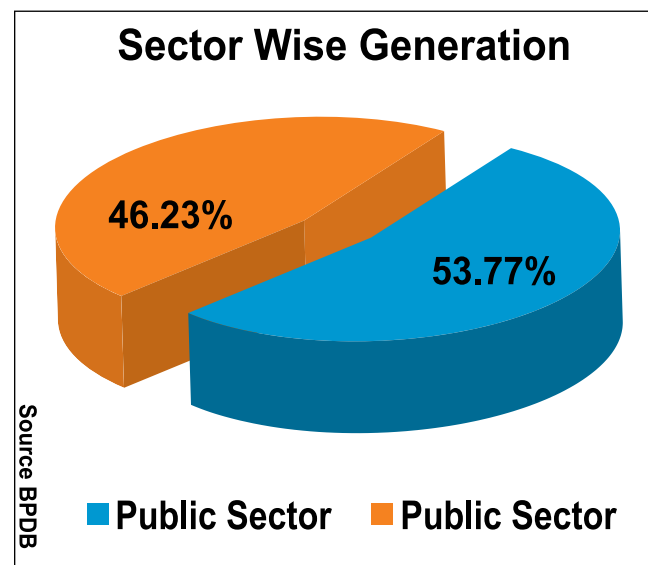
Particulars	Unit	2014	Jul-16	% increase
Generation Capacity	MW	10,416	12,780	22.70
Maximum Generation	MW	7,356	9,036	22.84
Access to Electricity	%	68	76	11.76
Per Capita Electricity Generation	kWh	348	407	16.95
Number of Customers	Lacs	154	218	41.56
Total Length of Distribution Line	km	303,000	357,000	17.82
Total Length of Transmission Line	Ckt. km	9,536	9,893	3.74
System Loss	%	14.13	13.21	-6.51



IPPs	2,930	22.93%
SIPPs (REB)	251	1.96%
3/5 yr. Rental	1,861	14.56%
Sub Total	5,908	46.23%

As of July 2016, the installed electric generation capacity stands at 12,780 MW of which the public sector produced 53.77% and the private sector produced 46.23%.

Public Sector	Installed Generation Capacity (MW)	%
BPDB	4,320	33.80%
APSCL	1,264	9.89%
EGCB	622	4.87%
NWPGCL	440	3.44%
RPCL	77	0.60%
BPDB-RPCL-JV	149	1.17%
Sub Total	6,872	53.77%



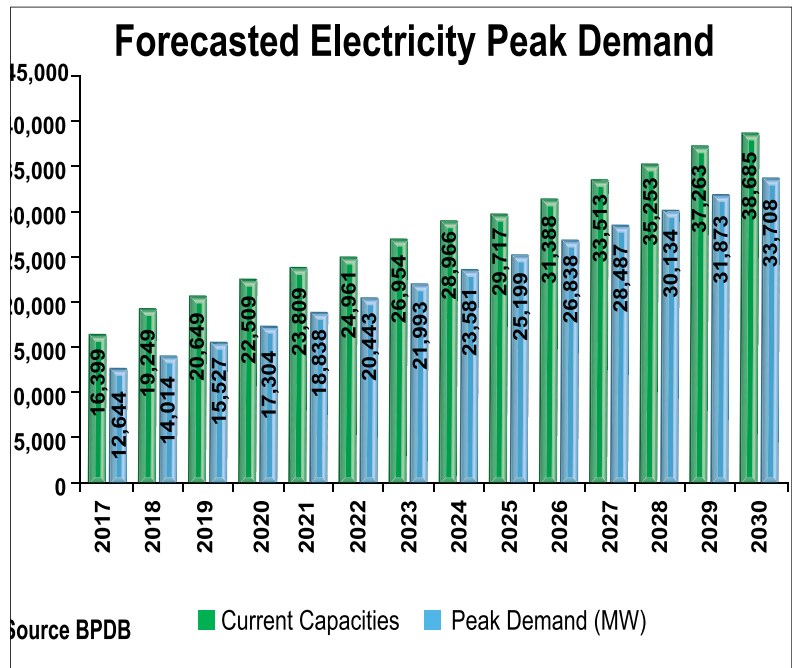


The Government of Bangladesh is committed to ensure electricity for all by 2021 and has aimed to add another 17,309 MW of electricity generation capacity by 2021, under the revised plan as follows:

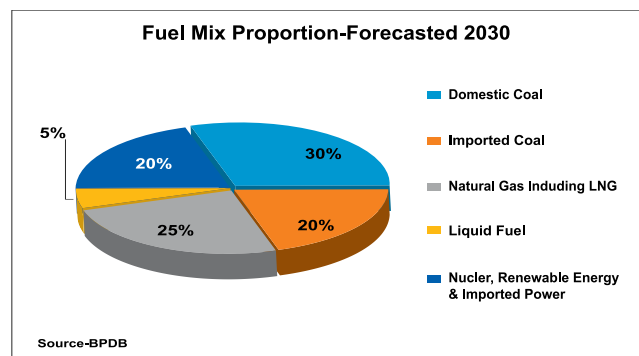
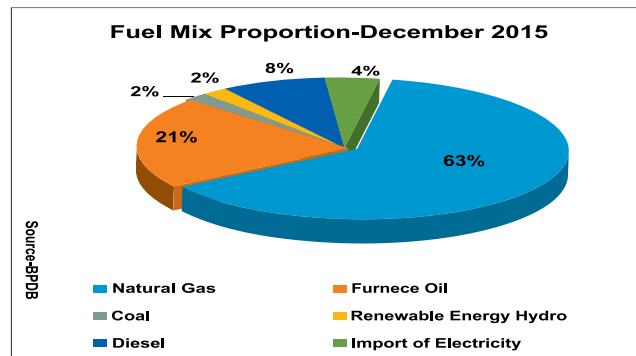
	2015	2016	2017	2018	2019	2020	2021
Public Sector (MW)	1,015	1,875	1,289	1,987	2,011	750	8,927
Total	1,596	2,088	3,193	3,389	3,235	3,808	17,309

The government has further extended its vision targeting the upcoming years up to 2030 and prepared the Power System Master Plan 2010 (PSMP). As per the PSMP the generation capacity will be about 39,000 MW in 2030. According to the PSMP –2010, year wise peak demand forecast is appended below.

Forecasted	Electricity	Peak	Demand
	Current	Peak	Demand
	Capacities	(MW)	
2017	16,399	12,644	
2018	19,249	14,014	
2019	20,649	15,527	
2020	22,509	17,304	
2021	23,809	18,838	
2022	24,961	20,443	
2023	26,954	21,993	
2024	28,966	23,581	
2025	29,717	25,199	
2026	31,388	26,838	
2027	33,513	28,487	
2028	35,253	30,134	
2029	37,263	31,873	
2030	38,685	33,708	



The Power System Master Plan 2010 also stresses on the importance of diversification of fuel resources, keeping in consideration the country's future energy security. The present and proposed fuel mix option for power generation is as follows:





The Power System Master Plan of 2010, emphasis that coal will be the dominating fuel in the future generation. Under the plan within 2030, 50% of total power generation i.e. around 20,000 MW will be from coal-based power plants. In this context, by 2024 the government, joint ventures, IPP, PPP sector are engaged in implementation of 12,000 MW power plant based on domestic imported coal. Two big coal fired plant with capacity of 1,320 MW each will be set up one in Khulna, and another in Chittagong. The Khulna plant will be set up as a joint venture project of Bangladesh Power Development Board and NTPC of India. Besides, several other coal fired plants will be set up in different locations of Chittagong, Matarbari, Moheshkhali, Patuakhali, Khulna, Dinajpur etc. In line with the strategy set out in the PSMP-2010, GOB decided to implement a new greenfield 200-850 MW LNG-based Combined Cycle Power Plant including LNG terminal & storage and regasification system on Build, Own and Operate (“BOO”) basis at Chittagong. In addition to the above, Bangladesh is proceeding with a plan for setting up a 3.5 million tons a year LNG import facility at Matarbari in Maheshkhali Island of Cox’s Bazar district or Anwara, Chittagong. The terminal, which is to be set up on the build-own-operate basis, will supply gas to a proposed 1,000 MW LNG based combined cycle power plant as well as the existing power plants in Raozan and Shikalbaha through a planned pipeline.

Several programs have been undertaken to promote use of renewable energy keeping in mind the country’s future energy security and low-carbon emission strategy. Government has formulated pro-investment policy to encourage private sector investment in Renewable Energy (RE) Sector. Bangladesh has the fastest growing Solar Home System (SHS) in the world with about 3.6 million homes covered under the program, being spearheaded by a public infrastructure financing entity. The total energy generation from renewable has been targeted to be 2000 MW. Current large scale contribution of renewable energy based generation is 230 MW generated by the hydroelectric power plant at Kaptai, Chittagong. The government plans to add another 1200 MW through renewable

energy based power generation, through public and private ownership.

The government has also taken timely decision to establish nuclear energy based power plant as part of the fuel diversification. Under the program by 2025 at least 2,400 MW of power will be generated from nuclear energy and by 2030 this capacity will climb to 4000 MW.

Realizing the ever increasing demand of electricity for socio-economic development and progress of the country, the government has also initiated sub-regional cooperation in the field of power generation, grid connectivity and overall energy security. Cooperation has been initiated through SAARC, SASEC and BIMSTEC etc. for sharing of hydropower through cross-border connectivity and capacity development. Through these cooperation efforts Bhutan’s and Nepal’s hydro power potential could be utilized for the sub-region. Sub-regional grid could enable flow of surplus electricity within the countries and minimize the demand supply gap of electricity in these South-Asian nations. A historical bilateral tie took place in January 2010 where the Hon’ble Prime Ministers of Bangladesh and India agreed on a major cooperation between the two neighbouring countries. This initiative highlighted the development of economic cooperation between the countries. At present, Bangladesh is importing 600MW of electricity from India through grid interconnectivity with a process underway to bring in another 900MW. Moreover, the government of Bangladesh has also aimed to increase the power generation by refurbishing the 15 to 25-year-old, inefficient power plants from simple cycle to combined cycle power generation through the transformation and growth of different maintenance plan. Renovation and rehabilitation of the old power plants will improve the fuel efficiency and reduce emissions.

The government has taken up huge development plans in the transmission and distribution system to accommodate the increased generation. From 2009 to June 2016, distribution line has been extended from



2,60,396 km to 3,57,000 km and transmission lines have been increased from 7,991 ckt. km to 9,893 ckt. km. The transmission and distribution system losses went down from 18.2% to 13.6%. In the year 2015 in particular a significant infrastructural development was recorded in the transmission sector. In the fiscal year 2014-15 PGCB completed the construction work of the first 400/230 kV substation in Bangladesh at Bibiyana. The transmission and distribution companies has undertaken huge development plans for strengthening their systems to accommodate the growing power demand and the government's Vision 2021.

Relentless and careful monitoring over implementation of long term, mid-term and emergency measures has led the government to achieve landmark progress in realizing its target to make Bangladesh a complete power hub.

Business sector opportunities for private sector

To encourage private sector for investment in the power sector of the country, the Government of Bangladesh adopted several policies namely Private Sector Power Generation Policy of Bangladesh, 1996 (revised 2004) and Policy Guideline for Enhancement of Private Participation in the Power Sector, 2008. The government has also taken a pragmatic step to revise the Electricity Act 1910, to be renamed as Electricity Act 2015, where adequate provisions has been kept to facilitate private companies to participate in developing the nation's power sector. Investment in power sector, at present, can be considered to have a much rewarding outcome. Some of such benefits for potential investors are as follows:

Facilities and incentives for private power companies

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

Facilities and incentives for foreign investors

- Tax exemption on royalties, technical know-how and technical assistance fees, and facilities for their repatriation.
- Tax exemption on interest on foreign loans.
- Tax exemption on capital gains from transfer of shares by the investing company.
- Avoidance of double taxation case of foreign investors on the basis of bilateral agreements.
- Exemption of income tax for up to three years for the expatriate personnel employed under the approved industry.
- Remittance of up to 50% of salary of the foreigners employed in Bangladesh and facilities for repatriation of their savings and retirement benefits at the time of their return.
- No restrictions on issuance of work permits to project related foreign nationals and employees. Facilities for repatriation of invested capital, profits and dividends.



Business activities including operating performance

Khulna Power Company Ltd (KPCL) is the first Independent Power Producer (IPP) of the country in private sector. Established under the Private Sector Power Generation Policy of Bangladesh 1996 (Revised in November 2004), has been in operation for the last 18 years. Initially KPCL started its journey to empower Bangladesh with its 110 MW barge mounted power plants. However in 2011 KPCL added another two efficient power plants- 115 MW KPCL II and 40 MW KPCL III. Present total generation capacity is 265 MW. Following is a snapshot of KPCL plants' operational performance for the recent period:

Name	Licensed Capacity MW	Installed Capacity MW	Generation (As demanded by BPDB)							
			2013		2014		2015		January-June, 2016	
			Plant Factor	Generation (MWh)	Plant Factor	Generation (MWh)	Plant Factor	Generation (MWh)	Plant Factor	Generation (MWh)
KPCL I	110	114	52%	510,454	37%	366,321	46%	454,203	54%	263,366
KPCL II	115	119	54%	553,235	50%	517,004	59%	604,045	62%	318,835
KPCL III	40	44	64%	230,663	56%	201,510	44%	156,720	56%	99,437
Total	265	277		1,294,352		1,084,835		1,214,968		681,638

KPCL plants' added 1,215 GWh of electricity to the national grid during the year 2015 and 682 GWh during the period from January 2016 to June 2016. Since beginning our plants were being operated and maintained by Wartsila Bangladesh Ltd., a 100% owned subsidiary of Wartsila OY, Finland; the manufacturer and spare parts supplier of these plants. However, from January 2014, these plants have been operated and maintained by the company itself with full sets of experienced engineers and staff as engaged earlier.

KPCL-III (40 MW Noapara plant) has successfully paid off its entire foreign currency term loan amounting to USD 19.50 million by January 2016, which was borrowed from Standard Chartered Bank Mauritius Ltd. in 2011 for financing the project.

Khulna Power Company Ltd has always used brand new highly efficient engines and other auxiliaries of best international standard. The aim is to spend bare minimum fuel for generation of electricity and save costly fuel of the country. The new and quality machine allows Khulna Power Company Ltd. to maintain its guaranteed contractual availability and Heat Rate (fuel consumption for generation of one unit of electricity) ensuring efficient use of fuel. KPCL follows an Integrated Management System (IMS) to maintain all of its power plants, which

includes - ISO 9001:2008 – Quality Management System (QMS), ISO 14001:2004 – Environmental Management System (EMS), BS OHSAS 18001:2007 – Occupational Health & Safety (OH&S).

After introduction of IMS, Bureau Veritas (a global leader in Testing, Inspection and Certification (TIC) with innovative solutions that go beyond simple compliance with regulations and standards, reducing risk, improving performance and promoting sustainable development) audited the management system of the company. KPCL successfully passed the inspections thus received the certificate of accreditation for all three standards e.g. ISO 9001:2008, ISO 14001:2004 & BS OHSAS 18001:2007.





Financial results and performance of the Company

Key Financial Results compared with last year is detailed below:

(Amount in million Taka)

Particulars	For the period/year ended			For the year ended 31 December 2014*
	Eighteen-month ended 30 June 2016	Six-month ended 30 June 2016	Year ended 31 December 2015	
Revenue	16,767.90	4,614.65	12,153.25	7,413.31
Cost of sales	(12,308.94)	(3,248.35)	(9,060.60)	(6,318.68)
Gross profit	4,458.96	1,366.31	3,092.65	1,094.63
General and admin. exp.	(444.62)	(110.40)	(334.22)	(79.79)
Operating profit	4,039.88	1,257.15	2,782.73	1,051.22
Finance income	129.17	49.96	79.21	108.84
Finance costs	(183.10)	(48.53)	(134.57)	(198.53)
Profit before tax	4,035.22	1,259.74	2,775.49	963.93
Income tax expense	(487.07)	(116.96)	(370.11)	(132.50)
Profit for the period/year	3,548.15	1,142.78	2405.37	831.43

*Consolidated statement of KPCL-I for 12 months and KPCL-II & KPCL-III for 3 months.

Gross profit margin for the eighteen-month period ended on 30 June 2016 has been increased to 26.59% compare to 13.72% of 2014 (Comparative information of 2014 represents amalgamated numbers of three months (October-December 2014) performance of KPCL-II and KPCL-III and full year (12 months i.e.

January-December) performance of KPCL-I. Your company earned higher gross profit margin during the aforesaid reporting period mainly due to minimise the effect of fuel oil costs mismatch and reduction of power plant operations and maintenance costs.

On the other hand, net profit margin for the eighteen-month period ended on 30 June 2016 has also been increased to 21.16% against 11.22% of 2014 (Comparative information of 2014 represents amalgamated numbers of three months (October-December 2014) performance of KPCL-II and KPCL-III and full year (12 months i.e. January-December) performance of KPCL-I). In fact, higher general & administrative expenses and income tax expenses during the reporting period effect adversely for more reduction of net profit margin in context of last reporting year.





Profit appropriation

The Directors takes pleasure in reporting the financial results of the company for the eighteen-month period ended on 30 June 2016 and recommended the appropriation as mentioned below:

Particulars	Amount (In million Taka)
Profit for the eighteen-month period ended on 30 June 2016	3,548.15
Profit brought forward	4,301.90
	7,850.05
Cash Dividend paid for the year 2014	(1,445.14)
Interim dividend paid for the eighteen-month period ended 30 June 2016	(1,445.14)
Profit available for appropriation	4,959.77
Appropriations:	
Proposed Final Cash Dividend for the eighteen-month period ended on 30 June 2016 @ 35%	(1,264.50)
Retained Earnings after proposed Cash Dividend	3,695.27

Extraordinary gain or loss

No extra-ordinary gain or loss has been recognized in the financial statements.

tax expense, liquidated damage charges, some receivables written-off as bad debt expense and lower revenue earnings affected profitability at end of the reporting period.

Related party transaction

The related party transactions carried out by the Company during the year have been disclosed in the Notes 28 to the financial statements.

Utilization of proceeds from public issues

Not applicable

Significant variance between quarterly and annual financial statements

Net profit reduced significantly in the financial statements reported for the eighteen-month period ended on 30 June 2016 compare to quarterly financial statements mainly due to accommodation of deferred





Dividend

The Board of Directors recommended with pleasure a Final Cash Dividend @ 35% (i.e. Tk 3.50 per share of Tk 10.00 each) amounting to Tk 1,264.50 million in addition to Interim Cash Dividend @ 40% (i.e. Tk 4.00 per share of Tk 10.00 each) amounting to Tk 1,445.14 million for the eighteen-month period ended on 30 June 2016. Out of total 75% of Cash Dividend amounting to Tk 2,709.64 million, the Board of Directors of the Company has already been paid the Interim Cash Dividend and recommended a Final Cash Dividend @ 35% out of the divisible profit of the Company that is subject to approval by the shareholders at the 18th Annual General Meeting. This is 76.37% of the Net Profit for the eighteen-month period ended on 30 June 2016.

Business risk & uncertainties:

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

The Company is operated by a team of highly motivated and trained engineers who were employed for the last seventeen years under Wärtsilä and KPCL. Wärtsilä, the leading power plant manufacturer and plant operator in the world, is technologically advanced enough to keep KPCL plant out of any technology related risk. Moreover, the company is maintaining adequate spare parts stock to avert any or all risk

of incurring any liquidated damage due to the non-performance/maintain down time of the plant. The availability of all sorts of spare parts is ensured under a Supply Agreement with Wartsila.

Heavy Fuel Oil (HFO) is used as basic raw material for the operation of all the three units of KPCL power plants. Summit Asia Pacific Pte Ltd and United Energy Trading Pte Ltd have been supplying Heavy Fuel Oil (HFO) to the Company under the Fuel Supply Agreement and the risk of price fluctuation in the global oil market is mitigated by the varying Fuel Tariff structure which is based on fuel cost as a Pass-through item. Moreover, KPCL can procure HFO from other vendors if the aforesaid vendors are unable to supply. The companies have prudent insurance coverage, which covers all risks package including Fire, Machinery Breakdown, Business Interruption and Third Party Liability etc.

Financial risk management has been disclosed in the notes 29 to the financial statements.

Directors' election and re-appointment

On withdrawal of nomination by United Enterprises & Co. Ltd.(UECL), due to sale of 127,469,456 ordinary shares of KPCL to Shajahanullah Power Generation Company Ltd(SPGCL, Board in its 99th meeting held on 29th October 2016 accepted resignations of Mr. K. M. Ahsan Shamim, Mr. Akhter Mahmud Rana, Mr. Abul Kalam Azad, Mr. Hasan Mahmood Raja, Mr. Ahmed Ismail Hossain, Mr. Faridur Rahman Khan and Mr. Moinuddin Hasan Rashid. Board in the said 99th meeting also, in exercise of power vested in Article-20(c) of company's Articles of Association and subject to approval of Bangladesh Securities and Exchange Commission (BSEC) approval of the transfer of KPCL shares through sale from UECL to SPGCL, accorded its acceptance of the nomination of Mr. K. M. Ahsan Shamim, Mr. Akhter Mahmud Rana, Mr. Abul Kalam Azad, Mr. Hasan Mahmood Raja, Mr. Ahmed Ismail Hossain, Mr. Faridur Rahman Khan and Mr. Moinuddin



Hasan Rashid from Shajahanullah Power Generation Company Ltd.(SPGCL) to become effective from the date the transfer of shares in the name of SPGCL is credited in the Depository Register of CDBL. BSEC approved the same by their letter SEC/SRMIC/36/504 dated November 23, 2016 and the transaction was concluded on the same day. All the nominated directors of SPGCL shall retire in the ensuing 18th AGM and being eligible, offer themselves for re-election.

AS per article 23 (b) of the Articles of Association Mr. Muhammed Aziz Khan, Mr. Jafer Umed Khan, Mr. A N M Tariqur Rashid, Ms. Ayesha Aziz Khan & Mr. Muhammad Farid Khan shall retire in the 18th Annual General Meeting (AGM) by rotation and being eligible, offer them for re-election.

In order to comply with the Bangladesh Securities and Exchange Commission's (BSEC's) Corporate Governance Guidelines (CGG) dated August 7, 2012 and in exercise of the power vested in article 20(c) of the Articles of Association of the Company, the Board appointed Professor Mohammad Musa PhD as Independent Director in its 99th Meeting held in 29 October 2016 in place of Independent Director M Fazlur Rahman, FCA as he disqualified as an Independent Director of the board. Pursuant to the Clause 1.2 (iii) of the CGG, appointment/re-appointment Professor Mohammad Musa PhD will retire in the 18th AGM and being eligible, offer him for re-election.

Board of Directors' meeting and attendance

The Board of Directors of the Company comprises of nineteen (19) members including four (4) independent directors. Names and profiles have been provided in detail under the heading Directors' Profile of this Annual Report. A statement for each of their involvement in other corporate bodies has also been provided in this report. The meetings of the Board of Directors are presided over

by the Chairman. Written notices of the Board meeting mentioning agenda along with working papers are circulated ahead of the meeting; minutes are correctly recorded, signed by the chairman and circulated.

Five (5) Board Meetings took place during the eighteen-month period ended on 30 June 2016. The attendance of the Directors are as follows:

Sl.	Name of Directors	Attended
1.	Mr. Hasan Mahmood Raja	5
2.	Mr. Muhammed Aziz Khan	3
3.	Mr. Latif Khan	5
4.	Mr. Faridur Rahman Khan	5
5.	Mr. Md. Farid Khan	2
6.	Mr. Jafer Ummeed Khan	5
7.	Mr. Ahmed Ismail Hossain	2
8.	Mr. K M Ahsan Shamim	5
9.	Mr. Abul Kalam Azad	5
10.	Mr. Akhter Mahmud Rana	1
11.	Ms. Ayesha Aziz Khan	3
12.	Mr. Moinuddin Hasan Rashid	4
13.	Mr. Faisal Karim Khan	2
14.	Lt Gen (Retd) Abdul Wadud	5
15.	Mr. A N M Tariqur Rashid	4
16.	Mr. Syed Fazlul Haque, FCA	5
17.	Lt Gen Sina Ibn Jamali awc, psc (retd)	5
18.	Ms. Karishima Jahan	5
19.	Mr. Fazlur Rahman, FCA	1
20.	Md. Abdur Rahim	3

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

Directors' responsibilities/reporting framework

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



Bangladesh Financial Reporting Standards (BFRS). This has been completely followed to fairly present the financial position and performance of the company. While preparing the financial statement, the following points were considered:

1. Selection of suitable accounting policies and then applying them consistently;
2. Making judgment and estimates that are reasonable and prudent;
3. Ensuring that the financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS);
4. Preparing the financial statements in an ongoing concern basis unless it is appropriate to presume that the company will not continue in business.

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

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

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





Remuneration of Directors

Remuneration, performance and other related perquisites/benefits of Managing Director reviewed annually and approved by the Board of Directors. Non Executive Directors including Independent Director are paid attendance fee per meeting. Related fees have been disclosed in the notes 28 to the financial statements.

Audit committee

Your company has an Audit Committee with an established charter. The Audit Committee of KPCL comprises of 4 (four) members of the Board who met five times (5 times) during the eighteen-month period ended on 30 June 2016 and the committee members' attendance record is provided below:

Name	Status	Attendance
Mr. Syed Fazlul Haque FCA	Chairman	5
Mr. Abul Kalam Azad	Member	5
Ms. Ayesha Aziz Khan	Member	4
Mr. M. Fazlur Rahman	Member	1

Auditors

Rahman Rahman Huq, Chartered Accountants was appointed as the auditors of the Company in the 17th Annual General Meeting. They have carried out the audit of eighteen-month period ended on 30 June 2016 and the auditors of the Company will retire in the 18th Annual General Meeting. Being eligible under section 212 of the Companies Act, 1994 they have expressed their willingness for reappointment for the financial year 2016-2017. As recommended by the Board, the resolution to reappoint Rahman Rahman Huq as auditors will be placed at the forthcoming Annual General Meeting of the Company.

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. The company has adopted "Code of Conduct & Ethics in 2012. KPCL follows an Integrated Management System (IMS) to maintain all of its power plants, which includes - ISO 9001:2008 – Quality Management System (QMS), ISO 14001:2004 – Environmental Management System (EMS), BS OHSAS 18001:2007 – Occupational Health & Safety (OH&S). The company has adopted "Code of Conduct & Ethics" and "Code of Corporate Governance".

Going concern/sustainability

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.

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 ISO 14001:2004 – Environmental Management System (EMS), BS OHSAS 18001:2007 – Occupational Health & Safety (OH&S). 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 period/year.

Status of compliance

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

Contribution to the economy & the national exchequer

Electricity is one of the main driving forces of the economy and it has a diversified use and multiplier effect on the economy. Significantly in the development of industrialization, electricity as fuel has no alternative. During the period from January 2015 to June 2016 our power plants added 1,897 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. It has contributed a significant amount to the national exchequer in the form of different duties, taxes and VAT that was about Tk. 453 million for the eighteen-month period ended on 30 June 2016.

Corporate social responsibility

KPCL is very conscious about environmental and social compliances for it's business operation. Each of our plant goes through rigorous Environmental and Social Impact Assessments. We not only comply with Department of Environment (DoE)'s standards but also follow international standards (ISO) and World Bank guidelines. KPCL has chosen "power for people and planet..." as it's corporate theme slogan.

Besides, KPCL is maintaining a very cordial relation with the local community. KPCL participated in various social welfare and development activities in a responsible way to meet the needs of vulnerable community. KPCL along with DEG (a subsidiary of KFW-Germany) is now sponsoring an extensive CSR project named "Community Engagement CSR Program for KPCL". The project is designed with long term feasibility thoughts of enhancing sustainable developments towards vulnerable local community based on the current needs of community around the plants. Among various CSR programs following are some key activities-

- Skill Development program for unemployed poor women; Sewing & Tailoring training and later on supporting them for sustainable deployment.
- Providing free Treatment support, a full time doctor is appointed to visit patients and prescribe at free. Free drugs are provided for poor patients.
- Regular ICT trainings for unemployed youths and assisting in sustainable development through their IT skills and developments.
- Education programs for students (providing financial supports, uniforms & stationeries, voluntary coaching for weak and drop out students etc.).





- Ensuring drinking water supply for school students and cleanliness of school yards and toilets.
- Senior Citizen Service program (providing winter gears & festival supports etc. for poor old peoples).
- Value added activities like Community Dialogues and FGDs at regular intervals, various awareness raising programs.
- Plantation beside public roads and school yards, distribution of plants among students.
- Household waste collection & cleaning of roads and nearby areas. Appointed cleaner, one van and van puller is engaged for this purpose.
- Counseling on anti drug abuses, event based adolescent awareness program for growing up young boys & girls, free specialist doctor visits for women health etc.
- Promoting and sponsoring sports and cultural educations among educational institutes, organizing creative competitions etc.

Organizing health camps at regular intervals to provide specialist treatment at free of costs.

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

Md. Abdur Rahim
Managing Director



Status of Compliance with the Corporate Governance Guideline (CGC)

For the eighteen-month period ended on 30th June 2016

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

(Report under Condition no 7.00)

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.	BOARD OF DIRECTORS			
1.1	Board's Size (number of Board members – minimum 5 and maximum 20)	✓		KPCL Board is composed of 19 directors including Managing Director
1.2	Independent Directors			
1.2 (i)	At least one fifth (1/5) of the total number of directors in the company's board shall be independent directors.	✓		
1.2 (ii)	For the purpose of this clause "independent director" means a director			
1.2 (ii)(a)	Who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company;	✓		Does not hold any share
1.2 (ii) (b)	Who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company;	✓		
1.2 (ii) (c)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/ associated companies;	✓		
1.2 (ii) (d)	Who is not a member, director or officer of any stock exchange;	✓		
1.2 (ii) (e)	Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market;	✓		
1.2 (ii) (f)	Who is not a partner or an executive or was not a Partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm;	✓		
1.2 (ii) (g)	Who shall not be an independent director in more than 3 (three) listed companies;	✓		
1.2 (ii) (h)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFi);	✓		
1.2 (ii) (i)	Who has not been convicted for a criminal offence involving moral turpitude.	✓		
1.2 (iii)	The independent director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM).	✓		
1.2 (iv)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days.	✓		
1.2 (v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded.	✓		"Standards of Business Conduct" set for the directors and maintained.
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.	✓		



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



Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	✓		
1.5 (xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standard (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	✓		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	✓		
1.5 (xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	✓		
1.5 (xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	✓		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	✓		
1.5 (xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	✓		Not Applicable
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	✓		
1.5 (xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by :-			
1.5 (xxi) (a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	✓		Khulna Power Company Unit II Ltd. & Khanjahan Ali Power Company Ltd. amalgamated with Khulna Power Company Ltd. (KPCL) on 30-09-2014
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.	✓		



Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
2.	CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS)			
2.1	Appointment of CFO, Head of Internal Audit and Company Secretary and defining their respective roles, responsibilities and duties	✓		Mr. Md. Shoharab Ali Khan, FCMA act as a Chief Financial Officer (CFO) as well as Company Secretary (CS) and Md. Nafizur Rahman act as a Head of Internal Audit
2.2	The CFO and the CS shall attend the Board Meetings.	✓		
3.	AUDIT COMMITTEE			
3 (i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	✓		
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	✓		
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	✓		
3.1	Constitution of the Audit Committee			
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members.	✓		
3.1 (ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) independent director.	✓		
3.1 (iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	✓		
3.1 (iv)	Expiration of the term of service of the Audit Committee members making the number lower than 3 (three) and fill up the vacancy (ies) by the Board not later than 1 (one) month from the date of vacancy(ies) immediately or not later than 1 (one) month from the date of vacancy (ies).	✓		No such incidence arose
3.1 (v)	The company secretary shall act as the secretary of the Committee.	✓		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	✓		
3.2	Chairman of the Audit Committee			
3.2 (i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.	✓		
3.2 (ii)	Chairman of the Audit Committee shall remain present in the Annual General Meeting (AGM).	✓		
3.3	Role of the Audit Committee			
	Role of audit committee shall include the following :-			
3.3 (i)	Oversee the financial reporting process.	✓		



Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
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
3.4	Reporting of the Audit Committee			
3.4.1	Reporting to the Board of Directors	✓		
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	✓		
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any :	✓		No such incidence arose
3.4.1 (ii) (a)	report on conflicts of interests;	✓		No such incidence arose
3.4.1 (ii) (b)	suspected or presumed fraud or irregularity or material defect in the internal control system;	✓		No such incidence arose
3.4.1 (ii) (c)	suspected infringement of laws, including securities related laws, rules and regulations;	✓		No such incidence arose
3.4.1 (ii) (d)	any other matter which shall be disclosed to the Board of Directors immediately.	✓		
3.4.2	Reporting to the Authorities (if any material impact on the financial condition and results of operation, unreasonably ignored by the management).	✓		No such reportable incidence arose
3.5	Reporting to the Shareholders and General Investors	✓		
4.	EXTERNAL/STATUTORY AUDITORS :			
4 (i)	Non-engagement in appraisal or valuation services or fairness opinions.	✓		
4 (ii)	Non-engagement in financial information systems design and implementation.	✓		
4 (iii)	Non-engagement in book-keeping or other services related to the accounting records or financial statements.	✓		
4 (iv)	Non-engagement in broker-dealer services.	✓		
4 (v)	Non-engagement in actuarial services.	✓		
4 (vi)	Non-engagement in internal audit services.	✓		
4 (vii)	Non-engagement in any other service that the Audit Committee determines.	✓		



Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	✓		
4 (ix)	Audit/certification services on compliance of corporate governance as required under clause (i) of condition No. 7.	✓		
5.	SUBSIDIARY COMPANY			
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	✓		
5 (ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	✓		
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	✓		
5 (iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.	✓		
5 (v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	✓		
6.	DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO)			
	The CEO and CFO shall certify to the Board that :-			
6 (i)	They have reviewed financial statements for the year and that to the best of their knowledge and belief :	✓		
6 (i) (a)	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	✓		
6 (i) (b)	these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	✓		
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	✓		
7.	REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE			
7 (i)	The company shall obtain a certificate from a practicing Professional Accountant/Secretary regarding compliance of conditions of Corporate Governance Guidelines of the Commission and include in the Annual Report.	✓		Required certification has been obtained from "PODDER & ASSOCIATES" Cost & Management Accountants for the eighteen-month period ended on 30th June 2016.
7 (ii)	The directors of the company shall state in the directors' report whether the company has complied with these conditions.	✓		



Podder & Associates

Cost and Management Accountants

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

Compliance Certificate

On

CORPORATE GOVERNANCE

To the Shareholders of

Khulna Power Company Ltd.

“Podder & Associates” being one of the firm of “Professional Accountants” in Bangladesh, takes the gratification to study and opine in attainment of Compliance on corporate governance by **Khulna Power Company Ltd.** for the 18 month period ended on 30 June 2016. This study is completed in accordance with the guideline set by **Bangladesh Securities and Exchange Commission (BSEC)** through the notification SEC/CMRRCD/2006-158/134/Admin/44, dated 07 August, 2012.

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

As per our study and observation on the best of information & explanations provided, **Khulna Power Company Ltd.** has complied with the conditions of Corporate Governance set by Bangladesh Securities & Exchange Commission.

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

For Podder & Associates

Jayanta Kumer Podder

Cost and Management Accountant

Date: 03 November 2016

Place: Dhaka, Bangladesh



Financial Highlights

Annexure-3

	18 months ended 30 June 2016	2015	2014	2013	2012	2011
Operating data (Taka in million)						
Revenue	16,767.90	12,153.24	7,413.31	10,249.77	10,347.96	11,262.20
Cost of Sales	12,308.94	9,060.60	6,318.68	7,910.72	7,914.60	9,697.12
Gross Profit	4,458.96	3,092.64	1,094.64	2,339.05	2,433.36	1,565.08
General & Admin. Expenses	444.62	334.22	79.79	206.35	142.48	131.31
Finance Income	129.16	79.20	108.84	118.04	32.39	8.54
Finance Expenses	183.10	134.57	198.53	247.97	614.98	531.62
Income Tax Expenses	487.07	370.11	132.50	33.18	26.50	-
Net Profit	3,548.15	2,405.37	831.43	1,966.78	1,661.05	833.85
Net Profit (Excluding non-controlling interest)	N/A	N/A	N/A	1,935.15	1,626.89	815.50
Financial Position/Balance Sheet data (Taka in million)						
Share Capital	3,612.85	3,612.85	3,612.85	3,440.81	3,058.49	2,878.58
Shareholders' Equity	8,898.26	9,200.63	8,240.40	7,009.97	5,457.14	3,830.24
Total Debt (Non-current Liabilities)	276.49	249.00	52.25	1,889.28	3,440.27	1,540.88
Current Assets	6,011.60	4,441.03	5,896.37	4,908.26	6,115.37	3,365.99
Current Liabilities	4,903.30	3,228.72	6,041.57	4,556.30	6,196.55	7,453.05
Total Assets	14,078.06	12,678.36	14,334.21	13,542.10	15,148.87	12,844.93
Total Liabilities	5,179.80	3,477.72	6,093.82	6,445.58	9,636.82	8,993.93
Financial Ratios						
Gross Profit Ratio (%)	26.59	25.45	14.77	22.82	23.52	13.90
Net Profit Ratio (%)	21.16	19.79	11.22	19.19	16.05	7.40
Return on Assets (%)	25.20	18.97	5.80	14.52	10.96	6.49
Debt Equity Ratio	-	0.07	0.62	0.47	1.12	0.54
Other Data						
Earnings Per Share (Tk)	9.82	6.66	2.30	5.62	5.32	2.83
Dividend (%)	75.00 (Including 40% interim)	-	40.00	30.00	25.00	25.00
Total Number of Ordinary Shares Outstanding	361,284,709	361,284,709	361,284,709	344,080,676	305,849,490	287,858,340
Total Number of Free Float Shares	106,260,244	106,260,244	106,260,244	101,200,233	89,955,752	71,964,602



Shareholding Information

Annexure-4

Name of Shareholders	No. of Shares	% of Shareholding
A) Sponsors:		
1. United Enterprises & Co. Ltd. (incorporated in Bangladesh)	127,469,456	35.282%
2. Summit Power Limited (incorporated in Bangladesh)	63,734,728	17.641%
3. Summit Corporation Limited (incorporated in Bangladesh)	63,734,727	17.641%
4. Hasan Mahmood Raja, Chairman	6,111	0.002%
5. Muhammed Aziz Khan, Director	6,111	0.002%
6. Anjuman Aziz Khan	6,111	0.002%
7. Latif Khan, Director	6,111	0.002%
8. Md. Farid Khan, Director	6,111	0.002%
9. Jafer Ummeed Khan, Director	6,111	0.002%
10. Ayesha Aziz Khan, Director	6,111	0.002%
11. Adeeba Aziz Khan	6,111	0.002%
12. Ahmed Ismail Hossain, Director	6,111	0.002%
13. K. M. Ahsan Shamim, Director	6,111	0.002%
14. Akhter Mahmud Rana, Director	6,111	0.002%
15. Faridur Rahman Khan, Director	6,111	0.002%
16. Abul Kalam Azad, Director	6,111	0.002%
17. Moinuddin Hasan Rashid, Director	6,111	0.002%
Subtotal (A):	255,024,465	70.588%
B) General Invesrots	106,260,244	29.412%
C) Directors, Chief Operating Officer, Financial Controller, Company Secretary Head of Internal Audit and their spouses	-	-
D) Executives	-	-
Total (A+B+C+D):	361,284,709	100%

10% and above shareholding

Name of Shareholders	No. of Shares	% of Shareholding
1. United Enterprises & Co. Ltd.	127,469,456	35.282%
2. Summit Power Limited	63,734,728	17.641%
3. Summit Corporation Limited	63,734,727	17.641%



Report of Audit Committee-2016

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

Mr. M Fazlur Rahman

Independent Director - Member

A total of 5 (five) meetings were held since the 17th Annual General Meeting of KPCL held on 25th June 2015, the last being held today, the 29th October 2016. Besides Finance Controller & Company Secretary who supports the committee as its secretary as well, other invitees to the meetings were Managing Director and the relevant heads of other functions.

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 for 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 five times and its activities include:

- Review of, among other issues, the quarterly and half yearly financial statements of the Company and recommendation of the same to the Board for adoption, authentication and circulation as per the requirement of Securities & Exchange Commission.
- Also reviewed the audited financial statements of the Company for eighteen-months ended 30th June 2016 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 that the existing auditors, Rahman Rahman Huq, Chartered Accountants, be re-appointed as the external auditors of the Company for the year ending on 30th June 2017.
- Reviewed the external auditors' findings arising from audit, particularly comments and responses given by the management.
- Reviewed the matters as per requirement of 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: October 29, 2016

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

Subject: CEO and CFO's Declaration to the Board

Dear Sirs,

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

We do hereby certify to the Board that:

- i) We have reviewed financial statements for the eighteen-month period ended 30 June, 2016 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)

Md. Abdur Rahim
Managing Director



Short Biography of the Directors



Hasan Mahmood Raja

Mr. Hasan Mahmood Raja is one of the most renowned businesspersons of the country. Born in 1957, he completed his graduation in commerce and got passionately involved in business. He is one of the Founding Directors of the country's one of the leading business houses - 'United Group'.

Mr. Raja had a keen interest and an innate aptitude for doing business and rendering service to the nation for promoting economic development of Bangladesh. With a humble beginning in 1978, Mr. Raja displayed his excellence in business entrepreneurship by building his business domain. The biggest milestone of his success is the courage to embark into new business ventures based on sound foresight, ingenuity and skillful execution. Within a span of 37 years of his business career, he successfully managed to establish many diversified business enterprises under the umbrella of United Group. Commitment, integrity and sincerity are the key values of his various business achievements.

Dominant position of United Group in the Country's Power and Real Estate sectors and creating unique establishments like Khulna Power Company Ltd., United Power Generation & Distribution Co. Ltd., United Hospital Ltd., United Nursing College, United International University and United Maritime Academy are few of his landmark entrepreneurship. United Group has always marked its steady growth under Mr. Raja's leadership. His charming personality, focus in flawless implementation of every single business on time, constantly stressing on brainstorming for new ideas, efficiency in business management etc are only a few of his traits that eventually transformed into the core values of his business undertaking and implementation.

At present, Mr. Raja is the Chairman of United Enterprises & Co. Ltd as well the Chairman and Managing Director of more than 20 Concerns of the Group, notably Khulna Power Company Limited, Neptune Land Development Ltd, United City twin Towers Developers Ltd, United Hospital, United Maritime Academy Ltd etc. He is also the Chairman, Board of Trustees of United International University.

Mr. Raja has travelled extensively at home and abroad namely to USA, UK, Australia, Canada, Germany, Japan, Malaysia, Singapore and many other countries for the purpose of business. He also takes a profound interest in community services and contributes generously for the welfare of the community, particularly to the underprivileged ones. He has established multiple school and madrasa in his village and surrounding areas. He continues to employ his best efforts to provide education, healthcare and infrastructure facilities for overall development of the people of Jamalpur district.



Muhammed Aziz Khan

Muhammed Aziz Khan is the founder of Summit Corporation and Summit Holdings Ltd. Summit Group is recognized as the largest infrastructure group in Bangladesh employing over 7000 people with investments in the energy sector, ports, shipping, hospitality and information technology.

Under the leadership of Muhammed Aziz Khan, Summit set up the first Independent Power Plant of the country in 1998, Khulna Power Company Limited was joint venture with Wartsila Corporation of Finland. Currently, Summit generates about 1450 megawatts of electricity and is by far the largest independent power producer in the country. Summit also set up the country's first private off-dock facility, Ocean Containers Limited, now known as Summit Alliance Ports Limited which is currently handling about 20% of the country's export and about 10% of the country's import volumes. Yet another company, Summit Communications Ltd., set up by Mr. Khan is the first company to lay nationwide telecommunication transmission network laying fibre optic to 70% of Bangladesh, and connecting Bangladesh to India and Myanmar through terrestrial fibre optics. IPCO Ltd., a hospitality and real estate company, is building one five star, one four star hotel, convention hall and 1000 high class shops beside the International Airport of Dhaka.

Summit Power Limited, Summit Alliance Ports Limited and Khulna Power Company Ltd. are subsidiaries of Summit Corporation and are currently listed in the Dhaka and Chittagong Stock Exchanges with a combined market capitalization of about Tk. 100 billions. Mr. Muhammed Aziz Khan was born in 1955. He has an MBA from the Institute of Business Administration (IBA), University of Dhaka. Mr. Khan is also the Chairman of Siraj Khaleda Trust and was the founder past President of Bangladesh Scouts Foundation, Bangladesh Energy Companies Association and Prothom Alo Trust. Muhammed Aziz Khan is the President of Bangladesh Association of Publicly Listed Companies and the Honorary Consul General of Finland to Bangladesh.

Muhammed Aziz Khan is married to Anjuman Aziz Khan and has three daughters, Ayesha, Adeeba and Azeza.



Md. Latif Khan

Mr. Md. Latif Khan was born 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.



Abul Kalam Azad

Mr. Abul Kalam Azad was born in 1955. After completion of his Bachelor of Science, he joined United Group as one of the Directors. Presently, he is the Vice-Chairman of United Group. Best known for his dynamism, he is a key entrepreneur of the Group especially in real estate sector. His dedication and relentless efforts to the business is playing a pivotal role that has also helped United Group reach new heights.

Over the years in United Group, Mr. Azad has been overseeing diverse construction projects of the group starting from real-estate to power plant construction. Under his leadership United Group is developing "United City", the largest mini township in the country - at Satarkul and the largest international standard commercial complex with two international hotels and resorts adjacent to Hazrat Shahjalal International Airport, Dhaka. At present, he is the Managing Director of almost all real estate enterprises of the Group, notably Neptune Land Development Ltd., United City Twin Towers Developers Ltd., Neptune Commercial Ltd. etc. He is also the Managing Director of United Land Port Teknaf Ltd., one of the pioneering 'Build, Operate and Transfer' (BOT) project of the Government. He is also the Director of Khulna Power Company Limited (KPCL), United Hospital Ltd. and many more concerns of the Group. He is one of the members of the Board of Trustees of United International University.

He is well known for his benevolence in the Group, he is one of the Trustees of United Trust, an organ of United Group responsible for Corporate Social Responsibility (CSR). He is a widely traveled man and engaged in many social and charitable works at his village home in Birkampur.



Faridur Rahman Khan

Mr. Faridur Rahman Khan, one of the Founding Directors of United Group, was born in 1955. After completion of his Bachelor degree in Science, he engaged himself in Business. He is, at the moment, the Managing Director of one of the most vibrant concerns of the Group: United Hospital Ltd. Under his entrepreneurship and foresight, United Hospital developed its Medicare system at par with any international standard hospitals. Now, it has become a health care asset of the country. He is the founding Chairman of United College of Nursing – a wing of United Hospital Ltd. He is also the Vice-Chairman of the Board of Trustees, United International University. He is a member of the Board of Governors of United Maritime Academy and a member of the Board of Trustees of United Trust – a CSR wing of United Group. He is one of the Directors of United Ashuganj Power Ltd (UAPL), United Ashuganj Energy Ltd (UAEL) and also Khulna Power Company Ltd (KPCL).

Mr. Faridur Rahman Khan hails from Louhojang, Munshigonj. He started his career in shipping and went on to lead one of the most reputed construction companies of the country, Neptune Commercial Limited. Under his dynamic leadership the country saw the implementation of its first Independent Power Plant, Khulna Power Company Limited and the first Commercial IPP, UPGDCL. He was also responsible for the successful completion of several coastal embankment projects, namely Chandpur, Ekhlaspur, Patenga and Anwara to name a few.

Being one of the honored Trustees of the United Trust, the CSR wing of the Group, he spontaneously patronizes and contributes substantially in social activities in his home village and surrounding areas. Notably, he set up and is currently the Chairman of "Yunus Khan - Mahmuda Khanam Memorial Complex" in his village home which provides treatment to the local people including Pathology, Radiology and cataract Eye Surgery with nominal fees.



Ahmed Ismail Hossain

Mr. Ahmed Ismail Hossain is one of the Founding Directors of the country's one of the leading business houses - United Group which marked its debut in business in 1978. He was born in June 1956 and hailed from Kishoreganj district. After schooling from Faujderhat Cadet College, he completed his Honours and Master's degrees in International Relations from Dhaka University. He is one of the architects of the company we know as United Group today.

He undertook the responsibility as the Managing Director of United Enterprises & Co. Ltd., the parent Company of United Group for many years, demonstrated his entrepreneurial skills, and used his experience to establish many corporate bodies of the Group notably in textile and pharmaceutical sectors. He is the Vice-Chairman of United Hospital Ltd and Managing Director of Comilla Spinning Mill Ltd., performing diverse responsibilities of the Group as and when required. He is also one of the Directors on the Board of Khulna Power Company Ltd. He is also a member of the Board of Trustees of United International University.

Being one of the Trustees of the United Trust, the CSR wing of the Group, he enthusiastically undertakes social works in his village in Kishoreganj district. Mr. Ismail is a widely travelled man and has visited many parts of the world for the purpose of business.



Khandaker Moinul Ahsan Shamim

Mr. Khandaker Moinul Ahsan Shamim is one of the Founding Directors of United Group. After completion of his Bachelor of Commerce, he joined the business together with a few like-minded friends. With his diligence and exceptional entrepreneurial skills, he played important roles in establishing firm footing and quick expansion of business of the Group. At one time he also undertook the responsibility of United Group in the capacity of the Managing Director, displaying his entrepreneurial skill and business experience, in order to sustain growth of business of United Group.

At present, he is one of the Directors of all the corporate entities of United Group, notably United Enterprises & Co. Ltd., United Power Generation and Distribution Company Ltd., United Hospital Limited, Khulna Power Company Ltd., etc. He oversees the overall financial management of the Group on behalf of the Board of Directors. Besides this, he is also a member, Board of Trustees of United International University.

He plays key role in the social development sector of his home district. Being one of the active Trustees of the United Trust, a CSR organization of the Group, he generously patronizes education sector in his home village and surrounding areas.



Md. Farid Khan

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

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 & expansion of Summit Group, particularly of Summit Industrial & Mercantile Corporation (Pvt.) Limited 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.



Ayesha Aziz Khan

Ms. Ayesha Aziz Khan completed her graduation in Economics and Business from the University College of London (UCL), United Kingdom in 2002 and Masters in Business Administration (MBA) from the Columbia University, New York, USA in 2007. 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 closure for multiple power projects, which includes – Summit Uttaranchal Power Company Limited (SUPCL), Summit Purbanchol Power Company Limited (SPPCL), Summit Narayanganj Power Limited and Summit Power Limited (SPL). Her career as Director Finance has been enriched due to her expertise in building relationships and taking 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

Mr. Moinuddin Hasan Rashid was born in 1982 in Dhaka. Upon completion of his B.Sc. in Electrical and Electronics Engineering from University College London he joined United Group in 2005 as a second generation Director. As a young and energetic entrepreneur, he marked his future through dedication, dynamism and foresight in shaping the Power Sector, one of the major enterprises of United Group. On 12 July 2011 he was appointed as Managing Director of United Enterprises & Co. Ltd, and simultaneously holds the position of the Managing Director for United Power Generation and Distribution Co. Ltd. and many more sister concerns. Mr. Rashid is an Active Trustee of the United Trust, a CSR organization of the Group and United International University Foundation. In 2011 he oversaw commissioning of 208 MW Power Generation under three projects (KPCL II, KJAPCL & UAPL). United Ashuganj Power Ltd. (UAPL) is a quick rental power plant that was constructed and commissioned in a record time of 120 days under the tireless and bold leadership of Mr. Rashid. He also established United Maritime Academy in 2011, one of the finest academic institutions in Bangladesh, United Property Solutions Ltd. one of the leading real estate developers of the country and oversaw the development of United Land Port Teknaf Ltd, Bangladesh's only land port with Myanmar. Along with responsibilities mentioned above, he looks after Group Investment and Business Development. Mr. Moinuddin Hasan Rashid supervised Power Plant expansion projects of UPGDCL DEPZ and UPGDCL CEPZ by 75 MW, oversaw commissioning of Shajahanullah Power Generation Co Ltd, a 28 MW Power Plant, and spearheaded the Joint-Venture of Gunze United Limited in 2013. Mr. Rashid also established United Shipping and Logistics Services Ltd. in 2015.

Currently, Mr. Rashid is the Managing Director of United Power Generation & Distribution Co. Ltd. (UPGDCL), United Ashuganj Power Ltd. (UAPL), United Ashuganj Energy Ltd. and United Property Solutions Ltd. (UPSL) and is in the Board of Directors of United Hospital Ltd. (UHL), Khulna Power Company Ltd. (KPCL) and United Landport Teknaf Ltd. (ULPTL). He is also an active member of the Board of Trustees of United International University (UIU).



Akhter Mahmud Rana

Mr. Akhter Mahmud Rana is one of the first generation Directors of United Group. Born in November 1960 he is the younger brother of Mr. Hasan Mahmood Raja. With his entrepreneurial initiatives and commitment, United Group has added much to its current growth and streamlined human resources of the Group.

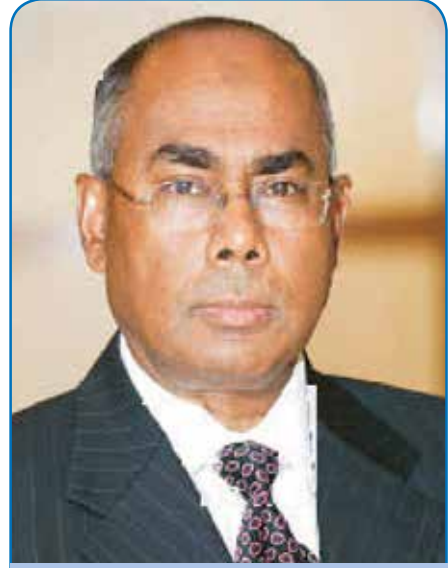
He is one of the Directors of all the corporate entities under United Group, notably United Enterprises & Co. Ltd., United Power Generation & Distribution Co. Ltd., United Hospital Ltd., Khulna Power Company Ltd. etc. Besides this, he is also a member, Board of Trustees of United International University. Mr. Rana has looked after several textile related concerns of the Group.

Being one of the active Trustees of United Trust, a CSR organization of the Group, he generously patronizes education, healthcare and various charitable activities in and around his village home, Malancha, Jamalpur.



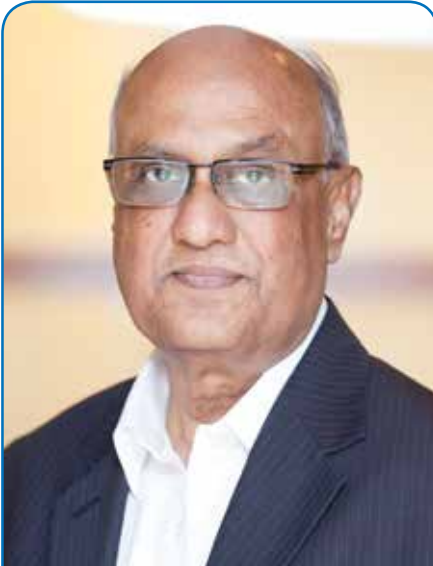
A.N.M Tariqur Rashid

Mr. Tariqur Rashid, with in-depth experience in development of power generation and structured finance of power projects, is working as CEO in Summit Meghnaghat Power Company Limited – a joint venture company incorporated to develop on BOO basis a 335MW dual fuel combined cycle power plant a Meghnaghat. In his career, he has developed, financed and/or managed over power plants with aggregated capacity of around 750MW and has been involved in financings of approximately US\$ 500 million. He holds bachelor degree in engineering. Major accomplishments of Mr. Rashid are - developed, financed and/ or managed power plants with aggregate capacity of around 430MW and has been involved in financing of approximately US\$325 million of these power plants; headed a company named “Summit Narayanganj Power Limited”, who earned an international award titled “Best Fast Track Project in Asia” in 2011 for completing a project of 102MW within 8.5 months; and worked in Senior management position at Summit Power Limited and participated in its development.



Lt Gen (Retd) Abdul Wadud

Lt Gen (Retd) Abdul Wadud is the Managing Director of Summit Power Limited. He is a B.Sc. Engineer from Bangladesh University of Engineering & Technology (BUET). Mr. Wadud obtained M.Sc in Resource Planning and Management from USA & also a PhD from USA. He has vast knowledge on Power and Energy sector of Bangladesh. Prior to retirement he was the Principal Staff Officer in the Armed Forces Division. During his illustrious career, among many assignments, he was the Chief Engineer, Managing Director of Bangladesh Machine Tools Factory and Engineer-in-Chief. Mr. Wadud had attended various training courses both at home and abroad.



Syed Fazlul Haque, FCA

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, Fazlul went to Libya to serve in Ammonia Plant, Benghazi for a short span of two years. On return, Fazlul 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. Fazlul left Padma in January 1993 to join Glaxo Bangladesh as Finance Director where he was made Managing Director of the Company in August 1997. Fazlul 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, Fazlul served as committee member of Metropolitan Chamber of Commerce & Industries, Foreign Chamber of Commerce & Industries and Bangladesh Employers Federation.



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

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

He is the Masters of Defense Studies (MDS) and graduate of Defense Services Command and Staff College, Mirpur; 'Staff College' Quetta, Pakistan and 'Army War College' of USA. He held the honor of being the Colonel Commandant of 'Corps of Military Police' of Bangladesh Army and the Commandant of National Defense College. He served as an 'Observer' in the United Nation's Iraq-Iran Military Observer Group (UNIIMOG) in 1988, the first Bangladeshi UN Deployment. His other experiences include serving as the President, Bangladesh Cricket Board, Chairman, SenaKalyanSangstha, Sena Hotel Development Ltd, Governing Body of Cadet Colleges, Army Welfare Trust and Central Coordination Committee of Cantonment Public Schools & Colleges. He also rendered his services as the Vice Chairman, Trust Bank Limited and Senior Vice President, Bhatiary Golf and Country Club, Chittagong. Currently, he is serving as the Corporate Adviser at Radiant Pharmaceuticals Ltd, MD & CEO of Radiant Nutraceuticals Ltd, Radiant Distribution Ltd and Pharmacil Ltd.



Professor Mohammad Musa, PhD.

Professor Mohammad Musa teaches finance courses in the School of Business at United International University (UIU). He teaches portfolio management & security analysis and corporate finance. His research interest is in market micro-structure, investments and capital markets. He has published a good number of articles on capital market efficiency and market micro-structure in professional academic journals in home and abroad.

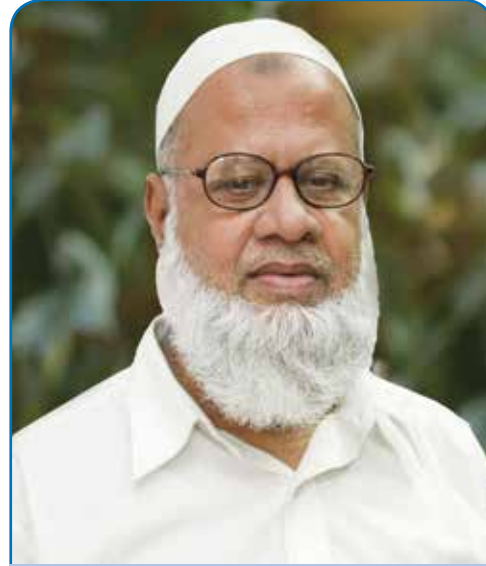
He earned MBA from Institute of Business Administration (IBA), University of Dhaka and from University of Wisconsin, Madison, USA before completing his Ph. D. (Major: Finance, Minor: Business Statistics) from the University of Wisconsin, Milwaukee in 1995. He started his teaching career as a Lecturer at the IBA, Dhaka University in 1985. He conducted a large number of short courses and executive development courses as a lead resource person and at times as course coordinator. He worked as Research Director at Center for Research in Business, Economics and Technology at East West University and as Director, Institute of Business and Economic Research at UIU. Under his watch, the MBA curriculum of North South University and the Executive MBA curriculum of East West University were prepared.

Dr. Musa's involvement with the Capital Markets of Bangladesh goes back to 1998 when he started working as Research Advisor to Swadesh Investment Management Limited (SIML), a local merchant bank. He was founder Convener of Bangladesh Merchant Bankers Association (BMBA) and led the organization for about 3 years. He is keen to see Bangladesh Capital Markets to grow big and run efficiently. He advises AM Securities and Financial Services Limited (AMSFSL), a brokerage firm with membership in both the Dhaka and the Chittagong Stock Exchanges. Professor Musa acted as the Chairman of the Board of Directors (BOD) of SIML for about 2 years. He was in the BOD of Central Depository Bangladesh Limited (CDBL) for two years. He acted as an Independent Director of in the BOD of Dhaka Power Development Company (DPDC) for about one year.



Karishma Jahan

Ms. Karishma Jahan is an advocate of the Supreme Court of Bangladesh. She was called to the Bar of England and Wales in the year 2002 by the Hon'ble Society of Lincoln's Inn and since then has worked in the courts of Bangladesh. She regularly represents clients in the writ jurisdiction and takes keen interest in the admiralty jurisdiction. Karishma Jahan also specializes in the electricity industry of Bangladesh and has represented major projects in the electricity industry in the recent years. She has acted on behalf of the sponsors and project companies in contractual negotiations for commissioning, operation and financing of electricity generation projects and continues to support sponsors and project companies in the industry. She also acts for companies ranging from start-ups to multinationals, banks, insurance companies and telecommunication service provider as well as individual investors. She counsels on various corporate legal issues including company law compliance, human resource management, structuring and formation, early stage company regulatory filling issues, securities offerings and securities laws compliance, joint venture and strategic partnering relationships, and mergers and acquisitions.



Md. Abdur Rahim (Ex-Officio)

Mr. Md. Abdur Rahim obtained B. Sc in Marine Engineering from the Merchant Marine University College of Rijeka, Yugoslavia. He worked on board various vessels of DDG "Hansa" Lines of West Germany. Afterwards, he worked in Bangladesh Steel & Engineering Corporation in various capacities from 1976 to 1993 starting as Deputy Chief Engineer. He was the General Manager of Khulna Shipyard Ltd from 1982 to 1987 and the Managing Director of Dockyard & Engineering Works Ltd. 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 prior to join as Managing Director he was posted as Chief Operating Officer of the company. He actively involved in formation of the company and was pivotal to timely implementation of the project.



Senior Management Team & Other Officials



Md. Abdur Rahim (Ex-Officio)
Managing Director

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



Md. Shoharab Ali Khan, FCMA
Chief Financial Officer & 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 25 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 (APSC) second largest power generation company in Bangladesh and joined in July 2011 in Khulna Power Company Ltd. as Financial Controller & Company Secretary. He has attended in various training courses and seminars in home and abroad.



Al Mamun M. Atiqul Islam
General Manager (Asset Management)

Mr. Al Mamun M. Atiqul Islam was born on 01 August 1978. He obtained Bachelor of Maritime Science (Engineering) from Bangladesh Marine Academy in 1997. He achieved his professional degrees of Class-1 & 2 Marine Engineering Certificates from Singapore in 2003 and 2008 respectively. He has completed MBA course of Royal Roads University, Canada in 2012. He started his marine engineering career in Bangladesh Shipping Corporation in 1998 and continued till 2004. Then he served in various international reputed shipping companies as Hub Shipping Sdn. Bhd. of Malaysia, NYK Line of Japan, Mediterranean Shipping Company (MSC) of Italy and Thome Ship Management of Singapore. He served as Chief Engineer in MSC Ship Management (HK) and Thome Ship Management (Singapore) from 2008 to 2012. Thereafter he joined Khulna Power Company Ltd.(KPCL) as Asset Manager in 2012. He has performed many trainings and short courses on engineering, safety, quality and inspections and also attended several workshops and seminars in broad and abroad.





This Code of Business Conduct and Ethics applies to all Khulna Power Company Ltd. (KPCL) directors, officers and employees. Khulna Power Company Ltd. is referred to herein 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.



Code of Conduct and Ethics

3. Fair Dealing

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

4. Insider Trading

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

5. Confidentiality

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

6. Protection and Proper Use of KPCL Assets

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

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

7. Compliance with Laws, Rules and Regulations

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

8. Timely and Truthful Public Disclosure

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

9. Significant Accounting Deficiencies

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

C. Waivers

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



D. Violations of Ethical Standards

1. Reporting Known or Suspected Violations

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

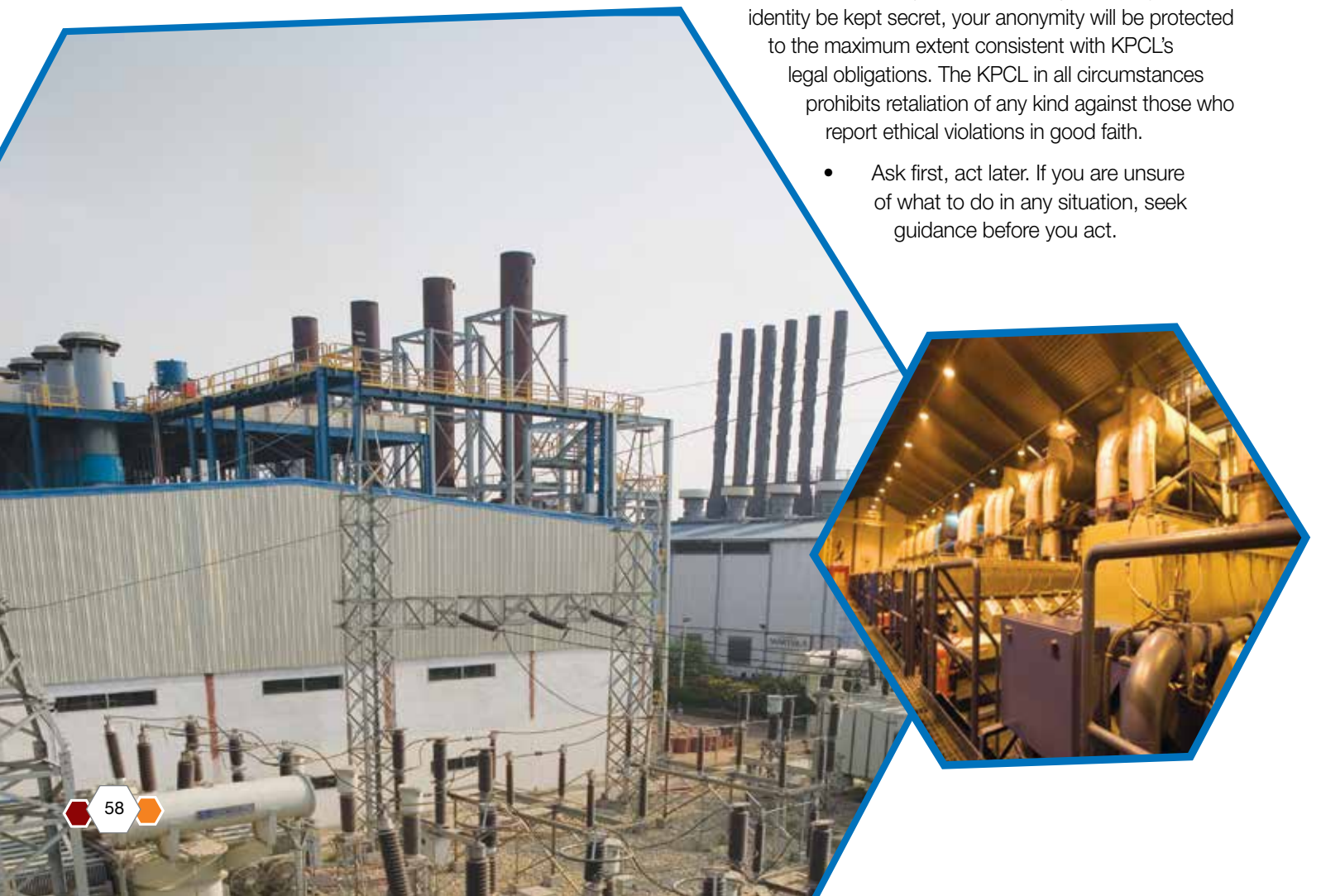
2. Accountability for Violations

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

E. Compliance Procedures

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

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





Success Milestones

October 1997

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

November 19, 1997

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

October 13, 1998

Full Commercial Operation Date (FCOD)

February 21, 2001

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

September 4, 2003

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

June 2009

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

July 19, 2009

Conversion from Private to Public Limited Company

March 2010

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

April 2010

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

June 23, 2010

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

December 21, 2010

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

May 29, 2011

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

June 2011

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

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

June 8, 2012

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

September 30, 2014

Khulna Power Company Unit II Ltd. and Khanjahan Ali Power Company Ltd. have been amalgamated with Khulna Power Company Ltd. (KPCL) vide Judgement and order dated 03-03-2015 passed by Hon'ble High Court in Company Matter No. 322 of 2014.

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 ntwicklungsgesellschaft 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 four Independent Directors 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 eighteen-month period ended on 30 June 2016. 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





Rahman Rahman Huq

Chartered Accountants
9 & 5 Mohakhali C/A, Dhaka 1212
Bangladesh

Independent Auditor's Report to the shareholders of Khulna Power Company Ltd.

Report on the financial statements

We have audited the accompanying financial statements of Khulna Power Company Ltd. (the 'Company') which comprise the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 our judgment, 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 of the financial statements that give a true and fair view 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 give a true and fair view of the financial position of Khulna Power Company Ltd. as at 30 June 2016, and of its financial performance and its cash flows for the period then ended in accordance with Bangladesh Financial Reporting Standards.

Emphasis of Matters

We draw users' attention to the following notes to the financial statements:

Note 1.4: Management discloses that the legacy Contract for Supply of Electricity on Rental Basis for 5 years with Bangladesh Power Development Board (BPDB) relating to KPCL-II expired on 31 May 2016 and KPCL-III expired on 28 May 2016 and explains why it believes the contracts will be extended for another five years; and

Note 6.3: Receivables include Tk. 231,288,077 which is due from BPDB in connection with excess fuel consumption. In this note, management explains why it believes these amounts are fully recoverable.

Our opinion is not qualified with regard to any of the above matters.

Other matter

The financial statements of the Company as at and for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on 19 May 2015.

Report on other legal and regulatory requirements

In accordance with the Companies Act 1994 and the Securities and Exchange Rules 1987, we also report the following:

- 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 so far as it appeared from our examination of these books;
- the statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account; and
- the expenditure incurred was for the purposes of the Company's business.

Dhaka: 29 October 2016


Chartered Accountants



Statement of Financial Position

<i>In Taka</i>	Note	30 June 2016	31 December 2015	31 December 2014
Assets				
Property, plant and equipment	4	8,066,468,690	8,237,323,824	8,437,840,193
Non-current assets		8,066,468,690	8,237,323,824	8,437,840,193
Inventories	5	1,412,512,087	543,805,930	1,048,784,643
Trade and other receivables	6	2,571,838,589	1,931,003,788	3,065,175,240
Advances, deposits and prepayments	7	320,710,509	299,724,913	234,282,913
Cash and cash equivalents	8	1,706,533,141	1,666,502,987	1,548,131,996
Current assets		6,011,594,326	4,441,037,618	5,896,374,792
Total assets		14,078,063,016	12,678,361,442	14,334,214,985
Equity				
Share capital	9	3,612,847,090	3,612,847,090	3,612,847,090
Capital redemption reserve	10	325,647,810	325,647,810	325,647,810
Retained earnings		4,959,773,972	5,262,136,974	4,301,901,778
Total equity		8,898,268,872	9,200,631,874	8,240,396,678
Liabilities				
Loans and borrowings	11	-	-	10,639,173
Deferred tax liability	12	221,073,673	195,114,318	-
Employee benefits	13	25,246,834	25,349,708	16,794,835
Asset retirement obligation (ARO)	14	30,170,359	28,541,584	24,818,776
Non-current liabilities		276,490,866	249,005,610	52,252,784
Loans and borrowings	11	3,353,470,736	2,516,093,630	5,151,206,476
Trade and other payables	15	1,038,673,326	381,564,095	736,165,210
Unclaimed dividend	16	112,659,216	23,566,233	21,693,837
Provision for income tax	17	398,500,000	307,500,000	132,500,000
Current liabilities		4,903,303,278	3,228,723,958	6,041,565,523
Total liabilities		5,179,794,144	3,477,729,568	6,093,818,307
Total equity and liabilities		14,078,063,016	12,678,361,442	14,334,214,985

The notes on pages 7 to 36 are an integral part of these financial statements.

Managing Director

Director

Company Secretary

Dhaka, 29 October 2016

As per our report of same date.

Auditor

Rahman Rahman Huq
Chartered Accountants



Statement of Profit or Loss and Other Comprehensive Income

In Taka	Note	For the eighteen-month period ended	For the six- month period ended	For the year ended	
		30 June 2016	30 June 2016	31 December 2015	31 December 2014*
Revenue	18	16,767,902,262	4,614,656,432	12,153,245,830	7,413,311,440
Cost of sales	19	(12,308,944,446)	(3,248,347,623)	(9,060,596,823)	(6,318,676,195)
Gross profit		4,458,957,816	1,366,308,809	3,092,649,007	1,094,635,245
Other income/(expense)	20	25,539,444	1,235,709	24,303,735	36,370,169
General and administrative expenses	21	(444,621,549)	(110,397,711)	(334,223,838)	(79,786,024)
Operating profit		4,039,875,711	1,257,146,807	2,782,728,904	1,051,219,390
Foreign exchange gain/(loss)	22	49,279,548	1,159,854	48,119,694	2,407,062
Finance income	23	129,166,287	49,956,598	79,209,689	108,836,414
Finance costs	24	(183,098,007)	(48,528,070)	(134,569,937)	(198,533,009)
Profit before tax		4,035,223,539	1,259,735,189	2,775,488,350	963,929,857
Income tax expense	25	(487,073,673)	(116,959,355)	(370,114,318)	(132,500,000)
Profit for the period/year		3,548,149,866	1,142,775,834	2,405,374,032	831,429,857
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		3,548,149,866	1,142,775,834	2,405,374,032	831,429,857
Earnings per share	26	9.82	3.16	6.66	2.30

*(KPCL-I for 12 months and KPCL-II & KPCL-III for 3 months)

The notes on pages 7 to 36 are an integral part of these financial statements.

Managing Director

Director

Company Secretary

As per our report of same date.

Auditor

Rahman Rahman Huq
Chartered Accountants

Dhaka, 29 October 2016



Statement of Changes in Equity

<i>In Taka</i>	For the six-month period ended 30 June 2016			
	Share capital	Capital redemption reserve	Retained earnings	Total
Balance at 1 January 2016	3,612,847,090	325,647,810	5,262,136,974	9,200,631,874
Total comprehensive income/(loss) for the period				
Profit for the period	-	-	1,142,775,834	1,142,775,834
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive income for the period	-	-	1,142,775,834	1,142,775,834
Transaction with owners of the Company				
Contributions and distributions				
Dividend	-	-	(1,445,138,836)	(1,445,138,836)
Total contributions and distributions	-	-	(1,445,138,836)	(1,445,138,836)
Total transaction with owners of the Company	-	-	(1,445,138,836)	(1,445,138,836)
Balance at 30 June 2016	3,612,847,090	325,647,810	4,959,773,972	8,898,268,872

<i>In Taka</i>	For the year ended 31 December 2015			
	Share capital	Capital redemption reserve	Retained earnings	Total
Balance at 1 January 2015	3,612,847,090	325,647,810	4,301,901,778	8,240,396,678
Total comprehensive income/(loss) for the year				
Profit for the year	-	-	2,405,374,032	2,405,374,032
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive income for the year	-	-	2,405,374,032	2,405,374,032
Transaction with owners of the Company				
Contributions and distributions				
Dividend	-	-	(1,445,138,836)	(1,445,138,836)
Total contributions and distributions	-	-	(1,445,138,836)	(1,445,138,836)
Total transaction with owners of the Company	-	-	(1,445,138,836)	(1,445,138,836)
Balance at 31 December 2015	3,612,847,090	325,647,810	5,262,136,974	9,200,631,874

<i>In Taka</i>	For the year ended 31 December 2014			
	Share capital	Capital redemption reserve	Retained earnings	Total
Balance at 1 January 2014	3,440,806,760	277,688,140	888,961,808	4,607,456,708
Total comprehensive income/(loss) for the year				
Profit for the year	-	-	831,429,857	831,429,857
Transfer to capital redemption reserve	-	220,000,000	(220,000,000)	-
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive income for the year	-	220,000,000	611,429,857	831,429,857
Transaction with owners of the Company				
Contributions and distributions				
Stock dividend paid for the year 2013	172,040,330	(172,040,330)	-	-
Dividend	-	-	(860,201,690)	(860,201,690)
Retained earnings of transferor companies up to 30 Sep 2014 (KPCL-I's portion)	-	-	3,738,874,261	3,738,874,261
Adjustments on amalgamation	-	-	(77,162,458)	(77,162,458)
Total contributions and distributions	172,040,330	(172,040,330)	2,801,510,113	2,801,510,113
Total transaction with owners of the Company	172,040,330	(172,040,330)	2,801,510,113	2,801,510,113
Balance at 31 December 2014	3,612,847,090	325,647,810	4,301,901,778	8,240,396,678

The notes on pages 7 to 36 are an integral part of these financial statements.



Statement of Cash Flows

<i>In Taka</i>	For the eighteen-month period ended	For the six- month period ended	For the year ended	
	30 June 2016	30 June 2016	31 December 2015	31 December 2014
Cash flows from operating activities				
Cash received from customer (BPDB)	17,356,029,645	4,047,980,417	13,308,049,228	8,252,600,366
Cash paid to suppliers	(12,122,675,683)	(3,395,614,365)	(8,727,061,318)	(6,967,435,251)
Received from other sources	2,810,361	388,312	2,422,049	20,155,858
Interest and other financial charges paid	(169,956,195)	(41,416,635)	(128,539,560)	(122,522,053)
Income tax paid	(143,846,758)	(46,974,905)	(96,871,853)	(76,169,986)
Net cash from operating activities	4,922,361,370	564,362,824	4,357,998,546	1,106,628,934
Cash flows from investing activities				
Payment for property, plant and equipment	(316,112,313)	(653,245)	(315,459,068)	(6,077,132)
Proceeds from disposal of fixed assets	85,974,919	19,722,311	66,252,608	-
Interest received	147,762,775	56,604,664	91,158,111	83,093,214
Net cash from/(used) in investing activities	(82,374,619)	75,673,730	(158,048,349)	77,016,082
Cash flows from financing activities				
Repayment of term loan	(353,903,797)	(10,391,586)	(343,512,211)	(1,785,237,846)
Working capital/short term loan received	15,338,318,427	4,578,259,813	10,760,058,614	2,981,446,082
Repayment of working capital/short term loan	(16,792,789,543)	(3,730,491,121)	(13,062,298,422)	(2,921,446,082)
Received through inter-company loan/payables	-	-	-	6,205,759,886
Repayment of inter-company loan/payables	-	-	-	(4,671,454,148)
Redemption of cumulative preference shares	-	-	-	(220,000,000)
Consideration payment	(73,898,400)	-	(73,898,400)	-
Dividend paid to ordinary shareholders	(2,799,312,293)	(1,437,383,506)	(1,361,928,787)	(850,030,919)
Net cash from/(used in) financing activities	(4,681,585,606)	(600,006,400)	(4,081,579,206)	(1,260,963,027)
Net increase/(decrease) in cash and cash equivalents	158,401,145	40,030,154	118,370,991	(77,318,011)
Opening cash and cash equivalents	1,548,131,996	1,666,502,987	1,548,131,996	1,625,450,007
Closing cash and cash equivalents	1,706,533,141	1,706,533,141	1,666,502,987	1,548,131,996

The notes on pages 7 to 36 are an integral part of these financial statements.



Notes to the Financial Statements

1 Reporting entity

1.1 Company profile

Khulna Power Company Ltd. (“the Company”) was incorporated in Bangladesh on 15 October 1997 as a private limited company under the Companies Act 1994 and has subsequently been converted into public limited company on 19 July 2009. The plant came into operation on 13 October 1998 for 15 years and after successful completion of that tenor the Company was awarded extension for another 5 years starting from 12 October 2013. 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 redeemable preference shares of Tk 1,000 each. Out of 2,000,000 redeemable preference shares, 1,100,000 were issued and fully paid up. These were redeemed on 14 May 2014. 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”). Both subsidiary companies were amalgamated with Khulna Power Company Ltd. with effect from 30 September 2014 pursuant to a Scheme of Amalgamation approved by the Honourable High Court Division of the Supreme Court on 22 March 2015.

1.2 Nature of business

The principal activity of the Company is to generate electricity, to sell such generated electricity to BPDB 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 (KPCL-I) 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 Company has two other units, KPCL-II and KPCL-III, which were awarded two separate contracts by Bangladesh Power Development Board (BPDB) to supply electricity under the Contract for Supply of Electricity on Rental Basis. KPCL-II and KPCL-III 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 units is to supply electric power and energy to BPDB on rental basis for a period of five years from the date of commercial operation. KPCL-II commenced commercial operation from 1 June 2011 and KPCL-III from 29 May 2011. The Company has sought extension from BPDB of both KPCL-II and KPCL-III and intends to accept a renewal of contract, even if under somewhat different terms.

1.3 Amalgamation of Khulna Power Company Unit II Ltd. and Khanjahan Ali Power Company Ltd.

On 22 March 2015, the Honourable High Court Division of the Supreme Court of Bangladesh issued an order giving effect to a Scheme of Amalgamation under Company Matter No. 322 of 2014. The High Court ordered that under the amalgamation scheme, the entire undertaking of Khulna Power Company Unit II Ltd. and Khanjahan Ali Power Company Ltd. (the transferor companies) as going concerns will be transferred to and vested in the Khulna Power Company Ltd. (the transferee company) with an effective date of 30 September 2014.

Accordingly both subsidiaries, Khulna Power Company Unit II Ltd. (KPCL-II) and Khanjahan Ali Power Company Ltd. (KPCL-III), have been merged with Khulna Power Company Ltd. with the sanction of the Honourable High Court Division of the Supreme Court of Bangladesh in terms of an application submitted by both the transferor and transferee companies as per Section 228 read with Section 229 of the Companies Act, 1994. Though the Scheme of Amalgamation became effective from 2 April 2015, the day of the certified copy of the court order was submitted to the Registrar of Joint Stock Companies (RJSC), Dhaka, Bangladesh, and both Khulna Power Company Unit II Ltd. and Khanjahan Ali Power Company Ltd. ceased to exist since then, for financial reporting purposes the recording of all transactions on an amalgamated basis is effective from 30 September 2014.

1.4 Extension of Contract for Supply of Electricity on Rental Basis for KPCL-II and KPCL-III

Contract for Supply of Electricity on Rental Basis for 5 years with Bangladesh Power Development Board (BPDB) relating



Notes to the Financial Statements

to KPCL-II expired on 31 May 2016 and KPCL-III expired on 28 May 2016. BPDB issued letters for continuing operation of KPCL-II and KPCL-III on 24 May 2016. Subsequently, on 28 September 2016 management had applied to BPDB for extension of the contract for both KPCL-II and KPCL-III for a further 5 years.

On the basis of above, management is currently in negotiations with BPDB over the tariff to be incorporated into the contract from 1 June 2016 for KPCL-II and from 29 May 2016 for KPCL-III.

2 Basis of accounting

2.1 Statement of compliance

The financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs), Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations. The titles and format of these financial statements follow the requirements of BFRS which are to some extent different from the requirement of the Companies Act 1994. However, such differences are not material and in the view of management BFRS titles and format give better presentation to the shareholders.

Detail of the Company's accounting policies are included in Note 34.

2.2 Authorisation for issue

The financial statements were authorised by the Board of Directors on 29 October 2016 for publication.

2.3 Functional and presentational currency and level of precision

The financial statements are presented in Bangladesh Taka (Taka/Tk), which is the Company's functional currency. All amounts have been rounded to the nearest integer, unless otherwise indicated.

2.4 Reporting period

Pursuant to changes in the provision of section 2 (35) of the Income Tax Ordinance 1984 following the enactment of Finance Act 2015, the Company has changed its reporting period to 1 July to 30 June from 1 January to 31 December. Accordingly, these financial statements cover a eighteen-month period from 1 January 2015 to 30 June 2016. As a result, the comparative figures stated in the financial statements and the related notes are not entirely comparable.

3 Use of estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the period ended 30 June 2016 is included in the following notes:

Note 4	Property, plant and equipment
Note 5	Inventories
Note 13	Employee benefits
Note 14	Asset retirement obligations (ARO)
Note 17	Provision for income tax
Note 30	Contingencies and commitments



Notes to the Financial Statements (Continued)

4 Property, Plant and Equipment

See accounting policies in Notes 34(C)

Reconciliation of carrying amount

<i>In Taka</i>	Land	Power plant	Motor vehicles	Building and construction	Furniture and fixtures	Office equipment	Office renovation	Total
Cost								
Balance at 1 January/1 October 2014	-	11,647,308,773	18,375,961	10,040,044	1,230,308	3,845,870	1,756,040	11,682,556,996
Additions	-	132,096,806	5,734,200	175,337	140,360	1,703,250	-	139,849,953
Adjustments/disposal	-	-	(864,000)	-	-	-	-	(864,000)
Balance at 31 December 2014	-	11,779,405,579	23,246,161	10,215,381	1,370,668	5,549,120	1,756,040	11,821,542,949
Balance at 1 January 2015	-	11,779,405,579	23,246,161	10,215,381	1,370,668	5,549,120	1,756,040	11,821,542,949
Additions	35,674,749	307,328,781	3,213,000	-	60,700	3,014,041	-	349,291,271
Adjustments/disposal	-	(268,767,830)	-	-	-	-	-	(268,767,830)
Balance at 31 December 2015	35,674,749	11,817,966,530	26,459,161	10,215,381	1,431,368	8,563,161	1,756,040	11,902,066,390
Balance at 1 January 2016	35,674,749	11,817,966,530	26,459,161	10,215,381	1,431,368	8,563,161	1,756,040	11,902,066,390
Additions	-	647,660	-	-	4,900	685	-	653,245
Adjustments/disposal	-	-	-	-	-	-	-	-
Balance at 30 June 2016	35,674,749	11,818,614,190	26,459,161	10,215,381	1,436,268	8,563,846	1,756,040	11,902,719,635

Accumulated depreciation

Balance at 1 January/1 October 2014	-	3,166,765,009	9,404,895	9,465,672	936,787	2,942,675	1,053,628	3,190,568,666
Depreciation for the period/year	-	189,979,632	2,087,628	41,617	145,698	708,307	351,208	193,314,090
Adjustment for disposal	-	-	(180,000)	-	-	-	-	(180,000)
Balance at 31 December 2014	-	3,356,744,641	11,312,523	9,507,289	1,082,485	3,650,982	1,404,836	3,383,702,756
Balance at 1 January 2015	-	3,356,744,641	11,312,523	9,507,289	1,082,485	3,650,982	1,404,836	3,383,702,756
Depreciation for the year	-	339,404,037	4,781,122	78,678	148,507	1,359,069	351,191	346,122,594
Adjustment for disposal	-	(65,082,784)	-	-	-	-	-	(65,082,784)
Balance at 31 December 2015	-	3,631,065,894	16,093,645	9,585,967	1,230,992	5,010,041	1,756,027	3,664,742,566
Balance at 1 January 2016	-	3,631,065,894	16,093,645	9,585,967	1,230,992	5,010,041	1,756,027	3,664,742,566
Depreciation for the period	-	168,474,004	2,390,565	39,335	40,747	563,728	-	171,508,379
Adjustment for disposal	-	-	-	-	-	-	-	-
Balance at 30 June 2016	-	3,799,539,898	18,484,210	9,625,302	1,271,739	5,573,769	1,756,027	3,836,250,945

Carrying amounts

At 31 December 2014	-	8,422,660,938	11,933,638	708,092	288,183	1,898,138	351,204	8,437,840,193
At 31 December 2015	35,674,749	8,186,900,636	10,365,516	629,414	200,376	3,553,120	13	8,237,323,824
At 30 June 2016	35,674,749	8,019,074,292	7,974,951	590,079	164,529	2,990,077	13	8,066,468,690

4.1 Allocation of depreciation

<i>In Taka</i>	30 June 2016	31 December 2015	31 December 2014
Cost of sales	168,474,004	339,404,037	189,979,632
General and administrative expenses	3,034,375	6,718,557	3,334,458
	171,508,379	346,122,594	193,314,090



Notes to the Financial Statements (Continued)

5 Inventories

See accounting policies in Notes 34(B)

<i>In taka</i>	30 June		31 December		31 December	
	2016	2015	2015	2014	2014	2014
Heavy fuel oil (HFO)	570,756,621	130,739,861	130,739,861	632,855,748	632,855,748	632,855,748
Light fuel oil (LFO)	3,744,590	3,969,259	3,969,259	3,087,348	3,087,348	3,087,348
Lube oil	25,741,227	47,329,327	47,329,327	27,629,170	27,629,170	27,629,170
Chemical	604,262	300,311	300,311	27,500	27,500	27,500
Spare parts for plant maintenance	323,594,522	348,186,642	348,186,642	378,833,602	378,833,602	378,833,602
Material-in-transit (HFO)	924,441,222	530,525,400	530,525,400	1,042,433,368	1,042,433,368	1,042,433,368
Material-in-transit (Spare parts)	424,553,275	297,850	297,850	2,117,213	2,117,213	2,117,213
	63,517,590	12,982,680	12,982,680	4,234,062	4,234,062	4,234,062
	1,412,512,087	543,805,930	543,805,930	1,048,784,643	1,048,784,643	1,048,784,643

5.1 Movement in inventories

<i>In taka</i>	Heavy fuel oil (HFO)		Light fuel oil (LFO)		Lube oil		Chemicals		Spare parts	
	Quantity (MT)	Amount	Quantity (Ltr)	Amount	Quantity (Ltr)	Amount	Amount	Amount	Amount	Amount
Balance at 1 January/1 October 2014	10,223	554,595,219	42,348	2,786,923	67,109	20,235,125	157,000	352,234,816		
Addition during the period/year	110,989	6,547,519,743	108,000	7,112,282	343,946	114,732,835	3,991,240	253,402,603		
Consumption during the period/year	(108,400)	(6,469,259,214)	(103,435)	(6,811,857)	(321,438)	(107,338,790)	(4,120,740)	(226,803,817)		
Balance at 31 December 2014	12,812	632,855,748	46,913	3,087,348	89,618	27,629,170	27,500	378,833,602		
Balance at 1 January 2015	12,812	632,855,748	46,913	3,087,348	89,618	27,629,170	27,500	378,833,602		
Addition during the year	253,134	7,388,580,140	234,000	15,415,531	923,547	277,366,738	2,095,820	250,718,107		
Consumption during the year	(259,892)	(7,890,696,027)	(220,599)	(14,533,620)	(821,413)	(257,666,581)	(1,823,009)	(281,365,067)		
Balance at 31 December 2015	6,054	130,739,861	60,314	3,969,259	191,752	47,329,327	300,311	348,186,642		
Balance at 1 January 2016	6,054	130,739,861	60,314	3,969,259	191,752	47,329,327	300,311	348,186,642		
Addition during the period	166,408	3,128,161,579	108,000	6,999,497	508,648	141,640,092	1,024,454	105,416,174		
Consumption/loss/loan during the period	(147,402)	(2,688,144,819)	(109,903)	(7,224,166)	(597,113)	(163,228,192)	(720,503)	(130,008,294)		
Balance at 30 June 2016	25,060	570,756,621	58,411	3,744,590	103,288	25,741,227	604,262	323,594,522		



Notes to the Financial Statements (Continued)

6 Trade and other receivables

See accounting policies in Note 34(H)

<i>In Taka</i>	Note	30 June	31 December	31 December
		2016	2015	2014
Trade receivables	6.1	2,259,660,544	1,746,157,159	2,996,823,853
Other receivables	6.4	312,178,045	184,846,629	68,351,387
		2,571,838,589	1,931,003,788	3,065,175,240

6.1 Trade receivables

<i>In Taka</i>	Note	30 June	31 December	31 December
		2016	2015	2014
Capacity payment/Other monthly tariff		205,053,678	205,093,713	201,131,459
Fuel tariff		-	53,172,630	149,035,926
Rental payment	6.2	426,752,138	450,116,834	603,972,439
Energy payment (fuel payment)		1,202,826,241	684,992,015	1,753,812,001
Energy payment (variable operation & maintenance payment)	6.3	425,028,487	352,781,967	288,872,028
		2,259,660,544	1,746,157,159	2,996,823,853

6.2 As explained in note 1.4, due to the expiry of the legacy Contract for Supply of Electricity on Rental Basis for KPCL-II and KPCL-III between KPCL and Bangladesh Power Development Board (BPDB), revenue for the period from 1 June 2016 to 30 June 2016 for KPCL-II and for the period from 29 May 2016 to 30 June 2016 for KPCL-III were recognised based on the estimated tariff rate as per the latest discussion in the meeting with BPDB. In the latest meeting held on 27 September 2016, tariff rate of USD 13/Kw-month was proposed for rental payment.

6.3 In accordance with the Contract with KPCL-II and KPCL-III, Bangladesh Petroleum Corporation (BPC) had been the liquid fuel oil supplier and BPDB was liable to pay for the fuel. However, since the start of operation of the plants, the quality and quantity of the supplied fuel were not as per given specification in the contract. For this reason, the actual fuel consumption was higher per unit of electricity generation. On account of the actual fuel consumption, BPDB started deduction from some of the monthly invoices of these units which amounted to Tk 90,509,774 for KPCL-II and Tk 140,778,303 for KPCL-III (both the amounts are included under Energy payment- variable operation and maintenance payment) for the year 2012 and 2013. On continuous objections raised to BPDB by these units, BPDB had formed a committee to justify the quality and quantity of supplied fuel. The decision on this issue is under process with the Power Division of Bangladesh Government as of the reporting date and given the progress in this matter, management strongly feels that these amounts are recoverable.

As at 30 June 2016, disputed amounts with regard to power factors included in above trade receivables is Tk 89,861,288. Management is in discussion with a view to resolving the issue with BPDB and strongly feels that these amounts are recoverable.



Notes to the Financial Statements (Continued)

6.4 Other receivables

<i>In Taka</i>	Note	30 June	31 December	31 December
		2016	2015	2014
BPDB (agreed charges paid to BIWTA)		19,176,498	15,045,348	10,203,931
FDR interest due from bank		270,744	6,918,810	18,867,232
Income tax authority (corporate tax deposition at the time of appeal)		4,018,887	4,018,887	2,873,148
BPDB on account of AIT for spare parts	6.5	8,615,180	8,615,180	8,615,180
IFDC Vulcan Energy (BD) Ltd.		-	-	26,270,460
Pragati Insurance Ltd for claim -Engine & Generator set		73,106,459	93,292,785	-
Wartsila -as compensation for broken Generator set		50,590,787	50,126,772	-
Summit Oil & Shipping Co. Ltd. - Fuel oil loan		152,854,396	-	-
BRAC Bank Limited for excess adjustment of fuel oil L/C payment		-	3,959,548	-
Lease rent adjustable/receivable - BPDB		117,552	146,940	-
DEG (on account of CSR program)		1,620,292	867,432	-
Neptune Commercial Ltd.		1,402,500	1,402,500	1,402,500
Others		404,750	452,427	118,936
		312,178,045	184,846,629	68,351,387

6.5 As per agreement, all taxes at import stage will be reimbursed from BPDB. The amount represents the claim from BPDB on account of AIT deducted at import stage.

7 Advances, deposits and prepayments

See accounting policies in Note 34(H)

<i>In Taka</i>	30 June	31 December	31 December
	2016	2015	2014
Advances			
Padma Oil and Jamuna Oil for HFO supply	634,530	634,530	634,530
Advance Income Tax (AIT)	255,834,504	212,057,100	126,229,085
Advance Income Tax (TDS)	27,357,595	24,160,094	13,116,256
Advance Value Added Tax (VAT)	-	36,492,891	36,492,891
BIWTA for fuel oil landing charges	1,016,750	3,969,350	-
Advance against purchase of land	-	-	33,832,203
Advance to KPOSL	1,684,595	-	-
Paribartan, Khulna - CSR program	-	951,050	-
Loan to employees	425,967	811,773	-
Others	179,698	402,772	1,948,466
	287,133,639	279,479,560	212,253,431



Notes to the Financial Statements (Continued)

<i>In Taka</i>	Note	30 June	31 December	31 December
		2016	2015	2014
Deposits				
Bangladesh Telephone & Telegraph Board		16,000	16,000	16,000
Grameenphone Ltd.		89,006	89,006	89,006
Central Depository Bangladesh Ltd. (CDBL)		500,000	500,000	500,000
Security deposit for office rent		258,880	258,880	258,880
Security deposit for C & F license		250,000	250,000	250,000
Margin on bank guarantee for leasehold land -DBBL		13,662,500	13,662,500	13,662,500
Leasehold land for KPCL-II- BPDB		183,675	183,675	183,675
Others		23,500	37,500	37,500
		14,983,561	14,997,561	14,997,561

Prepayments

General insurance premium (fire, fidelity, health, motor, etc.)		1,956,452	453,571	236,236
Leasehold land -BPDB		2,700,064	551,025	73,470
Insurance premium -Plant		13,936,793	3,703,271	5,733,239
Commission on bank guarantee -BRAC Bank		-	-	449,051
Commission on OSD for KPCL-I -BRAC Bank		-	539,925	539,925
		18,593,309	5,247,792	7,031,921
		320,710,509	299,724,913	234,282,913

8 Cash and cash equivalents

See accounting policies in Note 34(H)

<i>In Taka</i>		30 June	31 December	31 December
		2016	2015	2014
Cash in hand		55,804	134,286	78,732
Cash at bank	8.1	1,706,477,337	1,666,368,701	1,548,053,264
		1,706,533,141	1,666,502,987	1,548,131,996

8.1 Cash at bank

Current account:

Citibank, NA (operating a/c # 129039 -Taka)		20,039,884	25,697,116	33,925,045
Citibank, NA (operating a/c # 129032 -US Dollar)		2,201,852	2,193,705	2,999,272
BRAC Bank Ltd. (A/c # 1501200976943001)		62,479,975	-	346
Pubali Bank Ltd. (A/c # 3555901037145)		17,668	17,898	18,358
Standard Bank Ltd. (A/c # 233011318)		37,179	37,754	39,054
Standard Chartered Bank (A/c # 01-5547202-01)		12,796,711	14,378,983	30,411,180



Notes to the Financial Statements (Continued)

<i>In Taka</i>	Note	30 June	31 December	31 December
		2016	2015	2014
BRAC Bank Ltd. (A/c # 1501200976943002)		576,273,898	130,243,592	305,732,528
Jamuna Bank Limited (A/c # 0010-0210016685)		1,275	-	200
Bank Alfalah Limited (A/c # 01701501)		285,453	27,577	409,042
Bank Alfalah Limited (A/c # 03700154)		1,819,638	359,636	52,012
Exim Bank Limited (A/c # 6113100048474)		8,339,858	2,051,827	267
Standard Chartered Bank (A/c # 01-1110754-01)		197,531	343,979	442,391
Trust Bank Ltd. (A/c # 300210002865)		465,636	466,211	467,861
BRAC Bank Ltd. (A/c # 1501201870861002)		645,845	542,819	873,947
Bank Alfalah Ltd. (A/c # 03700161)		121,112	935,374	-
Prime Bank Ltd. (A/c # 13211030031363)		789,653	790,728	-
BRAC Bank Ltd. (A/c # 1501201870861001 -US Dollar)		-	164,149,721	-
BRAC Bank Ltd. (A/c # 1501201831046001)		-	367,320	1,464,517
Dutch-Bangla Bank Ltd. (A/c # 103110000019467)		4,494	5,069	6,219
Standard Chartered Bank (A/c # 01-114572701)		370,967	227,011	1,369,716
Trust Bank Ltd. (A/c # 300210002767)		166,195	166,770	168,420
Standard Chartered Bank (A/c # 01-1145727-02 -US Dollar)		-	1,668,268	147,812
		687,054,824	344,671,358	378,528,187
Special notice deposit (SND) account:				
BRAC Bank Ltd. (A/c # 1501100976943001)		40,340	40,308	39,406
BRAC Bank Ltd. (A/c # 1501101870861001)		642,290	639,381	622,676
Dutch Bangla Bank Ltd. (A/c # 107120000000671)		-	-	-
Dutch Bangla Bank Ltd. (A/c # 103120000001348)		240,877	238,474	43,507
Dutch Bangla Bank Ltd. (A/c # 103120000001381)		2,392	2,988	211,175
Standard Chartered Bank (A/c # 02111075401)		91,594	92,003	92,813
Standard Chartered Bank (A/c # 02114572701)		581,525	768,333	52,063,881
Citibank, NA (A/c # G010001200812006)		-	-	410,059
Trust Bank Ltd. (A/c # 300320000097)		-	-	289
Trust Bank Ltd. (A/c # 0018-0320000191)		166,151	-	-
Exim Bank Limited (A/c # 02813100365687)		199,815	200,389	-
BRAC Bank Ltd. -Dividend'09 distribution a/c		780,501	777,809	776,023
BRAC Bank Ltd. -Dividend'12 distribution a/c		3,008,149	3,000,792	2,922,401
BRAC Bank Ltd. -Dividend'13 distribution a/c		7,970,946	7,977,924	12,342,847
Bank Alfalah Ltd. -Dividend'14 distribution a/c		7,804,855	7,958,942	-
Bank Alfalah Ltd. -Interim dividend for the period ended 30 June 2016 distribution a/c		89,736,828	-	-
		111,266,263	21,697,343	69,525,077
Fixed deposit account (FDR):				
Trust Bank Ltd.		-	400,000,000	-
Janata Bank Ltd.		-	200,000,000	-
EXIM Bank Ltd.		908,156,250	700,000,000	900,000,000
BRAC Bank Ltd.		-	-	200,000,000
		908,156,250	1,300,000,000	1,100,000,000
		1,706,477,337	1,666,368,701	1,548,053,264



Notes to the Financial Statements (Continued)

9 Share capital

See accounting policies in 34(l)

In Taka

Authorised

	30 June 2016	31 December 2015	31 December 2014
500,000,000 ordinary shares of Tk 10 each	5,000,000,000	5,000,000,000	5,000,000,000
2,000,000 redeemable preference shares of Tk 1,000 each	2,000,000,000	2,000,000,000	2,000,000,000
	7,000,000,000	7,000,000,000	7,000,000,000

Issued, subscribed and paid up

208,593,000 ordinary shares of Tk 10 each	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
47,976,390 ordinary shares of Tk 10 each issued as bonus shares in 2011	479,763,900	479,763,900	479,763,900
17,991,150 ordinary shares of Tk 10 each issued as bonus shares in 2012	179,911,500	179,911,500	179,911,500
38,231,186 ordinary shares of Tk 10 each issued as bonus shares in 2013	382,311,860	382,311,860	382,311,860
17,204,033 ordinary shares of Tk 10 each issued as bonus shares in 2014	172,040,330	172,040,330	172,040,330
361,284,709 ordinary shares of Tk 10 each issued	3,612,847,090	3,612,847,090	3,612,847,090

Particulars of shareholding:

Name of shareholders	30 June 2016		31 December 2015		31 December 2014	
	No. of share	Value (Tk)	No. of share	Value (Tk)	No. of share	Value (Tk)
United Enterprises & Company Ltd.	127,469,456	1,274,694,560	127,469,456	1,274,694,560	127,469,456	1,274,694,560
Summit Corporation Limited	63,734,727	637,347,270	63,734,727	637,347,270	63,734,727	637,347,270
Summit Power Limited	63,734,728	637,347,280	63,734,728	637,347,280	63,734,728	637,347,280
Other sponsors	85,554	855,540	85,554	855,540	85,554	855,540
General investors	106,260,244	1,062,602,440	106,260,244	1,062,602,440	106,260,244	1,062,602,440
	361,284,709	3,612,847,090	361,284,709	3,612,847,090	361,284,709	3,612,847,090

9.1 Percentage of shareholdings

In Taka

	30 June 2016	31 December 2015	31 December 2014
United Enterprises & Company Ltd.	35.2823%	35.2823%	35.2823%
Summit Corporation Limited	17.6411%	17.6411%	17.6411%
Summit Power Limited	17.6411%	17.6411%	17.6411%
Other sponsors	0.0237%	0.0237%	0.0237%
General investors	29.4118%	29.4118%	29.4118%
	100%	100%	100%

9.2 Classification of shareholders by holding:

	Number of holders			% of holdings		
	30 June 2016	31 December 2015	31 December 2014	30 June 2016	31 December 2015	31 December 2014
Less than 5,000 shares	24,514	26,767	37,490	92.6840%	93.0120%	94.7315%
5,000 to 10,000 shares	901	1,041	1,135	3.4066%	3.6173%	2.8680%
10,001 to 25,000 shares	617	517	565	2.3328%	1.7965%	1.4277%
25,001 to 50,000 shares	187	207	356	0.7070%	0.7193%	0.8996%
50,001 to 100,000 shares	114	135	15	0.4310%	0.4691%	0.0379%
100,001 to 250,000 shares	64	65	7	0.2420%	0.2259%	0.0177%
250,001 to 500,000 shares	24	21	1	0.0907%	0.0730%	0.0025%
500,001 to 2,500,000 shares	20	17	3	0.0756%	0.0591%	0.0076%
2,500,001 to 5,000,000 shares	4	3	-	0.0151%	0.0104%	0.0000%
Over 5,000,000 shares	4	5	3	0.0151%	0.0174%	0.0076%
	26,449	28,778	39,575	100%	100%	100%



Notes to the Financial Statements (Continued)

10 Capital redemption reserve

See accounting policies in 34(P)

<i>In Taka</i>	30 June	31 December	31 December
	2016	2015	2014
Capital redemption reserve	325,647,810	325,647,810	325,647,810
	325,647,810	325,647,810	325,647,810

11 Loans and borrowings

See accounting policies in Notes 34(H)

<i>In Taka</i>	Note	30 June	31 December	31 December
		2016	2015	2014
Non-current liabilities	11.1	-	-	10,639,173
Current liabilities	11.2	3,353,470,736	2,516,093,630	5,151,206,476
		3,353,470,736	2,516,093,630	5,161,845,649

11.1 Non-current liabilities

<i>In Taka</i>	Note	30 June	31 December	31 December
		2016	2015	2014
Term loan				
Standard Chartered Bank Mauritius Ltd.		-	10,386,642	354,863,868
Less: Current portion	11.2	-	(10,386,642)	(344,224,695)
		-	-	10,639,173

*KPCL-III has enjoyed long term loan facility from Standard Chartered Bank Mauritius Ltd. under the following terms and conditions:

Limit	USD 19,500,000
Purpose	Import of capital machinery
Interest	3 month LIBOR (2% caps and 1% floors) + 4% margin
Tenor	56 months (effective from 20 June 2011)
Repayment	18 equal quarterly instalments
Security	<ul style="list-style-type: none"> i) Floating charge over the book debts, receivables, plant, machinery, equipment and current assets of the borrower by way of hypothecation supported by an irrevocable general power of attorney. ii) Fixed charge over the machinery and equipment of the borrower by way of hypothecation supported by an irrevocable general power of attorney.

Various loan related arrangement fees and financial charges have been amortised proportionately during the tenor of the loan. Last instalment has been paid in the month of January 2016.

11.2 Current liabilities

<i>In Taka</i>	30 June	31 December	31 December
	2016	2015	2014
Working capital/Short term loan			
Bank Alfalah Limited	888,679,935	690,000,000	440,000,000
Standard Chartered Bank	1,101,268,028	1,652,435,273	1,545,732,792
BRAC Bank Limited	148,304,785	163,271,715	2,110,799,343
Citibank, NA	1,215,217,988	-	710,449,646
	3,353,470,736	2,505,706,988	4,806,981,781
Standard Chartered Bank Mauritius Ltd. (current portion)	-	10,386,642	344,224,695
	3,353,470,736	2,516,093,630	5,151,206,476



Notes to the Financial Statements (Continued)

12 Deferred tax liabilities

See accounting policies in Note 34(G)

<i>In Taka</i>	Note	30 June	31 December	31 December
		2016	2015	2014
Balance at beginning of the period/year		195,114,318	-	-
Deferred tax (income)/expense	12.1	25,959,355	195,114,318	-
		221,073,673	195,114,318	-

At 30 June 2016	Carrying amount on reporting date	Tax base	Taxable/ (deductible) temporary difference
<i>In Taka</i>			
Property, plant and equipment (excluding land)	2,508,244,267	1,604,763,749	903,480,518
Gratuity provision	19,185,827	-	(19,185,827)
Taxable temporary difference	2,527,430,094	1,604,763,749	884,294,691
Applicable tax rate			25%
Deferred tax liabilities			221,073,673

At 31 December 2015	Carrying amount on reporting date	Tax base	Taxable/ (deductible) temporary difference
<i>In Taka</i>			
Property, plant and equipment (excluding land)	2,580,454,443	1,782,431,697	798,022,746
Gratuity provision	17,565,475	-	(17,565,475)
Taxable temporary difference	2,598,019,918	1,782,431,697	780,457,271
Applicable tax rate			25%
Deferred tax liabilities			195,114,318

The Company has been enjoying tax exemption from its inception to 12 October 2013 as an IPP (Independent Power Producer). In the absence of specific legislation in connection with companies in such situation with regard to tax depreciation, the Company has taken its tax written down value as at 12 October 2013 to be the same as accounting written down value on that date. Deferred tax is calculated considering temporary differences of KPCL-I only.

12.1 Deferred tax (income)/expense

<i>In Taka</i>	Note	30 June	31 December	31 December
		2016	2015	2014
Deferred tax liabilities at the beginning of the period/year		195,114,318	-	-
Deferred tax liabilities at the end of the period/year	12	221,073,673	195,114,318	-
Deferred tax (income)/expense recognised		25,959,355	195,114,318	-



Notes to the Financial Statements (Continued)

13 Employee benefits

See accounting policies in Note 34(K)

<i>In Taka</i>	Note	30 June	31 December	31 December
		2016	2015	2014
Staff gratuity	13.1	20,173,858	20,285,478	12,888,302
Earned leave encashment	13.2	5,072,976	5,064,230	3,906,533
		25,246,834	25,349,708	16,794,835

13.1 Staff gratuity

<i>In Taka</i>	30 June	31 December	31 December
	2016	2015	2014
Opening balance	20,285,478	12,888,302	11,239,041
Add: Provision made during the period/year	1,688,380	7,397,176	1,649,261
	21,973,858	20,285,478	12,888,302
Less: Paid during the period/year	(1,800,000)	-	-
Closing balance	20,173,858	20,285,478	12,888,302

The Company no longer employs anybody working in the plants who is eligible for gratuity. Management has decided to settle the liability as soon as practicable.

13.2 Earned leave encashment

<i>In Taka</i>	30 June	31 December	31 December
	2016	2015	2014
Opening balance	5,064,230	3,906,533	3,283,132
Add: Provision made during the period/year	581,473	1,157,697	623,401
	5,645,703	5,064,230	3,906,533
Less: Paid during the period/year	(572,727)	-	-
Closing balance	5,072,976	5,064,230	3,906,533

14 Asset retirement obligations (ARO)

See accounting policies in Notes 34(J)

<i>In Taka</i>	30 June	31 December	31 December
	2016	2015	2014
Balance as at 1 January/1 October	28,541,584	24,818,776	24,009,469
Provision made during the period/year	1,628,775	3,722,808	809,307
Closing balance	30,170,359	28,541,584	24,818,776

15 Trade and other payables

See accounting policies in Note 34(H)

<i>In Taka</i>	Note	30 June	31 December	31 December
		2016	2015	2014
Trade payable	15.1	963,208,744	163,028,433	542,649,673
Payable for expenses and others	15.2	54,823,608	203,377,348	180,664,792
Payable for interest on loan	15.3	20,640,974	15,158,314	12,850,745
		1,038,673,326	381,564,095	736,165,210



Notes to the Financial Statements (Continued)

15.1 Trade payable

	30 June 2016	31 December 2015	31 December 2014
<i>In Taka</i>			
Service charges/Handling commission for fuel oil	-	-	313,859,465
Fuel cost - Summit Asia Pacific PTE. Ltd	860,204,674	-	44,364,308
Fuel carrying - Summit Oil & Shipping Co. Ltd./USCOL	75,965,730	153,829,975	142,182,503
Fuel carrying - United Shipping & Logistic Services Ltd.	19,381,332	1,938,220	16,472,105
Fuel storage - South Eastern Tank Terminal Ltd.	7,657,008	7,260,238	13,763,750
Operation and maintenance -Wartsila Bangladesh Ltd.	-	-	12,007,542
	963,208,744	163,028,433	542,649,673

15.2 Payable for expenses and others

	30 June 2016	31 December 2015	31 December 2014
<i>In Taka</i>			
Withholding tax/VAT - O&M fees, professional fees and others	6,974,921	165,438,487	86,773,983
Electricity, gas and water	255,000	210,000	119,165
Auditor's fee	750,000	625,000	837,000
Legal and other professional fees	36,000	26,000	-
Lease rent payable - BPDB	607,929	468,246	297,554
Telephone, fax and e-mail	57,597	59,517	39,701
Employee expenses	14,064,963	13,817,235	9,252,162
Falcon Securities Ltd - plant manned security	25,694	553,588	570,362
Employees' provident fund	9,674,896	7,823,257	2,244,904
Fuel landing charge payable - BIWTA	-	-	2,215,585
EGM/AGM related expenses	-	-	1,474,481
Consideration payable	-	-	73,898,400
MJL Bd. Ltd.	1,527,987	-	-
Satcom IT Ltd.	180,000	-	-
Payable for other operating expenses	20,277,506	13,947,178	-
Others	391,115	408,840	2,941,495
	54,823,608	203,377,348	180,664,792

15.3 Payable for interest on loan

	30 June 2016	31 December 2015	31 December 2014
<i>In Taka</i>			
Term loan - Standard Chartered Bank	-	-	7,488,245
Working capital/short term loan - Standard Chartered Bank	3,755,194	10,776,216	-
Working capital/short term loan - Bank Alfalah Limited	4,906,025	1,009,306	5,362,500
Working capital/short term loan - Citibank, NA	5,408,589	-	-
Working capital/short term loan - BRAC Bank Limited	6,571,166	3,372,792	-
	20,640,974	15,158,314	12,850,745



Notes to the Financial Statements (Continued)

16 Unclaimed dividend

See accounting policies in Notes 34(R)

	30 June	31 December	31 December
<i>In taka</i>	2016	2015	2014
Final cash dividend for the year 2009	8,399,445	8,399,445	8,430,585
Final cash dividend for the year 2012	2,234,778	2,239,210	2,235,174
Final cash dividend for the year 2013	6,419,293	6,462,075	11,028,078
Final cash dividend for the year 2014	6,220,171	6,465,503	-
Interim cash dividend for the period ended 30 June 2016	89,385,529	-	-
	112,659,216	23,566,233	21,693,837

The above amount represents cash dividend for the year 2009, 2012, 2013, 2014, 2015 and 2016 that has remained unclaimed by the shareholders, which is deposited in dedicated bank accounts and is payable on demand.

17 Provision for income tax

See accounting policies in Note 34(G)

	30 June	31 December	31 December
<i>In Taka</i>	2016	2015	2014
Balance at beginning of the period/year	307,500,000	132,500,000	-
Provision for the period/year	91,000,000	175,000,000	132,500,000
	398,500,000	307,500,000	132,500,000
Adjustment made for completion of assessment	-	-	-
Balance at end of the period/year	398,500,000	307,500,000	132,500,000

Provision for income tax consists of the following:

	2016	2015	2014
Income year 2015-2016	266,000,000	175,000,000	-
Income year 2014-2015	132,500,000	132,500,000	132,500,000
Balance at end of the period/year	398,500,000	307,500,000	132,500,000

17.1 KPCL-I was allowed 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 and amended time to time issued by Government of Bangladesh, under private sector power generation policy. This expired on 12 October 2013. Though after successful completion of the tenor the Company (KPCL-I) has been granted an extension for a further five-year term, no tax exemption facility has been given. Therefore due income tax provision for the accounting period/year has been made in the accounts on the net profit of this unit (KPCL-I).

17.2 However, no provision is made for income tax for other two units (KPCL-II and KPCL-III), amalgamated with KPCL-I, as Bangladesh Power Development Board (BPDB) is responsible for payment of income taxes, other taxes, VAT, duties, levies and all other charges imposed inside Bangladesh on any payments made by BPDB to the Company from the start of its commercial operation.



Notes to the Financial Statements (Continued)

18 Revenue

See accounting policies in Note 34(A)

<i>In Taka</i>	<i>Note</i>	Eighteen-month	Six-month	For the year ended	
		period ended	period ended	31 December	31 December
		30 June 2016	30 June 2016	2015	2014
Capacity payment		1,787,573,286	598,245,212	1,189,328,074	1,183,112,346
Rental payment		3,562,674,383	1,163,665,335	2,399,009,048	600,707,585
Energy payment - fuel payment		10,685,724,912	2,585,408,318	8,100,316,594	5,361,804,100
Energy payment - variable O & M payment		731,929,681	267,337,567	464,592,114	267,687,409
		16,767,902,262	4,614,656,432	12,153,245,830	7,413,311,440

19 Cost of sales

Consumption of heavy fuel oil (HFO) and related expenses

	19.1	10,773,962,393	2,741,907,020	8,032,055,373	5,820,211,969
Consumption of light fuel oil (LFO)		21,789,777	7,243,748	14,546,029	6,823,057
Consumption of lube oil		392,204,128	134,537,547	257,666,581	107,343,290
Consumption of spare parts	19.1	406,040,119	130,008,294	276,031,825	113,810,697
Employee expenses for plant		145,721,476	48,400,603	97,320,873	53,729,149
Other operation and maintenance costs		52,186,264	14,930,217	37,256,047	23,501,117
Manned security services at plant site		9,162,248	2,846,190	6,316,058	3,277,284
Depreciation of power plant		507,878,041	168,474,004	339,404,037	189,979,632
		12,308,944,446	3,248,347,623	9,060,596,823	6,318,676,195

19.1 The above expenses arise after considering various heavy fuel oil (HFO) and spare parts related expenses and adjustments which are not relevant with HFO and spare parts inventory. Hence, the actual consumption shown in inventory (note no. 5.1) will not directly match with the above mentioned expenses.

20 Other income/(expense)

Spare parts and assets received from Wartsila at free of cost	-	-	-	31,530,634
Sale proceeds of sludge, used lube oil and empty lube oil drums	8,544,783	1,235,709	7,309,074	4,903,535
Wartsila's O & M fee payable written-back	11,007,542	-	11,007,542	-
Gain/(loss) from disposal of assets	5,987,119	-	5,987,119	(64,000)
	25,539,444	1,235,709	24,303,735	36,370,169



Notes to the Financial Statements (Continued)

21 General and administrative expenses

	Note	Eighteen-month	Six-month	For the year ended	
		period ended	period ended	31 December	31 December
		30 June 2016	30 June 2016	2015	2014
<i>In Taka</i>					
Salary and allowances		38,070,268	12,309,019	25,761,249	20,869,740
Employer's contribution to P.F.		1,505,750	513,900	991,850	876,900
Gratuity provision		4,168,953	920,723	3,248,230	1,649,261
Earned leave provision		1,739,170	581,473	1,157,697	623,401
Leave fare assistance		884,438	243,683	640,755	435,246
Office rent and maintenance		8,469,510	3,008,933	5,460,577	5,241,851
Telephone, fax and e-mail		690,365	180,363	510,002	476,629
Advertisement, publicity, press and seminar		1,922,360	569,300	1,353,060	1,598,439
Entertainment expenses		110,626	49,193	61,433	85,305
Bank charges and commission		1,256,786	517,997	738,789	345,655
Printing, postage and stationeries		993,739	125,520	868,219	808,746
Travel and conveyance		1,006,585	238,001	768,584	1,426,551
Vehicle fuel and maintenance		192,508	56,604	135,904	202,515
Newspapers, books and periodicals		36,135	12,830	23,305	20,848
Business promotion, subscription, gift and donation		16,479,935	7,628,224	8,851,711	3,025,381
Uniform and liveries		46,090	25,200	20,890	26,470
Insurance premium		34,314,709	10,886,211	23,428,498	13,459,373
Lease rent - BPDB	27	9,264,967	3,199,752	6,065,215	3,695,033
Directors' fees and board meeting expenses		1,099,932	482,970	616,962	585,625
Auditor's fee		750,000	125,000	625,000	455,500
Legal, tax and other professional fees		3,225,816	1,443,216	1,782,600	1,986,427
Survey, testing and inspection fees		1,213,469	153,600	1,059,869	619,325
Company matters & share related expenses		211,130	630	210,500	2,117,926
Performance bond/bank guarantee charges		8,586,321	2,672,916	5,913,405	6,361,585
Environmental compliance expenses		803,596	-	803,596	312,720
Computer consumable and maintenance		953,081	311,350	641,731	713,741
General Meeting (AGM/EGM) expenses		3,486,308	188,100	3,298,208	8,001,200
Depreciation - Other property, plant and equipment		9,752,932	3,034,375	6,718,557	3,334,458
Bad debt expenses		179,906,386	53,172,630	126,733,756	-
Amalgamation expenses		6,863,064	300,000	6,563,064	354,176
VAT expenses		4,400,000	-	4,400,000	-
Liquidated damage expenses		80,579,805	-	80,579,805	-
Other operating expenses		20,277,506	6,330,328	13,947,178	-
River intake dredging		1,092,080	1,092,080	-	-
Miscellaneous and incidental expenses		267,229	23,590	243,639	75,997
		444,621,549	110,397,711	334,223,838	79,786,024



Notes to the Financial Statements (Continued)

22 Foreign exchange gain/(loss)

See accounting policies in Note 34(F)

Foreign 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 foreign currency denominated monetary transactions, assets and liabilities:

	Eighteen-month	Six-month	For the year ended	
	period ended	period ended	31 December	31 December
<i>In taka</i>	30 June 2016	30 June 2016	2015	2014
Accounts receivable - BPDB	(5,810,722)	(4,652,482)	(1,158,240)	13,724,733
O & M fee payable to Wartsila Bangladesh Ltd.	-	-	-	(558,273)
Service charges/Handling commission payable to fuel suppliers	12,778,922	-	12,778,922	(2,077,878)
US Dollar accounts	(30,988,279)	(9,502,536)	(21,485,743)	(2,270,333)
Term loan and interest on term loan -SCB Mauritius	2,509,020	8	2,509,012	(5,795,891)
Term loan and interest on term loan -DEG-FMO	-	-	-	(553,211)
Working capital loan and interest for acceptance of HFO L/Cs	56,416,798	13,927,355	42,489,443	-
Accounts payable	14,231,928	1,387,509	12,844,419	-
Others	141,881	-	141,881	(62,085)
	49,279,548	1,159,854	48,119,694	2,407,062

23 Finance income

See accounting policies in Note 34(E)

Interest on FDR and SND	129,166,287	49,956,598	79,209,689	108,836,414
	129,166,287	49,956,598	79,209,689	108,836,414

24 Finance costs

See accounting policies in Note 34(E)

Interest on:

Term loan- SCB Mauritius	5,175,691	43,370	5,132,321	7,087,571
Term loan- DEG/FMO	-	-	-	53,212,064
Working capital/Short term loans	172,570,733	46,855,925	125,714,808	126,119,276
Annual agency fee- Security & Facility Agent	-	-	-	2,760,000
Dividend on redeemable cumulative class 'A' preference shares	-	-	-	8,444,791
Other financial charges	5,351,583	1,628,775	3,722,808	909,307
	183,098,007	48,528,070	134,569,937	198,533,009



Notes to the Financial Statements (Continued)

25 Income tax expense

See accounting policies in Note 34(G)

	Note	Eighteen-month	Six-month	For the year ended	
		period ended	period ended	31 December	31 December
<i>In Taka</i>		30 June 2016	30 June 2016	2015	2014
Current tax		266,000,000	91,000,000	175,000,000	132,500,000
Adjustment made for completion of assessment		-	-	-	-
Deferred tax (income)/expense	12.1	221,073,673	25,959,355	195,114,318	-
		487,073,673	116,959,355	370,114,318	132,500,000

26 Earnings per share (EPS)

See accounting policies in Note 34(Q)

26.1 Basic earnings per share

Earnings Per Share (EPS) is calculated in accordance with the Bangladesh Accounting Standard BAS 33: Earnings Per Share. The composition of EPS is given below:

Profit attributable to the ordinary shareholders (basic)	3,548,149,866	1,142,775,834	2,405,374,032	831,429,857
No of shares outstanding	361,284,709	361,284,709	361,284,709	361,284,709
Earnings per share (EPS)	9.82	3.16	6.66	2.30

26.2 Diluted earnings per share

No diluted earnings per share is required to be calculated for the period/year as there was no scope for dilution during the period/year.

27 Operating leases

See accounting policies in Note 34(N)

KPCL-I & KPCL-II are obligated under non-cancellable lease for use of land leased out by Bangladesh Power Development Board that are renewable on a periodic basis, at the option of both lessor and lessee. Initially, two separate indenture of lease were made between BPDB (the lessor) and KPCL-I (the lessee) and KPCL-II (the lessee) for 17 years and 5 years effective from 5 February 1998 and 16 August 2010 respectively. BPDB has taken possession of land from Padma Oil Company Ltd. (POCL) pursuant to lease agreement between POCL and BPDB. Both of the indenture of lease has been extended for another 5 years effective from 1 January 2015 for KPCL-I and 16 August 2016 for KPCL-II as the Power Purchase Agreement between BPDB and KPCL-I has been extended for 5 years while the Contract for Supply of Electricity on Rental Basis between BPDB and KPCL-II is in the process of extension.

The future minimum lease payments in respect of operating leases as at:

<i>In Taka</i>	30 June 2016	31 December 2015	31 December 2014
Not later than one year	6,190,853	6,061,360	6,171,565
Later than one year but not later than five years	17,533,948	20,694,121	26,755,481
	23,724,801	26,755,481	32,927,046

Rental expenses under non-cancellable operating leases aggregated Tk. 3,199,752 for the period ended 30 June 2016 and Tk. 6,065,215 for the year ended 31 December (2014: Tk. 3,695,033).



Notes to the Financial Statements (Continued)

28 Related parties

a) Transactions with key management personnel

Key management personnel compensation comprised the following.

<i>In Taka</i>	Transaction values for the period/year ended		Balance outstanding as at	
	30 June 2016	31 December 2015	30 June 2016	31 December 2014
Transactions				
Fees to directors	350,000	390,000	-	-
Salaries and benefits	8,463,631	16,935,657	-	-
Bonus	1,240,000	3,837,001	-	-

b) Other related party transactions

Name of related party	Transaction values for the period ended		Balance outstanding as at	
	30 June 2016	31 December 2015	30 June 2016	31 December 2014
<i>In Taka</i>				
Purchase of goods and services				
United Summit Coastal Oil Ltd.	-	90,298,116	(7,447,003)	(97,745,119)
Neptune Commercial Ltd.	-	-	1,402,000	1,402,000
United Energy Trading Pte Ltd.	-	11,734,978	-	(11,734,978)
United Shipping & Logistic Services Ltd.	(11,886,781)	14,533,885	(13,825,001)	(1,938,220)
Summit Asia Pacific Pte Ltd.	(860,415,069)	14,910,462	(860,415,061)	8
Summit Oil & Shipping Co. Ltd.	67,785,426	(97,233,555)	(73,885,513)	(141,670,939)
Khulna Power Operations & Services Ltd.	1,684,595	-	1,684,595	-

Loans and borrowings

KPCL-II (Khulna Power Company Unit II Ltd.)	-	-	-	157,176,316
KPCL-III (Khanjahan Ali Power Company Ltd.)	-	-	-	184,664,409



Notes to the Financial Statements (Continued)

29 Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by it, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

29.1 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 receivables from customers and investment securities. Credit risk is mainly attributable to trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Company's receivables arise from a Government entity, viz, Bangladesh Power Development Board (BPDB) to whom the Company's sales are made under the conditions of the power purchase agreement and contract for supply of electricity on rental basis. Sales made to this entity is fully secured by Letters of Credit issued by local scheduled banks.

a) Exposure to credit risk

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

<i>In Taka</i>	<i>Note</i>	30 June	31 December	31 December
		2016	2015	2014
Trade receivables	6	2,259,660,544	1,746,157,159	2,996,823,853
Advances, deposits and prepayments	7	320,710,509	299,724,913	234,282,913
Cash and cash equivalents	8	1,706,477,337	1,666,368,701	1,548,053,264
		4,286,848,390	3,712,250,773	4,779,160,030

b) Ageing of trade receivables

Neither past due nor impaired	938,331,364	585,752,983	725,821,394
Past due 1-30 days	804,995,196	639,580,968	994,723,805
Past due 31-60 days	110,670,097	119,679,924	855,621,952
Past due 61-90 days	29,137,710	9,141,336	4,931,608
Past due 91-120 days	5,542,551	4,513,510	3,997,478
Past due above 120 days	370,983,626	387,488,438	411,727,616
	2,259,660,544	1,746,157,159	2,996,823,853

c) Impairment losses

There were no impairment losses to be recognised for such instrument for the period.

29.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.



Notes to the Financial Statements (Continued)

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

30 June 2016	Carrying amount	Contractual cash flows							
		Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years		
<i>In Taka</i>									
Contingent consideration	887,915,884	887,915,884	-	887,915,884	-	-	-	-	-
Loans and borrowings	3,353,470,736	3,353,470,736	335,347,074	3,018,123,662	-	-	-	-	-
Trade and other payables	1,038,673,326	1,038,673,326	-	1,038,673,326	-	-	-	-	-
Unclaimed dividend	112,659,216	112,659,216	112,659,216	-	-	-	-	-	-
Provision for income tax	398,500,000	398,500,000	-	398,500,000	-	-	-	-	-
Employee benefits	25,246,834	25,246,834	-	-	-	-	25,246,834	-	-
Asset retirement obligation (ARO)	30,170,359	30,170,359	-	-	-	-	30,170,359	-	-
	5,846,636,355	5,846,636,355	448,006,290	5,343,212,872	-	-	55,417,193	-	-

31 December 2015	Carrying amount	Contractual cash flows							
		Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years		
<i>In Taka</i>									
Contingent consideration	1,492,452,649	1,492,452,649	-	1,492,452,649	-	-	-	-	-
Loans and borrowings	2,516,093,630	2,516,093,630	251,609,363	2,264,484,267	-	-	-	-	-
Trade and other payables	381,564,095	381,564,095	-	381,564,095	-	-	-	-	-
Unclaimed dividend	23,566,233	-	23,566,233	-	-	-	-	-	-
Provision for income tax	307,500,000	307,500,000	-	307,500,000	-	-	-	-	-
Employee benefits	25,349,708	25,349,708	-	-	-	-	25,349,708	-	-
Asset retirement obligation (ARO)	28,541,584	28,541,584	-	-	-	-	28,541,584	-	-
	4,775,067,899	4,751,501,666	275,175,596	4,446,001,011	-	-	53,891,292	-	-

31 December 2014	Carrying amount	Contractual cash flows							
		Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years		
<i>In Taka</i>									
Contingent consideration	1,492,452,649	1,492,452,649	-	1,492,452,649	-	-	-	-	-
Loans and borrowings	5,161,845,649	5,172,484,822	516,184,565	4,645,661,084	10,639,173	-	-	-	-
Trade and other payables	736,165,210	736,165,210	-	736,165,210	-	-	-	-	-
Unclaimed dividend	21,693,837	21,693,837	21,693,837	-	-	-	-	-	-
Provision for income tax	132,500,000	132,500,000	-	132,500,000	-	-	-	-	-
Employee benefits	16,794,835	16,794,835	-	-	-	-	16,794,835	-	-
Asset retirement obligation (ARO)	24,818,776	24,818,776	-	-	-	-	24,818,776	-	-
	7,586,270,956	7,586,910,129	537,878,402	7,006,778,943	10,639,173	-	41,613,611	-	-

29.3 Market risk

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



Notes to the Financial Statements (Continued)

a) Currency risk

The Company is exposed to currency risk on revenue and certain expenses such as procurement of heavy fuel oil, spare parts and purchase of capital items. Majority of the Company's foreign currency transactions are denominated in United States Dollar (USD) and Euro (EUR) and related to revenue and procurement of heavy fuel oil and spare parts. The Company maintains few USD bank account where receipts from Bangladesh Power Development Board (BPDB) are deposited.

Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows:

	30 June 2016		31 December 2015		31 December 2014	
	USD	EUR	USD	EUR	USD	EUR
Trade and other receivables	13,459,494	571,448	13,457,489	571,448	13,860,878	-
Cash at bank	27,999	-	2,129,696	-	39,872	-
Loans and borrowings	(26,164,063)	(1,675,175)	(21,077,624)	(1,861,306)	(4,514,983)	-
Trade and other payables	(11,140,120)	-	(179,351)	-	(4,633,372)	-
Net exposure	(23,816,690)	(1,103,728)	(5,669,790)	(1,289,858)	4,752,395	-

The following exchange rates were applied during the year:

	Period/Year end spot rate			
	30 June 2016	31 December 2015	31 December 2014	31 December 2014
United States Dollar (USD)	78.64	78.89	78.93	78.93
Euro (EUR)	88.53	87.72	87.72	97.63

Source: BRAC Bank TT OD rate

Sensitivity analysis

A reasonably possible strengthening (weakening) of foreign currency against Taka at 30 June and 31 December would have effected the measurement of financial instruments denominated in a foreign currency and increased (decreased) equity and profit or loss by the amounts shown in the following page. This analysis is based on foreign currency exchange rate variances that the 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 forecast sales and purchases.



Notes to the Financial Statements (Continued)

<i>Effects in Taka</i>	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
30 June 2016				
USD (3 percent movement)	(56,188,334)	56,188,334	(56,188,334)	56,188,334
EUR (3 percent movement)	(2,931,420)	2,931,420	(2,931,420)	2,931,420
	(59,119,755)	59,119,755	(59,119,755)	59,119,755
31 December 2015				
USD (3 percent movement)	(13,418,693)	13,418,693	(13,418,693)	13,418,693
EUR (3 percent movement)	(3,394,348)	3,394,348	(3,394,348)	3,394,348
	(16,813,040)	16,813,040	(16,813,040)	16,813,040
31 December 2014				
USD (3 percent movement)	11,253,196	(11,253,196)	11,253,196	(11,253,196)
EUR (3 percent movement)	-	-	-	-
	11,253,196	(11,253,196)	11,253,196	(11,253,196)

b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. Loans and borrowings are affected by fluctuations in interest rates as the rate is of LIBOR plus variable rate ranging from 1.70% to 2.25%.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

<i>In Taka</i>	Nominal amount		
	30 June 2016	31 December 2015	31 December 2014
Fixed rate instruments			
Financial liabilities	-	-	-
	-	-	-
Variable rate instruments			
Loans and borrowings	3,353,470,736	2,516,093,630	5,161,845,649
	3,353,470,736	2,516,093,630	5,161,845,649



Notes to the Financial Statements (Continued)

c) Accounting classifications and fair values

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

30 June 2016 In Taka	Note	Carrying amount							Fair value				
		Held-for-trading	Designated at fair value	Fair value -hedging instruments	Held to maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value													
		-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value													
	6	-	-	-	-	2,571,838,589	-	-	-	-	-	-	2,571,838,589
	7	-	-	-	-	320,710,509	-	-	-	-	-	-	320,710,509
	8	-	-	-	-	1,706,533,141	-	-	-	-	-	-	1,706,533,141
		-	-	-	-	4,599,082,239	-	-	-	-	-	-	4,599,082,239
Financial liabilities measured at fair value													
		-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value													
	11	-	-	-	-	-	-	3,353,470,736	-	-	-	-	3,353,470,736
	15	-	-	-	-	-	-	1,038,673,326	-	-	-	-	1,038,673,326
	16	-	-	-	-	-	-	112,659,216	-	-	-	-	112,659,216
	17	-	-	-	-	-	-	398,500,000	-	-	-	-	398,500,000
		-	-	-	-	-	-	4,903,303,278	-	-	-	-	4,903,303,278



Notes to the Financial Statements (Continued)

Note	Carrying amount							Fair value				
	Held-for-trading	Designated at fair value	Fair value -hedging instruments	Held to maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2015 In Taka												
Financial assets measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value	-	-	-	-	1,931,003,788	-	-	1,931,003,788	-	-	-	1,931,003,788
Trade and other receivables	-	-	-	-	299,724,913	-	-	299,724,913	-	-	-	299,724,913
Advances, deposits and prepayments	-	-	-	-	1,666,502,987	-	-	1,666,502,987	-	-	-	1,666,502,987
Cash and cash equivalents	-	-	-	-	3,897,231,688	-	-	3,897,231,688	-	-	-	3,897,231,688
Financial liabilities measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-
Loans and borrowings	-	-	-	-	-	-	2,516,093,630	2,516,093,630	-	-	-	2,516,093,630
Trade and other payables	-	-	-	-	-	-	381,564,095	381,564,095	-	-	-	381,564,095
Unclaimed dividend	-	-	-	-	-	-	23,566,233	23,566,233	-	-	-	23,566,233
Provision for income tax	-	-	-	-	-	-	307,500,000	307,500,000	-	-	-	307,500,000
	-	-	-	-	-	-	3,228,723,958	3,228,723,958	-	-	-	3,228,723,958
31 December 2014 In Taka												
Financial assets measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other receivables	-	-	-	-	3,065,175,240	-	-	3,065,175,240	-	-	-	3,065,175,240
Advances, deposits and prepayments	-	-	-	-	234,282,913	-	-	234,282,913	-	-	-	234,282,913
Cash and cash equivalents	-	-	-	-	1,548,053,264	-	-	1,548,053,264	-	-	-	1,548,053,264
	-	-	-	-	4,847,511,417	-	-	4,847,511,417	-	-	-	4,847,511,417
Financial liabilities measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-
Loans and borrowings	-	-	-	-	-	-	5,161,845,649	5,161,845,649	-	-	-	5,161,845,649
Trade and other payables	-	-	-	-	-	-	736,165,210	736,165,210	-	-	-	736,165,210
Unclaimed dividend	-	-	-	-	-	-	21,693,837	21,693,837	-	-	-	21,693,837
Provision for income tax	-	-	-	-	-	-	132,500,000	132,500,000	-	-	-	132,500,000
	-	-	-	-	-	-	6,052,204,696	6,052,204,696	-	-	-	6,052,204,696



Notes to the Financial Statements (Continued)

30 Contingencies and commitments

Contingent liabilities relating to bank guarantees and performance bonds amounted to:

Name of the party	Expiry date	30 June	31 December
		2016	2015
BPDB (for KPCL-I)	30-Jun-19	234,750,000	234,750,000
BPDB (for KPCL-II)	23-Jul-16	288,063,500	288,063,500
BPDB (for KPCL-III)	23-Jul-16	91,852,384	91,852,384
Padma Oil Co. Ltd.	14-Nov-16	273,250,000	273,250,000
DEG-FMO	30-May-16	-	604,536,765
		887,915,884	1,492,452,649

The Company received assessment orders for the assessment years 1999-2000, 2006-2007, 2007-2008 and 2008-2009 where tax authority has claimed Tk 11,544,504. The Company has appealed against these and is confident of satisfactory resolution. Hence, no provision has been made for these claims.

The following letters of credit were outstanding as at 30 June 2016 and 31 December 2015 against which the Company is committed to purchase spare parts:

30 June 2016

Nature of the goods	L/C no.	L/C issue date	Currency	L/C value
Exhaust valve, big end bearing	308516011297	22-May-16	EUR	292,775
Exhaust gasket kit, valve	308516011475	9-Jun-16	EUR	65,161
			Total	357,936

31 December 2015

Nature of the goods	L/C no.	L/C issue date	Currency	L/C value
Sealing set, control and display unit	308515012483	10-Nov-15	EUR	96,354
Air cooler, piston ring, nozzle	308515012898	23-Dec-15	EUR	454,738
			Total	551,092

31 Capacity

Name of plants	Licensed capacity (MW)	Installed capacity (MW)	Plant factor (% on licensed capacity)	Energy generated (MW)	Energy sold (MW)
KPCL-I:					
January to June 2016	110	114	Average 53.96	263,366	259,021
January to December 2015	110	114	Average 46.35	454,203	446,618
January to December 2014	110	114	Average 37.26	366,321	359,910
KPCL-II:					
January to June 2016	115	119	Average 62.26	318,835	312,490
January to December 2015	115	119	Average 58.81	604,045	592,645
October to December 2014	115	119	Average 33.67	87,011	85,453
KPCL-III:					
January to June 2016	40	44	Average 55.74	99,437	97,259
January to December 2015	40	44	Average 43.70	156,720	153,163
October to December 2014	40	44	Average 39.00	35,262	34,476

32 Particulars of employees

During the period ended 30 June 2016 there were 111 permanent employees (31 December 2015: 122, 31 December 2014:134) who received salary of Tk 36,000 or above per year.



Notes to the Financial Statements (Continued)

33 Basis of measurement

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

34 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

Set out below is an index of the significant accounting policies, the details of which are available on the current and following pages:

A	Revenue
B	Inventories
C	Property, plant and equipment
D	Capital work in progress
E	Finance income and finance cost
F	Foreign currency transaction
G	Income tax
H	Financial instruments
I	Share capital
J	Provisions
K	Employee benefits
L	Workers' profit participation fund (WPPF)
M	Impairment
N	Leases
O	Contingencies
P	Capital Redemption Reserve
Q	Earnings per share (EPS)
R	Dividends
S	Statement of cash flows

A Revenue

Revenue is recognised in the statement of profit or loss and other comprehensive income upon supply of electricity to BPDB, quantum of which is determined by survey of meter reading as per Power Purchase Agreement/Contract for Supply of Electricity on Rental Basis with BPDB for the Company.

B 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.

C Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing to the location and condition necessary for it to be capable of operating in the intended manner. The cost of self constructed asset includes the cost of material, direct labour and any other cost directly attributable to bringing the assets to a working condition for their intended use. 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.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.



Notes to the Financial Statements (Continued)

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

iii. 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 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 period of disposal. For initial year of the project, depreciation has been charged from the date of commercial operation in respect of power plant.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

	<i>In Years</i>
Power plant	30
Building and construction	10
Motor vehicles	4
Furniture and fixtures	5
Office equipment	5
Office renovation	5

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

iv. Retirement and disposals

An asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gains or losses arising from the retirement or disposal of an asset is determined by the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

v. 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.

D Capital work in progress

Property, plant and equipment that is in the process of construction/acquisition/import is accounted for as capital work in progress until construction/acquisition/import is completed and measured at cost. Capital work in progress consists of legal costs incurred for the purchase of land for set-up of factory and warehouse.

E Finance income and finance cost

The Company's finance income and finance costs include:

- interest income; and
- interest expense.



Notes to the Financial Statements (Continued)

Interest income is recognised on accrual basis.

Interest 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 profit or loss and other 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.

F Foreign currency transaction

Transactions in foreign currencies are translated to BDT/Taka at exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into BDT/Taka at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into BDT/Taka at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss or statement of comprehensive income.

G Income tax

Income tax expenses comprises current and deferred tax. It is recognised in profit and loss except to the extent that relates to an item recognised directly in equity or in other comprehensive income (OCI).

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

As per the enacted tax law, applicable tax rate for the Company is currently 25% (listed company) in respect of income.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purpose and the amounts used for taxation purposes. Deferred tax is not recognised for:

- a) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that effects neither accounting nor taxable profit or loss.
- b) Temporary differences related to investment in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future, and
- c) Taxable temporary differences arising on the initial recognition of good will.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.



Notes to the Financial Statements (Continued)

H Financial instruments

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company classifies non-derivative financial liabilities into other financial liabilities category.

i. Non-derivative financial assets and financial liabilities – Recognition and derecognition

The Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

ii. Non-derivative financial assets – Measurement *Financial assets at fair value through profit or loss*

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

Held-to-maturity financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Available-for-sale financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

iii. Non-derivative financial liabilities – Measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.



Notes to the Financial Statements (Continued)

I Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with BAS 12.

J Provisions

Provisions are recognised at the reporting date if, as a result of past events, the 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.

i. 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 Company 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.

K Employee benefits

i. Defined contribution plans (provident fund)

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. 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.

ii. Defined benefit plans (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. No valuation was done to quantify actuarial liabilities as per Bangladesh Accounting Standard 19: Employee Benefits.

iii. Defined earned leave encashment policy

The Company has also a policy of earned leave encashment for head office employees. 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.

L Workers' profit participation fund (WPPF)

The government of Bangladesh has made an amendment to the Labour Law 2006 in July 2013. As per amended section-232 (chha) of the Act, any undertaking carrying on business to earn profit is liable to make provision for WPPF at 5% of the net profit and it also needs to be distributed within 9 months of the statement of financial position/balance sheet date.



Notes to the Financial Statements (Continued)

Provision of the Chapter-XV of the Labour Act 2006, as amended by Bangladesh Labour Amendment Act 2013 is not wholly applicable to Khulna Power Company Ltd and its units (hereinafter referred to as KPCL/the Company) because KPCL does not have any employee who may fall under the category of “Beneficiary” as per the special definitions stipulated in Section-233(1-i) of the Act. All persons working in the Company, by virtue of the nature of work they do and by designation, are part of the ‘Management Authority’ who are expressly excluded from the scope of the special definition of the term ‘Beneficiary’ in the Act, rather they come under the purview of the term ‘Owner’ as stipulated in the special definition in Section-233(1-ee) of the Act.

This position is supported by external legal opinion obtained by the Company. Accounting treatment adopted by the Company in this matter reflects Company’s position.

M Impairment

i. Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

Financial assets measured at amortised cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset’s carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.



Notes to the Financial Statements (Continued)

ii. Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

N Leases

i. Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

ii. Leased assets

Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

iii. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

O Contingencies

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

i. Contingent liability

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liability should not be recognised in the financial statements, but may require disclosure. A provision should be recognised in the period in which the recognition criteria of provision have been met.



Notes to the Financial Statements (Continued)

ii. Contingent asset

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent asset must not be recognised. Only when the realisation of the related economic benefits is virtually certain should recognition take place provided that it can be measured reliably because, at that point, the asset is no longer contingent.

P Capital Redemption Reserve

The redeemable cumulative class 'A' preference shares have been redeemed out of profits and the face value of the shares redeemed have been transferred to the capital redemption reserve account accordingly.

Q Earnings per share (EPS)

The Company represents 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 Company by the weighted average number of ordinary shares outstanding during the period/year.

Diluted EPS is determined by the adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. However, dilution of EPS is not applicable for these financial statements as there was no potential dilutive ordinary shares during the period ended 30 June 2016.

R Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared and paid.

S Statement of cash flows

Statement of cash flows have been prepared in accordance with the Bangladesh Accounting Standard 7: "Statement of cash flows" under direct method.

35 Standards issued but not yet effective

The Institute of Chartered Accountants of Bangladesh (ICAB) has adopted the following new standards and amendments to standards during the year 2015. All previously adopted reporting standards are consistently applied by the Company to the extent relevant for the Company.

New standards	Summary of the requirements	Possible impact on financial statements
BFRS 9 Financial Instruments	BFRS 9, published in July 2014, replaces the existing guidance in BAS 39 Financial Instruments: Recognition and Measurement. BFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from BAS 39. BFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Company is assessing the potential impact on its financial statements resulting from the application of BFRS 9.



Notes to the Financial Statements (Continued)

BFRS 14 Regulatory Deferral Accounts	BFRS 14 specify the financial reporting requirements for regulatory deferral account balance that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation. BFRS 14 is effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted.	None. The Company does not perform any activity that is subject to rate regulation.
BFRS 15 Revenue from Contracts with Customers	BFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including BAS 18 Revenue, BAS 11 Construction Contracts and BFRIC 13 Customer Loyalty Programmes. BFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Company is assessing the potential impact on its financial statements resulting from the application of BFRS 15.
Agriculture: Bearer Plants (Amendments to BAS 16 and BAS 41)	These amendments require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 Property, Plant and Equipment, instead of BAS 41 Agriculture. The amendments are effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted.	None. The Company does not have any bearer plants.

36 Comparatives and rearrangement

Comparative information has been disclosed in respect of 2014 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

To facilitate comparison, certain relevant balances pertaining to the previous year have been rearranged/restated/reclassified whenever considered necessary to conform to current period's/year's presentation.

37 Subsequent events

The Board of Directors of the Company recommended 35% (Tk 3.5 per share) final cash dividend amounting to Tk 1,264,496,482 for the eighteen month period ended 30 June 2016 in addition to 40% interim cash dividend (has already been paid) at the board meeting held on 29 October 2016. The dividend is subject to final approval by the shareholders at the forthcoming annual general meeting of the Company.

38 Going concern

The Company has adequate resources to continue in operation for the foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the financial statements. The current resources of the Company provide sufficient fund to meet the present requirements of its existing business.



Khulna Power Company Ltd.

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