Khulna Power Company Ltd.

Financial statements
as at and for the period ended 30 September 2016
(Unaudited)

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Khulna Power Company Ltd.
Statement of financial position

In Taka	*Note*	30 September 2016	30 June 2016
Assets			
Property, plant and equipment	*4*	**7,981,380,880**	8,066,468,690
Non-current assets		**7,981,380,880**	8,066,468,690
Inventories	*5*	**851,861,481**	1,412,512,087
Trade and other receivables	*6*	**3,367,564,287**	2,571,838,589
Advances, deposits and prepayments	*7*	**372,798,187**	320,710,509
Cash and cash equivalents	*8*	**985,271,272**	1,706,533,141
Current assets		**5,577,495,227**	6,011,594,326
Total assets		**13,558,876,107**	14,078,063,016
Equity			
Share capital	*9*	**3,612,847,090**	3,612,847,090
Capital redemption reserve	*10*	**325,647,810**	325,647,810
Retained earnings		**5,473,102,337**	4,959,773,972
Total equity		**9,411,597,237**	8,898,268,872
Liabilities			
Loans and borrowings	*11*	**-**	-
Deferred tax liability	*12*	**231,073,673**	221,073,673
Employee benefits	*13*	**26,482,048**	25,246,834
Asset retirement obligation (ARO)	*14*	**30,170,359**	30,170,359
Non-current liabilities		**287,726,080**	276,490,866
Loans and borrowings	*11*	**3,168,586,961**	3,353,470,736
Trade and other payables	*15*	**227,002,163**	1,038,673,326
Unclaimed dividend	*16*	**30,463,666**	112,659,216
Provision for income tax	*17*	**433,500,000**	398,500,000
Current liabilities		**3,859,552,790**	4,903,303,278
Total liabilities		**4,147,278,870**	5,179,794,144
Total equity and liabilities		**13,558,876,107**	14,078,063,016
Net asset value per share (NAVPS)		**26.05**	24.63
Restated net asset value per share (NAVPS)			24.63

The notes on pages 5 to 27 are an integral part of these financial statements.

Chairman | Managing Director | Director | Chief Financial Officer & Company Secretary

Dhaka, 14 November 2016

Khulna Power Company Ltd.
Statement of profit or loss and other comprehensive income

In Taka	*Note*	Quarter ended 30 September 2016	30 September 2015
Revenue	*18*	**2,556,534,746**	3,246,774,142
Cost of sales	*19*	**(1,963,049,098)**	(2,418,558,619)
Gross profit		**593,485,648**	828,215,523
Other income/(expense)	*20*	**1,037,234**	(459,245)
General and administrative expenses	*21*	**(23,048,053)**	(24,817,270)
Operating profit		**571,474,829**	802,939,008
Foreign exchange gain/(loss)		**2,728,548**	16,296,750
Finance income	*22*	**18,939,995**	13,464,109
Finance costs	*23*	**(34,815,007)**	(10,212,062)
Profit before tax		**558,328,365**	822,487,805
Income tax expense	*24*	**(45,000,000)**	(68,000,000)
Profit for the period		**513,328,365**	754,487,805
Other comprehensive income, net of tax		**-**	-
Total comprehensive income		**513,328,365**	754,487,805
Earnings per share (EPS)	*25*	**1.42**	2.09
Restated earnings per share (EPS)	*25*		2.09

The notes on pages 5 to 27 are an integral part of these financial statements.

Chairman | Managing Director | Director | Chief Financial Officer & Company Secretary

Dhaka, 14 November 2016

Khulna Power Company Ltd.
Statement of changes in equity

In Taka	Share capital	Capital redemption reserve	Retained earnings	Total
	For the three-month period ended 30 September 2016			
Balance at 1 July 2016	3,612,847,090	325,647,810	4,959,773,972	8,898,268,872
Total comprehensive income/(loss) for the period				
Profit for the period	-	-	513,328,365	513,328,365
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive income for the period	-	-	513,328,365	513,328,365
Transaction with owners of the Company				
Contributions and distributions				
Dividend	-	-	-	-
Total contributions and distributions	-	-	-	-
Total transaction with owners of the Company	-	-	-	-
Balance at 30 September 2016	3,612,847,090	325,647,810	5,473,102,337	9,411,597,237

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

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

The notes on pages 5 to 27 are an integral part of these financial statements.

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Khulna Power Company Ltd.
Statement of cash flows

In Taka	Quarter ended 30 September 2016	30 September 2015
Cash flows from operating activities		
Cash received from customer (BPDB)	**1,527,178,307**	2,910,434,850
Cash paid to suppliers	**(2,028,935,217)**	(3,987,080,440)
Received from other sources	**1,637,234**	3,179,314
Interest and other financial charges paid	**(35,559,507)**	(11,345,547)
Income tax paid	**(17,879,702)**	-
Net cash from operating activities	**(553,558,885)**	(1,084,811,823)
Cash flows from investing activities		
Payment for property, plant and equipment	**(202,738)**	(892,196)
Proceeds from disposal of fixed assets	**84,265,000**	-
Interest received	**15,314,080**	-
Net cash from/(used) in investing activities	**99,376,342**	(892,196)
Cash flows from financing activities		
Repayment of term loan	**-**	(84,705,826)
Working capital/short term loan received	**2,854,304,551**	4,338,662,650
Repayment of working capital/short term loan	**(3,039,188,327)**	(2,533,191,806)
Dividend paid to ordinary shareholders	**(82,195,550)**	(1,203,004,846)
Net cash from/(used in) financing activities	**(267,079,326)**	517,760,172
Net increase/(decrease) in cash and cash equivalents	**(721,261,869)**	(567,943,847)
Opening cash and cash equivalents	**1,706,533,141**	1,949,465,830
Closing cash and cash equivalents	**985,271,272**	1,381,521,983
Net operating cash flow per share (NOCFPS)	**(1.53)**	(3.00)
Restated net operating cash flow per share (NOCFPS)		(3.00)

The notes on pages 5 to 27 are an integral part of these financial statements.

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1 Reporting entity

1.1 Company profile

Khulna Power Company Ltd. ("the Company") was incorporated in Bangladesh on 15 October 1997 as a private limited company under the Companies Act 1994 and has subsequently been converted into public limited company on 19 July 2009. The plant came into operation on 13 October 1998 for 15 years and after successful completion of that tenor the Company was awarded extension for another 5 years starting from 12 October 2013. The address of the company's registered office is Landmark, 3rd floor, 12-14 Gulshan North C/A, Gulshan-2, Dhaka-1212, Bangladesh.

On 18 April 2010, the Company listed its shares with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. The authorised capital of the company is Tk 7,000,000,000 divided into 500,000,000 ordinary shares of Tk 10 each and 2,000,000 redeemable preference shares of Tk 1,000 each. Out of 2,000,000 redeemable preference shares, 1,100,000 were issued and fully paid up. These were redeemed on 14 May 2014. In 2010, the company took majority interest in two companies namely Khulna Power Company Unit II Ltd. and Khanjahan Ali Power Company Ltd. (hereinafter referred to as "the subsidiaries"). Both subsidiary companies were amalgamated with Khulna Power Company Ltd. with effect from 30 September 2014 pursuant to a Scheme of Amalgamation approved by the Honourable High Court Division of the Supreme Court on 22 March 2015.

1.2 Nature of business

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

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

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

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

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

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

Contract for Supply of Electricity on Rental Basis for 5 years with Bangladesh Power Development Board (BPDB) relating to KPCL-II expired on 31 May 2016 and KPCL-III expired on 28 May 2016. BPDB issued letters for continuing operation of KPCL-II and KPCL-III on 24 May 2016. Subsequently, on 28 September 2016 management had applied to BPDB for extension of the contract for both KPCL-II and KPCL-III for a further 5 years.

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

2 Basis of accounting

2.1 Statement of compliance

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

Detail of the Company's accounting policies are included in Note 30.

2.2 Authorisation for issue

The financial statements were authorised by the Board of Directors on 14 November 2016 for publication.

2.3 Functional and presentational currency and level of precision

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

2.4 Reporting period

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

3 Use of estimates and judgments

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

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

Assumptions and estimation uncertainties

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

Note 4	Property, plant and equipment
Note 5	Inventories
Note 13	Employee benefits
Note 14	Asset retirement obligations (ARO)
Note 17	Provision for income tax
Note 26	Contingencies

4 Property, plant and equipment

See accounting policies in Notes 30(C)

Reconciliation of carrying amount

In Taka	Land	Power plant	Motor vehicles	Building and construction	Furniture and fixtures	Office equipment	Office renovation	Total
Cost								
Balance at 1 January 2015	-	11,779,405,579	23,246,161	10,215,381	1,370,668	5,549,120	1,756,040	11,821,542,949
Additions	35,674,749	307,328,781	3,213,000	-	60,700	3,014,041	-	349,291,271
Adjustments/disposal	-	(268,767,830)	-	-	-	-	-	(268,767,830)
Balance at 31 December 2015	35,674,749	11,817,966,530	26,459,161	10,215,381	1,431,368	8,563,161	1,756,040	11,902,066,390
Balance at 1 January 2016	35,674,749	11,817,966,530	26,459,161	10,215,381	1,431,368	8,563,161	1,756,040	11,902,066,390
Additions	-	647,660	-	-	4,900	685	-	653,245
Adjustments/disposal	-	-	-	-	-	-	-	-
Balance at 30 June 2016	35,674,749	11,818,614,190	26,459,161	10,215,381	1,436,268	8,563,846	1,756,040	11,902,719,635
Balance at 1 July 2016	**35,674,749**	**11,818,614,190**	**26,459,161**	**10,215,381**	**1,436,268**	**8,563,846**	**1,756,040**	**11,902,719,635**
Additions	-	195,586	-	-	37,645	152,500	-	**385,731**
Adjustments/disposal	-	-	-	-	-	-	-	-
Balance at 30 September 2016	**35,674,749**	**11,818,809,776**	**26,459,161**	**10,215,381**	**1,473,913**	**8,716,346**	**1,756,040**	**11,903,105,366**
Accumulated depreciation								
Balance at 1 January 2015	-	3,356,744,641	11,312,523	9,507,289	1,082,485	3,650,982	1,404,836	3,383,702,756
Depreciation for the year	-	339,404,037	4,781,122	78,678	148,507	1,359,059	351,191	346,122,594
Adjustment for disposal	-	(65,082,784)	-	-	-	-	-	(65,082,784)
Balance at 31 December 2015	-	3,631,065,894	16,093,645	9,585,967	1,230,992	5,010,041	1,756,027	3,664,742,566
Balance at 1 January 2016	-	3,631,065,894	16,093,645	9,585,967	1,230,992	5,010,041	1,756,027	3,664,742,566
Depreciation for the period	-	168,474,004	2,390,565	39,335	40,747	563,728	-	171,508,379
Adjustment for disposal	-	-	-	-	-	-	-	-
Balance at 30 June 2016	-	3,799,539,898	18,484,210	9,625,302	1,271,739	5,573,769	1,756,027	3,836,250,945
Balance at 1 July 2016	-	**3,799,539,898**	**18,484,210**	**9,625,302**	**1,271,739**	**5,573,769**	**1,756,027**	**3,836,250,945**
Depreciation for the period	-	83,946,844	1,195,282	19,669	22,257	289,489	-	**85,473,541**
Adjustment for disposal	-	-	-	-	-	-	-	-
Balance at 30 September 2016	-	**3,883,486,742**	**19,679,492**	**9,644,971**	**1,293,996**	**5,863,258**	**1,756,027**	**3,921,724,486**
Carrying amounts								
At 31 December 2015	35,674,749	8,186,900,636	10,365,516	629,414	200,376	3,553,120	13	8,237,323,824
At 30 June 2016	35,674,749	8,019,074,292	7,974,951	590,079	164,529	2,990,077	13	8,066,468,690
At 30 September 2016	**35,674,749**	**7,935,323,034**	**6,779,669**	**570,410**	**179,917**	**2,853,088**	**13**	**7,981,380,880**

4.1 Allocation of depreciation

		Quarter Ended	
In Taka	*Note*	30 September 2016	30 September 2015
Cost of sales	*19*	**83,946,844**	75,727,591
General and administrative expenses	*21*	**1,526,697**	1,695,733
		85,473,541	77,423,324

5 Inventories

See accounting policies in Notes 30(B)

In taka	30 September 2016	30 June 2016
Heavy fuel oil (HFO)	**386,094,514**	570,756,621
Light fuel oil (LFO)	**3,236,180**	3,744,590
Lube oil	**26,264,657**	25,741,227
Chemical	**529,772**	604,262
Spare parts for plant maintenance	**433,450,855**	323,594,522
	849,575,978	924,441,222
Material-in-transit (HFO)	**-**	424,553,275
Material-in-transit (Spare parts)	**2,285,503**	63,517,590
	851,861,481	1,412,512,087

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6 Trade and other receivables

See accounting policies in Note 30(H)

In Taka	*Note*	30 September 2016	30 June 2016
Trade receivables	*6.1*	**3,289,016,983**	2,259,660,544
Other receivables	*6.2*	**78,547,304**	312,178,045
		3,367,564,287	2,571,838,589

6.1 Trade receivables

In Taka	*Note*	30 September 2016	30 June 2016
Capacity payment/Other monthly tariff		**294,924,798**	205,053,678
Rental payment	*6.2*	**671,915,225**	426,752,138
Energy payment (fuel payment)		**1,816,262,061**	1,202,826,241
Energy payment (variable operation & maintenance payment)	*6.3*	**505,914,899**	425,028,487
		3,289,016,983	2,259,660,544

6.2 Other receivables

In Taka	*Note*	30 September 2016	30 June 2016
BPDB (agreed charges paid to BIWTA)		**19,176,498**	19,176,498
FDR interest due from bank		**3,896,659**	270,744
Income tax authority (corporate tax deposition at the time of appeal)		**4,018,887**	4,018,887
BPDB on account of AIT for spare parts	*6.3*	**8,615,180**	8,615,180
IFDC Vulcan Energy (BD) Ltd.		**-**	-
Pragati Insurance Ltd for claim -Engine & Generator set		**33,106,459**	73,106,459
Wartsila -as compensation for broken Generator set		**6,338,029**	50,590,787
Summit Oil & Shipping Co. Ltd. - Fuel oil loan		**-**	152,854,396
BRAC Bank Limited for excess adjustment of fuel oil L/C payment		**-**	-
Lease rent adjustable/receivable - BPDB		**102,858**	117,552
DEG (on account of CSR program)		**1,531,301**	1,620,292
Neptune Commercial Ltd.		**1,402,500**	1,402,500
Others		**358,933**	404,750
		78,547,304	312,178,045

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

7 Advances, deposits and prepayments

See accounting policies in Note 30(H)

In Taka	30 September 2016	30 June 2016
Advances		
Padma Oil and Jamuna Oil for HFO supply	634,530	634,530
Advance Income Tax (AIT)	272,187,146	255,834,504
Advance Income Tax (TDS)	28,884,655	27,357,595
Advance Value Added Tax (VAT)	-	-
BIWTA for fuel oil landing charges	1,016,750	1,016,750
Advance against purchase of Jand	-	-
Advance to KPOSL	26,646,059	1,684,595
MJL Bangladesh Ltd. for Lube Oil supply	16,351,582	-
Paribartan, Khulna - CSR program	-	-
Loan to employees	333,465	425,967
Others	255,624	179,698
	346,309,811	287,133,639
Deposits		
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 license	250,000	250,000
Margin on bank guarantee for leasehold land -DBBL	13,662,500	13,662,500
Leasehold land for KPCL-II- BPDB	183,675	183,675
Others	28,000	23,500
	14,988,061	14,983,561
Prepayments		
General insurance premium (fire, fidelity, health, motor, etc.)	1,206,100	1,956,452
Leasehold land -BPDB	1,405,129	2,700,064
Insurance premium -Plant	8,718,554	13,936,793
Commission on bank guarantee -BRAC Bank	-	-
Commission on OSD for KPCL-II -DBBL Bank	170,532	-
	11,500,315	18,593,309
	372,798,187	320,710,509

8 Cash and cash equivalents

See accounting policies in Note 30(H)

In Taka	*Note*	30 September 2016	30 June 2016
Cash in hand		289,199	55,804
Cash at bank	*8.1*	984,982,073	1,706,477,337
		985,271,272	1,706,533,141

8.1 Cash at bank

In Taka	30 September 2016	30 June 2016
Current account:		
Citibank, NA (operating a/c # 129039 -Taka)	1,363,448	20,039,884
Citibank, NA (operating a/c # 129032 -US Dollar)	1,417,778	2,201,852
BRAC Bank Ltd. (A/c # 1501200976943001)	-	62,479,975
Pubali Bank Ltd. (A/c # 3555901037145)	17,668	17,668
Standard Bank Ltd. (A/c # 233011318)	37,179	37,179
Standard Chartered Bank (A/c # 01-5547202-01)	4,773,516	12,796,711
BRAC Bank Ltd. (A/c # 1501200976943002)	18,504,613	576,273,898
Jamuna Bank Limited (A/c # 0010-0210016685)	1,275	1,275
Bank Alfalah Limited (A/c # 01701501)	282,173	285,453
Bank Alfalah Limited (A/c # 03700154)	227,653	1,819,638
Exim Bank Limited (A/c # 6113100048474)	8,339,858	8,339,858
Standard Chartered Bank (A/c # 01-1110754-01)	196,196	197,531
Trust Bank Ltd. (A/c # 300210002865)	465,636	465,636
BRAC Bank Ltd. (A/c # 1501201870861002)	603	645,845
Bank Alfalah Ltd. (A/c # 03700161)	120,537	121,112
Prime Bank Ltd. (A/c # 13211030031363)	789,653	789,653
BRAC Bank Ltd. (A/c # 1501201870861001 -US Dollar)	-	-
BRAC Bank Ltd. (A/c # 1501201831046001)	183	-
Dutch-Bangla Bank Ltd. (A/c # 103110000019467)	4,379	4,494
Standard Chartered Bank (A/c # 01-114572701)	70,212	370,967
Trust Bank Ltd. (A/c # 300210002767)	166,195	166,195
Standard Chartered Bank (A/c # 01-1145727-02 -US Dollar)	-	-
	36,778,755	687,054,824
Special notice deposit (SND) account:		
BRAC Bank Ltd. (A/c # 1501100976943001)	40,340	40,340
BRAC Bank Ltd. (A/c # 1501101870861001)	642,290	642,290
Dutch Bangla Bank Ltd. (A/c # 107120000000671)	-	-
Dutch Bangla Bank Ltd. (A/c # 103120000001348)	240,763	240,877
Dutch Bangla Bank Ltd. (A/c # 103120000001381)	2,217	2,392
Standard Chartered Bank (A/c # 02111075401)	91,249	91,594
Standard Chartered Bank (A/c # 02114572701)	581,180	581,525
Citibank, NA (A/c # G010001200812006)	-	-
Trust Bank Ltd. (A/c # 300320000097)	-	-
Trust Bank Ltd. (A/c # 0018-0320000191)	166,151	166,151
Exim Bank Limited (A/c # 02813100365687)	199,815	199,815
BRAC Bank Ltd. -Dividend'09 distribution a/c	780,501	780,501
BRAC Bank Ltd. -Dividend'12 distribution a/c	3,008,149	3,008,149
BRAC Bank Ltd. -Dividend'13 distribution a/c	7,970,946	7,970,946
Bank Alfalah Ltd. -Dividend'14 distribution a/c	7,834,782	7,804,855
Bank Alfalah Ltd. -Interim dividend for the period ended 30 June 2016 distribution a/c	6,936,886	89,736,828
	28,495,269	111,266,263
Fixed deposit account (FDR):		
Trust Bank Ltd.	-	-
Janata Bank Ltd.	-	-
EXIM Bank Ltd.	919,708,049	908,156,250
BRAC Bank Ltd.	-	-
	919,708,049	908,156,250
	984,982,073	1,706,477,337

9 Share capital

See accounting policies in 30(l)

In Taka	30 September 2016	30 June 2016
Authorised		
500,000,000 ordinary shares of Tk 10 each	**5,000,000,000**	5,000,000,000
2,000,000 redeemable preference shares of Tk 1,000 each	**2,000,000,000**	2,000,000,000
	7,000,000,000	7,000,000,000
Issued, subscribed and paid up		
208,593,000 ordinary shares of Tk 10 each	**2,085,930,000**	2,085,930,000
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**	172,040,330
361,284,709 ordinary shares of Tk 10 each issued	**3,612,847,090**	3,612,847,090

Particulars of shareholding:

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

9.1 Percentage of shareholdings

In Taka	30 September 2016	30 June 2016
United Enterprises & Company Ltd.	**35.2823%**	35.2823%
Summit Corporation Limited	**17.6411%**	17.6411%
Summit Power Limited	**17.6411%**	17.6411%
Other sponsors	**0.0237%**	0.0237%
General investors	**29.4118%**	29.4118%
	100%	100%

10 Capital redemption reserve

See accounting policies in 30(P)

In Taka	30 September 2016	30 June 2016
Capital redemption reserve	325,647,810	325,647,810
	325,647,810	325,647,810

11 Loans and borrowings

See accounting policies in Notes 30(H)

In Taka	*Note*	30 September 2016	30 June 2016
Non-current liabilities	*11.1*	-	-
Current liabilities	*11.2*	3,168,586,961	3,353,470,736
		3,168,586,961	3,353,470,736

11.1 Non-current liabilities

In Taka	*Note*	30 September 2016	30 June 2016
Term loan			
Standard Chartered Bank Mauritius Ltd.		-	-
Less: Current portion		-	-
		-	-

11.2 Current liabilities

In Taka	30 September 2016	30 June 2016
Working capital/Short term loan		
Bank Alfalah Limited	834,423,890	888,679,935
Standard Chartered Bank	1,125,523,511	1,101,268,028
BRAC Bank Limited	150,000,000	148,304,785
Citibank, NA	1,058,639,560	1,215,217,988
	3,168,586,961	3,353,470,736
Standard Chartered Bank Mauritius Ltd. (current portion)	-	-
	3,168,586,961	3,353,470,736

12 Deferred tax liabilities

See accounting policies in Note 30(G)

In Taka	*Note*	30 September 2016	30 June 2016
Balance at beginning of the year		221,073,673	-
Deferred tax (income)/expense	*12.1*	10,000,000	221,073,673
		231,073,673	221,073,673

12.1 Deferred tax (income)/expense

In Taka		30 September 2016	30 June 2016
Deferred tax liabilities at the beginning of the year		221,073,673	-
Deferred tax liabilities at the end of the period/year	*12*	231,073,673	221,073,673
Deferred tax (income)/expense recognised		10,000,000	221,073,673

13 Employee benefits

See accounting policies in Note 30(K)

In Taka	*Note*	30 September 2016	30 June 2016
Staff gratuity	*13.1*	21,118,333	20,173,858
Earned leave encashment	*13.2*	5,363,715	5,072,976
		26,482,048	25,246,834

13.1 Staff gratuity

In Taka	30 September 2016	30 June 2016
Opening balance	20,173,858	20,285,478
Add: Provision made during the period/year	944,475	1,688,380
	21,118,333	21,973,858
Less: Paid during the period/year	-	(1,800,000)
Closing balance	21,118,333	20,173,858

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

13.2 Earned leave encashment

In Taka	30 September 2016	30 June 2016
Opening balance	5,072,976	5,064,230
Add: Provision made during the period/year	290,739	581,473
	5,363,715	5,645,703
Less: Paid during the period/year	-	(572,727)
Closing balance	5,363,715	5,072,976

14 Asset retirement obligations (ARO)

See accounting policies in Notes 30(J)

In Taka	30 September 2016	30 June 2016
Balance at the beginning of the year	30,170,359	28,541,584
Provision made during the period/year	-	1,628,775
Closing balance	30,170,359	30,170,359

15 Trade and other payables

See accounting policies in Note 30(H)

In Taka	*Note*	30 September 2016	30 June 2016
Trade payable	*15.1*	158,291,612	963,208,744
Payable for expenses and others	*15.2*	55,870,992	54,823,608
Payable for interest on loan	*15.3*	12,839,559	20,640,974
		227,002,163	1,038,673,326

15.1 Trade payable

In Taka	30 September 2016	30 June 2016
Fuel cost - Summit Asia Pacific PTE. Ltd	-	860,204,674
Fuel cost - United Energy Trading PTE. Ltd	31,614,488	-
Fuel carrying - Summit Oil & Shipping Co. Ltd./USCOL	69,671,106	75,965,730
Fuel carrying - United Shipping & Logistic Services Ltd.	26,558,390	19,381,332
Fuel storage - South Eastern Tank Terminal Ltd.	30,447,628	7,657,008
	158,291,612	963,208,744

15.2 Payable for expenses and others

In Taka	30 September 2016	30 June 2016
Withholding tax/VAT - O&M fees, professional fees and others	7,968,385	6,974,921
Electricity, gas and water	255,000	255,000
Auditor's fee	156,250	750,000
Legal and other professional fees	786,000	36,000
Lease rent payable - BPDB	677,766	607,929
Telephone, fax and e-mail	57,597	57,597
Employee expenses	11,203,247	14,064,963
Falcon Securities Ltd - plant manned security	509,178	25,694
Employees' provident fund	9,925,294	9,674,896
MJL Bd. Ltd.	-	1,527,987
Satcom IT Ltd.	-	180,000
Payable for other operating expenses	22,777,506	20,277,506
Commission payable on performance bond/guarantee	547,321	-
Others	1,007,448	391,115
	55,870,992	54,823,608

15.3 Payable for interest on loan

In Taka	30 September 2016	30 June 2016
Term loan - Standard Chartered Bank	-	-
Working capital/short term loan - Standard Chartered Bank	5,328,694	3,755,194
Working capital/short term loan - Bank Alfalah Limited	3,057,888	4,906,025
Working capital/short term loan - Citibank, NA	4,452,977	5,408,589
Working capital/short term loan - BRAC Bank Limited	-	6,571,166
	12,839,559	20,640,974

16 Unclaimed dividend

See accounting policies in Notes 30(R)

In taka	30 September 2016	30 June 2016
Final cash dividend for the year 2009	8,399,445	8,399,445
Final cash dividend for the year 2012	2,234,778	2,234,778
Final cash dividend for the year 2013	6,419,293	6,419,293
Final cash dividend for the year 2014	6,196,765	6,220,171
Interim cash dividend for the period ended 30 June 2016	7,213,385	89,385,529
	30,463,666	112,659,216

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

17 Provision for income tax

See accounting policies in Note 30(G)

In Taka	30 September 2016	30 June 2016
Balance at beginning of the year	398,500,000	132,500,000
Provision for the period/year	35,000,000	266,000,000
	433,500,000	398,500,000
Adjustment made for completion of assessment	-	-
Balance at end of the period/year	433,500,000	398,500,000

Provision for income tax consists of the following:

Income year 2016-2017	35,000,000	-
Income year 2015-2016	266,000,000	266,000,000
Income year 2014-2015	132,500,000	132,500,000
Balance at end of the period/year	433,500,000	398,500,000

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

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

18 Revenue

See accounting policies in Note 30(A)

	Quarter ended	
In Taka	30 September 2016	30 September 2015
Capacity payment	299,550,116	296,066,604
Rental payment	475,882,550	598,128,671
Energy payment - fuel payment	1,645,835,566	2,222,189,001
Energy payment - variable O & M payment	135,266,514	130,389,866
	2,556,534,746	3,246,774,142

19 Cost of sales

		Quarter ended	
In Taka	*Note*	30 September 2016	30 September 2015
Consumption of heavy fuel oil (HFO) and related expenses	*19.1*	1,730,762,927	2,173,267,620
Consumption of light fuel oil (LFO)		2,204,281	2,810,357
Consumption of lube oil		65,604,365	74,788,183
Consumption of spare parts	*19.1*	70,389,874	54,576,830
Employee expenses for plant		2,253,062	28,249,889
Other operation and maintenance costs		6,855,011	7,587,095
Manned security services at plant site		1,032,734	1,551,054
Depreciation of power plant		83,946,844	75,727,591
		1,963,049,098	2,418,558,619

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

20 Other Income/(expense)

	Quarter ended	
In Taka	30 September 2016	30 September 2015
Spare parts and assets received from Wartsila at free of cost	-	-
Sale proceeds of sludge, used lube oil and empty lube oil drums	1,037,234	2,571,596
Wartsila's O & M fee payable written-back	-	-
Gain/(loss) from disposal of assets	-	(3,030,841)
	1,037,234	(459,245)

21 General and administrative expenses

In Taka	Note	Quarter ended 30 September 2016	Quarter ended 30 September 2015
Salary and allowances		5,782,971	6,907,968
Employer's contribution to P.F.		257,100	253,475
Gratuity provision		465,288	298,590
Earned leave provision		290,739	215,949
Leave fare assistance		121,839	103,092
Office rent and maintenance		615,588	1,386,506
Telephone, fax and e-mail		133,456	100,019
Advertisement, publicity, press and seminar		127,350	678,521
Entertainment expenses		28,182	415
Bank charges and commission		49,634	87,788
Printing, postage and stationeries		39,147	391,165
Travel and conveyance		165,229	161,253
Vehicle fuel and maintenance		9,585	19,570
Newspapers, books and periodicals		5,752	6,715
Business promotion, subscription, gift and donation		1,786,897	2,642,253
Uniform and liveries		7,810	-
Insurance premium		5,318,485	5,384,155
Lease rent - BPDB		1,599,876	1,655,756
Directors' fees and board meeting expenses		-	40,000
Auditor's fee		156,250	156,249
Legal, tax and other professional fees		228,438	318,982
Survey, testing and inspection fees		10,350	408,391
Company matters & share related expenses		-	45,000
Performance bond/bank guarantee charges		895,964	1,630,016
Environmental compliance expenses		786,800	-
Computer consumable and maintenance		94,900	102,377
General Meeting (AGM/EGM) expenses		-	120,132
Depreciation - Other property, plant and equipment		1,526,697	1,695,733
Other operating expenses		2,500,000	-
Miscellaneous and incidental expenses		43,726	7,200
		23,048,053	24,817,270

22 Finance income

See accounting policies in Note 30(E)

In Taka	Quarter ended 30 September 2016	Quarter ended 30 September 2015
Interest on FDR and SND	18,939,995	13,464,109
	18,939,995	13,464,109

23 Finance costs

See accounting policies in Note 30(E)

	Quarter ended	
In Taka	30 September 2016	30 September 2015
Interest on:		
Term loan- SCB Mauritius	-	2,860,387
Working capital/Short term loans	34,815,007	6,420,973
Other financial charges	-	930,702
	34,815,007	10,212,062

24 Income tax expense

See accounting policies in Note 30(G)

		Quarter ended	
In Taka	*Note*	30 September 2016	30 September 2015
Current tax		35,000,000	68,000,000
Adjustment made for completion of assessment		-	-
Deferred tax (income)/expense	*12.1*	10,000,000	-
		45,000,000	68,000,000

25 Earnings per share (EPS)

See accounting policies in Note 30(Q)

25.1 Basic earnings per share

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

	Quarter ended	
In Taka	30 September 2016	30 September 2015
Profit attributable to the ordinary shareholders (basic)	513,328,365	754,487,805
No of shares outstanding	361,284,709	361,284,709
Earnings per share (EPS)	1.42	2.09
Restated earnings per share (EPS)		2.09

25.2 Diluted earnings per share

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

26 Contingencies

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

Name of the party	30 September 2016	30 June 2016
BPDB (for KPCL-I)	234,750,000	234,750,000
BPDB (for KPCL-II)	288,063,500	288,063,500
BPDB (for KPCL-III)	91,852,384	91,852,384
Padma Oil Co. Ltd.	273,250,000	273,250,000
	887,915,884	887,915,884

27 Capacity

Name of plants	Licensed capacity (MW)	Installed capacity (MW)	Plant factor (% on licensed capacity)	Energy generated (MW)	Energy sold (MW)
KPCL-I:					
July to September 2016	110	114	Average 53.95	131,314	129,160
July to September 2015	110	114	Average 51.75	127,649	125,555
KPCL-II:					
July to September 2016	115	119	Average 58.07	147,864	145,035
July to September 2015	115	119	Average 64.95	168,044	164,829
KPCL-III:					
July to September 2016	40	44	Average 72.91	65,071	63,524
July to September 2015	40	44	Average 50.32	45,481	44,400

28 Particulars of employees

During the period ended 30 September 2016 there were 13 (Excluding plant employees as they are no longer KPCL employee since 1 July 2016) permanent employees (30 June 2016: 111, including plant employees) who received salary of Tk 36,000 or above per year.

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29 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.

30 Significant accounting policies

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

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

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

A Revenue

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

B Inventories

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

C Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing to the location and condition necessary for it to be capable of operating in the intended manner. The cost of self constructed asset includes the cost of material, direct labour and any other cost directly attributable to bringing the assets to a working condition for their intended use. The costs of obligations for dismantling and removing the item and restoring the site (generally called 'asset retirement obligation') are recognised and measured in accordance with BAS 37: Provisions, Contingent Liabilities and Contingent Assets.

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

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

ii. Subsequent expenditure

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

iii. Depreciation

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

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

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

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

iv. Retirement and disposals

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

v. Capitalisation of borrowing cost

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

D Capital work in progress

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

E Finance income and finance cost

The Company's finance income and finance costs include:

- interest income; and
- interest expense.

Interest income is recognised on accrual basis.

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

F Foreign currency transaction

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

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

G Income tax

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

i. Current tax

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

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

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

ii. Deferred tax

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

a) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that effects neither accounting nor taxable profit or loss.

b) Temporary differences related to investment in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future, and

c) Taxable temporary differences arising on the initial recognition of good will.

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

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

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

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

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

H Financial instruments

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

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

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

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

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

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

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

ii. Non-derivative financial assets – Measurement

Financial assets at fair value through profit or loss

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

Held-to-maturity financial assets

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

Loans and receivables

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

Available-for-sale financial assets

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

iii. Non-derivative financial liabilities – Measurement

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

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

I Share capital

Ordinary shares

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

J Provisions

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

i. Asset retirement obligations (ARO)

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

corresponding adjustment to property, plant and equipment. The Company recognises ARO in respect of project's site based on the present value of expected expenditures required to settle the obligation. The periodic unwinding of the discount is recognised in profit or loss as a finance cost as and when it occurs.

K Employee benefits

i. Defined contribution plans (provident fund)

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The Company maintains a provident fund (CPF) for all local employees, recognised by the National Board of Revenue, Bangladesh. This is a defined contribution scheme as per BAS 19: Employee Benefits. All permanent employees contribute 10% of their basic salary to the provident fund and the Company also makes equal contribution.

ii. Defined benefit plans (gratuity)

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

iii. Defined earned leave encashment policy

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

L Workers' profit participation fund (WPPF)

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

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

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

M Impairment

i. Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

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

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

Financial assets measured at amortised cost

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

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

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

Available-for-sale financial assets

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

ii. Non-financial assets

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

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

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

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

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

N Leases

i. Determining whether an arrangement contains a lease

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

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

ii. Leased assets

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

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

iii. Lease payments

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

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

O Contingencies

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

i. Contingent liability

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

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

ii. Contingent asset

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

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

P Capital Redemption Reserve

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

Q Earnings per share (EPS)

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

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

R Dividends

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

S Statement of cash flows

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

31 Comparatives and rearrangement

Comparative information has been disclosed in respect of July-September, 2015 quarter for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current period's financial statements.

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

32 Going concern

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

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