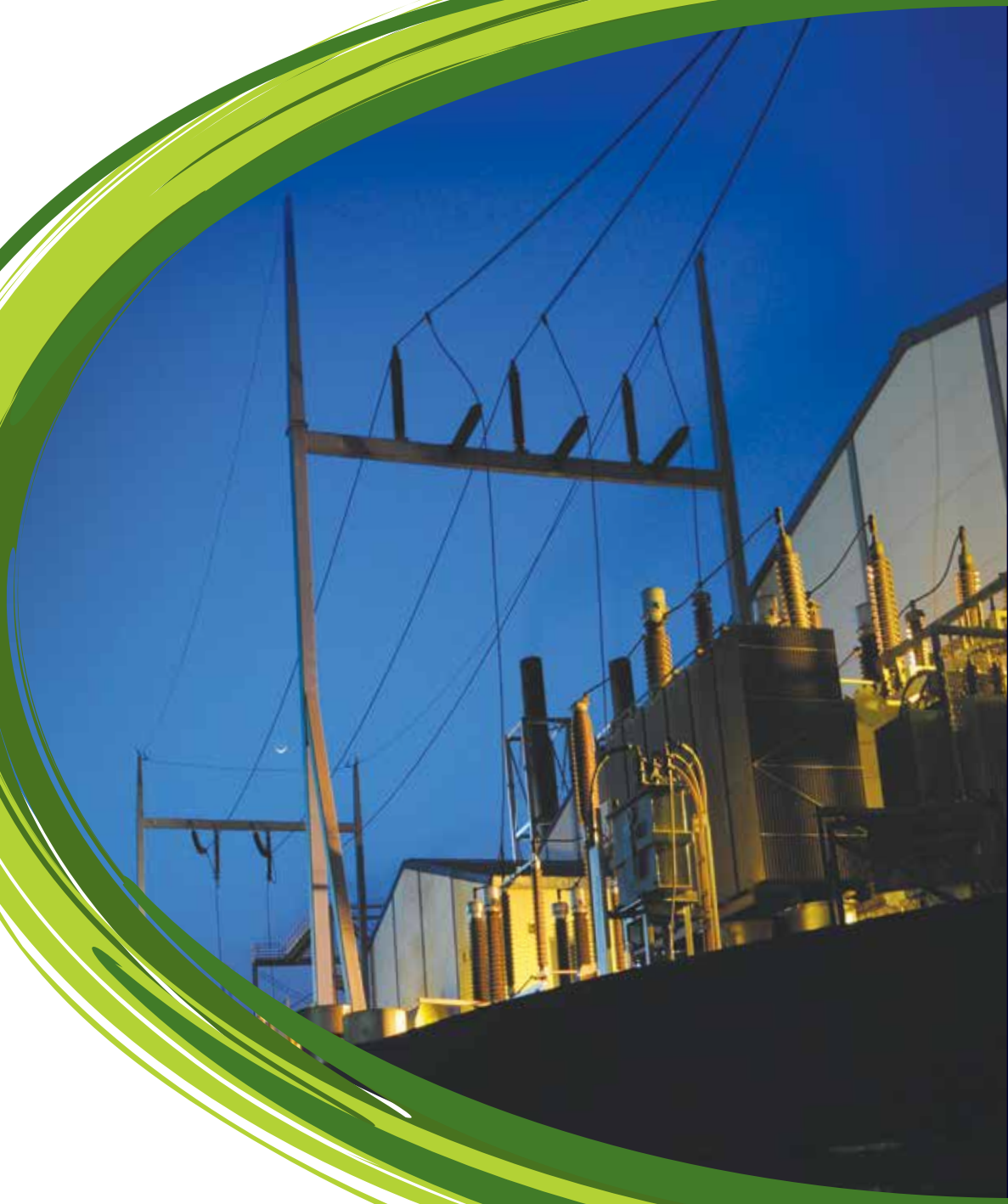




Khulna Power Company Ltd.

# Annual Report 2014





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## Corporate Information

### Board of Directors

#### Chairman

Hasan Mahmood Raja

#### Managing Director

Md. Abdur Rahim

#### Director

Muhammed Aziz Khan

Ahmed Ismail Hossain

K. M. Ahsan Shamim

Latif Khan

Muhammed Faisal Karim Khan

Jafer Ummeed Khan

Faridur Rahman Khan

Akhter Mahmud Rana

Abul Kalam Azad

Ayesha Aziz Khan

Moinuddin Hasan Rashid

A. N. M. Tariqur Rashid

Lt Gen (Retd) Abdul Wadud - w.e.f. 19-05-2015

#### Independent Director

Syed Fazlul Haque, FCA

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

Karishma Jahan

M. Fazlur Rahman, FCA - w.e.f. 19-05-2015

#### Chief Financial Officer & Company Secretary

Md. Shoharab Ali Khan, FCMA

#### Audit Committee

Syed Fazlul Haque, FCA, Chairman

Abul Kalam Azad, Member

Ayesha Aziz Khan, Member

#### Head of Internal Audit

Placid Gomes, ACA

## Power Plants

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

Goalpara, Khalishpur, Daulatpur, Khulna-9202

Phone : +88-041 763556-8

Fax : +88-041 760227

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

Amalgamated with Khulna Power Company Ltd. (KPCL) on 30 September 2014

Extended premises of KPCL, Goalpara, Khalishpur, Khulna.

Phone : +88-041 763556-8

Fax : +88-041 760227

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

Amalgamated with Khulna Power Company Ltd. (KPCL) on 30 September 2014

Noapara, Avaynagar, Jessore

Phone : +88-04222 72354

#### Registered Office

Landmark (3rd floor)

12-14 Gulshan North C/A, Gulshan-2

Dhaka 1212, Bangladesh

Tel : +88-02 58810932, 58810892

+88-02 8810868, 8824217

Fax : +88-02 882 3989

Email : kpcl@khulnapower.com

Web : www.khulnapower.com

#### Auditors

Hoda Vasi Chowdhury & Co

Chartered Accountants

BTMC Bhaban (8th Level)

7-9 Karwan Bazar

Dhaka-1215, Bangladesh

#### Legal Adviser

Md. Sameer Sattar

Barrister, Lincoln's Inn

Sattar & Co.

5th Floor, 153/1 Green Road

Dhaka, Bangladesh

#### Main Bankers

Standard Chartered Bank

Citibank, N.A.

BRAC Bank Limited

Bank Alfalah Limited



## Company Information

### Background of KPCL

In 1997 the Bangladesh Power Development Board (BPDB) was faced with the challenge to ease a critically short power supply in the South Western Zone of Bangladesh. The electrical demand had been consistently higher than available capacity, and generation costs in the area had been very high due to the low efficiency of existing equipment and the heavy use of expensive, low-availability fuel. Bangladesh Power Development Board (BPDB) thus signed a Power Purchase Agreement (PPA) in 1997 with Khulna Power Company Ltd (KPCL) to set up a power plant at Khulna to alleviate the severe power crisis as a fast-track solution.

### Formation of KPCL

Khulna Power Company Ltd. (KPCL) is the first Independent Power Producer (IPP) in the country, established under the Private Sector Power Generation Policy of Bangladesh. KPCL was incorporated on October 15, 1997 as a private limited company. On July 19, 2009 the company was converted into a public limited company. KPCL was formed with a paid up capital of BDT 2,085.93 million (US\$ 44.10 million) and the initial project cost was US\$ 96.07 million. KPCL commenced its full commercial operation on October 13, 1998 and since then, it has been supplying uninterrupted reliable power to the national grid. The formation of KPCL Project was initially sponsored by Summit Group and United Group along with their foreign partner El Paso Corporation (El Paso), USA, one of the world's largest and most diversified natural gas exploration and pipeline companies and Wärtsilä Corporation (Wärtsilä), Finland, a leading power plant manufacturer of the world. In 2008, El Paso, as part of its global repositioning strategy disposed of its shares in KPCL to Summit Group and United Group. Later in 2009 Wärtsilä's share was also acquired by Summit and United. Khulna Power Company Ltd. has two subsidiary companies named as: i) Khulna Power Company Unit II Ltd.; and ii) Khanjahan Ali Power Company Ltd.

### Khulna Power Company Unit II Ltd.

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

### Khanjahan Ali Power Company Ltd.

Khanjahan Ali Power Company Ltd. (KJAPCL) was formed on July 19, 2010 for

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

### Amalgamation of Khanjahan Ali Power Company Ltd and Khulna Power Company Unit II Ltd with Khulna Power Company Ltd (KPCL)

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

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

"All the licenses, permits, quotas, approvals, permissions, incentives, loans, subsidies, concessions, grants, rights, claims, leases, tenancies, exemptions from income tax

or other taxes, benefits, rights and privileges and right to extension under the Contract for Supply of Electricity on Rental Basis for 5 years being Contract No. 09751 dated 23.6.2010 and Contract No. 09766 dated 25.7.2010 ("the Power Purchase Agreements") and any amendment thereof between respective Transferor Companies with the Power Development Board and other benefits and privileges enjoyed or conferred upon or held or availed of by and all rights and benefits that have accrued, which may accrue to the Transferor Companies shall, pursuant to the provisions of Section 229(2) of the Act, without any further act, instrument or deed, be and stand transferred to and vested in and available to the Transferee Company so as to become as and from Appointed Date 30.9.2014."

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

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

## KPCL power plant (KPCL-I)

**Location:**

Goalpara, Khalishpur, Khulna

**Capacity:**

110 MW Barge mounted power plant

**Description of Barges:**

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

**Generating Plant:**

19 X Wärtsilä 18V32 DG Sets

**Fuel used:**

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

**Project Cost:**

USD 96.07 million



## KPC Unit II power plant (KPCL-II)

**Location:**

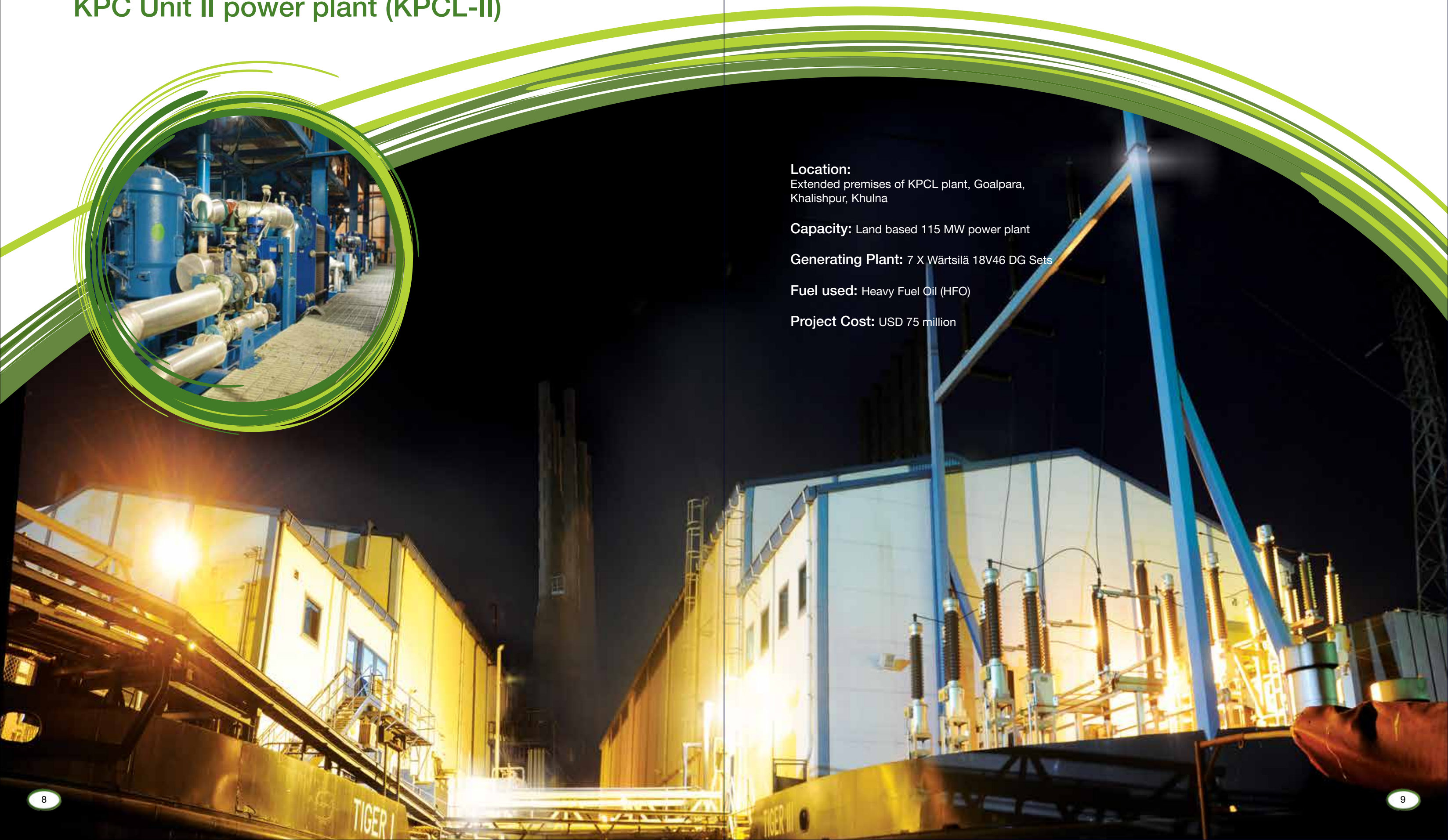
Extended premises of KPCL plant, Goalpara, Khalishpur, Khulna

**Capacity:** Land based 115 MW power plant

**Generating Plant:** 7 X Wärtsilä 18V46 DG Sets

**Fuel used:** Heavy Fuel Oil (HFO)

**Project Cost:** USD 75 million



## Khanjahan Ali power plant (KPCL-III)

**Location:** Noapara, Jessore

**Capacity:** Land based 40 MW power plant

**Generating Plant:** 5 X Wärtsilä 20V32 DG Sets

**Fuel used:** Heavy Fuel Oil (HFO)

**Project cost:** USD 25 million



## The Shareholders

United Enterprises & Co Ltd. (United) own 35.2823%, Summit Industrial & Mercantile Corporation (Pvt.) Ltd. (SIMCL) own 17.6411%, Summit Power Limited own 17.6411% and 14 individual sponsor shareholders own 0.0237% of 361,284,709 shares of Khulna Power Company Ltd. The rest of 29.4118% shares are owned by the General Public investors.

### United Enterprises & Co Ltd.

## United Group of Bangladesh

United Enterprises & Co. Ltd. (UECL) and its sister concerns form one of the most diversified business houses in Bangladesh. In fact, it is one of the largest socio-economic infrastructure based corporation in the country. Commencing its modest journey in 1978 the Group's unique understanding of economic and industrial priorities and dedication towards excellent client service helped it to branch out in a number of commercial ventures. Power generation, hospitality, healthcare, real estate, construction, spinning yarn, education and land port services are only a few areas the company is directly involved in. As of now, the Group's assets and annual turnover stands at Taka 82 billion and Taka 25 billion respectively, which can be said to be a very honorable achievement in a span of only thirty-seven years

UG entered into power sector with the co-ownership of the first independent power company (IPP) of Bangladesh with Summit Group in 1997 - Khulna Power Company Ltd. (KPCL). UECL is currently the single largest shareholder of KPCL which owns the 100 MW Barge Mounted power plant at Goalpara, Khulna, a 115 MW land based plant right beside it and a 40 MW power plant at Noapara, Jessore. Now the Group owns United Power Generation and Distribution Company Ltd, (UPGDCL), United Ashuganj Power Ltd. (UAPL), Shajahanullah Power Generation Company Ltd. (SPGCL), and has recently commissioned the country's first Combined Cycle Modular Power Plant in joint venture with the government,

United Ashuganj Energy Ltd. (UAEL), well ahead of the Required Commercial Operations Date. With a capacity of more than 700 MW, United Group's power division is providing uninterrupted and quality power supply to the industries housed inside and in the vicinity of Dhaka and Chittagong EPZs and to the national grid.

In the Real Estate and Construction side, it has already constructed several innovative projects in Dhaka city. Presently, three mega projects are in the process of completion which will set new standards in this sector. Gulshan Center Point, a 26 storied state-of-the-art commercial office and retail block comprising of the city's largest Mega Shopping Mall, Unimart, will be a new iconic landmark in the Gulshan skyline. An Airport Hotel and Retail project, over 280,000 square meter area, comprising of a 5 star hotel, a 3 star hotel and a world class shopping mall sprawled across 72,000 square meter area is under construction by IPCO Development Ltd., adjacent to Hazrat Shahjalal International Airport, of which United Group is the developer partner. Finally, it is developing United City, a world class mini township, the largest in the country, with its own international standard gated condominium complex and commercial hub. It is nestled only about 2 km away from the American Embassy in Bairhara, Dhaka towards the East on the 100 feet Madani Road.

In the Healthcare Sector, United

Hospital Ltd. (UHL) is currently one of the largest private sector multidisciplinary, state-of-the-art hospitals in the country with a capacity of over 450 patient-beds having 30 departments. Alongside the hospital, United Nursing College is also functioning since 2011 and United Medical College is awaiting green signal from the government.

UG's manufacturing sector is slim but of quality. Comilla Spinning Mills Ltd. (CSML), a joint venture went into production in 1996 and, since then, has been producing high quality cotton, polyester and mixed yarns using high-end machines. United Polymer Ltd. is small but steady in innovating, manufacturing and marketing polyethylene (PET) bottles to the commercial customers. Gunze United Ltd. is the latest addition in the manufacturing sector of the Group. It is a joint venture with the famous Gunze Ltd. of Japan and producing sewing threads of unique quality for the RMG sector of Bangladesh.

United International University (UIU) and United Maritime Academy (UMA) are the two timely ventures by the UG in education sector of Bangladesh. Starting with only 77 students in 2003, UIU now has emerged as one of the top class private universities in the country having more than 7000 students in 11 academic

programs with 127 full time and 102 part-time faculty. As for UMA, sailing only in 2012, has already achieved ISO : 2008 QMS certificate and incorporated both 'Full Mission Bridge Simulator' and 'Machine Operation Simulator' within 2 years' time - such is the commitment level of these academic institutions.

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

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

### The key companies representing United Group are as follows:

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





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

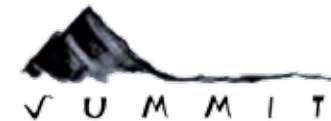
## Summit Group of Bangladesh

Summit Group is one of the reputed local conglomerates of the country having interests in independent power generation, petroleum, shipping, real estate, inland container depot, financial services and communications infrastructure. The group sponsored the first independent 110 MW barge-mounted power plant KPCL in 1998 and since then has actively invested in other power generation projects totaling 1262 MW in operation, serving a major portion of the country's power needs. The group is recognized as a major infrastructure-industry company of Bangladesh employing over 2,000 people.

Summit Industrial & Mercantile Corporation (Pvt.) Limited (SIMCL) is a private limited company established in 1985, and is the investment arm of Summit Group, sponsoring different companies, ranging from shipping to power to communications. Among its holdings, Summit Power Limited, Summit Alliance Port, Khulna Power Company Ltd., Summit Meghnaghat Power Company Ltd. & Summit Bibiyana II Power Company Ltd., are publicly listed. Of these publicly listed companies, Summit Power Limited (SPL) accounts for 317 MW, while Summit Meghnaghat & Summit Bibiyana supplies/poised to supply 337 MW & 341 MW of electricity respectively to Bangladesh Power Development Board (BPDB). It has power plants located in various parts of Bangladesh mainly in the suburban industrial areas where there is the greatest need for electricity.

Major entities of Summit Group are as follows:

- Summit Power Ltd. (SPL)
- Summit Communication Ltd. (SCL)
- Summit Alliance Port Ltd. (SAPL)
- Summit Oil & Shipping Company Ltd.(SOSCL)
- United Summit Coastal Oil Ltd. (USCOL)
- Summit Holdings Ltd. (SHL)
- Cosmopolitan Finance Ltd. (CFL)
- Summit Bibiyana II Power Company Ltd.(SBIIPCL)
- Summit Meghnaghat Power Company Ltd. (SMPCL)
- Summit Narayanganj Power Ltd. (SCPL)
- Summit Purbanchol Power Company Ltd. (SPPCL)
- Summit Uttaranchol Power Company Ltd. (SUPCL)



## Summit Power Limited (SPL)

The Summit Group is one of the leading private sector conglomerates of Bangladesh, comprising more than twenty business units ranging from power to shipping to communications and currently generating 792 MW of electricity and another 393 MW is under construction. Summit Power Limited (SPL), a subsidiary of Summit Group is the first Bangladeshi Independent Power Producer (IPP) in Bangladesh in private sector providing power to national grid. SPL was incorporated in Bangladesh on March 30, 1997 as a Private Limited Company. On June 7, 2004, the Company was converted into Public Limited Company under the Companies Act 1994.

Today Summit Power Limited owns and operates 11 (eleven) power plants at different locations across the country having a total capacity of 317 MW. Our power plants are equipped with engines manufactured by world famous technotex companies, i.e. Wartsila – Finland, Caterpillar - USA, and GE Jenbacher, Austria. All of its power plants run 24 hours a day to support the national grid. As per private sector power generation policy of Bangladesh, Summit sells electricity to the Bangladesh Power Development Board (BPDB) and Bangladesh Rural Electrification Board (BREB) only. Due to the practice of Integrated Management System (IMS) to run the day-to-day business operation, the Company has been certified by ISO 9001: 2008 - Quality Management System, ISO 14001: 2004 - Environmental Management System and OSHAS 18001: 2007 - Occupational Health and Safety Assessment System.

Apart from three existing subsidiaries (Summit Purbanchol Power Company Limited, Summit Uttaranchol Power Company Limited and Summit

Narayanganj Power Limited), Summit Power Limited holds 17.64% ownership of Khulna Power Company Limited (KPCL) and 30% of Summit Meghnaghat Power Company Limited. That means 153 (50 + 103) MW (approximately) has been added with that of SPL's 317 MW, being the



total capacity of 470 MW. This fast-growing company has set a mission to expand the company with a power generation capacity to the tune of a modest 20% of the electricity requirement in Bangladesh. In the way to this mission to enlighten the nation, recently, the Company is implementing two new power plants with a total generation capacity of 165 MW.

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

Note:  
ICAB - Institute of Chartered Accountants of Bangladesh  
ICMAB - Institute of Cost and Management Accountants of Bangladesh  
ICSB - Institute of Chartered Secretaries of Bangladesh  
SAFA - South Asian Federation of Accountants

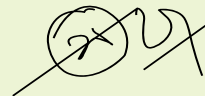
## Notice of the 17<sup>th</sup> Annual General Meeting

Notice is hereby given that the 17<sup>th</sup> Annual General Meeting of the Shareholders of Khulna Power Company Ltd will be held on Thursday, the 25<sup>th</sup> day of June, 2015, at the auditorium of Krishibid Institution Bangladesh, Krishi Khamar Sarak, Farmgate, Dhaka-1215 at 10.30 A.M to transact the following businesses:

### Ordinary Business:

1. To receive and adopt the Directors' Report and the audited financial statements for the year ended December 31, 2014 together with the auditors report thereon.
2. To declare dividend for the year 2014 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 2015 and to fix their remuneration.
5. To ratify the appointment of the Managing Director as per section 109 of the Companies Act-1994.

By order of the Board



(Md. Shoharab Ali Khan FCMA)  
Company Secretary

Dhaka, June 7, 2015.

### Notes:

1. Shareholders whose names appeared at the record date i.e. May 31, 2015 in the Share Register of the Company or in the Depository Register on that date will be eligible to attend and vote in the Annual General Meeting and to receive dividend as approved in the AGM.
2. Members entitled to attend and vote at the Annual General Meeting may appoint a Proxy to attend and vote on his/her behalf. The proxy form must be affixed with requisite revenue stamp and must be submitted to the Registered Office of the Company not less than 48 hours before the time fixed for the Annual General Meeting.
3. Admission into the meeting venue will be allowed on production of the Attendance Slip attached with the Proxy Form.
4. Shareholders who have not updated their respective BO ID with 12 digit Electronic Taxpayer's Identification Number (e-TIN) within the record date i.e. May 31, 2015 through their Depository Participant (DP), are requested to send the same to the registered office of the company before the AGM; failing which, Income Tax at source will be deducted from cash dividend @15% instead of 10% under Sec 54(1)(b)(ii) of Income Tax Ordinance 1984.

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

## 16<sup>th</sup> AGM Photographs





## Message from the Chairman

*Dear Fellow Owners of Khulna Power Company Ltd.*

Assalamu Alaikum,

It is my privilege to welcome you, especially to this **17th Annual General Meeting** of your Company, which provides me with an opportunity to apprise you about the policy and strategy of your good Company, Khulna Power Company Ltd, so that you may appraise our performance. Your Company is an Electricity Generating Company, which is one of the core ingredients of our national growth. Well, so far, we have displayed quite a healthy performance

about which we can all be reasonably proud.

As you know, in order to ensure effective management and diversified control of operations and, ultimately, to maximize the shareholders value of Khulna Power Company (KPCL), the Company has proposed its merger scheme with its two subsidiaries (KPCL II & KJAPCL) to restructure, amongst others, assets by way of amalgamation with effect from 30th September 2014. Honorable High Court has granted the amalgamation scheme on 22 March 2015. Accordingly,

Alhamdulillah, your Company is now a merged/ amalgamated company of 265 MW power generation capacity.

Let me affirm that the biggest challenge to the growth of any capital intensive power generation company is "capital" itself. Your Company has specialized in financing projects at the lowest costs i.e. lowest interest. Under its umbrella, companies such as Khan Jahan Ali Power Company Ltd, Khulna Power Company Unit II Ltd. could get financed by the multilaterals at less than 5% per annum. Your company follows an Integrated Management System (IMS) to maintain all of its power plants, which includes – ISO 14001: 2004 \_ Environmental Management System (EMS), BS OHSAS 18001:2007 – Occupational Health & Safety (OH&S). Your company successfully passed the inspections and received the certificates of accreditation for all three standards e.g. ISO 9001:2008, ISO 14001:2004 & BS OHSAS 18001:2007.

At the moment, Bangladesh's infrastructure, especially electricity, is so important that there is no difference of opinion amongst the politicians on the requirement of dynamic electricity generating companies, thus providing us unhindered growth opportunities today and beyond. In the year 2014, in spite of it being one the most challenging years for the country's economy, we made appreciable progress and I am convinced that we can unlock our full potentials through our hard works in future days to come. In the same note, I would like to congratulate all our stakeholders and employees for the overall good performance in 2014. Let me also inform you with pleasure that there has also been a decline in our gearing ratio which

means that the Company has reduced its dependence on debt financing (near to zero), hence attributing further profits to our ordinary shareholders.

Dear Fellow Owners, I am also pleased to inform you that we could have successfully generated **1,084,835 MWh** electricity in 2014 as per the requirement of National Load Dispatch Center (NLDC) of the Government. Consequently, Khulna Power Company Ltd. has earned a net income of **Tk.831.24 million** in the financial year 2014. Though due to merger effect we could not share the first nine months profit of KPCL II & KJAPCL amounting to Tk. 1,247 million in the net income of KPCL but the same amount has been transferred to the retained earnings of KPCL.

Now we stand on a platform rich with experience. We are confident that the Company will maintain its growth momentum in the business and, of course, in profitability in the years to come. We gratefully appreciate the continued support of our valued fellow owners and would look forward for the same in future as well. Let me also have pleasure to inform you that your Managers bagged the **"Best Corporate Award"** in the Power Company' Category in 2013 from **The Institute of Cost and Management Accountants of Bangladesh (ICMAB)** for its good practice in corporate governance. The Management deserves huge CONGRATULATIONS from us which I have conveyed to them on your behalf. Let me assure you that the Company continues to be managed professionally by qualified personnel and development of human resources remains to be our priority sector to ensure services of the highest quality.

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

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

All the best wishes

Hasan Mahmood Raja  
Chairman

# Directors' Report to the Shareholders

For the year ended December 31, 2014



## Respected Shareholders,

Assalamu Alaikum,

The Board of Directors of Khulna Power Company Ltd (KPCL) welcomes you to the 17th Annual General Meeting (AGM) of the Company. We have the pleasure to place herewith the Directors' Report and the Auditors' Report along with the Audited Financial Statements of the Company for the year ended December 31, 2014 for your valued consideration, approval and adoption.

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

## The environment we operate in

A momentum in the economy was noted early in the year. The declining inflation, stable exchange rate, higher foreign exchange reserves and remittance growth were present. The stable Fuel and Gas price along with country's new policy to let the private power plants to import fuel directly from abroad, the accessibility of low cost foreign loans and tax exemption benefitted the companies like KPCL tremendously.

Being the pioneer in this sector, KPCL has contributed tremendously to this sector by providing internship, training and job to the new graduates as well as existing engineers. The rapidly expanding power sector of the country is attracting more and more educated people. In the context of our country, it is socially prestigious to work in a power generation company. Due to the emergence of new job field in the country, the expatriates, who are working in the power plants outside the country are also returning home to share their expertise to elevate the local power sector of the country and enjoy the living in homeland.

From the legal perspective, it is very stable as well as very sophisticated to run a business to generate and sale electricity, because as per agreement, the customer is fixed but a lot of regulators are to be satisfied, e.g. - Bangladesh Energy Regulatory Commission (BERC), Department of Environment (DOE)etc.

Power plant can be very sensitive to the environment, if it is not handled properly. You will be happy to know that we address biodiversity conservation from the planning and development phase of a project by conducting environmental impact assessments, collecting key environmental data and implementing mitigation and monitoring programs to reduce impacts. We also consider the issues like - Waste Management, Water Management, Oil Spillage, Emission to Air and Discharge into Water etc. KPCL

is not only ISO 9001:2008, ISO 14001:2004 & BS OHSAS 18001:2007 – Environmental Management System (EMS) certified but also we strive to fulfill the requirements of Environmental Certification, Sound and Noise Level Certification, Fire License and so on.

## The sector we operate in

“জ্বলছে আলো চলছে দেশ, এগিয়ে যাচ্ছে বাংলাদেশ” – was the theme for the National Electricity Week – 2014, organized by Power Division of Ministry of Power, Energy and Mineral Resources. This year the aim of National Electricity Week was creating awareness on energy saving and improving consumer services. Consequently, the issues like – responsible and economical use of energy, finding environment friendly renewable energy sources, reducing system loss, improving customer satisfaction and promoting private sector investment in power industry were lime lighted.

“To provide access to affordable and reliable electricity to all by the year 2021” – in the way to materialize this vision statement, the Power Division, Ministry of Power, Energy and Mineral Resources has increased the installed electricity generation capacity to 10,817 MW by the end of 2014. Presently, 68% of the total population (including renewable energy) has access to electricity and per capita generation is 348 kWh, which is still low compared to other developing countries.

Despite financial constraints and gas supply shortages, the government designed a strategy to overcome the shortage of electricity and at the same time meet the ever increasing demand for power. It launched immediate, short, medium and long term programs to increase power supply through introduction of fuel mix (gas, coal, liquid fuel, nuclear energy and renewable), demand side management, energy efficiency and conservation. After assessing the latest demand, the government has revised (Power Sector Master Plan - 2010) its targets for increasing power generation. A typical year-wise peak demand forecast is given below –

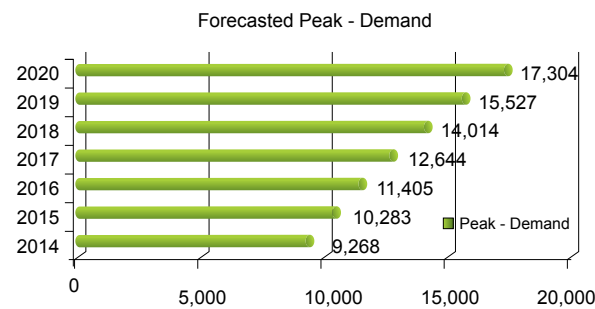


Figure: A forecast of peak demand (MW) of electricity of Bangladesh till 2020 (Source: <http://www.bpdb.gov.bd>)

The Year Wise Generation Addition Program (From 2014 to 2018) to support the forecasted peak demand is listed below:

**Yearly Incremental Generation Plant (MW)**

YEAR	2014	2015	2016	2017	2018	TOTAL
Public	225	1,293	1,475	2,131	1,320	6,444
Private	1,024	1218	1,014	640	630	4,526
Total	1,249	2,511	2,489	2,771	1,950	10,970

A comprehensive comparison between Year Wise Forecasted and Actual Generation (MW) is given below:

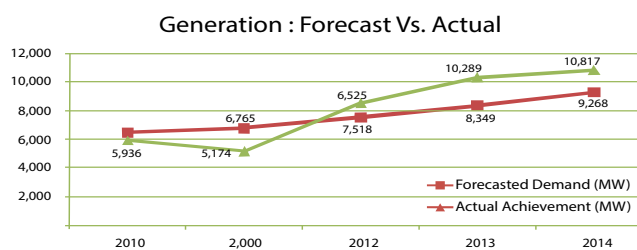
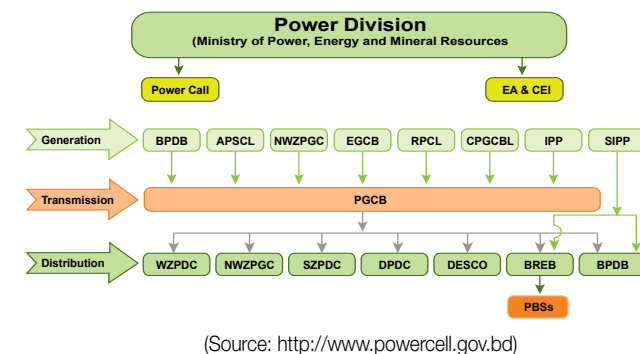


Figure: A comprehensive comparison between forecasted and actual electricity (Source: <http://www.bpdb.gov.bd>)

However, the challenges, which the power sector need to deal with still remain –system losses, delays in completion of new plants, low plant efficiency, erratic power supply, electricity theft, blackouts, and shortages of funds for power plant maintenance. The Power Division of the Government is relentlessly

working in this area and they are efficiently performing their responsibility in formulating policy relating to power and supervise, control and monitor the developmental activities in the power sector of the country. To implement its mandate, the Power Division is supported by a number of organizations, related with generation, transmission and distribution. The organizational linkage is as follows -



(Source: <http://www.powercell.gov.bd>)

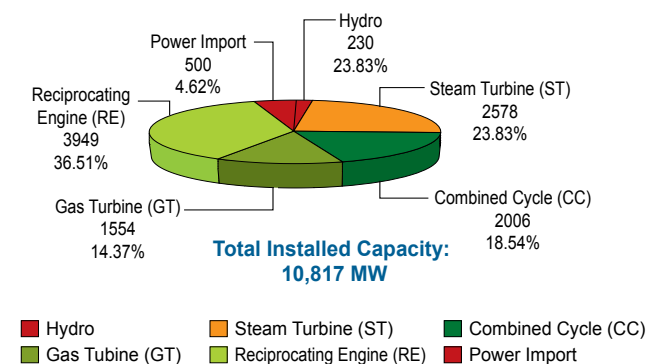
The Present Generation Capacity (in MW) as on January 2015 indicates that the public sector produced 54% (5,880 MW) and private sector produced 46% (4,937 MW) of the total electricity produced in the country. It is to be mentioned that KPCL contributes 265 MW, which is 2.5% of the power sector of the country and 6% in private Sector.

Public Sector	Installed Capacity	Generation (MW)
BPDB	4126	38%
APSCL	687	6%
EGCB	622	6%
NWPGCL	368	3%
RPCL	77	1%
Subtotal	5880	54%
Private Sector	Installed Capacity	Generation (MW)
IPPs	1966	18%
SIPPs(BPDB)	99	1%
SIPPs(REB)	251	2%
15 YR. Rental	167	2%
3/5 YR. Rental	1954	18%
Power Import	500	5%
Subtotal	4937	46%
<b>TOTAL</b>	<b>10,817</b>	<b>100%</b>

Figure: Present Installed Generation Capacity (MW) as on January, 2015 (Source: <http://www.bpdb.gov.bd>)

As per the Generation Capacity by Plant Type, we can see that the electricity generated by Reciprocating Engines was the highest. These engines generated 36.51% of electricity. The contribution made by Steam Turbine was 23.83%. The next major contribution was made by Combined Cycle, which is 18.54%, while only 2.13% electricity was generated by Hydro plants.

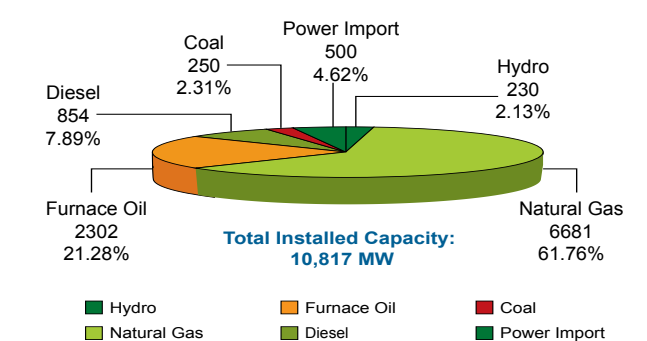
**Installed Capacity as on January 2015 (By Fuel Type)**



(Source: <http://www.bpdb.gov.bd>)

As per the Generation Capacity by Fuel Type, the electricity generated by natural gas was the highest, which is 61.76% of generation. The second highest contribution made by furnace oil and the percentage was 21.28%. The contribution made by diesel was only 7.89%, however only 2.13% electricity was generated by Hydro plants.

**Installed Capacity as on January 2015 (By Fuel Type)**



(Source: <http://www.bpdb.gov.bd>)

Apart from sector potential to expand, other business opportunities are also available in power generation, distribution and transmission areas. Some of such benefits are as follows -

- Exemption from corporate income tax for a period of 15 years.
- Allowed to import plant and equipment and spare parts up to a maximum of ten percent (10%) of the original value of total plant and equipment within a period of twelve (12) years of commercial operation without payment of customs duties, VAT and any other surcharges as well as import permit fee except for indigenously produced equipment manufactured according to international standards.
- Repatriation of equity along with dividends allowed freely.
- Exemption from income tax for foreign lenders to such companies.
- The foreign investors will be free to enter into joint ventures but this is optional and not mandatory.
- Tax exemption on royalties, technical know-how and technical assistance fees, and facilities for their repatriation.
- Tax exemption on interest on foreign loans.
- Tax exemption on capital gains from transfer of shares by the investing company.
- Avoidance of double taxation case of foreign investors on the basis of bilateral agreements. Exemption of income tax for up to three years for the expatriate personnel employed under the approved industry.
- Remittance of up to 50% of salary of the foreigners employed in Bangladesh and facilities for repatriation of their savings and retirement benefits at the time of their return.
- No restrictions on issuance of work permits to project related foreign nationals and employees. Facilities for repatriation of invested capital, profits and dividends.

## Business activities including its operating scenarios

Khulna Power Company Ltd. (KPCL) is the first Independent Power Producer (IPP) of the country in private sector. Established under the Private Sector Power Generation Policy of Bangladesh 1996 (Revised in November 2004), has been in operation for the last 16 years. Initially KPCL started its journey to empower Bangladesh with its 110 MW barge mounted power plants. However, in 2011 KPCL added another two efficient power plants- 115 MW KPC Unit-II and 40 MW Khanjahan Ali Plant. Present total generation licensed capacity is 265 MW. Following is a snapshot of KPCL plants' operational performance for the recent years:

Name	Licensed Capacity MW	Installed Capacity MW	Generation Data					
			2012		2013		2014	
			Plant Factor	Generation (MWh)	Plant Factor	Generation (MWh)	Plant Factor	Generation (MWh)
KPCL-I	110	114	47%	457,506	52%	510,454	37%	366321
KPCL-II	115	119	47%	487,099	54%	553,235	50%	517004
KPCL-III	40	44	51%	181,769	64%	230,663	56%	201510
<b>Total</b>	<b>265</b>	<b>277</b>		<b>1,126,374</b>		<b>1,294,352</b>		<b>1,084,835</b>

KPCL plants' added 1,085 GWh of electricity to the national grid during the year 2014. Since beginning our plants were being operated and maintained by Wartsila Bangladesh Ltd., a 100% owned subsidiary of Wartsila OY, Finland; the manufacturer and spare parts supplier of these plants. However, from January 2014, these plants are being operated and maintained by the companies itself with full sets of experienced engineers and staff as engaged earlier.

KPCL-II (Khulna Power Company Unit-II Ltd) had achieved financial close by receiving foreign currency term-loan of USD 50 million from DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH and FMO - Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. The entire outstanding loan was prepaid on 18 November 2014.

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

Ltd. which will be paid off on January 2016.

In the category of Power Generation, Khulna Power Company Ltd attained the "ICMAB Best Corporate Award 2014", for its efforts to establish corporate governance.

Khulna Power Company Ltd has always used brand new highly efficient engines and other auxiliaries of best international standard. The aim is to spend bare minimum fuel for generation of electricity and save costly fuel of the country. The new and quality machine allows Khulna Power Company Ltd to maintain its guaranteed contractual availability and Heat Rate (fuel consumption for generation of one unit of electricity) ensuring efficient use of fuel. KPCL follows an Integrated Management System (IMS) to maintain all of its power plants, which includes - ISO 9001:2008 - Quality Management System (QMS), ISO 14001:2004 - Environmental Management System (EMS), BS OHSAS 18001:2007 - Occupational Health & Safety (OH&S).

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

## Financial results and performance of the company

Financial Result and the comparison with the last year is given below:

Particulars	2014 In Million Taka (Consolidated Statement of KPCL-I for 12 months and KPCL-II & KPCL-III for 3 months)	2013 In Million Taka (KPCL-I for 12 months)
Revenue	7,413.31	7,697.17
Cost of sales	(6,395.90)	(7,256.12)
Gross profit	1,017.41	441.05
Other Income	36.43	700.00
General and administrative expenses	(79.79)	(97.65)
Operating profit	973.99	1,043.40
Finance income	108.84	97.32
Finance expenses	(121.31)	(34.93)
Net profit before income tax	963.93	1,134.98
Income tax	(132.50)	(33.18)
Net profit after income tax	831.43	1,101.80

Net profit after income tax for the year 2014 represents amalgamated profit of three months (October-December 2014) performance of KPCL-II and KPCL-III and full year (12 months) performance of KPCL-I. Profit of first nine months (January-September 2014) of transferor Companies, Khulna Power Company Unit II Ltd/KPCL-II and Khanjahan Ali Power Company Ltd/KPCL-III amounting to Tk 1,247 million have been transferred to Retained Earnings at the time of amalgamation on 30 September 2014.

Gross profit (GP) margin for the year 2014 has been increased significantly to 13.72% compare to 2013 of 5.73% mainly due to cost savings in every regards of power plants operations and maintenance after taking-over the

plants operation by the Company (KPCL) itself from O & M contractor Wartsila, reduction of disparity of fuel mismatch for lower heavy fuel oil price. Additionally, two amalgamated unit's profitability for last three-month (October-December 2014) have been contributed considerably for increasing the GP margin.

On the other hand, net profit margin has decreased to 11.22% compare to 14.31% mainly due to lower other income, increase of finance expenses for more usage of working capital, additional three-month (October-December 2014) finance expenses of two amalgamated units and increase of income tax expenses.

### Profit Appropriation

During the year 2014, net profit of your Company amounted to Tk. 831.43 million as compared to Tk. 1,101.80 million in the year 2013. Directors of the company would like to report the company's financial results for the year that ended on 31st December 2014 with the recommendations for appropriation as follows:

Particulars	Amount (In Million Taka)
Net Profit after tax for the year 2014	831.43
Profit brought forward	888.96
	1,720.39
Cash Dividend paid in 2014 for the year 2013	(860.20)
Redemption of Preference Shares out of profit	(220.00)
Retained earnings of transferor companies up to 30 September 2014 (KPCL's portion)	3,738.87
Adjustments on Amalgamation	(77.16)
Profit available for appropriation	4,301.90
<b>Appropriations:</b>	
Proposed Cash Dividend for the year 2014 @ 40%:	(1,445.14)
Retained Earnings after proposed Cash Dividend	2,856.76

Movement of Capital Redemption Reserve:

Particulars	Amount (In Million Taka)
Balance as at 1 Jan 2014	277.69
Transferred during the year	220.00
	497.69
Stock Dividend paid for the year 2013	(172.04)
Balance as at 31 Dec 2014	325.65

### Dividend

Your Board recommends a cash dividend of 40% (i.e. Tk 4.00 per share of Tk. 10.00 each) for the year 2014, subject to approval by the shareholders at the 17th Annual General Meeting.

### Extra-ordinary gain or loss

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

### Related Party Transaction

The related party transactions carried out by the Company during the year have been disclosed in the Notes 36 to the financial statements.

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

Not applicable

### Significant variance between Quarterly and Annual Financial Statements

Virtually there is no significant variance between quarterly and annual financial statements for the year 2014. Due to amalgamation during the year 2014, the annual financial statements for the year ended 31 December 2014 of Khulna Power Company Ltd (Transferee Company) has been presented on amalgamation basis i.e. the reporting period of the Company covers full year (January-December 2014) of KPCL-I and three months (October-December 2014) of KPCL-II and KPCL-III against corresponding full year of 2013 for KPCL-I. Profit of first nine months (January-September 2014) of transferor Companies, Khulna Power Company Unit II Ltd and Khanjahan Ali Power Company Ltd have not been considered for EPS calculation as this has been transferred to Retained Earnings at the time of amalgamation on 30 September 2014.

### Business risk & uncertainties

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

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

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

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

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



## Directors' election & re-appointment

As per Article 23(a) of the Articles of Association Mr. Hasan Mahmood Raja, Mr. Latif Khan, Mr. Moinuddin Hasan Rashid, Mr. Ahmed Ismail Hossain, Mr. Faridur Rahman Khan shall retire in the 17th Annual General Meeting by rotation and being eligible, offer themselves for re-election.

In exercise of the power vested in the articles 20(C) of the Articles of Association of the Company, the Board appointed Mr. Muhammed Faisal Karim Khan as Nominee director of Summit Industrial & Mercantile Corporation (Pvt.) Ltd. (SIMCL) in the board on 29 March 2015, Lt Gen (Retd) Abdul Wadud as Nominee director of Summit Power Ltd (SPL) and Mr. Fazlur Rahman FCA as Independent Director in the Board on 19 May 2015. All the three directors will retire in the 17th Annual General Meeting and being eligible, offer themselves for re-election.

## Directors meeting & attendance

During the year ended December 31, 2014, the Board of Directors held 07(seven) meetings. Directors who attended the Board meetings are shown below:

Sl.	Name of Directors	Attended
1.	Mr. Muhammed Aziz Khan	7
2.	Mr. Hsan Mahmood Raja	6
3.	Mr. Latif Khan	7
4.	Mr. Faridur Rahman Khan	7
5.	Mr. JaferUmmeed Khan	7
6.	Mr. Ahmed Ismail Hossain	4
7.	Mr. K M Ahsan Shamim	7
8.	Mr. Abul Kalam Azad	7
9.	Mr. Akhter Mahmud Rana	2
10.	Ms. Ayesha Aziz Khan	2
11.	Mr. Moinuddin Hasan Rashid	5
12.	Mr. Muhammed Faisal Karim Khan	7
13.	Lt Gen (Retd) Abdul Wadud	appointed on 19 May 2015
14.	Mr. A N M Tariqur Rashid	4
15.	Mr. Syed Fazlul Haque, FCA	7
16.	Lt Gen Sina Ibn Jamali awc, psc (retd)	7
17.	Ms. Karishima Jahan	7
18.	Mr. Fazlur Rahman, FCA	appointed on 19 May 2015

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



## Directors' responsibilities /reporting framework

The law requires that the financial statements of your Company would follow International Financial Reporting Standards (IFRS) as adopted by ICAB as Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS). This has been completely followed to fairly present the financial position and performance of the Company. While preparing the financial statements, the following points were considered –

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

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

In compliance with the requirements of the SEC's Notification dated 07th August 2012, the Directors are also pleased to make the following declarations in their report:

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

## Remuneration of directors

There is no executive director and no remuneration is being paid, Directors including Independent Director are paid only attendance fee per meeting. Related fees have been paid disclosed in the notes 29/36 to the financial statements.

## Audit committee

The Company has an audit committee with an established charter. The audit committee has met 04 (four) times this year and the committee members' attendance record is disclosed below:

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

The Company's Chief Operating officer was invited to audit committee meetings at the discretion of the Committee.

## Auditors

Pursuant to SEC Order No. SEC/CMRRCD/2009-193/104/Admin dated 27th July 2011 present auditors Hoda Vasi Chowdhury & Co, Chartered Accountants, will retire after completing consecutive 3 years of service as Statutory Auditors of the Company; they will not be eligible for re-appointment in the ensuing 17th AGM. Your Board therefore, in its meeting held on 19 May 2015, resolved to recommend Rahman Rahman Huq, Chartered Accountants for appointment as new Statutory Auditors of the Company for the year 2015 subject to approval of the Shareholders in the forth coming Annual General Meeting.

## Corporate governance

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



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

### Going concern / sustainability

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

### Human Resources and Safety Management

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

We complied with ISO 14001:2004 – Environmental Management System (EMS), BS OHSAS 18001:2007 – Occupational Health & Safety (OH&S). DOE regulations and other legal requirements as well as ISO 14K guidelines are strictly complied.

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

### Status of compliance

In accordance with the requirement stipulated

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

### Contribution to the Economy & the National Exchequer

Electricity is one of the main driving forces of the economy and it has a diversified use and multiplier effect on the economy. Significantly in the development of industrialization, electricity as fuel has no alternative. This year our power plants added 1,084 million units (kWh) of electricity to the national grid. This addition has contributed significantly in enhancing industrial productions and providing more job opportunities throughout the country. As a shareholder you can be proud of your Company's contribution to Bangladesh. It has contributed a significant amount to the national exchequer in the form of different duties, taxes and VAT that was about Tk. 296 million for the year 2014.

### Corporate social responsibility

KPCL supports vulnerable and under privileged communities to improve their lives towards many social and humanitarian causes as part of its Corporate Social Responsibility. Such activities are in favor of education, skill development, empowering women, medical support, underprivileged children & youth, senior citizens and so on. Over the year KPCL was involved with various Government, Non-Government Organizations (NGOs) and community capacity development institutions and continued its Community Development and CSR project in collaboration with DEG to provide following benefits to the people of its plants area.

- Organizing regular Community Dialogues and Focus Group Discussions with the community representatives

of different layers and classes to know about their needs and address those to improve their lives

- ICT Training based on office oriented computer training and professional IT skill development training and assist in sustainable deployment for the students, unemployed young boys and girls
- Skill Development; Sewing and tailoring training and forming sustainable development wings for unemployed poor women
- General and specialized treatment support, a full time doctor (Medicine Specialist) is appointed to visit patients and prescribe at free
- Organize link up treatment support for the women by different social working organizations
- Financial support for poor students; supporting SSC candidates and HSC admission seekers to continue their study
- Providing uniforms and educational stationeries for primary school students and madrasa students
- Sponsoring and organizing various sports and cultural competitions among students
- Health Camps at regular intervals by specialist doctors and providing medicines and better treatments
- Daily House hold waste management services, a cleaner, one van and a van puller is engaged for this purpose to keep clean near-by areas and roads
- Services for Senior Citizens by providing festival incentives and winter gears
- Event based adolescent awareness programs for growing up young boys and girls
- Plantation in various schools and nearby areas
- Cleanliness of school yards and water supply developments in the schools and madrasa.

### Acknowledgement

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

Your Directors would like to put on record its deep appreciation of the efforts made by the employees of

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

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

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

We look forward to even better days in future.

On behalf of the Board



Md. Abdur Rahim  
Managing Director

## Our directors in other board

Directors >>	Mr. Muhammed Aziz Khan	Mr. Latif Khan	Mr. Jafer Ummeed Khan	Ms. Ayesha Aziz Khan	Mr. Muhammed Faisal Karim Khan	Mr. Syed Fazlul Haque, FCA	Mr. A N M Tariqur Rashid	Lt Gen (Retd) Abdul Wadud	Mr. Hsan Mahmood Raja	Mr. Faridur Rahman Khan	Mr. Ahmed Ismail Hossain	Mr. K M Ahsan Shamim	Mr. Abul Kalam Azad	Mr. Akhter Mahmud Rana	Mr. Moinuddin Hasan Rashid	Lt Gen Sina Ibn Jamil awc, psc (Retd)
	Name of Companies															
Summit Power Limited	√	√	√	√	√	√	-	√	-	-	-	-	-	-	-	-
Summit Uttaranchol Power Limited	√	√	√	√	-	√	√	√	-	-	-	-	-	-	-	-
Summit Narayananj Power Limited	√	√	√	√	√	√	√	√	-	-	-	-	-	-	-	-
Summit Narayananj Power Unit II Limited	√	√	√	√	√	√	√	√	-	-	-	-	-	-	-	-
Summit Barisal Power Limited	√	√	√	√	√	√	√	√	-	-	-	-	-	-	-	-
Summit Industrial & Mercantile Corp. (Pvt.) Ltd.	√	√	√	√	-	-	-	-	-	-	-	-	-	-	-	-
Cosmopolital Traders (Pvt.) Ltd.	√	√	√	√	√	-	-	-	-	-	-	-	-	-	-	-
Summit Oil & Shipping Company Limited	√	√	√	√	-	-	-	-	-	-	-	-	-	-	-	-
Summit Alliance Port Ltd.	√	√	√	√	√	√	-	-	-	-	-	-	-	-	-	-
Summit Communications Limited	√	√	√	√	-	-	√	-	-	-	-	-	-	-	-	-
Cosmopolitan Finance Limited	√	√	√	√	-	-	-	-	-	-	-	-	-	-	-	-
Summit Bibiyana II Power Company Limited	√	√	√	√	-	-	-	-	-	-	-	-	-	-	-	-
Summit Meghnaghat Power Company Limited	√	√	√	√	√	-	√	√	-	-	-	-	-	-	-	-
United Enterprises & Co. Ltd.	-	-	-	-	-	-	-	√	√	√	√	√	√	√	√	-
United Hospital Ltd.	-	-	-	-	-	-	-	√	√	√	√	√	√	√	√	-
United Makkah Madina Travel & Assistance Co. Limited	-	-	-	-	-	-	-	√	√	√	√	-	√	√	√	-
IPCO Developments (Bangladesh) Limited	-	-	-	-	-	-	-	√	√	√	-	√	-	√	√	-
IPCO Hotels Limited	-	-	-	-	-	-	-	√	√	√	-	√	-	√	√	-
IPCO Resorts Ltd.	-	-	-	-	-	-	-	√	√	√	-	√	-	√	√	-
United Land Port Teknaf Limited	-	-	-	-	-	-	-	√	√	√	√	√	√	√	√	-
United Ashuganj Power Limited	-	-	-	-	-	-	-	√	√	√	√	√	√	√	√	-
Neptune Land Development Limited	-	-	-	-	-	-	-	√	√	√	√	√	√	√	√	-
Neptune Commercial Limited	-	-	-	-	-	-	-	√	-	√	√	√	√	√	-	-
Comilla Spinning Mills Limited	-	-	-	-	-	-	-	√	√	√	√	√	√	√	√	-
United Property Solutions Limited	-	-	-	-	-	-	-	√	√	-	-	√	-	√	√	-
Novo Healthcare and Pharma Limited	-	-	-	-	-	-	-	√	√	√	√	√	√	√	√	-
Shajahanullah Power Generation Co. Limited	-	-	-	-	-	-	-	√	√	√	√	√	√	√	√	-
Soya Products Bangladesh Ltd.	-	-	-	-	-	-	-	-	√	√	√	√	√	√	√	-
United Polymers Limited	-	-	-	-	-	-	-	-	√	√	√	√	√	√	√	-
United Engineering & Power Services Ltd.	-	-	-	-	-	-	-	-	√	√	√	√	√	√	√	-
United Ashuganj Energy Limited	-	-	-	-	-	-	-	-	√	-	-	-	-	-	√	-
United City Twin Tower Developers Limited	-	-	-	-	-	-	-	-	√	√	√	√	√	√	√	-
UG Ship Management Limited	-	-	-	-	-	-	-	-	√	-	-	-	-	-	-	-
United Maritime Academy Limited	-	-	-	-	-	-	-	-	√	√	√	√	√	√	√	-
United Grains & Spices Limited	-	-	-	-	-	-	-	-	√	-	√	√	-	√	-	-
United Elevator World Limited	-	-	-	-	-	-	-	-	√	√	√	√	√	√	√	-
United Rotospin Limited	-	-	-	-	-	-	-	-	-	-	-	-	√	-	-	-
Gunze United Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	√	-
Radiant Nutraceuticals Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	√
Radiant Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	√
Pharmacil Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	√

## Compliance Report on BSEC's Notification

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

(Report under Condition no 7.00)

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

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

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	✓		
1.5 (xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standard (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	✓		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	✓		
1.5 (xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	✓		
1.5 (xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	✓		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	✓		
1.5 (xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	✓		Not Applicable
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	✓		
1.5 (xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by :-			
1.5 (xxi) (a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	✓		Khulna Power Company Unit II Ltd. & Khanjahan Ali Power Company Ltd. amalgamated with Khulna Power Company Ltd. (KPCL) on 30-09-2014
1.5 (xxi) (b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	✓		
1.5 (xxi) (c)	Executives;	✓		
1.5 (xxi) (d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details). Explanation : For the purpose of this clause, the expression "Executive" means top 5 (five) salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit.	✓		
1.5 (xxii)	In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders :-			
1.5 (xxii) (a)	a brief resume of the director;	✓		
1.5 (xxii) (b)	nature of his/her expertise in specific functional areas;	✓		
1.5 (xxii) (c)	names of companies in which the person also holds the directorship and the membership of committees of the board.	✓		

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

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

## Podder &amp; Associates

Annexure-2

Cost and Management Accountants

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

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

## Compliance Certificate

On

**CORPORATE GOVERNANCE**

To the Shareholders of

**Khulna Power Company Ltd.**

"Podder & Associates", being one of the firm of "Professional Accountants" in Bangladesh, takes the gratification to study and opine in attainment of Compliance on Corporate Governance by **Khulna Power Company Ltd.** for the period ended 31<sup>st</sup> December 2014. This study is completed in accordance with the guideline set by **Bangladesh Securities and Exchange Commission (BSEC)** through the notification SEC/CMRRCD/2006-158/134/Admin/44, dated 07 August, 2012.

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

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

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

For Podder &amp; Associates



Jayanta Kumer Podder

Cost and Management Accountant

Date: 25 May 2015

Place: Dhaka, Bangladesh

## Financial Highlights

Annexure-3

	2014	2013	2012	2011	2010 (Restated)
<b>Operating data (Taka in million)</b>					
Revenue	7,413.31	7,697.17	10,347.96	11,262.20	7,945.76
Cost of Sales	6,395.90	7,256.12	7,914.60	9,697.12	7,222.67
Gross Profit	1,017.41	441.05	2,433.36	1,565.08	723.09
General & Admin. Expenses	79.79	97.65	142.48	131.31	78.68
Finance Income	108.84	97.32	32.39	8.54	19.84
Finance Expenses	121.31	34.93	614.98	531.62	120.80
Net Profit (Excluding non-controlling interest)	831.43	1,101.80	1,626.89	815.50	539.81
<b>Financial Position/Balance Sheet data (Taka in million)</b>					
Share Capital	3,612.85	3,440.81	3,058.49	2,878.58	2,398.82
Shareholders' Equity	8,240.40	4,607.46	5,457.14	3,830.24	3,014.74
Total Debt (Non-current Liabilities)	52.25	13.79	3,440.27	1,540.88	671.05
Current Assets	5,896.37	3,077.10	6,115.37	3,365.99	2,235.43
Current Liabilities	6,041.57	3,196.10	6,196.55	7,453.05	5,514.39
Total Assets	14,334.21	7,817.32	15,148.87	12,844.93	9,202.59
Total Liabilities	6,093.82	3,209.86	9,636.82	8,993.93	6,185.44
<b>Financial Ratios</b>					
Gross Profit Ratio (%)	13.72	5.73	23.52	13.90	9.10
Net Profit Ratio (%)	11.22	14.31	16.05	7.40	6.79
Return on Assets (%)	5.80	14.09	10.74	6.35	5.87
Debt Equity Ratio	0.04	0.05	0.91	0.55	0.29
<b>Other Data</b>					
Earnings Per Share (Tk)	2.30	3.20	5.32	2.83	2.25
Dividend (%)	40.00	30.00	25.00	25.00	20.00
Total Number of Ordinary Shares Outstanding	361,284,709	344,080,676	305,849,490	287,858,340	239,881,950
Total Number of Free Float Shares	106,260,244	101,200,233	89,955,752	71,964,602	59,970,496

## Shareholding Information

as at 31 December 2014

Annexure-4

Name of Shareholders	No. of Shares	% of Shareholding
<b>A) Sponsors:</b>		
1. United Enterprises & Co. Ltd. (incorporated in Bangladesh)	127,469,456	35.2823%
2. Summit Power Limited (incorporated in Bangladesh)	3,734,728	17.6411%
3. Summit Industrial & Mercantile Corporation (Pvt.) Ltd. (incorporated in Bangladesh)	63,734,727	17.6411%
4. Muhammed Aziz Khan, Director	6,111	0.0017%
5. Hasan Mahmood Raja, Chairman	6,111	0.0017%
6. Anjuman Aziz Khan	6,111	0.0017%
7. Latif Khan, Director	6,111	0.0017%
8. Muhammad Farid Khan, Director	6,111	0.0017%
9. Jafer Ummeed Khan, Director	6,111	0.0017%
10. Ayesha Aziz Khan, Director	6,111	0.0017%
11. Adeeba Aziz Khan	6,111	0.0017%
12. Ahmed Ismail Hossain, Director	6,111	0.0017%
13. K.M. Ahsan Shamim, Director	6,111	0.0017%
14. Akhter Mahmud Rana, Director	6,111	0.0017%
15. Faridur Rahman Khan, Director	6,111	0.0017%
16. Abul Kalam Azad, Director	6,111	0.0017%
17. Moinuddin Hasan Rashid, Director	6,111	0.0017%
<b>Sub-total (A):</b>	<b>255,024,465</b>	<b>70.5882%</b>
<b>B) General Invesrots</b>	<b>106,260,244</b>	<b>29.4118%</b>
<b>C) Directors, Chief Operating Officer, Financial Controller, Company Secretary Head of Internal Audit and their spouses</b>	<b>-</b>	<b>-</b>
<b>D) Executives</b>	<b>-</b>	<b>-</b>
<b>Total (A+B+C+D):</b>	<b>361,284,709</b>	<b>100%</b>

10% and above shareholding

Name of Shareholders	No. of Shares	% of Shareholding
1. United Enterprises & Co. Ltd.	127,469,456	35.2823%
2. Summit Power Limited	63,734,728	17.6411%
3. Summit Industrial & Mercantile Corporation (Pvt.) Ltd.	63,734,727	17.6411%

## Audit Committee Report - 2014

The Audit Committee appointed by and responsible to the Board of Directors of Khulna Power Company Limited (KPCL) is constituted according to the internal control framework of the Company policy and as per conditions of the Bangladesh Securities and Exchange Commission (BSEC) guidelines. The committee comprises of three members all of whom are non-executive members of the Board. Chairman of the Committee is appointed by the Board and is a non-executive Independent Director. The company secretary functions as the Secretary of the committee. Meetings of the committee are attended by Finance Controller, Head of Internal Audit and External Auditor, when necessary, by invitation. All members of the committee are financially literate and able to interpret financial statements and assess the adequacy of the internal control process.

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

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

A total of 4 (four) meetings were held since the last Annual General Meeting of KPCL, the last being on 18th May 2015 .

### Role of the Committee

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

- Reviewing the quarterly, half-yearly and annual financial statements and other financial results of the company and, upon its satisfaction of the review, recommend them to the board for approval.
- Monitoring and reviewing the adequacy and effectiveness of the company's financial reporting process, internal control and risk management system.
- Monitoring and reviewing the arrangements to ensure objectivity and effectiveness of the external and internal audit functions. Examine audit findings and material

weaknesses in the system and monitor implementation of audit action plans.

- Recommending to the Board the appointment, re-appointment or removal of external auditors.
- Reviewing and monitoring the Company's ethical standards and procedures to ensure compliance with the regulatory and financial reporting requirements.

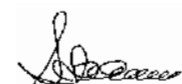
### Activities carried out during the year under report

In accordance with the 'Audit Committee Charter', governed by the BSEC notification on Corporate Governance, the Committee carried out its duties to work on the areas that were raised for consideration and discussed to evaluate issues related to key events of annual financial reporting cycles. The Committee during the period under report Audit Committee carried out the following activities:

- Reviewed, among other issues, the quarterly and half yearly financial statements of the Company in light of the financial performance of the company.
- Assessed the report of the external auditors on critical accounting policies, significant judgments and practices used by the company in the preparation of financial statements.
- Assessed and endorsed the annual internal audit plan 2014, reviewed findings of the internal audit function and the corresponding management actions to improve the controls
- Reviewed the external auditors' findings arising from audit, particularly comments and responses given by the management.
- Reviewed the matters as per requirement from the Bangladesh Securities and Exchange Commission (BSEC).

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

On behalf of the Audit Committee



Syed Fazlul Haque  
Chairman

## CEO & CFO's Declaration to the Board

Dated: May 19, 2015

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

Subject: CEO and CFO's Declaration to the Board.

Dear Sirs,

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

We do hereby certify to the Board that:

- i) We have reviewed financial statements for the year ended 31st December, 2014 and that to the best of our knowledge and belief:
  - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- ii) There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the Company's code of conduct.

Sincerely yours,



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



Md. Abdur Rahim  
Managing Director

## Short Biography of the Directors



**Muhammed Aziz Khan**

Muhammed Aziz Khan is the founder of Summit Industrial and Mercantile Corporation (Pvt.) Ltd. (SIMCL). Summit Group is recognized as the largest infrastructure group in Bangladesh employing over 5000 people with investments in the energy sector, ports, shipping, hospitality and information technology.

Under the leadership of Muhammed Aziz Khan, Summit set up the first Independent Power Plant of the country in 1998, Khulna Power Company Ltd. Currently, Summit generates about 1200 megawatts of electricity and is by far the largest independent power producer in the country. Summit also set up the country's first private off-dock facility, Ocean Containers Limited, now known as Summit Alliance Ports Limited which is currently handling about 30% of the country's export and about 10% of the country's import volumes. Yet another company, Summit Communications Ltd., set up by Mr. Khan is the first company to lay nationwide telecommunication transmission network laying fibre optic to 70% of Bangladesh, and connecting Bangladesh to India and Myanmar through terrestrial fibre optics. IPCO Ltd., a hospitality and real estate company, is building one five star, one three star hotels, convention hall and 1000 high class shops beside the International Airport of Dhaka.

Summit Power Limited, Summit Alliance Ports Limited and Khulna Power Company Ltd. are subsidiaries of SIMCL and are currently listed in the Dhaka and Chittagong Stock Exchanges with a combined market capitalization of about Tk. 100 billions.

Mr. Muhammed Aziz Khan was born in 1955. He has an MBA from the Institute of Business Administration (IBA), University of Dhaka. Mr. Khan is also the Chairman of Siraj Khaleda Trust and is the founder past President of Bangladesh Scouts Foundation, Bangladesh Energy Companies Association and Prothom Alo Trust.

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



**Hasan Mahmood Raja**

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

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

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

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

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



**Ahmed Ismail Hossain**

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

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

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



**Khandaker Moinul Ahsan Shamim**

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

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

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



**Md. Latif Khan**

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





Jafer Ummeed Khan

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



Faridur Rahman Khan

Mr. Faridur Rahman Khan, one of the Founding Directors of United Group, was born in 1955. After completion of his Bachelor degree in Science, he engaged himself in Business. He is, at the moment, Managing Director of one of the most vibrant concerns of the Group: United Hospital Ltd. Under his entrepreneurship and foresight, United Hospital developed its Medicare system at par with any international standard hospitals. Now, it's a health care asset of the country. He is also the Vice-Chairman of the Board of Trustees, United International University and the Chairman of United College of Nursing as he takes keen interest in the education matters.

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

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



Akhter Mahmud Rana

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

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

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



Abul Kalam Azad

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

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

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



Ayesha Aziz Khan

Ms. Ayesha Aziz Khan completed her graduation in Economics and Business from the University College of London (UCL), United Kingdom in 2002 and Masters in Business Administration (MBA) from the Columbia University, New York, USA in 2007. Ms. Khan holds the position of Director in several companies of Summit Group. Ms. Khan has extensive experience in the power sector of the country specifically in financial management for power generation companies, infrastructure finance and structured finance. In her career, she has spearheaded the financial closure for multiple power projects, which includes - Summit Uttaranchal Power Company Limited (SUPCL) Summit Purbanchol Power Company Limited (SPPCL), Summit Narayanganj Power Limited and Summit Power Limited (SPL).

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

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



Moinuddin Hasan Rashid

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

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



A.N.M Tariqur Rashid

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



Syed Fazlul Haque FCA

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

During the tenure of his long career, Fazlul served as committee member of Metropolitan Chamber of Commerce & Industries, Foreign Chamber of Commerce & Industries and Bangladesh Employers Federation.



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

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

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



M Fazlur Rahman

Mr. M Fazlur Rahman has 28 years wide ranging work experience in the field of General Banking, Investment Banking, Financial Management etc. He possesses advance level of understandings and knowledge on Banking, capital market operation, financial management techniques, asset management, fund management etc. Lastly, Mr. Rahman served AB Bank as the President & Managing Director and retired voluntarily in 2014. Mr. Rahman is a Fellow of Chartered Accountant and hold MBA degree.



Lt Gen (Retd) Abdul Wadud

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



Muhammed Faisal Karim Khan

Mr. Faisal Karim Khan, born on 29th July 1985 began his career with Summit Group with a training stint at Summit Power Limited and Summit Alliance Ports Limited. From February 2008, Mr. Khan has engaged himself with Summit Alliance Ports Limited and Ocean Containers Limited as a member of the Board of Directors and as Deputy Managing Director. Thereafter, Mr. Khan increased his responsibility by taking up Directorship of Summit Industrial & Mercantile Corporation Pvt. Limited, Cosmopolitan Traders Limited, Summit Power Limited and Summit Communications Limited. Mr. Khan also represents Summit Group in the Board of Directors in National Housing Finance & Investment Limited. Mr. Khan is currently responsible for the Group's interest in large infrastructure development business, specifically in the power sector. Recently, the Dhaka Chamber of Commerce and Industry (DCCI) appointed Mr. Khan as Co-Convenor: Energy & Infrastructure Sector. Mr. Khan completed his high school from United World College of the Atlantic, UK, in 2004, and thereafter completed Mechanical Engineering with Business Finance degree from University College London (UCL) and London School of Economics (LSE) in 2007.

## Senior Management Team



**Karishma Jahan**

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



**Md. Abdur Rahim (Ex-Officio)**

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



**Md. Abdur Rahim (Ex-Officio)**  
Managing Director

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



**Md. Shoharab Ali Khan**  
Chief Financial Officer & Company Secretary

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



**Al Mamun M. Atiqul Islam**  
Asset Manager

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



**Placid Gomes ACA**  
Head of Internal Audit

Mr. Placid Gomes ACA, was born on 1st February 1971. He is a Chartered Accountant and an associate member of the Institute of Chartered Accountants of Bangladesh (ICAB). He also obtained his master degree with honors in Accounting from the University of Dhaka. He is having more than 20 years of service experience in the field of accounts, finance, budget, tax and audit works, of which more than 15 years are with Khulna Power Company Ltd. and currently serving as Head of Internal Audit and Senior Manager (Accounts & Finance). He has attended in various training courses and seminars in home and abroad. He was the accounting package instructor of ICAB during 1997-98 and currently working as a key resource person for "Financial Modeling and Advance Excel" Course for Chartered Accountants offered by ICAB. He is also associated as a consultant with Grant Thornton Bangladesh a full member of firm of Grant Thornton International, one of the world's leading advisory firms and successfully completed a number of advisory assignments.

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

## A. Objective

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

## B. Ethical Standards

### 1. Conflicts of Interest

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

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

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

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

### 2. Corporate Opportunities

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

# Code of Conduct and Ethics

### 3. Fair Dealing

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

### 4. Insider Trading

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

### 5. Confidentiality

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

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

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

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

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

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

### 8. Timely and Truthful Public Disclosure

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

### 9. Significant Accounting Deficiencies

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

## C. Waivers

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

## D. Violations of Ethical Standards

### 1. Reporting Known or Suspected Violations

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

### 2. Accountability for Violations

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

This is the basic guidance for all situations. In many cases, your superior will be more knowledgeable about the questions, and he or she will appreciate being consulted as part of the decision-making process.

- You may report ethical violations in confidence without fear of retaliation. If your situation requires that your identity be kept secret, your anonymity will be protected to the maximum extent consistent with KPCL's legal obligations. The KPCL in all circumstances prohibits retaliation of any kind against those who report ethical violations in good faith.
- Ask first, act later. If you are unsure of what to do in any situation, seek guidance before you act.

## E. Compliance Procedures

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

- Make sure you have all the facts. In order to reach the right solutions, we must be as informed as possible.
- Clarify your responsibility and role. In most situations, there is shared responsibility. Are your colleagues informed? It may help to get others involved and discuss the problem.
- Discuss the problem with your manager.



## Success Milestones

### October 1997

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

### November 19, 1997

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

### October 13, 1998

Full Commercial Operation Date (FCOD)

### February 21, 2001

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

### September 4, 2003

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

### June 2009

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

### July 19, 2009

Conversion from Private to Public Limited Company

### March 2010

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

### April 2010

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

### June 23, 2010

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

### December 21, 2010

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

### May 29, 2011

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

### June 2011

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

June 14, 2011

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

### June 8, 2012

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

### September 30, 2014

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

BPDB Bangladesh Power Development Board

GOB Government of Bangladesh

O & M Operation & Maintenance

FCOD Full Commercial Operation Date

CRISL Credit Rating Information & Services Limited

CDBL Central Depository Bangladesh Limited

SEC Securities & Exchange Commission

ID Information Document

EII Eligible Institutional Investors

BBM Book Building Method

COD Commercial Operation Date

DEG Deutsche Investitions – UND ntwicklungsgesellschaft Mbh

Fmo Nederlandse Financierings Maatschappij Voor Ontwikkelingslanden N.V.

## Corporate Governance

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

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

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

### The Responsibilities of the Board

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

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

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

### Board meetings and procedures

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

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



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

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

### Internal Control Framework

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

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

# Financial Statements

## Hoda Vasi Chowdhury & Co

Chartered Accountants  
Independent Correspondent Firm to **Deloitte Touche Tohm-atsu**

### Auditors' Report

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

#### Introduction

We have audited the accompanying financial statements of Khulna Power Company Ltd., which comprise the statement of financial position as at 31 December 2014, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes and all related consolidated financial statements of Khulna Power Company Ltd. and its subsidiaries (together referred to as "the Group").

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

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

#### Auditors' responsibility

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

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

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

#### Basis of Qualified Opinion

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

#### Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements including consolidated financial statements, prepared in accordance with Bangladesh Accounting Standards (BAS), Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the state of the Company's/group's affairs as at 31 December 2014 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act (#18) 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

#### Emphasis of Matters

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

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

#### We also report that

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

Dhaka: 29 April 2015

*Hoda Vasi Chowdhury & Co.*  
Chartered Accountants

## Statement of Financial Position

as at 31 December 2014

	Notes	2014	2013
		Taka	Taka
<b>Assets</b>			
<b>Non-current assets:</b>			
Property, plant and equipment, net	4	8,437,840,193	2,687,745,083
Investments in subsidiaries	5	-	2,052,519,679
		<b>8,437,840,193</b>	<b>4,740,264,762</b>
<b>Current assets:</b>			
Inventories	6	1,048,784,643	2,09,854,283
Accounts receivable	7	2,996,823,853	1,269,278,015
Other receivables	8	66,948,887	26,062,911
Advances, deposits and prepayments	9	234,282,913	74,647,082
Inter-company loans and advances	10	-	108,664,409
Inter-company receivables	11	1,402,500	76,000,000
Cash and cash equivalents	12	1,548,131,996	1,312,544,286
		<b>5,896,374,792</b>	<b>3,077,050,986</b>
<b>Total assets</b>		<b>14,334,214,985</b>	<b>7,817,315,748</b>
<b>Equity and liabilities</b>			
<b>Equity:</b>			
Share capital	13	3,612,847,090	3,440,806,760
Capital redemption reserve	3.16	325,647,810	277,688,140
Retained earnings		4,301,901,778	888,961,808
<b>Total equity</b>		<b>8,240,396,678</b>	<b>4,607,456,708</b>
<b>Non-current liabilities:</b>			
Redeemable cumulative class 'A' preference shares: non-current portion	14	-	-
Term loan: non-current portion	15	10,639,173	-
Deferred liabilities	16	16,794,835	13,790,271
Asset retirement obligations (ARO)	17	24,818,776	-
		<b>52,252,784</b>	<b>13,790,271</b>
<b>Current liabilities:</b>			
Accounts payable	18	542,649,673	2,706,473,591
Working capital/short term loan	19	4,806,981,781	-
Inter-company payables	20	-	157,176,316
Accrued expenses and others	21	93,890,809	10,143,215
Source tax and VAT payable	22	86,773,983	44,109,088
Liability for interest and other financial charges	23	12,850,745	14,242,709
Redeemable cumulative class 'A' preference shares: current portion	14	-	220,000,000
Term loan: current portion	15	344,224,695	-
Unclaimed dividend	24	21,693,837	10,748,495
Income tax payable	25	132,500,000	33,175,355
		<b>6,041,565,523</b>	<b>3,196,068,769</b>
<b>Total liabilities</b>		<b>6,093,818,307</b>	<b>3,209,859,040</b>
<b>Total equity and liabilities</b>		<b>14,334,214,985</b>	<b>7,817,315,748</b>

The annexed notes 1 to 41 form an integral part of these financial statements.

  
 Managing Director

  
 Director

  
 Company Secretary

Dhaka, 19 May 2015

  
 Chartered Accountants

## Statement of Comprehensive Income

for the year ended 31 December 2014

	Notes	2014	2013
		Taka	Taka
		(Consolidated Statement of KPCL-I for 12 months and KPCL-II & KPCL-III for 3 months)	(KPCL-I for 12 months)
Revenue	26	7,413,311,440	7,697,168,662
Cost of sales	27	(6,395,903,550)	(7,256,116,969)
<b>Gross profit</b>		<b>1,017,407,890</b>	<b>441,051,693</b>
Other income	28	36,434,169	700,000,000
Loss on sale proceeds of assets		(64,000)	-
General and administrative expenses	29	(79,786,024)	(97,654,332)
<b>Result from operating activities</b>		<b>973,992,035</b>	<b>1,043,397,361</b>
Foreign exchange gain/(loss)	30	2,407,062	29,189,724
Finance income	31	108,836,414	97,321,063
Finance expenses	32	(121,305,654)	(34,930,226)
Net financial expenses		(10,062,178)	91,580,561
<b>Profit before income tax</b>		<b>963,929,857</b>	<b>1,134,977,922</b>
Income tax expenses	33	(132,500,000)	(33,175,355)
Profit after tax for the year		831,429,857	1,101,802,567
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>831,429,857</b>	<b>1,101,802,567</b>
<b>Earning per share (EPS)</b>	34	<b>2.30</b>	<b>3.20</b>
<b>Restated earning per share (EPS)</b>	34		<b>3.05</b>

The annexed notes 1 to 41 form an integral part of these financial statements.

  
 Managing Director

  
 Director

  
 Company Secretary

Dhaka, 19 May 2015

  
 Chartered Accountants



## Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

Particulars	Ordinary shares	Capital redemption reserve	Retained earnings	Total
	Taka	Taka	Taka	Taka
<b>Balance as at 1 January 2013</b>	3,058,494,900	440,000,000	389,471,104	3,887,966,004
Transfer to capital redemption reserve	-	220,000,000	(220,000,000)	-
Stock dividend paid for the year 2012	382,311,860	(382,311,860)	-	-
Cash dividend for the year 2012	-	-	(382,311,863)	(382,311,863)
Total comprehensive income for 2013:				
Profit after tax for the year	-	-	1,101,802,567	1,101,802,567
Other comprehensive income	-	-	-	-
<b>Balance as at 31 December 2013</b>	<b>3,440,806,760</b>	<b>277,688,140</b>	<b>888,961,808</b>	<b>4,607,456,708</b>
Transfer to capital redemption reserve	-	220,000,000	(220,000,000)	-
Stock dividend paid for the year 2013	172,040,330	(172,040,330)	-	-
Cash dividend for the year 2013	-	-	(860,201,690)	(860,201,690)
Retained earnings of transferor companies upto 30 Sep 2014 (KPCL's portion)	-	-	3,738,874,261	3,738,874,261
Adjustments on amalgamation (Note 4.1)	-	-	(77,162,458)	(77,162,458)
Total comprehensive income for the year 2014:				
Profit after tax for the year	-	-	831,429,857	831,429,857
Other comprehensive income	-	-	-	-
<b>Balance as at 31 December 2014</b>	<b>3,612,847,090</b>	<b>325,647,810</b>	<b>4,301,901,778</b>	<b>8,240,396,678</b>

## Statement of Changes in Equity

for the year ended 31 December 2014

	2014	2013
	Taka	Taka
(Consolidated Statement of KPCL-I for 12 months and KPCL-II & KPCL-III for 3 months)		(KPCL-I for 12 months)
<b>Cash flows from operating activities:</b>		
Collection from BPDB	8,252,600,366	7,368,460,125
Cash paid to suppliers and employees	(7,043,605,237)	(7,141,859,899)
Cash generated from operations	1,208,995,129	226,600,226
Received from other sources	103,249,072	57,595,057
Interest and other financial charges paid	(122,522,053)	(48,771,892)
<i>Net cash generated from/(used in) operating activities</i>	<b>1,189,722,148</b>	<b>235,423,391</b>
<b>Cash flows from investing activities:</b>		
<i>Payment for acquisition of property, plant and equipment</i>	(6,077,132)	(157,756)
<i>Net cash used in investing activities</i>	<b>(6,077,132)</b>	<b>(157,756)</b>
<b>Cash flows from financing activities:</b>		
Repayment of term loan	(1,785,237,846)	-
Working capital/short term loan received	2,981,446,082	426,660,766
Repayment of working capital/short term loan	(2,921,446,082)	(426,660,766)
Received through inter-company loan/payables	6,205,759,886	2,265,211,002
Repayment of inter-company loan/payables	(4,671,454,148)	(1,553,779,260)
Redemption of cumulative preference shares	(220,000,000)	(220,000,000)
Dividend paid to ordinary shareholders	(850,030,919)	(380,124,385)
<i>Net cash flow from/(used in) financing activities</i>	<b>(1,260,963,027)</b>	<b>111,307,357</b>
<b>Net cash inflow/(outflow) for the year</b>	<b>(77,318,011)</b>	<b>346,572,992</b>
<b>Opening cash and cash equivalents</b>	<b>1,625,450,007</b>	<b>965,971,294</b>
<b>Closing cash and cash equivalents</b>	<b>1,548,131,996</b>	<b>1,312,544,286</b>



Managing Director



Director



Company Secretary



Managing Director



Director



Company Secretary

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

### 1. Reporting entity

#### 1.1 Company profile

Khulna Power Company Ltd. ("the company") was incorporated in Bangladesh on 15 October 1997 as a private limited company under the Companies Act (# 18) 1994 and has subsequently been converted into public limited company on 19 July 2009. The plant came into operation on 13 October 1998 for 15 years and after successful completion of that tenor the Company awarded extension for another 5 years starting from 12 October 2013. The Company has taken over the operation and maintenance of power plants from Wartsila Bangladesh Ltd. The address of the company's registered office is Landmark, 3rd floor, 12-14 Gulshan North C/A, Gulshan-2, Dhaka-1212, Bangladesh. On 18 April 2010, the Company listed its shares with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. The authorised capital of the company is Tk. 7,000,000,000 divided into 500,000,000 ordinary shares of Tk. 10 each and 2,000,000 preference shares of Tk. 1,000 each. Out of 2,000,000 preference shares, 1,100,000 were issued and fully paid up. In 2010, the company took majority interest in two companies namely Khulna Power Company Unit II Ltd. and Khanjahan Ali Power Company Ltd. (hereinafter referred to as "the subsidiaries") and both of the subsidiary companies have been amalgamated with its parent company Khulna Power Company Ltd with effect from 30 September 2014. Profile of the subsidiaries were as follows:

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

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

#### 1.2 Nature of business

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

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

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

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

(the transferee company) with an effective date of 30 September 2014.

The aforementioned amalgamation shall be and deemed to have been effective on the date the certified copy of the Order made by the High Court is filed with Registrar of Joint Stock Companies (RJSC), Dhaka, Bangladesh. Thus, although the Scheme of Amalgamation will be effective depending on the Company's filing to RJSC, for financial reporting purposes the recording of assets and liabilities on an amalgamated basis is deemed to be retroactive from 30 September 2014. The audited financial statements of transferor companies as on 30 September 2014 have been used to account for the assets and liabilities of transferor companies in the books of the transferee company.

Moreover, the Khulna Power Company Unit II Ltd and Khanjahan Ali Power Company Ltd will not continue as a separate entity as a result of the amalgamation, rather the entire undertaking will be transferred to the amalgamated entity at its continuing value. The consideration to be paid to the minority shareholders of the Companies have already been fixed based on the net asset value per share as per audited financial statements of the Companies as at 31 December 2013.

The High Court Order also includes the following:

(i) All the licenses, permits, quotas, approvals, permissions, incentives, loans, subsidies, concessions, grants, rights, claims, leases, tenancies, exemptions from income tax or other taxes, benefits, rights and privileges and right to extension under the Contract for Supply of Electricity on Rental Basis for 5 years being Contract No. 09751 dated 23.6.2010 and Contract No. 09766 dated 25.7.2010 ("the Power Purchase Agreements") and any amendment thereof between respective Transferor Companies with the Bangladesh Power Development Board and other benefits and privileges enjoyed or conferred upon or held or availed of by and all rights and benefits that have accrued, which may accrue to the Transferor Companies shall, pursuant to the provisions of Section 229(2) of the Act, without any further act, instrument or deed, be and stand transferred to and vested in and available to the Transferee Company so as to become as and from Appointed Date;

(ii) Any legal proceedings, claims, demands etc., pending by or against the Transferor Companies shall be continued and be enforced by or against the Transferee Company;

(iii) The employees and personnel of the Transferor Companies in service on the Effective Date shall become the employees of the Transferee Company on such date without any breach or interruption in service and on such terms and conditions that were agreed between employees and the Transferor Companies;

(iv) The existing provident, gratuity or other employee related funds created and administered by the Transferor Companies shall duly and expeditiously be transferred to the relevant funds of the Transferee Company;

(v) The costs, charges and expenses, including any taxes, duties etc., arising in connection with the Scheme and incidental to the completion of the amalgamation as envisaged therein, including those related to this application, shall be borne and paid for by the Petitioner Transferee Company, KPCL.

### 2. Basis of preparation

#### 2.1 Statement of compliance

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

#### 2.2 Date of authorisation

These financial statements have been authorised for issue by the Board of Directors of the Company on 19 May 2015.

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

### 2.3 Basis of measurement

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

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

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

### 2.5 Use of estimates and judgements

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

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

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

- Note 4: Depreciation
- Note 6: Inventories
- Note 16: Deferred liabilities
- Note 21: Accrued expenses and others

### 2.6 Reporting period

The financial period of the Company covers one-year from 1 January to 31 December, which comprises full year (January-December 2014) of KPCL-I and three months (October-December 2014) of KPCL-II and KPCL-III.

The financial period of corresponding year 2013 covers one-year from 1 January to 31 December for KPCL-I only.

### 2.7 Preparation and presentation of Financial Statements

The management of the Company is responsible for the preparation and presentation of Financial Statements of Khulna Power Company Ltd for the year ended 31 December 2014.

## 3. Significant accounting policies

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

### 3.1 Property, plant and equipment

#### 3.1.1 Recognition and measurement

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

The cost of an item of property, plant and equipment comprises its purchase price, import duties and non-refundable

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

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

### 3.1.2 Subsequent costs

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

### 3.1.3 Maintenance activities

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

### 3.1.4 Depreciation

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

The estimated useful lives of assets are as follows:

	2014 Year	2013 Year
Power plant	30	30
Building and construction	10	10
Vehicles	4	4
Furniture and fixtures	5	5
Office equipment	5	5
Office renovation	5	5

### 3.1.5 Retirements and disposals

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

### 3.1.6 Capitalisation of borrowing cost

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

## 3.2 Inventories

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

Inventories are measured at cost. The fuel payment/tariff calculation formula, fixed capacity payment and rental payment as per PPA between the units of Khulna Power Company Ltd (KPCL-I, KPCL-II and KPCL-III) and BPDB assures recovery of cost. The cost of inventories is based on the first in first out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. When inventories are used, the carrying amount of those inventories is recognised in the period in which the related revenue is recognised.

### 3.3 Financial instruments

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

#### 3.3.1 Financial assets and liabilities

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

#### 3.3.2 Cash and cash equivalents

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

#### 3.3.3 Accounts receivable

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

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

#### 3.3.4 Loans and borrowings

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

#### 3.3.5 Accounts payable

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

#### 3.3.6 Redeemable preference share

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

### 3.4 Provisions

A provision is recognised on the reporting date if, as a result of past events, the 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

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

required to settle the obligation.

### Asset retirement obligations (ARO)

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

### 3.5 Impairment

#### 3.5.1 Financial assets

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

#### 3.5.2 Non-financial assets

At each reporting date, indications of impairment are reviewed. For this review, the Company is considered as a single cash generating unit and both tangible and intangible assets are reviewed. If any indication exists, the assets' recoverable amount will need to be estimated. As at 31 December 2014, the assessment of indicators of impairment reveals that impairment testing is not required for the Company.

#### 3.5.3 Inventories

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

### 3.6 Contingencies

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

### 3.7 Revenue

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

### 3.8 Foreign currency transactions

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

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

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

comprehensive income/profit and loss account.

### 3.9 Lease

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

### 3.10 Finance income and expenses

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

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

### 3.11 Provision for tax

KPCL-I was allowed tax exemption for a period of 15 years with effect from commencement of commercial production, vide SRO no. 114-Law/99 dated 26 May 1999 and amended time to time issued by Government of Bangladesh, under private sector power generation policy which expired on 12 October 2013. Though after successful completion of the tenor the company (KPCL-I) has been granted an extension for a further five-year term, no tax exemption facility has been given. Therefore due income tax provision for the year 2014 has been made in the accounts on the Net Profit of this unit (KPCL-I).

However, no provision is made for income tax for other two units (KPCL-II and KPCL-III), amalgamated with KPCL-I, as Bangladesh Power Development Board (BPDB) is responsible for payment of income taxes, other taxes, VAT, duties, levies and all other charges imposed inside Bangladesh on any payments made by BPDB to the Company for a period of 5 years from start of its commercial operation.

### 3.12 Deferred tax

As there is considerable uncertainty with regard to the taxation of all three units (KPCL-I, KPCL-II and KPCL-III) of the Company, management feels it is not possible to make a reasonable estimate of deferred tax assets/liabilities at this stage.

### 3.13 Statement of cash flows

Statement of cash flows has been presented under direct method.

### 3.14 Employee benefit schemes

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

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company operates an unfunded gratuity scheme, which is a defined benefit scheme, a provision in respect of which is made periodically covering all permanent employees by applying period of employment to latest basic salary. No valuation was done to quantify actuarial liabilities as per Bangladesh Accounting Standard 19: Employee Benefits.

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

The Company maintains a provident fund (CPF) for all local employees, recognised by the National Board of Revenue, Bangladesh. This is a defined contribution scheme as per BAS 19: Employee Benefits. All permanent employees

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

contribute 10% of their basic salary to the provident fund and the Company also makes equal contribution.

#### c. Defined earned leave encashment policy

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

### 3.15 Workers profit participation fund (WPPF)

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

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

Therefore, in the opinion of our Legal Counsel, it is not legally required to distribute any part of the Company's profit to anybody or make provision for such distribution."

### 3.16 Capital Redemption Reserve

In consideration to the section 154 of the Companies Act, 1994 KPCL has issued 5% as bonus share for the year 2013 equivalent to BDT 172.04 million during the year 2014 out of Capital Redemption Reserve. A legal opinion for the utilisation of Capital redemption Reserve for the issuance of bonus share from Dr. M. Zahir, Barrister-at-Law, Senior Advocate, Supreme Court had also been received.

### 3.17 Earnings per share

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

Diluted EPS is determined by the adjusting the profit or loss attributable to ordinary share holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. However, dilution of EPS is not applicable for these financial statements as there was no potential dilutive ordinary shares during the year ended 31 December 2014.

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

### 4. Property, plant and equipment

As at 31 December 2014:

Particulars	Cost				Depreciation				Written Down Value as at 31 December 2014			
	Balance as at 1 January 2014	Addition during the year	Disposal during the year	Transferred on Amalgamation	Balance as at 31 December 2014	Charge for the year	Disposal during the year	Transferred on Amalgamation				
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka			
Power plant (Note 4.1)	5,198,301,014	132,096,806	-	6,449,007,759	11,779,405,579	3.33	2,512,306,908	189,979,632	-	3,356,744,641	8,422,660,938	
Vehicles	5,384,657	5,734,200	(864,000)	12,991,304	23,246,161	25.00	5,384,652	2,087,628	(180,000)	4,020,243	11,312,523	
Building and construction	9,428,606	175,337	-	611,438	10,215,381	10.00	9,419,814	41,617	-	45,858	9,507,289	
Furniture and fixtures	1,162,211	140,360	-	68,097	1,370,668	20.00	925,148	145,698	-	11,639	1,082,485	
Office equipment	3,722,190	1,703,250	-	123,680	5,549,120	20.00	2,919,485	708,307	-	23,190	3,650,982	
Office renovation	1,756,040	-	-	-	1,756,040	20.00	1,053,628	351,208	-	-	1,404,836	
<b>Total</b>	<b>5,219,754,718</b>	<b>139,849,953</b>	<b>(864,000)</b>	<b>6,462,802,278</b>	<b>11,821,542,949</b>		<b>2,532,009,635</b>	<b>193,314,090</b>	<b>(180,000)</b>	<b>658,559,031</b>	<b>3,383,702,756</b>	<b>8,437,840,193</b>

As at 31 December 2013

Particulars	Cost				Depreciation				Written Down Value as at 31 December 2013		
	Balance as at 1 January 2013	Addition during the year	Disposal during the year	Adjustment during the year	Balance as at 31 December 2013	Charge for the year	Disposal during the year	Adjustment during the year			
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka		
Power plant	5,198,301,014	-	-	-	5,198,301,014	3.33	2,347,309,306	164,997,602	-	2,512,306,908	2,685,994,106
Vehicles	5,384,657	-	-	-	5,384,657	25.00	5,384,652	-	-	5,384,652	5
Building and construction	9,428,606	-	-	-	9,428,606	10.00	9,406,263	13,551	-	9,419,814	8,792
Furniture and fixtures	1,162,211	-	-	-	1,162,211	20.00	809,500	115,648	-	925,148	237,063
Office equipment	3,556,690	165,500	-	-	3,722,190	20.00	2,559,560	359,925	-	2,919,485	802,705
Office renovation	1,756,040	-	-	-	1,756,040	20.00	702,416	351,212	-	1,053,628	702,412
<b>Total</b>	<b>5,219,589,218</b>	<b>165,500</b>	<b>-</b>	<b>-</b>	<b>5,219,754,718</b>		<b>2,366,171,697</b>	<b>165,837,938</b>	<b>-</b>	<b>2,532,009,635</b>	<b>2,667,745,083</b>

4.1 Adjustment of Tk 78,462,317 with relevant depreciation of Tk 1,299,859 (Net Tk 78,462,317 - Tk 1,299,859 = Tk 77,162,458) represents inter-company transactions was made during construction period of KPCL-II and KPCL-III on account of interest on inter-company loan, given by parent company KPCL-I that had been capitalised/recorded under Fixed Assets of KPCL-II, former Khulna Power Company Unit II Ltd and KPCL-III, former Khanjahan Ali Power Company Ltd by corresponding treatment as Interest Income of parent company KPCL-I i.e. Khulna Power Company Ltd. On amalgamation of KPCL-I, KPCL-II and KPCL-III in the year 2014, the inter-company transactions have been eliminated.

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

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

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

Depreciation charged during the year

	2014	2013
	Taka	Taka
Depreciation charged during the year	193,314,090	165,837,938
4.2 Allocation of depreciation		
Cost of sales (power plant)	189,979,632	164,997,602
Operating expenses (other than power plant)	3,334,458	840,336
<b>Total</b>	<b>193,314,090</b>	<b>165,837,938</b>

### 5. Investments in subsidiaries

Khulna Power Company Unit II Ltd.

Khanjahan Ali Power Company Ltd. (Share capital)

Khanjahan Ali Power Company Ltd. (Share money deposit)

	2014	2013
	Taka	Taka
Khulna Power Company Unit II Ltd.	-	1,599,500,000
Khanjahan Ali Power Company Ltd. (Share capital)	-	18,000,000
Khanjahan Ali Power Company Ltd. (Share money deposit)	-	435,019,679
<b>Total</b>	<b>-</b>	<b>2,052,519,679</b>

In the year 2014, subsidiary companies 'Khulna Power Company Unit II Ltd' and 'Khanjahan Ali Power Company Ltd' have been amalgamated with its parent company 'Khulna Power Company Ltd'. This is why investment in subsidiary companies have been eliminated on amalgamation.

### 6. Inventories

Heavy fuel oil (HFO)

Light fuel oil (LFO)

Lube oil

Chemical

Spare parts for plant maintenance

	2014	2013
	Taka	Taka
Heavy fuel oil (HFO)	634,972,961	109,992,832
Light fuel oil (LFO)	3,087,348	1,764,762
Lube oil	27,629,170	2,338,689
Chemical	27,500	-
Spare parts for plant maintenance	383,067,664	95,758,000
<b>Total</b>	<b>1,048,784,643</b>	<b>209,854,283</b>

### 7. Accounts receivable

Capacity payment/Other monthly tariff

Fuel tariff (Note 7.1)

Rental payment

Energy payment -fuel payment

Energy payment -variable operation and maintenance payment

	2014	2013
	Taka	Taka
Capacity payment/Other monthly tariff	201,131,459	261,710,769
Fuel tariff (Note 7.1)	149,035,926	131,507,693
Rental payment	603,972,439	-
Energy payment -fuel payment	1,753,812,001	837,607,884
Energy payment -variable operation and maintenance payment	288,872,028	38,451,669
<b>Total</b>	<b>2,996,823,853</b>	<b>1,269,278,015</b>

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

- 7.1 The entire amount of Fuel Tariff receivable from BPDB as at 31 December 2014 has been short paid by them from the monthly invoices raised by KPCL-I for the period from September 2011 to December 2012 on account of the fuel cost, handling loss, service charges, duty & taxes etc. reimbursable by BPDB. KPCL-I is confident to realise the amount from BPDB in near future.
- 7.2 In accordance with the Contract/Agreement with KPCL-II and KPCL-III, Bangladesh Petroleum Corporation (BPC) had been the liquid fuel oil supplier and BPDB was liable to pay for the fuel. But since the start of the operation of the plant, the quality and quantity of the supplied fuel were not as per given specification in the contract. For this reason, the actual fuel consumption was higher per unit of electricity generation. On account of the actual fuel consumption, BPDB started deduction from some of the monthly invoices of these units which amounted to Tk 90,843,547 for KPCL-II and Tk 141,297,450 for KPCL-III (Both the amount included under Energy payment -variable operation and maintenance payment) for the year 2012 and 2013. On continuous objections raised to BPDB by these units, BPDB had formed a committee to justify the quality and quantity of supplied fuel. The decision on this issue is under process with the Power Division of Bangladesh Government as of the reporting date and management strongly feels that these amounts are recoverable.
- 7.3 Accounts receivable as at 31 December 2013 of consolidated financial statements included Tk 205,463,600 as deduction for liquidated damage for the year 2011. This amount has been deducted by BPDB from the monthly invoices of KPCL-II (Former: Khulna Power Company Unit II Ltd) on account of 46 days of delayed commercial operation. In the year 2014, management feels that Tk 200,997,000 (deduction for 45 days) out of the total liquidated damage amounting Tk 205,463,600 is not recoverable and hence this has been charged as expenses for the period ended 30 September 2014. However, as the actual delayed period for commercial operation was 45 days (from the required commercial operation date of 16 April 2011 to the actual commercial operation date of 1 June 2011), management strongly believes that the one-day's excess deduction amounting to Tk 4,538,475 (equivalent USD 57,500) will remain recoverable as of the reporting date.

	2014	2013
	Taka	Taka
<b>8. Other receivables</b>		
BPDB (agreed charges paid to BIWTA)	10,203,931	10,073,650
FDR interest due from bank	18,867,232	14,580,753
Income tax authority (corporate tax deposition at the time of appeal for Accounting Year 1998, 2005, 2006, 2007)	2,873,148	1,379,700
BPDB on account of AIT for spare parts (Note 8.1)	8,615,180	-
IFDC Vulcan Energy (BD) Ltd.	26,270,460	-
Others	118,936	28,808
	66,948,887	26,062,911

- 8.1 The amount paid under protest, which has already been claimed to BPDB for reimbursement or adjustment. Management is confident to realise/adjust the same within short period of time.

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

	2014	2013
	Taka	Taka
<b>9. Advances, deposits and prepayments</b>		
<b>Advances:</b>		
Padma Oil and Jamuna Oil for HFO supply	634,530	634,530
Office rent and service charges	-	388,320
Advance Income Tax (AIT)	126,229,085	33,175,355
Advance Income Tax (TDS)	13,116,256	-
Advance Value Added Tax (VAT)	36,492,891	36,492,891
BIWTA for fuel oil landing charges	-	415,650
Alif International for C & F bill	-	1,053,000
Advance against purchase of land	33,832,203	-
Others	1,948,466	215,886
	212,253,431	72,375,632
<b>Deposits:</b>		
Bangladesh Telephone & Telegraph Board	16,000	16,000
Grameenphone Ltd.	89,006	89,006
Central Depository Bangladesh Ltd. (CDBL)	500,000	500,000
Security deposit for office rent	258,880	258,880
Security deposit for C & F licence	250,000	250,000
Margin on bank guarantee for leasehold land -DBBL	13,662,500	-
Leasehold land for KPCL II -BPDB	183,675	-
Others	37,500	37,500
	14,997,561	1,151,386
<b>Prepayments:</b>		
General insurance premium (fire, fidelity, health, motor, etc.)	236,236	93,064
Leasehold land -BPDB	73,470	-
Insurance premium -Plant	5,733,239	1,027,000
Commission on bank guarantee -BRAC Bank	449,051	-
Commission on OSD for KPCL I -BRAC Bank	539,925	-
	7,031,921	1,120,064
	234,282,913	74,647,082
<b>10. Inter-company loans and advances</b>		
Khanjahan Ali Power Company Ltd	-	108,664,409
	-	108,664,409
In the year 2014, subsidiary companies 'Khulna Power Company Unit II Ltd' and 'Khanjahan Ali Power Company Ltd' have been amalgamated with its parent company 'Khulna Power Company Ltd'. This is why inter-company loans and advances have been eliminated on amalgamation.		
<b>11. Inter-company receivables</b>		
Khanjahan Ali Power Company Ltd for Project Implementation Fee	-	76,000,000
Neptune Commercial Ltd.	1,402,500	-
	1,402,500	76,000,000

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

	2014 Taka	2013 Taka
<b>12. Cash and cash equivalents</b>		
Cash in hand	78,732	34,955
Cash at bank:		
<b>Current account:</b>		
Citibank, NA (operating a/c # 129039 -Taka)	33,925,045	66,061,482
Citibank, NA (operating a/c # 129032 -US Dollar)	2,999,272	4,367,730
BRAC Bank Ltd. (A/c # 1501200976943001)	346	2,076
Pubali Bank Ltd. (A/c # 3555901037145)	18,358	18,818
Standard Bank Ltd. (A/c # 233011318)	39,054	40,439
Standard Chartered Bank (A/c # 01-5547202-01)	30,411,180	3,208,368
BRAC Bank Ltd. (A/c # 1501200976943002)	305,732,528	239,897,095
Jamuna Bank Limited	200	-
Bank Al-Falah Limited (A/c # 01701501)	409,042	-
Bank Al-Falah Limited (A/c # 03700154)	52,012	-
Exim Bank Limited (A/c # 6113100048474)	267	-
Standard Chartered Bank (A/c # 01-1110754-01)	442,391	-
Trust Bank Ltd. (A/c # 300210002865)	467,861	-
BRAC Bank Ltd. (A/c # 1501201870861002)	873,947	-
BRAC Bank Ltd. (A/c # 1501201870861001 -US Dollar)	-	-
BRAC Bank Ltd. (A/c # 1501201831046001)	1,464,517	-
Dutch-Bangla Bank Ltd. (A/c # 103110000019467)	6,219	-
Standard Chartered Bank (A/c # 01-114572701)	1,369,716	-
Trust Bank Ltd. (A/c # 300210002767)	168,420	-
Standard Chartered Bank (A/c # 01-1145727-02 -US Dollar)	147,812	-
<b>Total current account</b>	<b>378,528,187</b>	<b>313,596,008</b>
<b>Special notice deposit (SND) account:</b>		
BRAC Bank Ltd. (A/c # 1501100976943001)	39,406	38,699
BRAC Bank Ltd. (A/c # 1501101870861001)	622,676	-
Dutch Bangla Bank Ltd. (A/c # 107120000000671)	-	9
Dutch Bangla Bank Ltd. (A/c # 103120000001348)	43,507	181,115
Dutch Bangla Bank Ltd. (A/c # 103120000001381)	211,175	-
Standard Chartered Bank (A/c # 02111075401)	92,813	-
Standard Chartered Bank (A/c # 02114572701)	52,063,881	-
Citibank, NA (A/c # G010001200812006)	410,059	-
Trust Bank Ltd. (A/c # 300320000097)	289	1,401
BRAC Bank Ltd. -Dividend'09 distribution a/c	776,023	758,554
BRAC Bank Ltd. -Dividend'12 distribution a/c	2,922,401	2,933,545
BRAC Bank Ltd. -Dividend'13 distribution a/c	12,342,847	-
Total SND account	69,525,077	3,913,323
<b>Fixed deposit receipt (FDR) account:</b>		
Bank Asia Ltd.	-	300,000,000
Jamuna Bank Ltd.	-	150,000,000
EXIM Bank Ltd.	900,000,000	545,000,000
BRAC Bank Ltd.	200,000,000	-
Total FDR account	1,100,000,000	995,000,000
Total cash at bank	1,548,053,264	1,312,509,331
<b>Total cash and cash equivalents</b>	<b>1,548,131,996</b>	<b>1,312,544,286</b>

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

	2014 Taka	2013 Taka
<b>13. Share capital</b>		
Authorised:		
500,000,000 ordinary shares of Tk 10 each	5,000,000,000	5,000,000,000
2,000,000 preference shares of Tk 1,000 each	2,000,000,000	2,000,000,000
	<u>7,000,000,000</u>	<u>7,000,000,000</u>
Issued, subscribed and paid-up:		
<b>Ordinary shares:</b>		
208,593,000 ordinary shares of Tk 10 each	2,085,930,000	2,085,930,000
31,288,950 ordinary shares of Tk 10 each issued as bonus shares in 2010	312,889,500	312,889,500
47,976,390 ordinary shares of Tk 10 each issued as bonus shares in 2011	479,763,900	479,763,900
17,991,150 ordinary shares of Tk 10 each issued as bonus shares in 2012	179,911,500	179,911,500
38,231,186 ordinary shares of Tk 10 each issued as bonus shares in 2013	382,311,860	382,311,860
17,204,033 ordinary shares of Tk 10 each issued as bonus shares in 2014	172,040,330	-
	<u>3,612,847,090</u>	<u>3,440,806,760</u>

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

Name of shareholders	2014			2013		
	No. of shares	Percentage of holding	Total value (Taka)	No. of shares	Percentage of holding	Total value (Taka)
United Enterprises & Company Ltd. (incorporated in Bangladesh)	127,469,456	35.2823%	1,274,694,560	121,399,482	35.2823%	1,213,994,820
Summit Industrial & Mercantile Corporation (Pvt.) Ltd. (incorporated in Bangladesh)	63,734,727	35.2823%	637,347,270	60,699,740	35.2823%	606,997,400
Summit Power Limited (incorporated in Bangladesh)	63,734,728	17.6411%	637,347,280	60,699,741	17.6411%	606,997,410
Other sponsors	85,554	0.0237%	855,540	81,480	0.0237%	814,800
General investors	106,260,244	29.4118%	1,062,602,440	101,200,233	29.4118%	1,012,002,330
<b>Total</b>	<b>361,284,709</b>	<b>100%</b>	<b>3,612,847,090</b>	<b>344,080,676</b>	<b>100%</b>	<b>3,440,806,760</b>

### Classification of shareholders by holding as at 31 December 2014:

Range of share holdings	No. of shareholders	No. of shares	Percentage of share holdings
Less than 5,000 shares	37,490	20,677,694	5.74%
5,000 to 10,000 shares	1,135	7,876,436	2.18%
10,001 to 25,000 shares	565	8,644,814	2.39%
25,001 to 50,000 shares	356	28,906,932	8.00%
50,001 to 100,000 shares	15	10,236,582	2.83%
100,001 to 250,000 shares	7	8,469,616	2.34%
250,001 to 500,000 shares	1	2,649,076	0.73%
500,001 to 2,500,000 shares	3	18,884,648	5.23%
2,500,001 to 5,000,000 shares	-	-	0.00%
Over 5,000,000 shares	3	254,938,911	70.56%
<b>Total</b>	<b>39,575</b>	<b>361,284,709</b>	<b>100%</b>



## Notes to the Financial Statements

as at and for the year ended 31 December 2014

	2014 Taka	2013 Taka
<b>14 Redeemable cumulative class 'A' preference shares</b>		
The company issued 1,100,000 redeemable cumulative class 'A' preference shares in favour of The City Bank Ltd. (600,000 shares), Pubali Bank Limited (200,000 shares), One Bank Limited (200,000 shares) and Trust Bank Limited (100,000 shares) on 14 May 2008. These shares, under ordinary circumstances, are redeemable at par value in five annual equal instalments from 14 May 2010, the second anniversary of the issue date. Annual dividend on these preference shares is payable at the rate 8.25% (net of withholding tax).		
Balance as at 1 January	220,000,000	440,000,000
Issued during the period/year	-	-
	220,000,000	440,000,000
Repayment during the period/year	(220,000,000)	(220,000,000)
Balance as at 31 December	-	220,000,000
Non-current portion	-	-
Current portion	-	220,000,000
	-	220,000,000

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

### 14.1 Shareholding position of redeemable cumulative class 'A' preference shares

Name of shareholders	2014	2013
The City Bank Limited	-	120,000,000
Pubali Bank Limited	-	40,000,000
One Bank Limited	-	40,000,000
Trust Bank Limited	-	20,000,000
	-	220,000,000

### 15 Term loan

Standard Chartered Bank term loan (Note 15.1):

	2014	2013
Current maturity portion	344,224,695	-
Long term portion	10,639,173	-
	354,863,868	-

15.1 KPCL-III is enjoying long term loan facility from Standard Chartered Bank Mauritius Ltd. under the following terms and conditions:

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

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

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

	2014 Taka	2013 Taka
<b>16 Deferred liabilities</b>		
Gratuity scheme:		
Balance as at 1 January/1 October	11,239,041	9,030,536
Provision made during the year/period	1,649,261	1,476,603
	12,888,302	10,507,139
Gratuity paid during the year/period	-	-
Balance as at 31 December	12,888,302	10,507,139
Provision for leave encashment:		
Balance as at 1 January	3,283,132	2,926,855
Provision/(adjustment) made during the year	623,401	584,373
	3,906,533	3,511,228
Payment made during the year	-	(228,096)
Balance as at 31 December	3,906,533	3,283,132
	16,794,835	13,790,271
<b>17 Asset retirement obligations (ARO)</b>		
Opening balance	24,009,469	-
Provision made during the year/period	809,307	-
	24,818,776	-
Adjustment/payment made during the year/period	-	-
Closing balance	24,818,776	-
<b>18 Accounts payable</b>		
Service charges/Handling commission for fuel oil	313,859,465	734,334,979
Fuel cost and related expenses	44,364,308	1,534,165,827
Fuel carrying -Summit Oil & Shipping Co./USCOL	142,182,503	137,575,940
Fuel carrying -United Shipping & Logistic Services Ltd.	16,472,105	-
Fuel storage -South Eastern Tank Terminal Ltd.	13,763,750	2,411,829
Operation and maintenance - (O&M)	12,007,542	297,985,016
	542,649,673	2,706,473,591
<b>19 Working capital/Short term loan</b>		
Bank Al-Falah Limited	440,000,000	-
Standard Chartered Bank	1,545,732,792	-
BRAC Bank Limited	2,110,799,343	-
Citibank, NA	710,449,646	-
	4,806,981,781	-
<b>20 Inter-company payables</b>		
Khulna Power Company Unit II Ltd.	-	157,176,316
	-	157,176,316

In the year 2014, subsidiary companies 'Khulna Power Company Unit II Ltd' and 'Khanjahan Ali Power Company Ltd' have been amalgamated with its parent company 'Khulna Power Company Ltd'. This is why inter-company loans and advances have been eliminated on amalgamation.

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

	2014	2013
	Taka	Taka
<b>21 Accrued expenses and others</b>		
Electricity, gas and water	119,165	30,000
Legal, audit and other professional fees	837,000	476,500
Lease rent payable - BPDB	297,554	1,022,696
Telephone, fax and e-mail	39,701	45,000
Employee expenses	9,252,162	6,660,606
Falcon Securities Ltd - plant manned security	570,362	172,323
Employees' provident fund	2,244,904	325,716
Fuel landing charge payable - BIWTA	2,215,585	-
EGM/AGM related expenses	1,474,481	-
Consideration payable (Note 21.1)	73,898,400	-
Others	2,941,495	1,410,374
	<u>93,890,809</u>	<u>10,143,215</u>
<b>21.1</b> Payable in exchange of 50,000 shares @ Tk 21.60 per share of Khulna Power Company Unit II Ltd and 20,000 shares @ Tk 3,640.92 per share of Khanjahan Ali Power Company Ltd on amalgamation, which was allowed by the Honourable Court of the Supreme Court of Bangladesh by issued an Order on 22 March 2015.		
<b>22 Source tax and VAT payable</b>		
Source Tax (TDS) and VAT payable	86,773,983	44,109,088
<b>23 Liability for interest and other financial charges</b>		
Dividend on redeemable cumulative preference shares	-	14,242,709
Interest payable on:		
Loan against FDR -Bank Al-Falah	5,362,500	-
Term loan- Standard Chartered Bank	7,488,245	-
	<u>12,850,745</u>	<u>14,242,709</u>
<b>24 Unclaimed dividend</b>		
The following amount represents cash dividend for the year 2009 and 2012 remained unclaimed by the shareholders, which is deposited in dedicated bank account and is payable on demand and cash dividend payable for the year 2013:		
Final cash dividend for the year 2009	8,430,585	8,433,815
Final cash dividend for the year 2012	2,235,174	2,314,680
Final cash dividend for the year 2013	11,028,078	-
	<u>21,693,837</u>	<u>10,748,495</u>
<b>25 Income tax payable</b>		
Provision for the year 2013 (Assessment year 2014-2015)	-	33,175,355
Provision for the year 2014 (Assessment year 2015-2016)	132,500,000	-
	<u>132,500,000</u>	<u>33,175,355</u>

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

- 25.1** KPCL-I was allowed tax exemption for a period of 15 years with effect from commencement of commercial production, vide SRO no. 114-Law/99 dated 26 May 1999 and amended time to time issued by Government of Bangladesh, under private sector power generation policy which expired on 12 October 2013. Though after successful completion of the tenor the company (KPCL-I) has been granted an extension for a further five-year term, no tax exemption facility has been given. Therefore due income tax provision for the accounting year 2014 has been made in the accounts on the Net Profit of this unit (KPCL-I).
- 25.2** Accordingly no provision for income tax for the accounting year 2013 has been made in the accounts as Khulna Power Company Ltd. (KPCL-I), except Khulna Power Company Ltd. (KPCL-I) earnings of Tk 700,000,000 for the year ended 31 December 2013 as Project Implementation Fee from one of its subsidiary Company (Khulna Power Company Unit II Ltd./KPCL-II) against which Tk 33,175,355 had been provided as 5% tax payable in this regard.
- 25.3** However, no provision is made for income tax for other two units (KPCL-II and KPCL-III), amalgamated with KPCL-I, as Bangladesh Power Development Board (BPDB) is responsible for payment of income taxes, other taxes, VAT, duties, levies and all other charges imposed inside Bangladesh on any payments made by BPDB to the Company for a period of 5 years from start of its commercial operation.

	2014	2013
	Taka	Taka
<b>26 Revenue</b>		
Capacity payment/Other monthly tariff (Note 26.1)	1,183,112,346	1,673,119,224
Fuel tariff (Note 26.2)	-	5,147,989,885
Rental payment (Note 26.3)	600,707,585	-
Energy payment -fuel payment (Note 26.4)	5,361,804,100	837,607,884
Energy payment -variable O & M payment (Note 26.4)	267,687,409	38,451,669
	<u>7,413,311,440</u>	<u>7,697,168,662</u>

- 26.1** Capacity payment is payable for each month by BPDB for making available the Dependable Capacity in such month. Other monthly tariff is the price component of all other costs including profit per KW of energy supplied at the delivery point excluding fuel.
- 26.2** The price component of fuel tariff is comprised of the cost of fuel per KW of energy generated which is reimbursable from BPDB after making adjustments as per Agreement valid upto 12 October 2013.
- 26.3** Rental Payment is payable for each month by Bangladesh Power Development Board (BPDB) for making available the Dependable Capacity in such month.
- 26.4** As per Agreement, Energy payment is made up of two components (i) variable operation and maintenance payment and (ii) liquid fuel payment. KPCL-I procure required liquid fuel oil on their own and bills to BPDB for liquid fuel payment according to the Agreement as stated above. However, for KPCL-II and KPCL-III, the liquid fuel payment upto April 2014 was considered zero because Bangladesh Petroleum Corporation (BPC) supplied liquid fuel oil and Bangladesh Power Development Board (BPDB) paid BPC for the fuel. BPDB acted as a facilitator to ensure that the rental power companies (KPCL-II and KPCL-III) received liquid fuel oil from BPC for operation of the plant. Since May 2014, KPCL-II and KPCL-III also procure required liquid fuel oil on their own and bills to BPDB for liquid fuel payment according to the Agreement.
- 26.5** The revenue for the year 2014 represents three months (October-December 2014) performance of KPCL-II and KPCL-III and full year (12 months) performance of KPCL-I for amalgamation on 30 September 2014.

The revenue of corresponding year 2013 represents full year (12 months) performance of KPCL-I only.

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

	2014	2013
	Taka	Taka
<b>27 Cost of sales</b>		
Consumption of heavy fuel oil (HFO) and related expenses	5,897,439,324	6,650,107,795
Consumption of light fuel oil (LFO)	6,823,057	2,230,279
Consumption of lube oil	107,343,290	5,713,130
Consumption of spare parts	102,984,685	-
Employee expenses for plant	53,729,149	-
Other operation and maintenance costs	23,501,117	-
Contractual expenses for operation and maintenance*	-	408,666,265
Manned security services at plant site	3,277,284	2,052,403
Duty on spare parts	10,826,012	22,349,495
Depreciation of power plant	189,979,632	164,997,602
	<u>6,395,903,550</u>	<u>7,256,116,969</u>
<b>28 Other income</b>		
Project implementation fee	-	700,000,000
Spare parts and assets received from Wartsila at free of cost	31,530,634	-
Sale proceeds of sludge, used lube oil, empty drums	4,903,535	-
	<u>36,434,169</u>	<u>700,000,000</u>
<b>29 General and administrative expenses</b>		
Salary and allowances	20,869,740	19,871,450
Employer's contribution to P.F.	876,900	796,900
Gratuity provision	1,649,261	1,476,603
Earned leave provision	623,401	584,373
Leave fare assistance	435,246	401,399
Office rent and maintenance	5,241,851	4,119,325
Telephone, fax and e-mail	476,629	383,208
Advertisement, publicity, press and seminar	1,598,439	938,884
Entertainment expenses	85,305	153,611
Bank charges and commission	345,655	779,443
Printing, postage and stationeries	808,746	442,397
Travel and conveyance	1,426,551	681,591
Vehicle fuel and maintenance	202,515	265,738
Newspapers, books and periodicals	20,848	21,145
Business promotion, subscription, gift and donation	3,025,381	2,144,016
Uniform and liveries	26,470	28,370
Insurance premium	13,459,373	8,351,680
Lease rent - BPDB (Note 29.1)	3,695,033	3,452,582
Directors' fees and board meeting expenses	585,625	521,148
Auditor's fee	455,500	456,500
Legal, tax and other professional fees	1,986,427	1,144,906
Survey, testing and inspection fees	619,325	219,248
Company matters & share related expenses	2,117,926	2,260,865
Performance bond/bank guarantee charges	6,361,585	539,926
Environmental compliance expenses	312,720	622,788
Computer consumable and maintenance	713,741	427,153
River intake dredging	-	195,000
General Meeting (AGM/EGM) expenses	8,001,200	8,970,451
Depreciation - Other property, plant and equipment	3,334,458	840,336
VAT expenses	-	36,492,891
Amalgamation expenses	354,176	-
Miscellaneous and incidental expenses	75,997	70,405
	<u>79,786,024</u>	<u>97,654,332</u>

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

### 29.1 Operating leases

KPCL-I and KPCL-II Ltd. are obligated under non-cancellable lease for use of land leased out by BPDB that are renewable on a periodic basis at the option of both lessor and lessee. During the year, the rental expenses under non-cancellable operating leases aggregated Tk. 3,695,033 (2013: Tk. 3,452,582).

### 30 Foreign exchange gain/(loss)

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

	2014	2013
	Taka	Taka
Service charges/Handling commission for fuel oil	(2,077,878)	25,039,503
US Dollar accounts	(2,270,333)	(1,311,483)
Term loan and interest on term loan -SCB	(5,795,891)	-
Term loan and interest on term loan -DEG/FMO	(553,211)	-
Accounts receivable -BPDB	13,724,733	-
O & M fee payable to Wartsila Bd. Ltd.	(558,273)	5,461,704
Others	(62,085)	-
	<u>2,407,062</u>	<u>29,189,724</u>

### 31 Finance income

Interest on bank deposits	108,836,414	97,321,063
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### 32 Finance expenses

Interest on:		
Term loan -SCB	7,087,571	-
Term loan -DEG/FMO (Note 32.1)	53,212,064	-
Working capital facility/Loans against FDRs	48,891,921	1,037,934
Annual agency fee -Security & Facility Agent	2,760,000	2,760,000
Other financial charges	909,307	-
Dividend on redeemable cumulative class 'A' preference shares	8,444,791	31,132,292
	<u>121,305,654</u>	<u>34,930,226</u>

**32.1** Including prepayment fee of Tk 29,137,500 paid to the lender (DEG/FMO) for early repayment of entire outstanding loan.

### 33 Income tax expenses

This amount represents income tax provision for the accounting year 2014 (Note 25 for details).

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

### 34 Earnings per share (EPS)

#### Basic earnings per share

The computation of EPS is given below:

	2014	2013
	Taka	Taka
a) Profit attributable to the ordinary shareholders	831,429,857	1,101,802,567
b) Weighted average number of ordinary shares outstanding	361,284,709	344,080,676
c) Restated weighted average number of ordinary shares outstanding		361,284,709
Earnings per share (EPS) (a/b)	2.30	3.20
Restated earnings per share (EPS) (a/c)		3.05

Since the bonus issue is an issue without consideration, the issue has been treated as if it occurred prior to the beginning of 2014, the earliest period reported for the purposes of EPS calculation.

Earnings per share (EPS) for the year 2014 represents amalgamated profit of three months (October-December 2014) performance of KPCL-II and KPCL-III and full year (12 months) performance of KPCL-I. Performance of first nine months (January-September 2014) of transferor Companies, Khulna Power Company Unit II Ltd/KPCL-II and Khanjahan Ali Power Company Ltd/KPCL-III have not been considered for EPS calculation as this has been transferred to Retained Earnings at the time of amalgamation on 30 September 2014.

#### 34.1 Diluted earnings per share

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

### 35. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

#### 35.1 Risk management framework

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

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

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

### 35.2 Credit risk

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

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

#### 35.2.1 Exposure to credit risk

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

	2014	2013
	Taka	Taka
Accounts receivable	2,996,823,853	1,269,278,015
Other receivables	66,948,887	26,062,911
Inter-company receivables	1,402,500	76,000,000
Deposits	14,997,561	1,151,386
Cash at bank	1,548,053,264	1,312,509,331
	4,628,226,065	2,685,001,643

#### 35.2.2 Aging of receivables

Neither past due nor impaired	725,821,394	165,373,594
Past due 1-30 days	994,723,805	356,082,704
Past due 31-60 days	855,621,952	434,934,886
Past due 61-90 days	4,931,608	-
Past due 91-120 days	3,997,478	-
Past due above 120 days	411,727,616	312,886,831
	2,996,823,853	1,269,278,015

### 35.3 Capital management

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

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

### 35.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Moreover, the Company seeks to maintain short term lines of credit with scheduled commercial banks to ensure payment of obligations in the event that there is insufficient cash to make the required payment. The requirement is determined in advance through cash flows projections and credit lines facilities with banks are negotiated accordingly.

The following are the contractual maturities of financial liabilities:

Carrying amount	Contractual cash flows				
	Total	6 months or less	12-Jun months	2-Jan years	More than 2 years
Taka	Taka	Taka	Taka	Taka	Taka

#### 2014:

Non-derivative financial liabilities:

Redeemable preference shares	-	-	-	-	-	-
Term loan	-	-	-	-	-	-
Accounts payable	542,649,673	542,649,673	542,649,673	-	-	-
Accrued expenses and others	93,890,809	93,890,809	93,890,809	-	-	-
Source tax and VAT payable	86,773,983	86,773,983	86,773,983	-	-	-
Liability for interest and other financial charges	12,850,745	12,850,745	12,850,745	-	-	-
Unclaimed dividend	21,693,837	21,693,837	21,693,837	-	-	-
Income tax payable	132,500,000	132,500,000	132,500,000	-	-	-
	890,359,047	890,359,047	890,359,047	-	-	-

Derivative financial liabilities

	354,863,868	357,230,049	168,306,652	168,306,652	20,616,745	-
	1,245,222,915	1,247,589,096	1,058,665,699	168,306,652	20,616,745	-

Carrying amount	Contractual cash flows				
	Contractual Cash flows	6 months or less	12-Jun months	2-Jan years	More than 2 years
Taka	Taka	Taka	Taka	Taka	Taka

#### 2013 (Separate):

Non-derivative financial liabilities:

Redeemable preference shares	220,000,000	220,000,000	220,000,000	-	-	-
Accounts payable	2,706,473,591	2,706,473,591	2,706,473,591	-	-	-
Inter company payables	157,176,316	157,176,316	157,176,316	-	-	-
Accrued expenses and others	10,143,215	10,143,215	10,143,215	-	-	-
Source tax and VAT payable	44,109,088	44,109,088	44,109,088	-	-	-
Liability for interest and other financial charges	14,242,709	14,242,709	14,242,709	-	-	-
Unclaimed dividend	10,748,495	10,748,495	10,748,495	-	-	-
Income tax payable	33,175,355	33,175,355	33,175,355	-	-	-
	3,196,068,769	3,196,068,769	3,196,068,769	-	-	-

Derivative financial liabilities

	-	-	-	-	-	-
	3,196,068,769	3,196,068,769	3,196,068,769	-	-	-

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

### 35.5 Market risk

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

#### 35.5.1 Currency risk

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

(i) Exposure to currency risk

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

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

	2014	
	USD	EURO
Foreign currency denominated assets		
Accounts receivable	13,860,078	-
Other receivable	-	-
Cash at bank (dollar account)	39,872	-
	13,899,949	-
Foreign currency denominated liabilities		
Term loan	4,514,983	-
Accounts payable	4,538,500	-
Accrued expenses and others	-	-
Liability for interest and other financial charges	94,872	-
	9,148,355	-
Net exposure -assets/ (liabilities)	4,751,595	-

	2013	
	USD	EURO
Foreign currency denominated assets		
Accounts receivable	3,836,922	-
Cash at bank (dollar account)	55,832	-
	3,892,754	-
Foreign currency denominated liabilities		
Accounts payable	32,248,696	232,895
Accrued expenses and others	-	-
	32,248,696	232,895
Net exposure -assets/(liabilities)	(28,355,942)	(232,895)

The following significant exchange rates are applied:

	2014	2013
BDT/USD	78.93	78.23
BDT/EURO	97.63	105.35

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

### (ii) Foreign exchange rate sensitivity analysis

A change in foreign exchange rates would have affected the measurement of financial instruments denominated in a foreign currency and increased/(decreased) equity and profits or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2013, albeit that the reasonably possible foreign exchange rate variances were different for USD denominated items as indicated below:

	Profit or loss (Taka)		Equity (Taka)	
	Taka strengthening	Taka weakening	Taka strengthening	Taka weakening
<b>2014:</b>				
USD denominated assets (1%)	(10,971,230)	10,971,230	(10,971,230)	10,971,230
USD denominated liabilities (1%)	7,220,796	(7,220,796)	7,220,796	(7,220,796)
<b>2013:</b>				
USD denominated assets (1%)	(3,045,301)	3,045,301	(3,045,301)	3,045,301
USD denominated liabilities (1%)	25,228,155	(25,228,155)	25,228,155	(25,228,155)
EURO denominated liabilities (1%)	245,363	(245,363)	245,363	(245,363)

### 35.5.2 Interest rate risk

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

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

	Carrying amount (Taka)	
	2014	2013
	Taka	Taka
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Cash at bank	1,169,525,077	998,913,323
<b>Financial liabilities</b>		
Redeemable cumulative preference shares	-	220,000,000
Term loan	354,863,868	-
Liability for interest and other financial charges	12,850,745	14,242,709
<b>Floating rate instruments</b>		
<b>Financial assets</b>	-	-
<b>Financial liabilities</b>		
Term loan	-	-
Liability for interest and other financial charges	-	-

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

### 35.6 Accounting classifications and fair values

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

As at 31 December 2014

Notes	Carrying amount							
	Held for trading	Designated at fair value	Fair value hedging instruments	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
<b>Financial assets measured at fair value</b>								
<b>Financial assets not measured at fair value</b>								
Accounts receivable	7	-	-	-	2,996,823,853	-	-	2,996,823,853
Other receivables	8	-	-	-	66,948,887	-	-	66,948,887
Deposits	9	-	-	-	14,997,561	-	-	14,997,561
Inter-company receivables	11	-	-	-	1,402,500	-	-	1,402,500
Cash at bank	12	-	-	-	1,548,053,264	-	-	1,548,053,264
		-	-	-	4,628,226,065	-	-	4,628,226,065
<b>Financial liabilities measured at fair value</b>								
<b>Financial liabilities not measured at fair value</b>								
Term loan	16	-	-	-	-	-	354,863,868	354,863,868
Accounts payable	18	-	-	-	-	-	542,649,673	542,649,673
Working capital/short term loan	19	-	-	-	-	-	4,806,981,781	4,806,981,781
Accrued expenses and others	21	-	-	-	-	-	93,890,809	93,890,809
Source tax and VAT payable	22	-	-	-	-	-	86,773,983	86,773,983
Liability for interest and other financial charges	23	-	-	-	-	-	12,850,745	12,850,745
Unclaimed dividend	24	-	-	-	-	-	21,693,837	21,693,837
Income tax payable	25	-	-	-	-	-	132,500,000	132,500,000
		-	-	-	-	-	6,052,204,696	6,052,204,696

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

As at 31 December 2013

Notes	Carrying amount							
	Held for trading	Designated at fair value	Fair value hedging instruments	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
	-	-	-	-	1,269,278,015	-	-	1,269,278,015
	-	-	-	-	26,062,911	-	-	26,062,911
	-	-	-	-	1,151,386	-	-	1,151,386
	-	-	-	-	108,664,409	-	-	108,664,409
	-	-	-	-	1,312,509,331	-	-	1,312,509,331
	-	-	-	-	2,717,666,052	-	-	2,717,666,052

Financial assets measured at fair value

Financial assets not measured at fair value

Accounts receivable	7	-	-	-	1,269,278,015	-	-	1,269,278,015
Other receivables	8	-	-	-	26,062,911	-	-	26,062,911
Deposits	9	-	-	-	1,151,386	-	-	1,151,386
Inter-company loans and advances	10	-	-	-	108,664,409	-	-	108,664,409
Cash at bank	12	-	-	-	1,312,509,331	-	-	1,312,509,331
		-	-	-	2,717,666,052	-	-	2,717,666,052

Financial liabilities measured at fair value

Financial liabilities not measured at fair value

Redeemable cumulative preference shares	15	-	-	-	-	-	220,000,000	220,000,000
Accounts payable	18	-	-	-	-	-	2,706,473,591	2,706,473,591
Inter-company payables	20	-	-	-	-	-	157,176,316	157,176,316
Accrued expenses and others	21	-	-	-	-	-	10,143,215	10,143,215
Source tax and VAT payable	22	-	-	-	-	-	44,109,088	44,109,088
Liability for interest and other financial charges	23	-	-	-	-	-	14,242,709	14,242,709
Unclaimed dividend	24	-	-	-	-	-	10,748,495	10,748,495
Income tax payable	25	-	-	-	-	-	33,175,355	33,175,355
		-	-	-	-	-	3,196,068,769	3,196,068,769

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

36. Related party transactions and balance  
During the year, the Company carried out a number of transactions with related parties. In accordance with the provisions of BAS 24 Related Party Disclosures, these are detailed below:

Name of party	Nature of relationship	Nature of transactions	Balance as at	
			31 December 2014	31 December 2013
			Dr./(Cr.) Taka	Dr./(Cr.) Taka
United Summit Coastal Oil Ltd.	Subsidiary of ultimate parent	Fuel carrying bill Payment/adjustment	(97,745,119)	(137,575,939)
Khulna Power Company Unit II Ltd.	Subsidiary	Loan receipt Loan payment Adjustment for amalgamation	-	(157,176,316)
Khanjahan Ali Power Company Ltd.	Subsidiary	Lending Realised Loan receipt Loan payment Adjustment for amalgamation	-	108,664,409
Neptune Commercial Ltd.	Subsidiary of ultimate parent	Project implementation fee Adj. through inter-co. transaction	-	76,000,000
United Energy Trading Pte Ltd.	Subsidiary of ultimate parent	Arises due to amalgamation Fuel supply and related expenses Payment Opening balance as at 1-10-14	1,402,000	-
United Shipping & Logistic Services Ltd.	Subsidiary of ultimate parent	In-country fuel carrying Opening balance as at 1-10-14	(16,472,105)	-
Summit Asia Pacific Pte Ltd.	Subsidiary of ultimate parent	Fuel supply and related expenses Payment Opening balance as at 1-10-14	(14,910,454)	-
Summit Oil & Shipping Co. Ltd.	Subsidiary of ultimate parent	In-country fuel carrying Payment Opening balance as at 1-10-14	(44,437,384)	-

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

Name of party	Nature of relationship	Nature of transactions	Transactions during the year 2014	Transactions during the year 2013
			Taka	Taka
Key management personnel	Board of Directors	Fees of directors	410,000	340,000
	Key employees	Salary & allowances and long term benefits	9,480,325	9,559,082
		Bonus	2,506,000	2,404,500

## Notes to the Financial Statements

as at and for the year ended 31 December 2014

	2014	2013
	Taka	Taka
<b>37. Expenses/expenditures and revenue in foreign currency during the year</b>		
CIF value of imports:		
Spare parts	208,200,331	218,378,523
Capital items	127,916,148	-
	336,116,479	218,378,523
Expenditures:		
Heavy fuel oil cost	5,617,501,201	4,778,897,613
Operation and maintenance cost	-	372,929,998
Interest and prepayment fee of term loan	44,148,610	-
Others	312,720	92,212
	5,661,962,531	5,151,919,823
Earnings:		
Revenue	2,051,507,340	1,698,012,075

### 38. Bank guarantees and commitments

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

Particulars	Beneficiary	As at 31 December 2014	As at 31 December 2013
		Taka	Taka
Operation security deposit (KPCL-III)	BPDB	91,852,384	-
Operation security deposit (KPCL-II)	BPDB	288,063,500	-
Operation security deposit (KPCL-I)	BPDB	234,750,000	-
Security deposit (KPCL-II)	Padma Oil Co. Ltd.	273,250,000	-
Guarantee for debt service-KPCL-II)	DEG-FMO	604,536,765	-
		1,492,452,649	-



## Notes to the Financial Statements

as at and for the year ended 31 December 2014

### 39. Capacity

Name of the Company/Period	Licensed capacity (MW)	Installed capacity (MW)	Plant factor (% on licensed capacity)	Energy generated (MWh)	Energy sold (MWh)
<b>KPCL-I:</b>					
January to December 2014	110	114	Average 37.26	366,321	359,910
January to December 2013	110	114	Average 52.04	510,454	502,184
<b>KPCL-II:</b>					
October to December 2014	115	119	Average 33.67	87,011	85,453
<b>KPCL-III:</b>					
October to December 2014	40	44	Average 39.00	35,262	34,476

### 40. Events after reporting period

There have been no significant events after the reporting period that might require adjustment or disclosure in the financial statements.

### 41. General

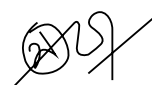
- 41.1** During the year the company had 134 permanent employees (Including plant) and their individual remuneration rate was not less than Tk 36,000 per annum (31 December 2013: 13 permanent employees).
- 41.2** Previous year's figures have been rearranged, wherever considered necessary, to conform to current year's presentation.



Managing Director



Director



Company Secretary



**KHULNA POWER COMPANY LTD.**

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

Khulna Power Company Ltd.

## Proxy Form

I/We.....of.....  
 ..... being a member of Khulna Power Company Ltd. hereby appoint  
 Mr./Ms.....of.....  
 as my proxy to attend and vote for me on my behalf at the 17th Annual General Meeting of the Company to be held at 10.30 a.m. on Thursday, the 25th June 2015 at the auditorium of **krishibid Institution Bangladesh**, Krishi Khamar Sarak, Farmgate, Dhaka-1215 and at any adjournment thereof.  
 Signed this .....day of ..... 2015.

Signature of the Shareholder (s)

Signature of the Proxy

Number of Shares held .....

BO ID No. (Proxy)

BO ID NO. (Shareholder)

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

Revenue Stamp

Signature Verified

Authorised Signatory



**KHULNA POWER COMPANY LTD.**

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

## SHAREHOLDERS' ATTENDANCE SLIP

I/We hereby record my attendance at the 17th Annual General Meeting of the Company to be held on Thursday, 10.30 a.m. on 25th June 2015 at the auditorium of **krishibid Institution Bangladesh**, Krishi Khamar Sarak, Farmgate, Dhaka-1215.

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

Signature Verified by

Signature of the Member

Authorised Signatory of the Company

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