



KHULNA POWER COMPANY LTD.



ANNUAL REPORT 2009

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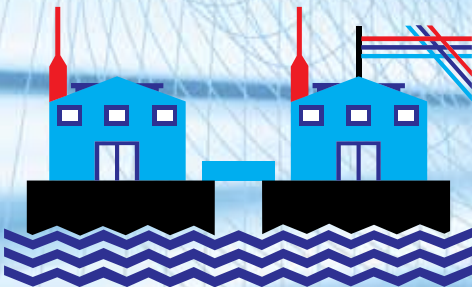
Corporate Directories

Board of Directors

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

Company Secretariat

| | |
|-----------------------|-------------------|
| M. Aminur Rahman, FCA | Company Secretary |
|-----------------------|-------------------|





Registered Office

Summit Centre (5th Floor), 18, Kawran Bazar C/A, Dhaka 1215

Phone : +88-02 9132437-8; 8125142

Fax : +88-02 9125682

Email : kpcl@khulnapower.com

Web : www.khulnapower.com

Power Plant

Goalpara, Khalishpur, Daulatpur, Khulna-9202

Phone : +88-041 763556-8

Fax : +88-041 760227

Auditors

Rahman Rahman Huq
Chartered Accountants
9 Mohakhali C/A, Dhaka.

Legal Adviser

Dr. Kamal Hossain & Associates,
Chamber Building, 122-124, Motijheel C/A, Dhaka-1000

Main Bankers

Citibank, N.A.
Standard Chartered Bank
BRAC Bank Limited
Pubali Bank Limited
Shahjalal Islami Bank Limited
Standard Bank Limited

Company Information

BACKGROUND

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.

COMPANY FORMATION

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.

DESCRIPTION OF KPCL POWER PLANT

Khulna Power Company Ltd (KPCL) owns and operates a 110 MW barge mounted power plant in Goalpara, Khulna. The plant comprises of two floating barges. 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. The two barge-mounted plants are connected to the national grid. It is liquid fuel based plant and consumes about 600 MT Heavy Fuel Oil (HFO) daily to generate 110 MW power. However, the plant has a dual fired capability and can be converted into natural gas operation, when piped gas is available at the plant site.

NEW CONTRACT FOR ADDITIONAL 115 MW POWER PLANT ON RENTAL BASIS

Khulna Power Company Ltd. has initiated a new contract with Bangladesh Power Development Board on 29th April 2010 for setting up a 115 MW power plant on rental basis for supplying electricity initially for 5 years with provision for extension of term for a further period of minimum 5 years. This will enhance the total capacity of the plant to 225 MW. The new project is estimated to have a cost of USD 75 million and expected to start its commercial operation from March 2011.



OPERATION & MAINTENANCE OF KPCL PLANT

The plant is operated and maintained by Wärtsilä Bangladesh Ltd., a 100% owned subsidiary of Wärtsilä OY, Finland, the manufacturer and EPC contractor of the plant 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.

THE SHAREHOLDERS

Summit Industrial & Mercantile Corporation (Pvt.) Ltd. (Summit) and United Enterprises & Co. Ltd. (United) equally own a total 74.97% of 208,593,000 shares of Khulna Power Company Ltd. and 0.03% shares are owned by 14 individual sponsor shareholders. The rest 25% shares are owned by the General investors.





SUMMIT INDUSTRIAL & MERCANTILE CORPORATION (PVT.) LIMITED SUMMIT GROUP

Summit Group is one of the reputed local conglomerates of the country having interests in independent power generation, petroleum, shipping, real estate, inland container depot, financial services and communications infrastructure. The group sponsored the first independent 110 MW barge-mounted power plant KPCL in 1998 and since then has eight other power stations totaling 330 MW in operation or implementation. The group is recognized as a major infrastructure-industry company of Bangladesh employing over 1,000 people.

Summit Industrial & Mercantile Corporation (Pvt.) Limited (SIMCL) is a holding company established in 1985 sponsoring fourteen different companies, ranging from shipping to power to communications. Four of its holdings, Summit Power Limited, Summit Alliance Port, Khulna Power Company Ltd. and Ocean Containers Ltd. are publicly listed. Of these publicly listed companies, Summit Power Limited (SPL) accounts for supplying a total of 330 MW of electricity in Bangladesh. It has power plants located in various parts of Bangladesh mainly in the suburban industrial areas where there is the greatest need for electricity. SPL has grown over 600% in the past 10 years resulting in increased efficiency and economies of scale. Major entities of Summit Group are as follows:

- ▶ Summit Power Ltd.
- ▶ Ocean Containers Ltd.
- ▶ Cosmopolitan Traders (Pvt.) Ltd
- ▶ Summit Shipping Ltd.
- ▶ United Summit Coastal Oil Ltd.
- ▶ Summit Alliance Port Ltd.
- ▶ Summit Communications Ltd



UNITED ENTERPRISES & CO. LTD UNITED GROUP



United Group (UG) represents a collective of companies that together form one of the most diversified infrastructural based organizations in Bangladesh. By Allah's Grace, the Group has made forays into various social as well as commercial infrastructure projects that have a significant impact on the economy today.

Among the **social infrastructure** (SI) organizations in its holding, two key institutions stand out – United Hospital Ltd. and United International University. The former is currently one of the largest private sector multi-disciplinary hospitals in the country with a capacity to house over 450 patients of various categories. The latter, while being one of the newer private universities of the country, is quite often regarded as one of the top educational institutions of the country, especially in the fields of business and engineering.

The **commercial infrastructure** (CI) projects of the Group include those in the power generation division of the business, namely United Power Generation & Distribution Co. Ltd. (UPGD) and Khulna Power Co. Ltd. (KPCL). Both these power plants are considered to be some of the most efficient power generation plants in Bangladesh, while the latter, which was jointly developed with Summit Group and other multinational entities, holds the distinction of being the first IPP of the country. Other CI ventures of the UG include a land port in Teknaf that sits in the scenic boundary between Bangladesh and Myanmar. It is being developed, fully maintained and operated by the Group, causing a significant rise in revenue collection for the government. However, this company is a mere stepping stone for bigger

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

Finally, the Group has also been blessed with the opportunity to develop one of the finest townships in the country in one of the most premium locations of Dhaka City. Under the banner of United City, this mini township will have world-class residential and commercial facilities that would be comparable Insh'Allah to the best localities in Asia.

In over three decades, United Group has come a long way to become a business house of your trust and shall continue to work towards maintaining it. It has the honor to be supported by a dedicated staff of over 4500 hard working individuals, over forty percent of whom are professional executives. With the continued effort of all those involved, and the support of our valued clients, partners and customers, it hopes to become one of the finest institutions of the country in the future.

The key companies that the Group represents are as follows

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



Notice

KHULNA POWER COMPANY LTD.

Summit Centre, 18 Kawran Bazar C/A Dhaka-1215

NOTICE OF THE 12th ANNUAL GENERAL MEETING

Notice is hereby given that the 12th Annual General Meeting of the Shareholders of Khulna Power Company Ltd. will be held on Thursday the 24th day of June, 2010, at Bangabandhu International Conference Center (BICC), Agargaon, Dhaka, at 10.00 A.M to transact the following businesses:

AGENDA

1. To receive and adopt the Directors' Report and the audited financial statements for the year ended December 31, 2009 together with the auditors report thereon.
2. To declare dividend for the year 2009 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 year 2010 and to fix their remuneration.

By order of the Board



(M. Aminur Rahman, FCA)
Company Secretary

Dhaka, June 8, 2010

Notes:

1. Shareholders whose names appeared at the record date i.e. June 06, 2010 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.



Message from the Chairman

Dear Fellow Owners,

I have great pleasure in welcoming you to the 12th Annual General Meeting of your Company.

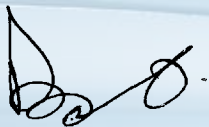
You are the proud pioneers of a journey that started in 1998, with the first privately owned power plant in Bangladesh. In these last 11 years others have followed your footsteps. We are proud that the way your company Khulna Power Company Ltd. (KPCL) has shown that private sector led growth is the only sustainable way of leading the country into the brightness of development. In 2008, we Summit Industrial and Mercantile Corporation (Pvt.) Ltd. (Summit) and United Enterprises & Co. Ltd. (United) bought over all the shares of KPCL from its erstwhile majority owners El Paso Corporation and Wartsila Corporation. Since then we have been endeavoring to make KPCL follow up on its glorious past, to expand so that it becomes one of the fastest growing company, to generate more and more electricity. Today as you know the company has signed and is implementing another 115 MW power plant in Khulna. This fast track rental project will greatly support the development of Khulna. This will double our capacity over the next 9 months. We are also bidding for another 100 MW IPP power plant in Khulna, Insha Allah if we get it, by 2012, your company will be three times its present size.

As you know the country is passing through a severe electricity crisis and the growth and development of our economy is seriously hampered due to the shortage of electricity. Currently maximum generation capacity of all public and private power plants together is about 4,300 MW but the country's peak demand is about 6,000 MW. There is a demand supply gap of 1,700 MW and it will be widen further as a result of the general increase of demand. It is understood from various statistics that the country will need to add about 800 MW of electricity every year, even after the current shortfall is met. The current Government is committed to increase electricity generation to 7,000 MW by the end of 2013. Therefore, we believe that KPCL has immense opportunity to grow in the years ahead and to play a greater role in generating electricity required so urgently by the country. Your support, trust and confidence together with our experience, dedication and commitment will enable us to grow every year and to add value for our shareholders.

Dear shareholders, your company has been awarded "AA" Credit Rating by an internationally linked joint venture rating agency Credit Rating Information & Services Limited (CRISL). The above rating have been awarded on the basis of its good fundamentals such as sound equity based capital structure, sound

debt repayment back ground, high quality plant, satisfactory profitability, comfortable cash flow and satisfactory solvency. KPCL plant operation has been certified by Bureau Veritas on Quality Management System with ISO 9001, Environmental Management System with ISO 14001 and Occupational Health and Safety Administration System 18001.

I humbly thank our shareholders and our customer Bangladesh Power Development Board and bankers. I am grateful to the regulatory authorities, the Securities and Exchange Commission, Registrar of Joint Stock Companies & Firms, Stock Exchanges for their extensive support and co-operation towards the business of the company. I also convey my sincere appreciation to the management and employees of the Company. We look forward to another year of achievement with hope and confidence.



Muhammed Aziz Khan
Chairman



Short biography of the Directors



Muhammed Aziz Khan
Chairman

Muhammed Aziz Khan, a renowned and pioneering leading business personality in power sector of Bangladesh. After graduation Mr. Khan did his MBA in 1980 from the Institute of Business Administration (IBA), University of Dhaka. Mr. Khan has established himself as a dynamic and proactive entrepreneur who has built Summit Group, recognized as the largest infrastructure Industrial organization of Bangladesh. Mr. Khan has helped to formulate the Private Sector Power Generation Policy of Bangladesh. He has 36 years of business experience, setting up country's first Inland Container Depot (ICD)-"Ocean Container Ltd", First Tanks Terminal- "Summit United Tanks Terminal", now known as "South Eastern Tanks Terminal". Mr. Khan was the Founder President of Bangladesh Energy Companies Association (BECA), which is formed to represent and to promote the interests of private sector business organizations engaged in the energy sector.

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



Hasan Mahmood Raja
Managing Director

Born in 1957, Mr. Hasan Mahmood Raja has completed Bachelor of Commerce. He was associated with different companies of United Group since 1978. He is the Chairman and Managing Director of United Enterprises & Co. Ltd., United Power Generation and Distribution Company Ltd., United Hospital Ltd. and many more as well as the Chairman, Board of Governors (BoG) of United International University.





Anjuman Aziz Khan
Director

Mrs. Anjuman Aziz Khan, wife of Mr. Muhammed Aziz Khan has 22 years of business experience in Summit. Mrs. Khan is a member of Siraj Khaleda Trust, a social wing of Summit Group, which is setting up 200 beds for medical services on charitable basis in Dhaka Cantonment. She enthusiastically takes part & contributes to social activities such as "Assistance of Blind Children" and "women's entrepreneurship development".



Ahmed Ismail Hossain
Director

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



K. M. Ahsan Shamim
Director

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



Latif Khan
Director

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

Short biography of the Directors



Muhammad Farid Khan
Director

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



Jafer Ummeed Khan
Director

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



Faridur Rahman Khan
Director

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



Akhter Mahmud Rana
Director

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



Abul Kalam Azad
Director

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



Ayesha Aziz Khan
Director

Born in 1981, Ms. Ayesha Aziz Khan has completed her graduation in Economics and Business from the University College of London in 2002 and Masters in Business Administration from Columbia University, New York, USA. Presently, Ms. Khan is also holding the position of Director in several companies of Summit Group.



Moinuddin Hasan Rashid
Director

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



Adeeba Aziz Khan
Director

Ms. Adeeba Aziz Khan was born on June 14, 1983. She has successfully completed her Bar Vocational Course from Inns of Court School of Law, UK in 2005. From July 2006 she worked with Dr. Kamal Hossain & Associates, Bangladesh as Pupil, after that she involved herself with Drew & Nepier LLC, Singapore as an International Lawyer.

SUCCESS MILESTONES

September 4, 2003

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

February 21, 2001

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

October 13, 1998

Full Commercial Operation Date (FCOD)

November 19, 1997

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

October 16, 1997

- ▶ Signing of Power Purchase Agreement with BPDB
- ▶ Signing of Implementation Agreement with GOB

October 15, 1997

Incorporation of the Company

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
- ▶ April 29, 2010 New Contract initialed for 115 MW Rental Power Plant with BPDB

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

July 19, 2009

Conversion from Private to Public Limited Company

June 2009

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

| | |
|-------|--|
| 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 |

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 Company's policy is to maintain optimum combination of Directors from both Sponsors and general public. The short introduction of the Directors has been described separately in this Report. The Board ensures that the activities of the Company are always conducted with adherence to high ethical standard and in the best interest of the shareholders.

Board meetings and procedures

Five (5) meetings of the Board of Directors of the Company were held during the financial year ended 31 December 2009. The procedures of the board meeting are mentioned below:

- (a) **Selection of Agenda:** The Chairman of the Board, in consultation with Managing Director sets the agenda for Board meetings with the understanding that the Board is responsible for providing suggestions for agenda items that are aligned with the advisory and monitoring functions of the Board. Any member of the Board may request that an item be included on the agenda.
- (b) **Board Materials:** Board materials related to agenda items are provided to Board members sufficiently in advance of Board meetings to allow the Directors to prepare for discussion of the items at the meeting.
- (c) **Senior Management in the Board meeting:** At the invitation of the Board, members of senior management attended Board meetings or portions thereof for the purpose of participating in discussions.

Internal Control Framework

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

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

For the year ended December 31, 2009



Hasan Mahmood Raja
Managing Director

Dear Shareholders,

Assalamu Alaikum,

The Board of Directors of Khulna Power Company Ltd. (KPCL) welcomes you all in the 12th Annual General Meeting of the company. This is the first of its kind as a publicly listed entity. We have the pleasure in submitting the operational activities and audited financial statements of the company for the year ended December 31, 2009.

The Directors Report is prepared in compliance with the section 184 of the Companies Act 1994 and Securities and Exchange Commission's Notification no-SEC/CMRRCD/2006-158/ Admin/02-08 dated 20th February 2006.

Scenario of the Power Sector

Power demand in Bangladesh is increasing at a very high rate. Bangladesh is facing an acute power shortage now. The gap between supply and demand is widening every day. Present generation capacity of the country is 4,300 MW against maximum peak demand of approximately 6,000 MW. Desperate efforts are being made by the Government to bridge the gap. Your company, being pioneer in the private sector power generation, has been successfully supplying 110 MW power since 1998. The company is meeting approximately one third of the power demand of the south-western region of the country without any interruption for a single day.

Business Activities

The principal activity of your company is to generate electricity and to deliver the output to the national grid. The only customer of the company is the Bangladesh Power Development Board (BPDB). In this year, the company exported about 780.18 million Kwh of electricity as compared to 693.54 million Kwh in 2008, representing a growth of 12.49%. The company has earned total revenue of Tk. 6,393.27 million in 2009.

Financial Results

During the year 2009, the company's net profit amounted to Tk. 696.09 million as compared to Tk.272.52 million in the year 2008. Directors of the company would like to report the company's financial results for the year ended December 31, 2009 with the recommendation for appropriation as follows:

Appropriation of profit

| | Figure in million | |
|--|-------------------|----------|
| Net Profit for the year 2009 | Tk. | 696.09 |
| Profit brought forward | | 85.84 |
| Dividend to Preference shareholders | | (113.44) |
| Available for appropriation to Ordinary Shareholders | Tk. | 668.49 |
| Appropriations: | | |
| Proposed Dividend: | | |
| Stock Dividend @ 15% | Tk. | 312.89 |
| Cash Dividend @ 10% | | 208.59 |
| Transferred to Retained Earning | Tk. | 147.01 |

Dividend

Your Board recommends a Stock dividend of 15% (i.e. 15 shares for existing 100 shares) and cash dividend of 10% per share for the year 2009 subject to approval by the shareholders at the 12th Annual General Meeting.

Directors meeting & attendance

During the year ended December 31, 2009, the Board of Directors held 5 (Five) meetings. Name of the Directors and the number of meetings attended by each are given below:

| Name of Directors | Attended |
|--------------------------|----------|
| Mr. Muhammed Aziz Khan | 05 |
| Mr. Hasan Mahmood Raja | 05 |
| Mr. Arun Malla | 02 |
| Mr. Ahmed Ismail Hossain | 05 |
| Mr. K.M. Ahsan Shamim | 05 |
| Mr. Latif Khan | 05 |
| Mrs. Ayesha Aziz Khan | 05 |

Directors' Election & re-appointment

In view of acquisition of the shares of Wartsila Development and Financial Services (Asia) Ltd. ("Wartsila") by Summit Industrial & Mercantile Corporation (Pvt.) Ltd. and United Enterprises & Co. Ltd., Mr. Arun Malla, nominated Director of Wartsila had resigned and the Board accepted his resignation in the Board meeting held on June 21, 2009.

DIRECTORS' REPORT TO THE SHAREHOLDERS



Mr. Ahmed Ismail Hossain & Mr. K. M. Ahsan Shamim, nominated Director of United Enterprises & Co. Ltd. and Mr. Latif Khan & Mrs. Ayesha Aziz Khan, nominated Director of Summit Industrial & Mercantile Corporation (Pvt.) Ltd. resigned as nominated Directors of the respective companies and the Board accepted their resignation in the meeting held on July 19, 2009 and elected them as a shareholder Directors in the same meeting.

In exercise of power vested in the Article 20 (c), Board in the same meeting, appointed Mrs. Anjuman Aziz Khan, Mr. Mohammad Farid Khan, Mr. Faridur Rahman Khan, Mr. Jafer Ummeed Khan, Mr. Akhter Mahmud Rana, Mr. Abul Kalam Azad, Mr. Moinuddin Hasan Rashid and Mrs. Adeeba Aziz Khan as Director of the company.

As required under Article 20 (c), Mrs. Anjuman Aziz Khan, Mr. Ahmed Ismail Hossain, Mr. K. M. Ahsan Shamim, Mr. Latif Khan, Mrs. Ayesha Aziz Khan, Mr. Mohammad Farid Khan, Mr. Faridur Rahman Khan, Mr. Jafer Ummeed Khan, Mr. Akhter Mahmud Rana, Mr. Abul Kalam Azad, Mr. Moinuddin Hasan Rashid and Mrs. Adeeba Aziz Khan will retire in the 12th AGM of the Company and, being eligible, offered themselves for re-election.

Auditors

The present auditors M/s. Rahman Rahman Huq, Chartered Accountants will retire at this Annual General Meeting and being eligible, offered themselves for re-appointment as auditors for the year 2010.

Business Expansion

Your company is on continuous look for opportunity to expand the company's operational capacity and business. As a recent development, your company has initialed a contract on April 29, 2010 with Bangladesh Power Development Board (BPDB) for setting up a 115 MW power plant on rental basis for supplying electricity initially for 5 years with a provision for extension of term for a further period of minimum 5 years with mutual agreement. After implementation of this contract, the company's total capacity will rise to 225 MW, an additional increase of more than 100% over the existing capacity.

Business Risk & uncertainties

Huge shortage of power in the country and the provisions of Power Purchase Agreement (PPA) guaranteeing the 50% of the monthly capacity payment of the company, minimize 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 provision of PPA. Letter of Credit has been issued by

BPDB for two months' minimum guarantee payment. Additionally, GoB through the Implementation Agreement provides sovereign guarantee with regard to payments which mitigates risk of any non-payments.

The Company is operated by the plant manufacturer, Wärtsilä, the leading power plant manufacturer and plant operator in the world. Wärtsilä is technologically advanced enough to keep KPCL plant out of any technology related risk. Moreover, the provision of Operation & Maintenance Agreement with Wartsila covers all risk of incurring any liquidated damage due to the non-performance of the plant as per the requirement of BPDB.

The availability of all sorts of spare parts is ensured under the Operation & Maintenance Agreement with Wartsila. Wärtsilä maintains sufficient spares parts inventory for smooth operation of KPCL plants. In addition, KPCL maintains safety spare parts stock of US\$ 2 million.

Heavy Fuel Oil (HFO) is used as basic raw material for the operation of the KPCL plant. Kuo Oil (S) Pte Ltd., Singapore has been supplying Heavy Fuel Oil (HFO) to the Company through USCOL under the Fuel Supply Agreement and the risk of price fluctuation in the global oil market is mitigated by the very Fuel Tariff structure which is based on fuel cost as a Pass-through item. Moreover, KPCL can source HFO from other sources if Kuo Oil is unable to supply.

The company has prudent insurance coverage with Codan Marine which covers all risks package including Machinery Breakdown, Business Interruption, Third Party Liability, Sabotage and Terrorism.

Going concern

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

Corporate Governance

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

Corporate Social Responsibility

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

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

Human Resource Management

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

Status of Compliance

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

Corporate and Financial Reporting Framework

- a. The Financial Statements prepared by the management of the Company present fairly its State of Affairs, the result of its Operations, Cash Flows and Changes in Equity.
- b. Proper Books of Accounts have been maintained.
- c. Appropriate Accounting policies have been consistently applied in preparation of the Financial Statements and that the accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards (IFRS), as applicable in Bangladesh have been followed in the preparation of the Financial Statements.

- e. The company maintains a sound Internal Control System which gives reasonable assurance against any material misstatement of loss. The Internal Control System is regularly reviewed by the management.
- f. There are no significant doubts upon the company's ability as a going concern.
- g. Significant deviations from the last year's operating results of the company, if any, have been highlighted under the headings Appropriation of profit, Financial Performance herein before.

Key Operating & Financial Data

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

Shareholding Information

The shareholding information as at December 31, 2009 with other related information are set out in Annexure-2.

Acknowledgement

Your Board of Directors would like to place on record its deep gratitude to the honourable shareholders for their co-operation and support towards the business of the company. The Board would like to express their grateful appreciation for the whole hearted support, co-operation and guidance extended by the Bangladesh Power Development Board (BPDB), the only customer of the company. The Board also expresses their heartfelt thanks to Government authorities, Securities and Exchange Commission, Dhaka Stock Exchange Ltd., Chittagong Stock Exchange Ltd., Manager to the Issue, Banker to the Issue, Registrar to the Issue etc. for their extensive support and co-operation.

Your Directors also wish to express their thanks to the employees of the company at all levels for their team spirit, hard work and dedicated services towards the growth and progress of the company.

We look forward to even better days in future.

On behalf of the Board of Directors


Hasan Mahmood Raja
Managing Director



Compliance Report on SEC's Notification

Annexure-1

Status of compliance with the conditions Notification No-SEC/CMRRCD/2006 – 158/Admin/02-08 dated February 20, 2006 issued under section 2CC of the Securities & Exchange Ordinance 1669.

| Condition | Title | Compliance Status | | Explanation for non-compliance with the condition | |
|-----------|---|-------------------|--------------|--|------------------------|
| | | Complied | non-Complied | | |
| 1.1 | Board's Size | √ | | | |
| 1.2 (i) | Independent Directors | | √ | Being processed. To be appointed as soon as possible | |
| 1.2 (ii) | Appointment of Independent Non-shareholder Director | | √ | To be done soon | |
| 1.3 | Chairman and Chief Executive | √ | | | |
| 1.4 | Director's report to include declarations on: | | | | |
| | a. Fairness of State of the Affairs | √ | | | |
| | b. Keeping proper Books of Accounts | √ | | | |
| | c. Consistent application of Accounting Policies in preparation of Financial Statements | √ | | | |
| | d. Observance of Bangladesh Accounting Standard (BAS) | √ | | | |
| | e. Soundness and efficiency of Internal Control | √ | | | |
| | f. Ability of Khulna Power Company Ltd. to continue as a going concern | √ | | | |
| | g. Significant deviations from last year in operating result | √ | | | |
| | h. Presentation of key Operating and Financial data for last three years | √ | | | |
| | i. Declaration of Dividend | √ | | | |
| | j. Number of Board meeting held during the year and attendance by each Director | √ | | | |
| | k. Shareholding pattern | √ | | | |
| 2.1 | Appointment of CFO and Company Secretary | √ | | CFO is the company Secretary | |
| 2.2 | Attendance of CFO and Company Secretary in the Board meeting | √ | | | |
| 3.0 | Audit Committee | | √ | Shall be formed as soon as the Independent Director is appointed. All the points under 3.1,3.2, 3.3.1, 3.3.2 & 3.4 being linked with condition 3.0 therefore remain un-complied subject to comment made there against. | |
| 3.1 | i. Composition of audit Committee | | | | |
| | ii. Audit Committee Members Appointment | | | | |
| | iii. Filling of casual vacancy in Audit Committee | | | | |
| 3.2 | i. Chairman of Audit Committee | | | | |
| | ii. Audit Committee Chairman's Qualification | | | | |
| 3.3.1 | i. Reporting to the Board of Directors | | | | |
| | ii. Report on: | | | | |
| | a. Conflicts of interests | | | | No such incident arose |
| | b. Suspected materials defect in the internal control system | | | | No such incident arose |
| | c. Suspected infringement of laws | | | No such incident arose | |
| | d. Any other matter | | | No such incident arose | |
| 3.3.2 | Reporting to the Authorities | | | No such incident arose | |
| 3.4 | Reporting to the Shareholders | | | | |
| 4.0 | Statutory Auditors not to engage in: | | | | |
| | a. Appraisal or valuation services | √ | | | |
| | b. Financial Information system design and implementation | √ | | | |
| | c. Book keeping or other services related to Financial Statements | √ | | | |
| | d. Broker – dealer services | √ | | | |
| | e. Actuarial services | √ | | | |
| | f. Internal audit services | √ | | | |
| | g. Any other services that the audit Committee determines | √ | | | |

Shareholding Information

as at 31 December 2009

Annexure-2

| Name of Shareholders | No. of Shares | % of Shareholding |
|---|---------------|-------------------|
| A) Parent Company: | | |
| 1. Summit Industrial & Mercantile Corporation (Pvt.) Ltd. (incorporated in Bangladesh) | 104,261,500 | 49.9832% |
| 2. United Enterprises & Company Ltd. (incorporated in Bangladesh) | 104,261,500 | 49.9832% |
| B) Board of Directors: | | |
| 1. Muhammed Aziz Khan, Chairman | 5,000 | 0.0024% |
| 2. Hasan Mahmood Raja, Managing Director | 5,000 | 0.0024% |
| 3. Anjuman Aziz Khan, Director | 5,000 | 0.0024% |
| 4. Latif Khan, Director | 5,000 | 0.0024% |
| 5. Muhammad Farid Khan, Director | 5,000 | 0.0024% |
| 6. Jafer Ummeed Khan, Director | 5,000 | 0.0024% |
| 7. Ayesha Aziz Khan, Director | 5,000 | 0.0024% |
| 8. Adeeba Aziz Khan, Director | 5,000 | 0.0024% |
| 9. Ahmed Ismail Hossain, Director | 5,000 | 0.0024% |
| 10. K.M. Ahsan Shamim, Director | 5,000 | 0.0024% |
| 11. Akhter Mahmud Rana, Director | 5,000 | 0.0024% |
| 12. Faridur Rahman Khan, Director | 5,000 | 0.0024% |
| 13. Abul Kalam Azad, Director | 5,000 | 0.0024% |
| 14. Moinuddin Hasan Rashid, Director | 5,000 | 0.0024% |
| C) Shares of Project Director, Financial Controller, Company Secretary, Head of Internal Audit and their spouses | - | - |
| D) Shares of Executives | - | - |
| | 208,593,000 | 100.00% |

10% and above shareholding

| Name of Shareholders | No. of Shares | % of Shareholding |
|---|---------------|-------------------|
| 1. Summit Industrial & Mercantile Corporation (Pvt.) Ltd. | 104,296,500 | 49.9832% |
| 2. United Enterprises & Company Ltd. | 104,296,500 | 49.9832% |

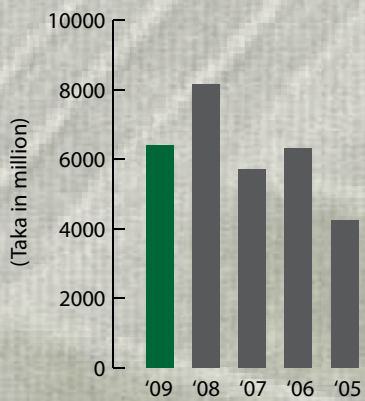
Financial Highlights

Annexure-3

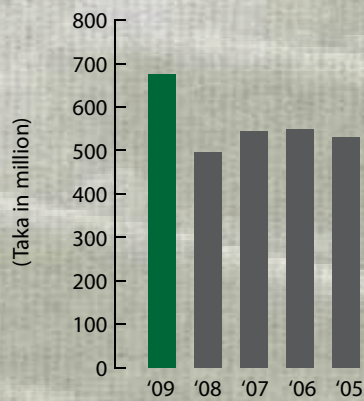
| | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|-------------|--------------|--------------|-----------|-----------|
| Operating data (Taka in million) | | | | | |
| Operating Revenues | 6,393.27 | 8,160.42 | 5,698.21 | 6,311.06 | 4,243.77 |
| Operating Expenses | 5,718.43 | 7,664.82 | 5,154.66 | 5,762.52 | 3,714.26 |
| Gross Profit | 674.84 | 495.61 | 543.55 | 548.54 | 529.51 |
| General & Admin. Expenses | 64.08 | 61.50 | 101.43 | 92.38 | 94.59 |
| Financial Expenses | 17.48 | 177.91 | 156.99 | 200.69 | 195.60 |
| Net profit | 696.09 | 272.52 | 309.18 | 256.19 | 240.24 |
| Balance Sheet data (Taka in million) | | | | | |
| Paid-up Capital | 2,085.93 | 2,085.93 | 2,085.93 | 2,085.93 | 2,085.93 |
| Shareholders' Equity | 3,854.42 | 3,480.37 | 3,307.84 | 2,998.67 | 2,768.40 |
| Total Debt (Non-current Liabilities) | 10.89 | 85.10 | 923.22 | 1,244.41 | 1,532.30 |
| Current Assets | 2,084.76 | 1,758.91 | 2,580.87 | 2,872.13 | 1,963.41 |
| Current Liabilities | 1,526.58 | 1,656.72 | 1,985.31 | 2,487.55 | 1,735.34 |
| Total Assets | 5,391.89 | 5,222.19 | 6,216.38 | 6,730.62 | 5,693.05 |
| Total Liabilities | 1,537.47 | 1,741.82 | 2,908.53 | 3,731.96 | 3,267.64 |
| Financial Ratios | | | | | |
| Gross Profit Ratio (%) | 10.56 | 6.07 | 9.54 | 8.69 | 12.48 |
| Net Profit Ratio (%) | 10.89 | 3.34 | 5.43 | 4.06 | 5.66 |
| Return on Assets (%) | 12.91 | 5.22 | 4.97 | 3.81 | 3.98 |
| Debt Equity Ratio | - | 0.04 | 0.37 | 0.52 | 0.66 |
| Other Data | | | | | |
| Earnings Per Share (Tk)* | 2.79 | N/A | N/A | N/A | N/A |
| Earnings Per Share (Tk) -Class-A Shares** | - | 87.62 | 141.27 | 110.47 | 102.06 |
| Earnings Per Share (Tk) -Class-B Shares** | - | 3,141,140.50 | 2,416,861.00 | N/A | N/A |
| Dividend (%) | 25.00 | 10.00 | 57.53 | - | - |
| Total Number of Ordinary Shares Outstanding* | 208,593,000 | 2,085,930 | 2,085,930 | 2,085,930 | 2,085,930 |
| Total Number of Free Float Shares | 208,593,000 | 2,085,930 | 2,085,930 | 2,085,930 | 2,085,930 |

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

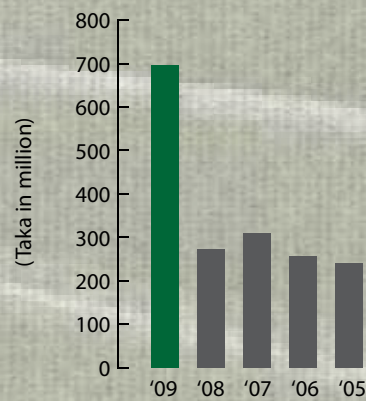
** Class-B ordinary shares were only entitled to a certain amount of dividend provided an annual declaration of dividend was made. Since no declaration of dividend was made for those years, no entitlement to dividend arose for those years. As a result no EPS is calculated for these years.



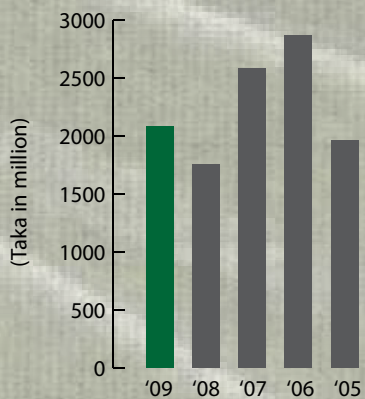
▶ Operating Revenues



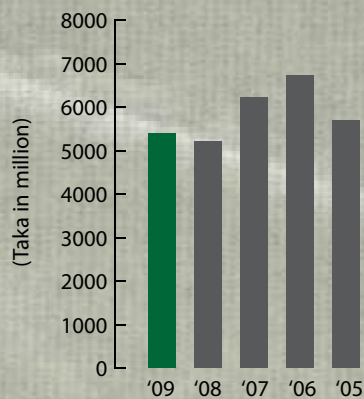
▶ Gross Profit



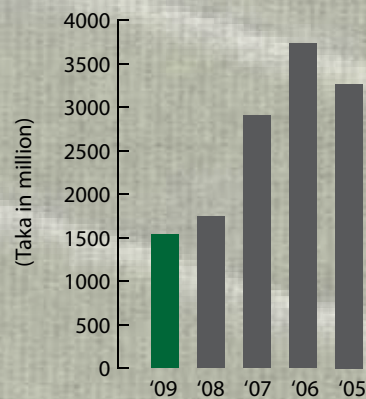
▶ Net profit



▶ Current Assets



▶ Total Assets



▶ Total Liabilities

Senior Management Team



Hasan Mahmood Raja

**HASAN MAHMOOD RAJA
MANAGING DIRECTOR**

Born in 1957, Mr. Hasan Mahmood Raja has completed Bachelor of Commerce. He was associated with different companies of United Group since 1978. He is the Chairman and Managing Director of United Enterprises & Co. Ltd., United Power Generation and Distribution Company Ltd., United Hospital Ltd. and many more as well as the Chairman, Board of Governors (BoG) of United International University.



Md. Abdur Rahim

**MD. ABDUR RAHIM
PROJECT DIRECTOR**

Mr. Md. Abdur Rahim was born on 01 January 1947. He obtained B. Sc in Marine Engineering from the Merchant Marine University College of Rijeka, Yugoslavia in 1968. He worked on board various vessels of DDG "Hansa" Lines of West Germany upto 1975. Afterwards, he worked in Bangladesh Steel & Engineering Corporation in various capacities from 1976 to 1993 starting as Deputy Chief Engineer. He was the General Manager of Khulna Shipyard Ltd from 1982 to 1987 and the Managing Director of Dockyard & Engineering Works Ltd. Narayangonj from 1987 to 1993. He served on deputation as Technical Director in Bangladesh Shipping Corporation and Bangladesh Inland Water Transport Corporation from 1993 to 1997. Thereafter, then he joined in Khulna Power Company Ltd. in 1997 as a Project Director and he was actively involved in formation of the company and was pivotal to timely implementation of the project.

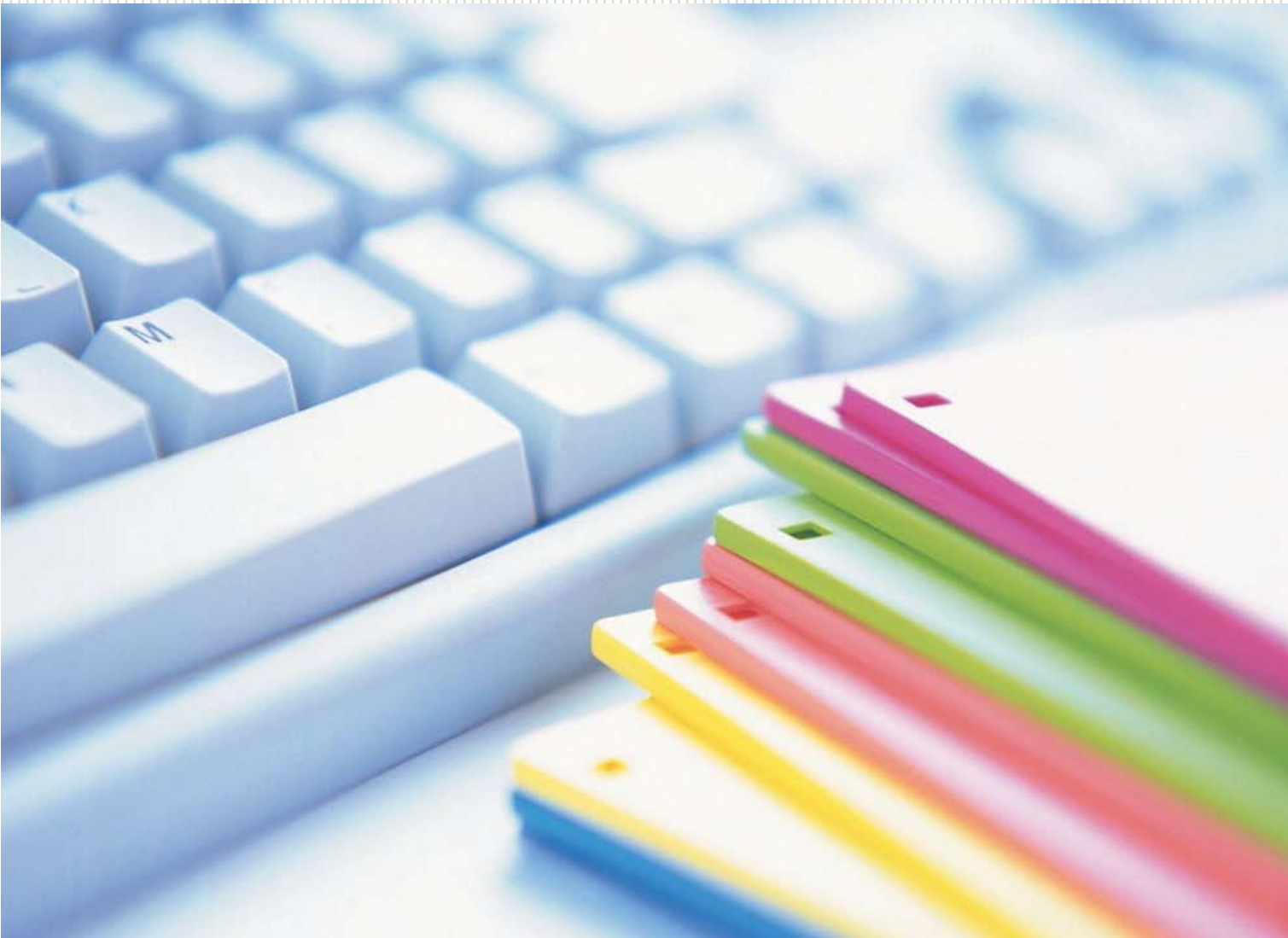


M. Aminur Rahman, FCA

**M. AMINUR RAHMAN, FCA,
FINANCIAL CONTROLLER &
COMPANY SECRETARY**

Mr. M. Aminur Rahman was born on 01 January 1959. He is a Chartered Accountant, qualified from the Institute of Chartered Accountants of Bangladesh (ICAB). He also obtained his Master degree with honors in Accounting from Dhaka University. He is having more than 22 years of service experience in the field of accounts, finance and company secretarial matters in various multinational companies like Rhone Poulenc, Duncan Brothers Ltd and Oxfam, including more than 10 years of service in Khulna Power Company Ltd. as Financial Controller & Company Secretary. He has attended in various training courses and seminars in home and abroad.

Financials



**AUDITORS' REPORT TO THE SHAREHOLDERS
OF
KHULNA POWER COMPANY LTD.**

We have audited the accompanying balance sheet of Khulna Power Company Ltd. as at 31 December 2009 and the related profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes. The preparation of these financial statements is the responsibility of the company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements prepared in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the state of the company's affairs as at 31 December 2009 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

We also report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of these books;
- c) the company's balance sheet and profit and loss account dealt with by this report are in agreement with the books of account; and
- d) the expenditures incurred were for the purposes of the company's business.



Auditors

Dhaka: 20 February, 2010

BALANCE SHEET

AS AT 31 DECEMBER 2009

| | Notes | 2009 Taka | 2008 Taka |
|---|-------|----------------------|----------------------|
| Assets | | | |
| Property, plant and equipment (net) | 4 | 3,307,133,332 | 3,463,283,276 |
| Total non-current assets | | 3,307,133,332 | 3,463,283,276 |
| Inventories | 5 | 981,640,270 | 762,728,652 |
| Accounts receivable | 6 | 387,940,605 | 885,777,668 |
| Other receivables | 7 | 12,497,004 | 8,008,915 |
| Advances, deposits and prepayments | 8 | 1,548,516 | 1,493,673 |
| Cash and cash equivalents | 9 | 701,135,588 | 100,899,376 |
| Total current assets | | 2,084,761,983 | 1,758,908,284 |
| Accounts payable | 10 | 1,486,104,691 | 1,314,033,048 |
| Working capital loan | 11 | - | 284,000,000 |
| Term loan - current portion | 12 | - | 30,883,364 |
| Accrued expenses and others | 13 | 40,476,518 | 13,470,889 |
| Payable for interest and other financial charges | | - | 14,335,472 |
| Total current liabilities | | 1,526,581,209 | 1,656,722,773 |
| Net current asset | | 558,180,774 | 102,185,511 |
| Net assets employed | | 3,865,314,106 | 3,565,468,787 |
| Shareholders' equity | | | |
| Ordinary shares | 14 | 2,085,930,000 | 2,085,930,000 |
| Redeemable cumulative class 'A' preference shares | 14 | 1,100,000,000 | 1,100,000,000 |
| Retained earnings | | 668,492,911 | 294,437,827 |
| | | 3,854,422,911 | 3,480,367,827 |
| Non-current liabilities | | | |
| Term loan - net of current portion | 12 | - | 74,892,180 |
| Deferred liability for gratuity and earned leave | 15 | 10,891,195 | 10,208,780 |
| Total non-current liabilities | | 10,891,195 | 85,100,960 |
| Total equity and long term liabilities | | 3,865,314,106 | 3,565,468,787 |

The annexed notes 1 to 31 form an integral part of these financial statements.


Managing Director


Director


Company Secretary

As per our report of same date.


Auditors

Dhaka: 20 February, 2010

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2009

| | Notes | 2009 Taka | 2008 Taka |
|---|-------|--------------------|--------------------|
| Operating revenues | 16 | 6,393,267,345 | 8,160,423,118 |
| Operating expenses | 17 | (5,718,431,301) | (7,664,817,721) |
| Gross profit | | 674,836,044 | 495,605,397 |
| General and administrative expenses | 18 | (64,078,271) | (61,504,226) |
| Other income | 19 | 91,481,290 | 3,500,496 |
| Exchange gain | | 2,174,414 | 8,784,292 |
| Result from operating activities | | 704,413,477 | 446,385,959 |
| Finance income | | 9,155,909 | 4,048,472 |
| Finance expenses | 20 | (17,483,802) | (177,911,217) |
| Net financial expenses | | (8,327,893) | (173,862,745) |
| Net profit for the year | | 696,085,584 | 272,523,214 |
| Earning per share (EPS) | 21 | 2.79 | 0.97 |

The annexed notes 1 to 31 form an integral part of these financial statements.



Managing Director

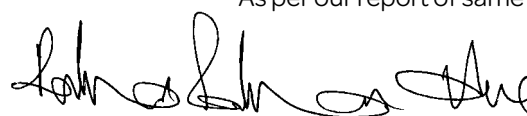


Director



Company Secretary

As per our report of same date.



Auditors

Dhaka: 20 February, 2010

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

| Particulars | Ordinary shares Taka | Redeemable cumulative class 'A' preference shares Taka | Retained earnings Taka | Total Taka |
|---------------------------------------|----------------------------|---|------------------------------|----------------------|
| Balance as at 1 January 2008 | 2,085,930,000 | - | 1,221,914,613 | 3,307,844,613 |
| Issued during the year | - | 1,100,000,000 | - | 1,100,000,000 |
| Dividend paid for the year 2007 | - | - | (1,200,000,000) | (1,200,000,000) |
| Net profit for the year | - | - | 272,523,214 | 272,523,214 |
| Balance as at 31 December 2008 | 2,085,930,000 | 1,100,000,000 | 294,437,827 | 3,480,367,827 |
| Preference stock dividend paid | - | - | (113,437,500) | (113,437,500) |
| Dividend paid for the year 2008 | - | - | (208,593,000) | (208,593,000) |
| Net profit for the year | - | - | 696,085,584 | 696,085,584 |
| Balance as at 31 December 2009 | 2,085,930,000 | 1,100,000,000 | 668,492,911 | 3,854,422,911 |

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

| | 2009 Taka | 2008 Taka |
|--|----------------------|------------------------|
| A. Cash flow from operating activities: | | |
| Collection from BPDB | 6,891,104,408 | 8,001,571,584 |
| Cash paid to suppliers and employees | (5,897,972,092) | (7,317,656,592) |
| Cash generated from operations | 993,132,316 | 683,914,992 |
| Finance income received | 9,155,909 | 4,048,472 |
| Interest and other financial charges paid | (31,783,792) | (141,096,988) |
| <i>Net cash provided by operating activities</i> | 970,504,433 | 546,866,476 |
| B. Cash flow from investing activities: | | |
| Acquisition of property, plant and equipment | (34,343,525) | (413,003) |
| Sale proceeds of property, plant and equipment | - | 1,303,534 |
| Dividend received from offshore overnight investment | - | 2,408,996 |
| <i>Net cash provided by investing activities</i> | (34,343,525) | 3,299,527 |
| C. Cash flow from financing activities: | | |
| Term loan | (13,894,196) | (2,304,588) |
| IFC loans ('A' & 'B') | - | (1,118,611,237) |
| Redeemable cumulative class 'A' preference shares | - | 1,100,000,000 |
| Preference stock dividend paid | (113,437,500) | - |
| Dividend paid | (208,593,000) | (1,200,000,000) |
| <i>Net cash used in financing activities</i> | (335,924,696) | (1,220,915,825) |
| D. Net cash inflow/(outflow) for the year (A+B+C) | 600,236,212 | (670,749,822) |
| E. Opening cash and cash equivalents | 100,899,376 | 771,649,198 |
| F. Closing cash and cash equivalents | 701,135,588 | 100,899,376 |

NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

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. The company has converted into public limited company on 19 July 2009. The plant came into operation on 13 October 1998. The address of the company's registered office is Summit Centre, 5th floor, 18 Karwan Bazar C/A, Dhaka-1215, Bangladesh. The original authorised capital of the company was Tk. 2,085,930,000 divided into 2,085,930 ordinary shares of Tk. 1,000 each. On 8 January 2007 the authorised capital was increased to Tk. 5,000,000,000 divided into 3,000,000 ordinary shares of Tk. 1,000 each and 2,000,000 preference shares of Tk. 1,000 each. Out of 2,000,000 preference shares, 1,100,000 were issued and fully paid up.

Further, on 19 July 2009, at an extra ordinary general meeting (EGM), the existing shareholders of the company passed and resolved that the existing category of ordinary class A and class B shares shall be reclassified as ordinary shares. It was also decided that the face value of each ordinary shares be fixed at TK. 10 each instead of TK. 1,000 each.

1.2 Nature of business

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

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis. Exceptions are property, plant and equipment where foreign exchange gain or loss arising from foreign currency debts taken to finance the assets is adjusted against the value of the assets as per Companies Act 1994.

2.3 Functional and presentational currency

The financial statements (except notes 22 and 23, where the currency mentioned as USD for presentation purpose) are prepared in Bangladesh Taka (Taka/Tk/BDT), which is the company's functional currency and have been rounded off to the nearest integer.

2.4 Use of estimates and judgements

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

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

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

- Note 4 - depreciation
- Note 5 - inventory valuation
- Note 13 - accrued expenses and others
- Note 15 - deferred liability for gratuity and earned leave

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

2.5 Reporting period

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

3. Significant accounting policies

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

3.1 Property, plant and equipment

3.1.1 Recognition and measurement

Items of property, plant and equipment (PPE) are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the assets. Adjustment of power plant during the year is the adjustment for foreign exchange loss or gain as stated in note 3.1.2.

3.1.2 Capitalisation of foreign exchange gain or loss

Foreign exchange difference arising from project debts foreign currency is adjusted against the value of the assets financed by such debt, in accordance with the Schedule XI Part I of the Companies Act 1994. BAS 21, The Effects of Changes in Foreign Exchange Rates, however requires that such exchange gains/losses be recognised as income/expense in the relevant period. The difference arising from capitalisation of foreign exchange gain in accordance with the requirements of the Companies Act 1994 is, however, not considered material by management.

3.1.3 Subsequent costs

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

3.1.4 Maintenance activities

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

3.1.5 Depreciation

Depreciation on power plant has been charged considering 30 years of useful life and residual value at 15%. Addition during the year is depreciated for full year irrespective of date of purchase, while no depreciation is charged in the year of disposal.

The estimated useful lives of assets are as follows:

| | |
|---------------------------|----------|
| Power plant | 30 years |
| Vehicles | 4 years |
| Building and construction | 10 years |
| Furniture and fixtures | 5 years |
| Office equipment | 5 years |
| Office renovation | 5 years |

3.1.6 Retirements and disposals

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

3.2 Inventories

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

3.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at bank.

3.4 Trade receivables and bad debts

Trade receivables are recognised at cost which is the fair value of the consideration given for them. Provision for debts doubtful of recovery, if any, are made at the discretion of management.

3.5 Provisions

A provision is recognised on the balance sheet 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.

3.6 Impairment

The carrying amounts of the assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. No such indication of impairment has been raised to date.

3.7 Revenue

Revenue is recognised in the profit and loss account upon supply of electricity to BPDB, quantum of which is determined by survey of meter reading.

3.8 Foreign currency transactions

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

Foreign exchange difference arising from all foreign currency transactions, except for the project debts, are charged or credited to profit and loss account. Foreign exchange difference arising from project debts is adjusted against the value of the assets financed by such debt, as provided in the Schedule XI Part I of the Companies Act 1994, which requires all exchange differences arising from foreign currency borrowings for property, plant and equipment to be added or deducted from the value of the assets which were financed by such borrowings.

3.9 Lease

Lease payments under operating lease are recognised as expenses in profit and loss account on a straight line basis over the lease term. The lessor reserves the right to revise the rent after each period of five years and can increase the rent by a maximum of twenty percent for five years.

3.10 Finance income and expenses

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

Finance expenses comprise interest expense on borrowings and other finance related costs. All borrowing costs are recognised in the profit and loss account when they accrue using the nominal interest rate stated in related loan agreements.

3.11 Borrowing cost

Borrowing costs are recognised as expenses in the period in which they are incurred unless capitalisation of such is allowed as an alternative under Bangladesh Accounting Standard 23 Borrowing Costs.

3.12 Provision for tax

No provision for tax has been made in the accounts as the company is entitled to tax exemption for a period of 15 years with effect from commencement of commercial production, vide SRO no. 114-Law/99 dated 26 May 1999 issued by Government of Bangladesh, under private sector power generation policy.

3.13 Deferred tax

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

3.14 Employee benefit schemes

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company operates an unfunded gratuity scheme, which is a defined benefit scheme, a provision in respect of which is made periodically covering all permanent employees by applying period of employment to latest basic salary. Although no valuation was done to quantify actuarial liabilities as per Bangladesh Accounting Standard 19 Employee Benefits for the year ended 31 December 2009, such valuation for only 9 employees is not likely to yield a result significantly different from the current provision.

The company maintains a provident fund for all local employees, recognised by the National Board of Revenue, Bangladesh. This is a defined contribution scheme as per Bangladesh Accounting Standard 19 Employee Benefits.

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

3.15 Earnings per share

The company presents basic earnings per share (EPS) data for ordinary shares.

3.15.1 Basic earning per share

Basic EPS is calculated by dividing the net profit or loss for the year attributable to ordinary shareholders by the number of ordinary shares outstanding during the year.

3.16 Cash flow statement

Cash flow statement has been presented under direct method.

3.17 New standards not yet adopted

Bangladesh Accounting Standards 8 "Accounting policies: Changes in Accounting estimates and Errors" para 30 requires that an entity makes certain disclosures when it does not apply a new BAS/BFRS that has been issued but is not yet effective.

The Institute of Chartered Accountants of Bangladesh (ICAB) had made the following standards effective for accounting periods beginning on or after 1 January 2010.

- (a) BAS 32: Financial Instruments Presentation
- (b) BAS 39: Financial Instruments: Recognition and Measurement
- (c) BFRS 7: Financial Instruments: Disclosures

Currently the company presents its redeemable cumulative class 'A' preference shares as an equity instrument and dividend paid on such preference shares has shown in Statement of Changes in Equity. However after adoption of above standards, redeemable cumulative preference class 'A' shares will be treated as liability. Dividends paid under such arrangements will be accounted for as interest and charged to Profit and Loss Account.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

4. Property, plant and equipment

| Particulars | Cost | | | | Depreciation | | | | | | | Carrying amount as at 31 December 2009 |
|---------------------------|--------------------------------------|-----------------------------------|----------------------------------|--------------------------------------|--|--------|--------------------------------------|-----------------------------|----------------------------------|--------------------------------------|--|--|
| | Balance as at 1 January 2009 Taka | Addition during the year* Taka | Disposal during the year Taka | Adjustment during the year** Taka | Balance as at 31 December 2009 Taka | Rate % | Balance as at 1 January 2009 Taka | Charge for the year Taka | Disposal during the year Taka | Adjustment during the year** Taka | Balance as at 31 December 2009 Taka | |
| Power plant | 5,133,347,383 | 30,956,118 | - | (27,552,938) | 5,136,750,563 | 3.33 | 1,672,340,952 | 188,000,895 | - | (27,191,209) | 1,833,150,638 | 3,303,599,925 |
| Vehicles | 2,000,000 | 3,384,657 | - | - | 5,384,657 | 25.00 | 1,000,000 | 1,346,163 | - | - | 2,346,163 | 3,038,494 |
| Building and construction | 9,428,606 | - | - | - | 9,428,606 | 10.00 | 8,629,939 | 610,517 | - | - | 9,240,456 | 188,150 |
| Furniture and fixtures | 1,073,758 | - | - | - | 1,073,758 | 20.00 | 1,007,770 | 18,588 | - | - | 1,026,358 | 47,400 |
| Office equipment | 5,976,712 | 2,750 | (380,000) | - | 5,599,462 | 20.00 | 5,564,555 | 155,577 | - | (380,000) | 5,340,132 | 259,330 |
| Office renovation | 1,299,590 | - | - | - | 1,299,590 | 20.00 | 1,299,557 | - | - | - | 1,299,557 | 33 |
| Total 2009 | 5,153,126,049 | 34,343,525 | (380,000) | (27,552,938) | 5,159,536,636 | | 1,689,842,773 | 190,131,740 | - | (27,571,209) | 1,852,403,304 | 3,307,133,332 |
| Total 2008 | 5,157,634,464 | 413,003 | (3,405,030) | (1,516,388) | 5,153,126,049 | | 1,522,124,292 | 170,984,409 | (3,192,996) | (72,932) | 1,689,842,773 | 3,463,283,276 |

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

**Adjustment arises from foreign exchange gain/loss during the year ended 31 December 2009 on conversion of foreign currency loans taken to finance the power plant (see note 3.1). This also includes adjustment for Alternator.

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

| | 2009 Taka | 2008 Taka |
|--|--------------------|--------------------|
| Depreciation charged during the year | 190,131,740 | 170,984,409 |
| Add: Adjustments made during the year | (38,329) | (72,932) |
| | 190,093,411 | 170,911,477 |
| Allocation of depreciation | | |
| Operating expenses (power plant part after considering adjustment) | 187,962,566 | 169,199,460 |
| General and administrative expenses (other than power plant) | 2,130,845 | 1,712,017 |
| | 190,093,411 | 170,911,477 |

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

5. Inventories

| Particulars | Balance as at 1 January 2009 | | Addition during the year | | Consumption during the year | | Balance as at 31 December 2009 | |
|-----------------------------------|------------------------------|--------------------|--------------------------|----------------------|-----------------------------|----------------------|--------------------------------|--------------------|
| | Quantity (MT) | Amount (Taka) | Quantity (MT) | Amount (Taka) | Quantity (MT) | Amount (Taka) | Quantity (MT) | Amount (Taka) |
| Heavy furnace oil (HFO) | 26,284.21 | 662,741,360 | 173,630.59 | 5,143,280,116 | 177,353.48 | 4,923,655,550 | 22,561.32 | 882,365,926 |
| Light furnace oil (LFO) | 110,790 | 4,229,292 | 27,000 | 1,155,570 | 50,100 | 1,868,518 | 87,690.00 | 3,516,344 |
| Spare parts for plant maintenance | | 95,758,000 | | - | | - | | 95,758,000 |
| Total 2009 | | 762,728,652 | | 5,144,435,686 | | 4,925,524,068 | | 981,640,270 |
| Total 2008 | | 945,904,103 | | 6,931,467,893 | | 7,114,643,344 | | 762,728,652 |

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

6. Accounts receivable

| | 2009 | 2008 |
|----------------------|--------------------|--------------------|
| | Taka | Taka |
| Other monthly tariff | 108,415,448 | 225,528,311 |
| Fuel tariff | 279,525,157 | 660,249,357 |
| | 387,940,605 | 885,777,668 |

7. Other receivables

| | | |
|-------------------------------------|-------------------|------------------|
| BPDB (agreed charges paid to BIWTA) | 12,497,004 | 8,008,915 |
| | 12,497,004 | 8,008,915 |

8. Advances, deposits and prepayments**Advances:**

| | | |
|---------------------------------|-----------|-----------|
| Car/motor cycle loan | 114,375 | 433,542 |
| Bank guarantee for spare parts | - | 840,000 |
| Padma/Jamuna Oil for HFO supply | 634,530 | - |
| Dr. Kamal Hossain & Associates | 400,000 | - |
| Other advances | 209,224 | 69,162 |
| | 1,358,129 | 1,342,704 |

Deposits:

| | | |
|--|---------|---------|
| Bangladesh Telephone & Telegraph Board | 16,000 | 16,000 |
| Grameenphone Ltd. | 89,006 | 89,006 |
| Others | 28,500 | 24,500 |
| | 133,506 | 129,506 |

Prepayments:

| | | |
|--|------------------|------------------|
| General insurance premium (fire, fidelity, health, motor etc.) | 56,881 | 21,463 |
| | 56,881 | 21,463 |
| | 1,548,516 | 1,493,673 |

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

9. Cash and cash equivalents

| | 2009 Taka | 2008 Taka |
|---|---------------------------|---------------------------|
| Cash in hand | 99,943 | 183,422 |
| Cash at bank: | | |
| Current account: | | |
| Citibank, NA (Operating account # 129039 -Taka) | 3,706,884 | 13,050,702 |
| Citibank, NA (Operating account # 129024 -Taka) | 6,081 | 667,821 |
| Citibank, NA (Operating account -US Dollar) | 79,727,542 | 85,434,867 |
| AB Bank Ltd. | - | 414 |
| Bank Asia Ltd. | 825 | 1,900 |
| BRAC Bank Ltd. | 18,969 | 307,313 |
| Pubali Bank Ltd. | 27,533 | 75,032 |
| Shahjalal Islami Bank Ltd. | 1,014 | 1,029,742 |
| Standard Bank Ltd. | 45,519 | 46,714 |
| Standard Chartered Bank | 87,957 | 97,518 |
| Prime Bank Ltd. | 2,781 | 3,931 |
| | 83,625,105 | 100,715,954 |
| STD account: | | |
| BRAC Bank Ltd. | 617,400,135 | - |
| Dutch Bangla Bank Ltd. | 4,400 | - |
| One Bank Ltd. | 441 | - |
| The City Bank Ltd. | 463 | - |
| Trust bank Ltd. | 5,101 | - |
| | 617,410,540 | - |
| | 701,035,645 | 100,715,954 |
| | <u>701,135,588</u> | <u>100,899,376</u> |

10. Accounts payable

| | | |
|--|-----------------------------|-----------------------------|
| Kuo Oil (S) Pte Ltd. - Handling commission | 114,263,650 | 22,106,313 |
| Kuo Oil (S) Pte Ltd. - Fuel cost | 1,100,823,552 | 794,770,553 |
| USCOL - Fuel carrying and storage | 130,116,675 | 314,419,260 |
| Wartsila-operation and maintenance - (O&M) | 140,900,814 | 182,736,922 |
| | <u>1,486,104,691</u> | <u>1,314,033,048</u> |

11. Working capital loan

| | | |
|----------------------------|-----------------|---------------------------|
| BRAC Bank Ltd. | - | 200,000,000 |
| Shahjalal Islami Bank Ltd. | - | 84,000,000 |
| | <u>-</u> | <u>284,000,000</u> |

Collateral includes registered mortgages of vessels "TIGER I" and "TIGER II", a registered letter of hypothecation by way of first priority fixed charge over plant, machinery and equipment, and a registered letter of hypothecation by way of first priority floating charge over all fixed and floating assets of the company.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

12. Term loan

| | 2009 Taka | 2008 Taka |
|---|--------------|--------------------|
| Term loans: | | |
| El Paso Power Khulna Holding Ltd. | - | 91,878,000 |
| Wartsila Development & Financial Services (Asia) Ltd. | - | 13,897,544 |
| | <u>-</u> | <u>105,775,544</u> |

Term loan from El Paso Power Khulna Holding Ltd. has been waived and considered as other income (net of exchange differences). See note 19.1 for more details.

13. Accrued expenses and others

| | | |
|--|-------------------|-------------------|
| Electricity, gas and water | 75,078 | 85,000 |
| Legal, audit and other professional fees | 620,000 | 881,000 |
| Office rent and service charges | 131,075 | 109,240 |
| Lease rent payable-BPDB | 3,167,709 | 3,541,814 |
| Telephone, fax and e-mail | 88,239 | 80,000 |
| Employee expenses | 3,098,149 | 1,307,757 |
| Provision for withholding tax/VAT for O & M fees, professional fees and others | 16,806,155 | 6,429,070 |
| Wartsila - river intake dredging | 140,000 | 150,000 |
| Falcon Securities Ltd - plant security | 215,469 | 216,251 |
| Employees' provident fund | 96,460 | 101,875 |
| Board meeting fees | - | 212,500 |
| Kuo Oil (S) Pte Ltd. - Demurrage - Fuel (13.1) | 15,458,537 | - |
| Others | 579,647 | 356,382 |
| | <u>40,476,518</u> | <u>13,470,889</u> |

13.1 Demurrage is claimed by Kue Oil(s) Pte Ltd. on behalf of shipping company due to unusual delay in unloading of Heavy Furnace Oil (HFO) at Chittagong Port in May 2009.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

14. Share capital

| | 2009 Taka | 2008 Taka |
|--|----------------------|----------------------|
| Authorised: | | |
| 3,000,000 ordinary shares of Tk 1,000 each | - | 3,000,000,000 |
| 300,000,000 ordinary shares of Tk 10 each | 3,000,000,000 | - |
| 2,000,000 preference shares of Tk 1,000 each | 2,000,000,000 | 2,000,000,000 |
| | 5,000,000,000 | 5,000,000,000 |
| Issued and paid-up: | | |
| 2,085,924 ordinary Class A shares of Tk 1,000 each | - | 2,085,924,000 |
| 6 ordinary Class B shares of Tk 1,000 each | - | 6,000 |
| 208,593,000 ordinary shares of Tk 10 each | 2,085,930,000 | - |
| 1,100,000 redeemable cumulative class 'A' preference shares of Tk 1,000 each | 1,100,000,000 | 1,100,000,000 |
| | 3,185,930,000 | 3,185,930,000 |

For split off details see note 14.1.

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

14.1 The shareholding position of ordinary shares

| Name of shareholders | 2009 | | | | 2008 | | | | | |
|---|-------------------|--------------------|-------------------|----------------------|-------------------|----------------------|----------------------|--------------------|-------------------|----------------------|
| | % of shareholding | Shares (No.) | Face value (Taka) | Total value (Taka) | % of shareholding | Class A shares (No.) | Class B shares (No.) | Total shares (No.) | Face value (Taka) | Total value (Taka) |
| 1. Summit Industrial & Mercantile Corporation (Pvt.) Ltd. (incorporated in Bangladesh) | 49.9832% | 104,261,500 | 10 | 1,042,615,000 | 46.95% | 979,341 | 2 | 979,343 | 1,000 | 979,343,000 |
| 2. United Enterprises & Company Ltd. (incorporated in Bangladesh) | 49.9832% | 104,261,500 | 10 | 1,042,615,000 | 46.95% | 979,341 | 2 | 979,343 | 1,000 | 979,343,000 |
| 3. Muhammed Aziz Khan | 0.0024% | 5,000 | 10 | 50,000 | - | - | - | - | - | - |
| 4. Anjuman Aziz Khan | 0.0024% | 5,000 | 10 | 50,000 | - | - | - | - | - | - |
| 5. Latif Khan | 0.0024% | 5,000 | 10 | 50,000 | - | - | - | - | - | - |
| 6. Muhammad Farid Khan | 0.0024% | 5,000 | 10 | 50,000 | - | - | - | - | - | - |
| 7. Jafer Ummeed Khan | 0.0024% | 5,000 | 10 | 50,000 | - | - | - | - | - | - |
| 8. Ayesha Aziz Khan | 0.0024% | 5,000 | 10 | 50,000 | - | - | - | - | - | - |
| 9. Adeeba Aziz Khan | 0.0024% | 5,000 | 10 | 50,000 | - | - | - | - | - | - |
| 10. Hasan Mahmood Raja | 0.0024% | 5,000 | 10 | 50,000 | - | - | - | - | - | - |
| 11. Ahmed Ismail Hossain | 0.0024% | 5,000 | 10 | 50,000 | - | - | - | - | - | - |
| 12. K.M. Ahsan Shamim | 0.0024% | 5,000 | 10 | 50,000 | - | - | - | - | - | - |
| 13. Akhter Mahmud Rana | 0.0024% | 5,000 | 10 | 50,000 | - | - | - | - | - | - |
| 14. Faridur Rahman Khan | 0.0024% | 5,000 | 10 | 50,000 | - | - | - | - | - | - |
| 15. Abul Kalam Azad | 0.0024% | 5,000 | 10 | 50,000 | - | - | - | - | - | - |
| 16. Moinuddin Hasan Rashid | 0.0024% | 5,000 | 10 | 50,000 | - | - | - | - | - | - |
| 17. Wartsila Development & Financial Services (Asia) Ltd. (incorporated in Cayman Islands) | - | - | - | - | 6.10% | 127,242 | 2 | 127,244 | 1,000 | 127,244,000 |
| | 100.00% | 208,593,000 | | 2,085,930,000 | 100.00% | 2,085,924 | 6 | 2,085,930 | | 2,085,930,000 |

On 21 June 2009, the entire shares (Class A and Class B) of Wartsila Development & Financial Services (Asia) Ltd. has been transferred

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

equally to Summit Industrial & Mercantile Corporation (Pvt.) Ltd. (Summit) and United Enterprises & Company Ltd. (United). As a result, the shareholding position of Summit and United was increased to 50.00 percent from 46.95 percent each. Further on 22 June 2009, Summit and United each have transferred 350 shares (total 700 shares) in favour of above 14 individuals, each getting 50 Class A ordinary shares.

The existing shareholders of the company on 19 July 2009, in an Extraordinary General Meeting (EGM) passed and resolved that the existing category of Ordinary Class A and Class B shares shall be reclassified as ordinary shares. It was also decided that the face value of each ordinary shares shall be fixed at Tk.10 each instead of existing Tk. 1,000 each. Accordingly, Clause V of the Memorandum of Association and Article 6 of the Articles of Association of the company has been changed.

14.2 The shareholding position of redeemable cumulative class 'A' preference shares

| Name of shareholders | As at 31 Dec 2009 | | | 2008 |
|-----------------------|-------------------|--------------------|----------------------|----------------------|
| | Number of shares | Nominal value Taka | Total value Taka | Total value Taka |
| The City Bank Limited | 600,000 | 1,000 | 600,000,000 | 600,000,000 |
| Pubali Bank Limited | 200,000 | 1,000 | 200,000,000 | 200,000,000 |
| One Bank Limited | 200,000 | 1,000 | 200,000,000 | 200,000,000 |
| Trust Bank Limited | 100,000 | 1,000 | 100,000,000 | 100,000,000 |
| | 1,100,000 | | 1,100,000,000 | 1,100,000,000 |

15. Deferred liability for gratuity and earned leave

| | 2009 | | | 2008 |
|-------------------------------------|------------------|-------------------|-------------------|-------------------|
| | Gratuity Taka | Earned leave Taka | Total Taka | Total Taka |
| Opening balance | 7,051,344 | 3,157,436 | 10,208,780 | 11,663,278 |
| Add: Provision made during the year | 828,153 | 62,462 | 890,615 | 1,789,142 |
| | 7,879,497 | 3,219,898 | 11,099,395 | 13,452,420 |
| Less: Payment made during the year | 145,200 | 63,000 | 208,200 | 3,243,640 |
| Closing balance | 7,734,297 | 3,156,898 | 10,891,195 | 10,208,780 |

16. Operating revenues

| | 2009 Taka | 2008 Taka |
|--|----------------------|----------------------|
| Operating revenues comprise other monthly tariff and fuel tariff invoiced to BPDB: | | |
| Other monthly tariff | 1,982,771,320 | 1,766,492,389 |
| Fuel tariff | 4,410,496,025 | 6,393,930,729 |
| | 6,393,267,345 | 8,160,423,118 |

16.1 Other monthly tariff is the price component of all other costs including profit per KW of energy supplied at the delivery point excluding fuel.

16.2 The price component of fuel tariff is comprised of the cost of fuel per KW of energy generated which is reimbursable from BPDB after making some adjustments as per agreement.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

17. Operating expenses

| | 2009 | 2008 |
|--|-----------------------------|-----------------------------|
| | Taka | Taka |
| Consumption of Heavy Furnace Oil (HFO) and related expenses* | 4,968,204,906 | 6,941,000,084 |
| Consumption of Light Furnace Oil (LFO) | 1,868,518 | 1,080,640 |
| Fuel storage charges | 11,054,211 | 11,685,465 |
| Operation and maintenance cost to operator | 496,387,941 | 455,870,479 |
| Security service - Plant | 2,609,210 | 2,613,768 |
| Duty on spare parts | 50,343,948 | 82,731,051 |
| Repair and maintenance -Plant | - | 636,774 |
| Depreciation of power plant | 187,962,567 | 169,199,460 |
| | <u>5,718,431,301</u> | <u>7,664,817,721</u> |

*The above expenses arise after considering various fuel related expenses and adjustments which are not relevant with HFO inventory. That is why, the actual consumption shown in HFO inventory (note no. 5) is not directly matchable with the above mentioned expenses.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

18. General and administrative expenses

| | 2009 | 2008 |
|---|--------------------------|--------------------------|
| | Taka | Taka |
| Salary and allowances | 13,226,172 | 17,822,640 |
| Employer's contribution to P.F. | 554,400 | 734,558 |
| Gratuity provision | 828,153 | 1,334,844 |
| Earned leave provision | 62,462 | 454,298 |
| Leave fare assistance | 243,400 | 354,777 |
| Office rent and maintenance | 2,120,177 | 1,786,363 |
| Telephone, fax and e-mail | 391,012 | 681,340 |
| Advertisement, publicity, press and seminar | 81,480 | 56,150 |
| Entertainment expenses | 121,610 | 266,627 |
| Bank charges and commission | 214,373 | 999,156 |
| Printing, postage and stationery | 86,799 | 252,858 |
| Travel and conveyance | 507,736 | 2,395,429 |
| Vehicles fuel and maintenance | 124,582 | 503,612 |
| Newspaper, books and periodicals | 20,939 | 19,182 |
| Social goodwill | 636,712 | 26,685 |
| Business promotion, subscription, gift and donation | 683,634 | 216,865 |
| Enlistment and annual licence fee - BERC | 500,000 | 1,050,500 |
| Uniform and liveries | 18,200 | 16,920 |
| Insurance premium | 32,466,173 | 41,396,459 |
| Lease rent - BPDB (18.1) | 3,355,293 | 7,271,213 |
| Directors' fees and board meeting expenses | 152,186 | 336,566 |
| Audit fee | 375,000 | 375,000 |
| Legal, tax and other professional fees | 2,393,626 | 12,191,528 |
| Survey, testing and inspection fees | 376,322 | 459,162 |
| Company matter expenses | 938,000 | 697,200 |
| Performance bond/bank guarantee charges | - | (33,356,039) |
| Environmental compliance expenses | 864,371 | 998,124 |
| Computer consumable and maintenance | 275,143 | 100,907 |
| Expenses of MD and Directors | - | 2,960 |
| River intake dredging | 130,000 | 150,000 |
| Depreciation - Other property, plant and equipment | 2,130,845 | 1,712,017 |
| Miscellaneous and incidental expenses | 199,471 | 196,325 |
| | <u>64,078,271</u> | <u>61,504,226</u> |

18.1 Operating leases

The company is obligated under non-cancellable lease for use of land leased out by BPDB that are renewable on a periodic basis at the option of both lessor and lessee. During the year, rental expenses under non-cancellable operating leases aggregated Tk. 3,355,293 (2008: Tk. 3,355,293).

The future minimum lease payments in respect of operating leases as at 31 December 2009 are as follows:

| | | |
|---|------------|------------|
| Amount due: | | |
| Not later than one year | 3,242,955 | 3,242,955 |
| Later than one year but not later than five years | 14,268,998 | 13,620,407 |
| Later than five years | - | 3,891,545 |

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

19. Other income

| | 2009 Taka | 2008 Taka |
|--|-------------------|------------------|
| Dividend income | - | 2,408,996 |
| Gain on sale of property, plant and equipment | - | 1,091,500 |
| Income from El Paso's term loan waiver (Note 19.1) | 91,481,290 | - |
| | 91,481,290 | 3,500,496 |

- 19.1 El Paso Power Khulna Holding Ltd., a company incorporated in the Cayman Islands, has issued a letter to the Managing Director of Khulna Power Company Ltd. on 25 May 2009 stating that the amount due to it by KPCL (equivalent USD 1,322,365.89) has been waived. The Company thus considered it as other income. EL Paso Power Khulna Holdings Ltd. ceased to exist with effect from 30 September 2009.

20. Finance expenses

| | | |
|---|-------------------|--------------------|
| Interest on: | | |
| Term loan provided by El Paso Power Khulna Holding Ltd. | (9,714,483) | 9,307,891 |
| Term loan provided by Wartsila Development and Financial Services (Asia) Ltd. | 224,919 | 1,504,713 |
| "A" loan provided by International Finance Corporation (IFC) | - | 10,788,249 |
| "B" loan provided by International Finance Corporation (IFC) | - | 9,564,996 |
| Working capital facility - Taka | 24,213,366 | 7,459,695 |
| Preference share money deposit | - | 33,375,000 |
| Others: | | |
| Front end fee - IFC A loan | - | 3,951,376 |
| Front end fee - IFC B loan | - | 5,267,060 |
| Arrangement and success fee - IFC B loan | - | 5,267,060 |
| CAP agreement fee - IFC B loan | - | 12,323,496 |
| Arrangement fee - working capital (club financing) | - | 25,415,000 |
| Prepayment charge - IFC A loan | - | 45,276,707 |
| Prepayment charge - IFC B loan | - | 2,887,449 |
| Trust agent fee - Citibank, N.A. | - | 4,347,800 |
| Escrow agency fees - Citibank, N.A. | - | 1,174,725 |
| Annual agency fee - Security & Facility Agent (preference shares) | 2,760,000 | - |
| | 17,483,802 | 177,911,217 |

21. Earnings per share (EPS)

Basic earnings per share

The computation of EPS is given below:

| | | |
|---|-------------|-------------|
| a) Profit attributable to the ordinary shareholders | 582,648,084 | 201,624,776 |
| b) Number of ordinary shares outstanding | 208,593,000 | 208,593,000 |
| c) Earnings per share (EPS) | 2.79 | 0.97 |

Diluted earnings per share

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

22. Remittance of foreign currency

| Purpose of payment | Name of the recipient | 2009 USD | 2008 USD |
|--|---|---------------------|-------------|
| Trust agent fee | Citibank, NA, New York | - | 40,000 |
| Cash margin for import of spare parts on behalf of Wartsila Finland OY | Wartsila Finland OY | 748,392 | 2,208,275 |
| Insurance premium | CODAN Marine, Finland Ltd, Singapore | 462,081 | - |
| Insurance premium | JLT Risk Solutions Asia Pte Ltd, Singapore | - | 597,077 |
| Operation and maintenance expense | Wartsila Finland OY | - | 260,688 |
| Purchase of fuel (HFO) | Coastal Fuji Oil, Singapore | - | 13,145,224 |
| Purchase of fuel (HFO) | Kuo Oil (s) Pte Ltd. | 7,396,659 | 10,083,199 |
| Legal service/Barge registration | Quijano & Associates | 15,503 | 590 |
| Consultancy services | RW Beck International Ltd. | - | 635 |
| Legal service | Chadbourne & Parke LLP | 7,599 | 11,714 |
| Consultancy Fee | Envirotech East Pvt Ltd. | 6,100 | 6,052 |
| Passive analysis (air) | MAXXAM Analytics Inc. | 3,872 | 7,611 |
| Loan repayment with interest | Wartsila Development and Financial Services (Asia) Ltd. | 214,172 | 45,199 |
| Loan repayment with interest | IFC, Washington DC | - | 1,407,130 |
| Bank charge | Citibank, N A | - | 712 |
| Bank Charges | Elpaso Energy International | - | 1,000 |
| Legal service fee | Thompson Hine LLP | - | 3,000 |
| Legal service fee | Fullbright & Jaworski, LLP | - | 149,021 |
| Legal service fee | Franco & Franco | - | 1,500 |
| LC add confirmation charges | BRAC Bank Ltd. | - | 33,928 |
| LC add confirmation charges | Standard Bank Ltd. | - | 34,398 |
| LC add confirmation charges | Pubali Bank Ltd. | - | 10,940 |
| Dividend payment | Wartsila Dev. & Fin. Service | - | 949,292 |
| Deferred interest for fuel L/C | Citibank, N A | 9,226 | - |

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

23. Receipts of foreign currency

| Nature of receipt | Name of party | 2009 USD | 2008 USD |
|----------------------------|---------------|---------------------|-------------|
| Other monthly tariff (99%) | BPDB | 8,922,913 | 20,102,515 |

24. Value of imports calculated on CIF basis

| | 2009 Taka | 2008 Taka |
|--------------------------|----------------------|---------------|
| Heavy furnace oil (fuel) | 3,874,798,895 | 5,351,606,441 |

25. Related party transactions

| Name of party | Relationship | Nature of transactions | Transaction value (Taka) | | |
|---|------------------------------|--|---|-------------|------------|
| | | | 2009 | 2008 | |
| United Summit Coastal Oil Ltd. | Subsidiary of shareholder | Fuel carrying, storage and temporary loan | 292,401,937 | 502,435,583 | |
| El Paso Power Khulna Holding Ltd. | Subsidiary of parent company | Payable for interest | - | 9,342,620 | |
| Summit Industrial & Mercantile Corporation (Pvt) Ltd. | Shareholder | Temporary loan, office rent and dividend paid | 84,306,222 | 946,708,429 | |
| Summit Corporation | Subsidiary of shareholder | Service charge for other office facilities | 747,330 | 622,908 | |
| Wartsila Development & Financial Services (Asia) Ltd. | Shareholder | Repayment of loan, payment of interest and dividend paid | 14,118,362 | 80,960,331 | |
| Coastal Fuji Oil | Subsidiary of parent company | Fuel cost and handling commission | - | 648,738,314 | |
| Summit Shipping Ltd. | Subsidiary of shareholder | Temporary loan | - | 38,225,000 | |
| United Enterprises & Company Ltd. | Shareholder | Temporary loan and dividend paid | 83,437,200 | 977,709,244 | |
| Key management personnel | Board of Directors | Directors fees | 82,000 | 190,000 | |
| | | Key employees | Salary, allowances and long term benefits | 7,980,663 | 12,699,150 |
| | | Bonus | 1,506,000 | 2,322,000 | |

Key management personnel includes managing director, project director and financial controller. However, the managing director did not receive any salary during the year under review.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

26. Capacity

| Period | Licensed capacity (MWh) | Installed capacity (MWh) | Plant factor (% on licensed capacity) | Energy generated (MWh) | Energy sold (MWh) |
|--------------------------|-------------------------|--------------------------|---------------------------------------|------------------------|-------------------|
| January to December 2009 | 110 | 114 | Average 83.55 Maximum 102.00 | 792,887 | 780,178 |
| January to December 2008 | 110 | 114 | Average 73.00 Maximum 94.50 | 705,384 | 693,544 |

27. Salary and allowances

Year wise break up of salary and allowances of the employees of the company for the since inception are as follows:

| Year | Amount (Taka) |
|-------------------------|---------------|
| 1998 (13 Oct to 31 Dec) | 973,147 |
| 1999 | 5,517,180 |
| 2000 | 6,217,183 |
| 2001 | 6,198,705 |
| 2002 | 7,127,044 |
| 2003 | 10,839,299 |
| 2004 | 12,275,209 |
| 2005 | 17,220,059 |
| 2006 | 18,660,004 |
| 2007 | 20,438,758 |
| 2008 | 17,822,640 |
| 2009 | 13,226,172 |

28. Commitment for capital expenditure

There is no other commitment for capital expenditure as of 31 December 2009 for the company except of an 'Alternator' for which procurement order was being initiated by the company amounting to Euro 287,745 but no shipment is being made by the seller.

29. Contingent liability

There is no contingent liability as of 31 December 2009 for the company.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

30. Post balance sheet event

- 30.1 The company has applied to Dhaka Stock Exchange and Chittagong Stock Exchange for the purpose of direct listing under the Direct Listing Regulations 2006 and the matter is in the process of approval.
- 30.2 There is no material event that has occurred after the balance sheet date to the date of issue of these financial statements, which could affect the figures stated in the financial statements.

31. General

- 31.1 During the year the company had nine permanent employees and their individual remuneration rate was not less than Tk 36,000 per annum (2008: ten permanent employees).
- 31.2 Previous year's figures have been rearranged, wherever considered necessary, to conform to current year's presentation.

KHULNA POWER COMPANY LTD.

REGISTERED OFFICE: SUMMIT CENTRE (5TH FLOOR), 18 KAWRAN BAZAR C/A, DHAKA- 1215

PROXY FORM

I/We _____ of _____

being member of Khulna Power Company Ltd. hereby appoint Mr./Ms. _____

_____ of _____ as my/our proxy to attend and vote for me/us on my/our behalf at the **12th Annual General Meeting** of the Company to be held on Thursday, the 24th day of June 2010, at 10.00 A.M at Bangabandhu International Conferance Centre (BICC) , Sher-E-Bangla Nagar, Agargaon, Dhaka and at any adjournment thereof.

As witness my hand this _____ day of _____, 2010 signed by the said in presence of _____



(Signature of the Proxy)

BO ID _____

Signature of the Shareholder(s)

BO ID _____

(Signature of Witness)

Note :

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

Signature Verified

Authorised Signatory

KHULNA POWER COMPANY LTD.

REGISTERED OFFICE: SUMMIT CENTRE (5TH FLOOR), 18 KAWRAN BAZAR C/A, DHAKA- 1215

SHAREHOLDERS' ATTENDANCE SLIP

I/We hereby record my/our attendance at the **12th Annual General Meeting** being held on Thursday, the 24th day of June 2010, at 10.00 A.M at Bangabandhu International Conferance Centre (BICC), Sher-E-Bangla Nagar, Agargaon, Dhaka

Name of Shareholder(s)/Proxy _____

BO ID _____ holding of _____ ordinary Shares of Khulna Power Company Ltd.

Signature of Shareholder/Proxy

NOTE :

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

www.khulnapower.com

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