

**Hoda Vasi
Chowdhury & Co**

To
the shareholders of
**United Power Generation
& Distribution Company Limited**
House # NW(J) - 6, Road # 51, Gulshan - 2
Dhaka - 1212
Bangladesh.

Audited Financial Statements
of
**United Power Generation & Distribution
Company Limited**

For the year ended 31 December 2010

Independent Correspondent Firm to **Deloitte Touche Tohmatsu**

Hoda Vasi Chowdhury & Co

Chartered Accountants

Independent Correspondent Firm to Deloitte Touche Tohmatsu

Auditors' Report To the shareholders of United Power Generation and Distribution Company Limited

We have audited the accompanying financial statements of United Power Generation & Distribution Company Limited, which comprise the balance sheet as at 31 December 2010, and the income statement, 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.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, 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 misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA) and Bangladesh Standards on Auditing (BSA). Those standards require that we comply with relevant 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation 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.

In our opinion, the financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) and Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the state of the company's affairs as at 31 December 2010 and of the results of its operations and cash flows for the year then ended and comply with, the Companies Act 1994 and other applicable laws and regulations.

We also report that;

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

Dhaka, 06 MAR 2011

Hoda Vasi Chowdhury Co.
Chartered Accountants

Hoda Vasi Chowdhury & Co

United Power Generation and Distribution Company Limited Balance Sheet As at 31 December 2010

| | Notes | As at 31 December | |
|--|-------|----------------------|----------------------|
| | | 2010 Taka | 2009 Taka |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment, net | 4.00 | 3,703,492,223 | 3,668,072,746 |
| Capital work-in-progress | | 174,262 | - |
| Pre-operational expenses | | 19,553,147 | 21,725,719 |
| | | 3,723,219,632 | 3,689,798,465 |
| Current assets | | | |
| Inventories | 5.00 | 87,577,173 | 28,625,829 |
| Trade and other receivables | 6.00 | 622,350,089 | 7,982,173 |
| Advance, deposits and prepayments | 7.00 | 47,372,759 | 98,624,797 |
| Cash and bank balances | 8.00 | 74,335,728 | 9,146,573 |
| | | 831,635,748 | 144,379,372 |
| Total assets | | 4,554,855,380 | 3,834,177,837 |
| EQUITY | | | |
| Shareholders' equity | | | |
| Share capital | 9.02 | 1,070,089,100 | 1,070,089,100 |
| Retained earnings | 10.00 | 1,093,544,217 | 193,264,743 |
| | | 2,163,633,317 | 1,263,353,843 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long term loan | 11.00 | 2,174,331,857 | 1,191,860,000 |
| | | 2,174,331,857 | 1,191,860,000 |
| Current liabilities | | | |
| Trade and other payables | 12.00 | 75,541,436 | 79,639,555 |
| Lease finance | 13.00 | 1,630,627 | 2,465,376 |
| Long term loan (Current portion) | 11.01 | 132,128,143 | - |
| Short term loan | 14.00 | - | 1,227,549,337 |
| Provisions for other liabilities and charges | | 7,590,000 | 69,309,726 |
| Total liabilities | | 216,890,206 | 1,378,963,994 |
| Total equity and liabilities | | 4,554,855,380 | 3,834,177,837 |

These financial statements should be read in conjunction with the annexed notes.


Company Secretary


Director


Managing Director

AUDITORS' REPORT TO THE SHAREHOLDERS
See annexed report

Dhaka, 06 MAR 2011


Chartered Accountants

**United Power Generation and Distribution Company Limited
Income Statement
For the year ended 31 December 2010**

| | <u>Notes</u> | <u>Figures in Taka</u> | |
|---|--------------|------------------------|--------------------|
| | | <u>2010</u> | <u>2009</u> |
| Revenue | 17.00 | 1,778,491,868 | 838,247,498 |
| Operating expenses | 18.00 | (673,310,436) | (378,978,719) |
| Gross profit | | 1,105,181,433 | 459,268,779 |
| Administrative expenses | 19.00 | (22,412,566) | (20,270,393) |
| Operating profit | | 1,082,768,866 | 438,998,386 |
| Other non-operating income | 20.00 | (338,384) | 521,100 |
| Financial expenses | 21.00 | (182,151,008) | (245,022,204) |
| Profit for the year | | 900,279,474 | 194,497,282 |
| Profit/ (Loss) carried forward from previous year | | 193,264,743 | (1,232,539) |
| Accumulated profit transferred to retained earnings | 10.00 | 1,093,544,217 | 193,264,743 |
| Earning Per Share (EPS) | 22.00 | 8.41 | 1.82 |

These financial statements should be read in conjunction with the annexed notes.

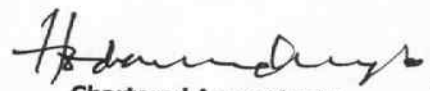

Company Secretary


Director


Managing Director

AUDITORS' REPORT TO THE SHAREHOLDERS
See annexed report

Dhaka, 06 MAR 2011


Chartered Accountants

United Power Generation and Distribution Company Limited
Cash Flow Statement
For the year ended 31 December 2010

| | Notes | Figures in Taka | |
|---|-------|----------------------|----------------------|
| | | 2010 | 2009 |
| A. Cash flows from operating activities | | | |
| Cash received from customers | 23.00 | 1,614,945,323 | 695,816,552 |
| Cash received from other operating income | | 2,141,425 | 521,100 |
| Cash paid to suppliers and contractors | 24.00 | (460,614,605) | (225,331,569) |
| Cash paid for other operating expenses | 25.00 | (101,235,900) | (38,751,209) |
| Payment of financial expenses | 26.00 | (243,870,735) | (284,527,264) |
| Net cash flow from operating activities | | 811,365,509 | 147,727,610 |
| B. Cash flows from investing activities | | | |
| Payment for acquisition of property, plant and equipment | 27.00 | (182,658,519) | (690,329,794) |
| Proceeds from sale of property, plant and equipment | | 1,087,623 | - |
| Net cash used in investing activities | | (181,570,896) | (690,329,794) |
| C. Cash flows from financing activities | | | |
| Ordinary Share Capital | | - | 252,420,500 |
| Share Money Deposit | | - | (25,800,000) |
| Term Loan received | 28.00 | 1,114,600,000 | 41,860,000 |
| Short Term Loan repaid | 29.00 | (1,227,549,337) | 160,274,562 |
| Loan to Related Companies | | (450,821,372) | 121,551,043 |
| Lease Finance | | (834,749) | 1,135,160 |
| | | (564,605,458) | 551,441,265 |
| D. Net cash (decrease)/ increase during the year (A+B+C) | | 65,189,155 | 8,839,081 |
| E. Opening balance | | 9,146,573 | 422,691 |
| Closing balance (D+E) - Note 8 | | 74,335,728 | 9,261,772 |

These financial statements should be read in conjunction with the annexed notes.


Company Secretary


Director


Managing Director

United Power Generation and Distribution Company Limited
Notes to the financial statements
For the year ended 31 December 2010

1. Corporate history of reporting entity

United Power Generation & Distribution Company Ltd. (UPGD) ("the company") formerly known as Malancha Holdings Ltd. (MHL) was incorporated in Bangladesh on 15th January 2007 and changed to the existing name and style on 1st October 2009 as a private limited company under the Companies Act 1994 and converted into Public Company Limited by Shares on 30 December 2010. The company has developed two power plants one of them is of capacity of 41 MW at Dhaka Export Processing Zone (DEPZ) and another is of capacity of 44 MW at Chittagong Export Processing Zone (CEPZ) premises under two agreements with Bangladesh Export Processing Zones Authority (BEPZA) signed on May 6, 2007 and May 16, 2007 respectively. The DEPZ plant came into Commercial Operation on 26th December 2008 and the CEPZ plant came into Commercial Operation on 12 August 2009. The address of the company's registered office is United Center, Road No. 51, and House No. NW (J) 6, Gulshan-2, Dhaka-1212, Bangladesh. The authorized share capital of the company is Tk. 1,000,00,00,000 (Taka One Thousand crore) only divided into 100,00,00,000 (One hundred crore) shares of Tk. 10 (Ten) each.

2. Corporate business

The principal activity of the company is to set up two gas fired power plants one at Dhaka EPZ 41 MW capacity and the other at Chittagong EPZ 44 MW capacity for generation of electricity to sell generated power to the export processing industries located inside DEPZ and CEPZ with the provision of selling surplus power outside the EPZ after fulfilling their requirement. The company is supplying electricity to the national grid of Bangladesh through selling the same to Dhaka PBS-1 of REB and Bangladesh Power Development Board (BPDB)

3. Summary of significant accounting and valuation policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The specific Accounting Policies selected and applied by the company's management for significant transactions and events that have a material effect within the framework of IAS-1 (Presentation of Financial Statements) in preparation and presentation of financial statements. Compared to the previous year, there were no significant changes in the accounting and valuation principles affecting the financial position and performance of the company. Accounting and valuation methods are disclosed for reasons of clarity.

3.1 Basis of preparation of the financial statements

(a) Accounting Standards

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB).

(b) Accounting Convention

The financial statements are prepared under the historical cost convention. The company classified the expenses using the function of expenses method as per IAS-1.

3.3 Property, Plant and Equipment

Tangible fixed assets are accounted for according to IAS 16 (Property, Plant and Equipment) at historical cost or revaluation less cumulative depreciation and the Capital work-in-progress is stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on the assets is calculated using the straight-line method to allocate their cost or revalued amounts over their estimated useful lives. In respect of addition of fixed assets, depreciation is not charged in the year of addition. Full year's depreciation is charged in the year of disposal.

| Category of assets | Rate depreciation (%) |
|-------------------------|-----------------------|
| Plant and machinery | 3.33% |
| Gas Pipe Line | 2% (50 Years) |
| Furniture and equipment | 10% to 20% |
| Transport and vehicles | 10% |

3.4 Pre-Operating Expenses

Pre-Operating Expenses is shown at historical cost and to be amortized over 10 years considering its useful life.

3.5 Inventories

Inventories are valued in accordance with IAS 2 (Inventories) at the lower of cost and net realizable value. Net realizable value is based on estimated selling price in the ordinary course of business less any further costs expected to be incurred to make the sale. Inventories are measured at 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 recognized in the period in which the related revenue is recognized.

3.6 Trade and other receivables

Trade accounts receivable are carried at original invoice amount.

3.7 Cash and cash equivalents

It includes cash in hand, bank deposits and other short term highly liquid investments with original maturities of three months or less which were held and available for use by the company without any restriction, and there was insignificant risk of changes in value of these current assets.

3.8 Borrowings

Borrowings are classified into both current and non-current liabilities. Moreover in compliance with the requirements of IAS 23 (Borrowing Costs), interest and other costs incurred by the company in connection with the borrowing of funds are recognized as an expense in the period in which they are incurred.

3.9 Liabilities

Liabilities are classified according to current and non-current in nature.

(a) Trade and other payables

Liabilities are recorded at the amount payable for settlement in respect of goods and services received by the company.

(b) Provisions

Provisions are liabilities of uncertain timings or amount. Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be repaid to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions for employee benefits and similar other liabilities are determined in accordance with IAS 19. All remaining provisions are recognized by making the best estimate of the amounts in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent assets).

3.10 Contingent liabilities and assets

Contingent liabilities and assets are current or possible obligations or assets, arising from past events and whose existence is due to the occurrence or non-occurrence of one or more uncertain future events which are not within the control of the company. In accordance with IAS 37, they are disclosed in the notes to the financial statements.

3.11 Revenue recognition

- a. The company recognizes sales when services are provided and invoiced and dispatched to the buyers.
- b. Interest income on bank deposits and short-term investments are recognized on receipt or due basis.
- c. Other income is recognized on receipt or due basis.

3.12 Advertising and Promotional Expenses:

All costs associated with advertising and promotional activities are charged out in the year incurred.

3.13 Repair, upkeep and maintenance charges

These are usually charged out as revenue charges.

3.14 Basis of allocation of depreciation in different overheads are as follows:

Basis of allocation of depreciation in different overheads are as follows:

| | |
|------------------------|------|
| Operational Expense | 99 % |
| Administrative Expense | 01 % |

3.15 Income tax

(a) Current income tax

No provision for taxation has made, as there is no tax for the first 15 years for the power company as per the SRO ref: 188-Law/Income Tax/2009—Income Tax ordinance, 1984 (XXXVI of 1984) dated 01 July 2009.

3.16 Cash flow statement

Statement of Cash Flows is prepared principally in accordance with IAS 7 (Cash Flow Statement) and the cash flows from operating activities have been presented under direct method.

3.17 Consolidation

The financial statements comprised consolidated accounts of Dhaka EPZ unit & Chittagong EPZ Unit.

Notes to the Balance Sheet - Assets

4.00 Property, Plant and Equipment, note 3.3

| Particulars | Plant and Machinery | Gas Line | Equipment | Furniture and Fixtures | Transport and vehicles | Total |
|--|----------------------|--------------------|------------------|------------------------|------------------------|----------------------|
| | Taka | Taka | Taka | Taka | Taka | Taka |
| Cost or revaluation | | | | | | |
| At 1 January 2009 | 1,571,374,870 | 95,826,199 | 434,060 | 98,025 | 1,652,361 | 1,669,385,515 |
| Addition | 2,005,731,514 | 52,256,184 | 342,673 | 17,200 | 2,323,975 | 2,060,671,546 |
| Disposal | - | - | - | - | - | - |
| 31 December 2009 | 3,577,106,384 | 148,082,383 | 776,733 | 115,225 | 3,976,336 | 3,730,057,061 |
| Depreciation | | | | | | |
| 1 January 2009 | - | - | - | - | - | - |
| Depreciation charged during the year, note 4.1 | 52,326,783 | 9,582,620 | 65,109 | 9,803 | - | 61,984,315 |
| Disposal | - | - | - | - | - | - |
| 31 December 2009 | 52,326,783 | 9,582,620 | 65,109 | 9,803 | - | 61,984,315 |
| Net book value at 31 December 2009 | 3,524,779,601 | 138,499,763 | 711,624 | 105,422 | 3,976,336 | 3,668,072,746 |
| Cost or revaluation | | | | | | |
| At 1 January 2010 | 3,577,106,384 | 148,082,383 | 776,733 | 115,225 | 3,976,336 | 3,730,057,061 |
| Additions | 157,595,121 | 1,792,889 | 1,569,000 | 200,100 | 1,260,500 | 162,417,610 |
| Disposal | (3,321,196) | (1,170,120) | - | - | - | (4,491,316) |
| 31 December 2010 | 3,731,380,309 | 148,705,152 | 2,345,733 | 315,325 | 5,236,836 | 3,887,983,355 |
| Depreciation | | | | | | |
| 1 January 2010 | 52,326,783 | 9,582,620 | 65,109 | 9,803 | - | 61,984,315 |
| Depreciation charged during the year, note 4.1 | 119,117,643 | 2,974,103 | 116,510 | 11,523 | 397,634 | 122,617,413 |
| Disposal | (110,596) | - | - | - | - | (110,596) |
| 31 December 2010 | 171,333,830 | 12,556,723 | 181,619 | 21,326 | 397,634 | 184,491,132 |
| Net book value at 31 December 2010 | 3,560,046,479 | 136,148,429 | 2,164,114 | 293,999 | 4,839,202 | 3,703,492,223 |

4.01 The make-up of depreciation expense, note 4

| | Figures in Taka | |
|------------------------|--------------------|-------------------|
| | 2010 | 2009 |
| Operating Expenses | 121,391,239 | 61,364,472 |
| Administrative expense | 1,226,174 | 619,843 |
| | 122,617,413 | 61,984,315 |

4.02 The Board of Directors have re-estimated the useful life of Gas line and accordingly depreciation rate have been revised in order to write off the assets within the remaining useful life of Gas line.

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5.00 Inventories, note 3.5

| | Figures in Taka | |
|---------------------|-------------------|-------------------|
| | 2010 | 2009 |
| Spare Parts | 83,814,252 | 28,625,829 |
| Fuel and Lubricants | 3,762,921 | - |
| | 87,577,173 | 28,625,829 |

6.00 Trade and other receivables, note 3.6

Trade receivables represents-

| | | |
|--|--------------------|------------------|
| Dhaka Export Processing Zone Authority (BEPZA)-DEPZ | 62,732,863 | 41,207,296 |
| Rural Electrification Board-REB | 37,417,253 | 15,136,511 |
| Oli Knitting Fabrics Ltd | 3,615,793 | 1,712,873 |
| Chittagong Export Processing Zone Authority (BEPZA)-CEPZ | 54,882,574 | 38,854,006 |
| Bangladesh Power Development Board-PDB | 149,219,040 | 21,953,352 |
| Intercompany receivable/(Payable) (Note-6.01) | 309,468,641 | (141,352,731) |
| Titas Gas Transmission & Distribution Company Ltd. | - | 20,003,866 |
| Bakhrabad Gas Systems Ltd. | - | 10,107,376 |
| Rural Electrification Board against excess VAT deduction | - | 359,624 |
| Westmont Power (Bangladesh) Ltd. | 5,013,925 | - |
| | 622,350,089 | 7,982,173 |

6.01 Inter Company Receivable/(payable):

| | | |
|----------------------------|--------------------|----------------------|
| United Enterprise & Co. | 425,880,441 | (141,352,731) |
| United Ashugong Power Ltd. | 3,580,000 | - |
| Neptune Propertise | (119,991,800) | - |
| | 309,468,641 | (141,352,731) |

Trade and other receivables were stated at their nominal value and considered good.

Trade and other receivables were accrued in the ordinary course of business and no amount was due by the Directors (including Managing Director), manager and other officers of the company and any of them severally or jointly with any other person.

7.00 Advances, Deposits and Prepayments

| | | |
|---|-------------------|-------------------|
| Advance paid to suppliers and employees | 20,508,251 | 7,006,898 |
| Security and other deposits | 23,816,508 | 91,617,899 |
| Prepaid expenses | 3,048,000 | - |
| | 47,372,759 | 98,624,797 |

7.01 Advance to employees includes advances made against salary. Advances to various parties against expenses including land lease rent, C&F expenses, etc.

7.02 Advance for capital expenditure represents partial payment to vendor against running bills for civil & mechanical works.

7.03 Deposits include Bank Guarantee Margin and L/C margin.

7.04 Prepayments against expenses represents advance payments against insurance premium and BERC licence fees.

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8.00 Cash and bank balances, note 3.7

| | Figures in Taka | |
|--|-------------------|------------------|
| | 2010 | 2009 |
| Cash in hand | 157,998 | 173,775 |
| Cash at bank on current account with- | | |
| Dhaka Bank Ltd.- Local Office | 3,122,221 | 1,687,955 |
| Dhaka Bank Ltd. - F EX. Branch | 697,286 | - |
| Citi Bank-NA | 41,882 | 3,606 |
| Standard Chartered Bank | 28,877 | 25,799 |
| One Bank Limited | 23,163 | 21,098 |
| Mercantile Bank Limited | 53,291 | 178,289 |
| Dutch Bangla Bank Ltd.-Gulshan Branch | 6,006 | 7,501 |
| AB Bank Ltd.-Gulshan Br. | 7,942 | 12,179 |
| Standard Bank Ltd.-Principal Br. | 16,134 | 17,704 |
| Bank -Al - Falah | 19,650 | 20,810 |
| The City Bank Ltd.-Gulshan Br. | 22,135 | 188,327 |
| Prime Bank Limited.-Banani Br. | 2,627 | 16,247 |
| Shahjalal Islami Bank Ltd.-Gulshan Branch | - | 8,835 |
| Dutch Bangla Bank Ltd.-Banani Branch | 62,131,073 | 1,400 |
| Shahjalal Islami Bank Ltd.-Main Branch | 19,355 | 20,575 |
| National Bank Ltd.-Gulshan Branch | 15,128 | 23,982 |
| Eastern Bank Ltd.-Gulshan branch | 7,970,960 | 6,738,493 |
| | 74,177,730 | 8,972,798 |
| | 74,335,728 | 9,146,573 |

Notes to the Balance Sheet - Equity and Liabilities

9.00 Share capital

As per the disclosure requirements laid down in schedule under the rule 12(2) of the Securities and Exchange Rules 1987, the followings are the part and parcel of share capital:

9.01 Authorised share capital

The total authorised number of ordinary shares is 1000 million shares (2009: 30 million shares) with a face value of Taka 10 per share (2009: Taka 100 per share).

9.02 Issued, subscribed and paid-up capital

Number of shares
Subscribed share capital (Taka)

| Figures in Taka | |
|----------------------|----------------------|
| 2010 | 2009 |
| 107,008,910 | 10,700,891 |
| 1,070,089,100 | 1,070,089,100 |

As of 31 December 2010, the share capital amounts to Taka 107,00,89,100 and is divided into 10,70,08,910 ordinary shares of Taka 10.00 each. All issued shares are fully paid.

9.03 Movement in the subscribed share capital

1 January 2010
31 December 2010

| Taka | Number |
|----------------------|--------------------|
| 1,070,089,100 | 10,700,891 |
| 1,070,089,100 | 107,008,910 |

9.04 Position of shareholding

Name of Shareholders:
Hasan Mahmood Raja
Ahmed Ismail Hossain
Akhter Mahmud Rana
Khandaker Moinul Ahsan Shamim
Faridur Rahman Khan
Abul Kalam Azad
Moinuddin Hasan Rashid
Mahmuduzzaman Khan
United Enterprises & Co. Ltd

| % | | Figures in Taka | |
|-------|--------|----------------------|----------------------|
| 2010 | 2009 | 2010 | 2009 |
| 8.58% | 5.33% | 91,855,600 | 57,080,000 |
| 8.58% | 1.12% | 91,855,600 | 12,000,000 |
| 8.58% | 1.12% | 91,855,600 | 12,000,000 |
| 8.58% | 1.12% | 91,855,600 | 12,000,000 |
| 2.38% | 0.75% | 25,515,400 | 8,000,000 |
| 2.38% | 0.75% | 25,515,400 | 8,000,000 |
| 8.58% | 0.05% | 91,855,600 | 520,000 |
| 0.31% | 0.31% | 3,334,000 | 3,334,000 |
| 52.0% | 89.45% | 556,446,300 | 957,155,100 |
| | | 1,070,089,100 | 1,070,089,100 |

9.05 Classification of shareholders' by holding

5,001 to 20,000 shares
20,001 to 50,000 shares
50,001 to 1,000,000 shares
over 1,000,000 shares

| Number of holders | |
|-------------------|----------|
| 2010 | 2009 |
| - | 1 |
| - | 1 |
| 1 | 6 |
| 8 | 1 |
| 9 | 9 |

9.06 Option on un-issued shares

There is no option on un-issued share capital

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10.00 Retained Earnings

Opening balance
Amount carried forward from income statements
Accumulated profit transferred to Balance Sheet

| Figures in Taka | |
|----------------------|--------------------|
| 2010 | 2009 |
| 193,264,743 | (1,232,539) |
| 900,279,474 | 194,497,282 |
| 1,093,544,217 | 193,264,743 |

11.00 Long term loan

Dhaka Bank Ltd.
Dutch Bangla Bank Ltd

| | |
|----------------------|----------------------|
| 985,524,474 | 423,200,000 |
| 1,188,807,383 | 768,660,000 |
| 2,174,331,857 | 1,191,860,000 |

11.01 Current portion of long term loan

Dhaka Bank Ltd.
Dutch Bangla Bank Ltd

| | |
|--------------------|---|
| 52,375,526 | - |
| 79,752,617 | - |
| 132,128,143 | - |

a) Dhaka Bank Limited

This is a syndicated loan arranged by Dhaka Bank Ltd. Total facility amount is Taka 115.00 crore, out of which Investment Promotion and Financing Facility (IPFF) fund was Taka 92.00 crore and the remaining Taka 23.00 crore was syndicated term loan.

a) Interest rate:

For IPFF loan : 360 days Bangladesh Bank Treasury bill rate plus 0.50%(IPFF margin) plus 2.50%(PFI's margin).
For Non-IPFF Syndicated Loan: 12.00% p.a.

b) Tenor: For IPFF Door -to-Door 120 months (10 years) from the date of disbursement.

c) Repayment: For IPFF- 34 equal quarterly installments. And for non-IPFF- 21 equal installments.

d) Purpose: To pay off the Syndicated term loan arranged by SCB and IDLC.

b) Dutch-Bangla Bank Limited

This is a syndicated loan arranged by Dutch-Bangla Bank Limited. Total facility amount is Taka 135.00 crore, out of which Investment Promotion and Financing Facility (IPFF) fund was Taka 108.00 crore and the remaining Taka 27.00 crore was term loan.

a) Interest rate:

For IPFF loan : 360 days Bangladesh Bank Treasury bill rate plus 0.50%(IPFF margin) plus 2.10%(PFI's margin).
For Non-IPFF Syndicated Loan: 13.00% p.a.

b) Tenor: For IPFF Door -to-Door 120 months (10 years) from the date of disbursement.

c) Repayment: 28 equal quarterly installments.

d) Purpose: To pay off the short term loans with other banks.

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12.00 Trade and other payables, note 3.9

The make-up:

Trade payables
Creditors for other finance, note 12.1
Creditors for revenue expenses, note 12.2
Creditors for capital expenditure

| Figures in Taka | |
|-------------------|-------------------|
| 2010 | 2009 |
| * | |
| 47,186,851 | 29,132,930 |
| 1,372,373 | 26,044,048 |
| 5,465,036 | 6,855,991 |
| 21,517,176 | 17,606,586 |
| 75,541,436 | 79,639,555 |

* Trade payables consists of gas bills of the plants payable to Titas Gas Transmission & Distribution Company Limited and Bakhrabad Gas Systems Limited.

12.01 Creditors for other finance, note 12

Payable to Oli knitting and Fabrics
VAT deduction at source
Tax deduction at source
Payable to employees P.F Fund

| | |
|------------------|-------------------|
| 802,050 | 802,050 |
| 293,869 | 94,640 |
| - | 25,147,358 |
| 276,454 | - |
| 1,372,373 | 26,044,048 |

12.02 Creditors for revenue expenses, note 12

Mobile Bill
Salary and allowances
Directors Remuneration
Utility Bill
Security Expenses
Service charge-DEPZ
Service charge-CEPZ
Vehicle lease Installment
Medical Expenses
Audit Fees

| | |
|------------------|------------------|
| 15,000 | 22,048 |
| 1,459,644 | 1,299,108 |
| 460,000 | 460,000 |
| 8,123 | 17,689 |
| 251,918 | 165,290 |
| - | 3,110,001 |
| 3,022,011 | 1,608,935 |
| - | 126,240 |
| 8,340 | 16,680 |
| 240,000 | 30,000 |
| 5,465,036 | 6,855,991 |

13.00 Lease Finance

United Leasing Company Limited
National Bank Ltd.

| | |
|------------------|------------------|
| 727,247 | 1,053,253 |
| 903,380 | 1,412,123 |
| 1,630,627 | 2,465,376 |

14.00 Short term loan

Mercantile Bank Ltd.
Eastern Bank Ltd.
Dutch Bangladesh Bank Ltd.
Shahjalal Islami Bank Ltd.
Uttara Finance Ltd.

| | |
|---|----------------------|
| - | 376,800,000 |
| - | 200,000,000 |
| - | 749,337 |
| - | 150,000,000 |
| - | 500,000,000 |
| - | 1,227,549,337 |

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15.00 Contingent assets

The company has raised a claim to BEPZA amounting to Taka 38,85,21,161 due to losses caused to it by the claimant's obligation to provide vacant possession of land and gas connection which resulted in delayed commercial operation date.

16.00 Contingent liabilities and commitments

| | Figures in Taka | |
|---|--------------------|--------------------|
| | 2010 | 2009 |
| i) Contingent liabilities | | |
| Bank Guarantees issued by Shahjalal Islami Bank Ltd. with 5 % margin in favour of Bangladesh Export Processing Zone (BEPZA). | 117,000,000 | 117,000,000 |
| Bank Guarantees issued by One Bank Ltd. with 10 % margin in favour of TITAS GasTransmission and Distridution Company Limited. | 78,790,400 | 78,790,400 |
| ii) Financial Commitments | | |
| Confirmed irrevocable letters of credit | 86,529,905 | - |
| iii) Capital expenditure authorised but not contracted for | - | - |
| iv) Capital expenditure authorised and committed for | - | - |
| iv) There was no claim against and/or favouring the Company- not acknowledged as debts payable and /or receivable | - | - |
| | 282,320,305 | 195,790,400 |

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Notes to the Income Statement

17.00 Revenue, note 3.11

Sale of Electricity

| Figures in Taka | |
|----------------------|--------------------|
| 2010 | 2009 |
| 1,778,491,868 | 838,247,498 |
| 1,778,491,868 | 838,247,498 |

In 2010, Electricity sale of the company increased by Taka 940,244,310 as compared to the year 2009 mainly due to the generation and sale of electricity from the new power plant at CEPZ and increase of electricity selling price per unit. Net sales increased by 112.17%.

18.00 Operating Expenses

Personnel costs:

| | | |
|--|--------------------|--------------------|
| Salary, wages and bonus | 11,708,411 | 7,512,939 |
| Welfare and other benefits | 167,500 | 160,000 |
| | 11,875,911 | 7,672,939 |
| Fuel and Energy | 377,829,957 | 239,902,439 |
| Stores and spares consumed | 41,887,225 | 8,175,606 |
| Depreciation | 121,391,239 | 61,364,472 |
| Minimum Load Charge | 104,340,203 | 51,531,426 |
| Liquidity Damage Charge | 3,217,041 | 21,284 |
| Generator fuel | 18,227 | - |
| Land lease rent | 1,835,120 | 1,140,027 |
| Travelling and Conveyance | 369,029 | 93,245 |
| Carrying Charge | 93,590 | - |
| Entertainment | 609,465 | 352,678 |
| Uniform and Leverage | 28,940 | 121,912 |
| Telephone, Mobile, Internet & Dish Line Bill | 59,081 | 69,307 |
| Printing and Stationery | 73,108 | 72,561 |
| Newspaper, postage and courier | 25,246 | 113,424 |
| Vehicle running and maintenance | 88,797 | 231,903 |
| Rent, rates and taxes | 412,200 | 456,275 |
| Utility bill | 191,075 | 255,320 |
| Insurance Premium | 2,132,000 | 6,461,000 |
| Road Repairing expense | 3,188,924 | 50,000 |
| Medical expenses | 214,500 | 174,875 |
| Beautification and gardening expenses | 10,050 | 191,956 |
| Berc License and others | 513,255 | - |
| Environmental Expenses | 304,000 | 148,600 |
| House Rent | 105,302 | 40,890 |
| Advertisement Expenses | 88,275 | - |
| Security Expense | 2,408,676 | 336,580 |
| | 673,310,436 | 378,978,719 |

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19.00 Administrative Expense

Personnel costs

Salary, wages and bonus

Welfare and benefits

Depreciation expense, note 4.01

Amortization of pre-operating and preliminary expenses

Directors' remuneration

Rent, rates and taxes

Traveling and conveyance

Postage, telephone and telex

Entertainment

Repair and maintenance

Printing and stationery

Newspaper bill

Computer maintenance

Audit fee

Advertisement

Medical expense

Vehicle running expense

Security guard

Other administrative expense

Figures in Taka

2010 2009

6,745,845 8,256,472
335,000 82,163

7,080,845 **8,338,635**

1,226,174 619,843

2,172,572 -

6,895,615 6,605,799

183,650 21,610

1,307,108 1,729,990

234,353 210,374

473,131 442,023

65,235 52,450

1,095,967 225,008

9,322 8,347

123,150 131,703

260,000 30,000

25,000 311,812

15,354 -

1,038,893 1,212,746

- 23,400

206,197 306,653

22,412,566 **20,270,393**

20.00 Non-operating Income / (Loss)

Sale of drums and burned mobil etc

Loss on disposal of fixed assets

2,141,425 521,100

(2,479,809) -

(338,384) **521,100**

21.00 Financial Expense

Interest on lease finance

Syndication loan expense

Short term loan arrangement fee

Interest on long term loan

Interest on short term loan

Bank Guarantee commission

Bank charge and commission

284,947 287,956

818,160 3,465,000

115,000 750,000

141,585,585 77,431,403

38,159,051 160,277,824

951,510 2,399,745

236,755 410,277

182,151,008 **245,022,205**

In 2010, financial expenses decreased by Taka 62,871,197 due to lower interest rate of IPFF fund arranged by Dhaka Bank Limited and Dutch-Bangla Bank Limited. IPFF fund has been used to pay off the high interest bearing loans.

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| 22.00 Earnings Per Share (Basic Earnings Per Share - IAS 33.10) | Figures in Taka | |
|--|-----------------|-------------|
| | 2010 | 2009 |
| Profit/(loss) for financial year | 900,291,929 | 194,497,282 |
| Weighted average number of shares outstanding during the year | 107,008,910 | 10,700,891 |
| Earning Per Share (Taka) | 8.41 * | 1.82 |

* The calculation of the basic earnings per share is made in accordance with IAS 33 (Earnings Per Share), dividing the profit for the year by weighted average number of the issued shares. Moreover, EPS of the year 2009 has been calculated based on current years' number of shares to conformity with current year's presentation. Moreover, EPS of the year 2010 increased due to starting commercial operation of 2nd power plant at CEPZ (44MW) from 12 August 2009.

Basic Earnings

This represents earnings for the year attributable to the ordinary shareholders. As there was no preference dividend, minority interest or extra ordinary items, the net profit after tax for the year has been considered as fully attributable to the ordinary shareholders.

Weighted Average Number of Shares Outstanding During the year

This represents the number of ordinary shares outstanding at the beginning of the year plus the number of ordinary shares issued during the year multiplied by a time weighting factor. The time weighting factor is the numbers of days the specific shares are outstanding as a proportion of the total number of days in the period.

Notes to the Cash Flow Statement

The cash flow statement shows how the company's cash and cash equivalents changed during the year through inflows and outflows. Cash flows in this statement are categorized according to operating, investments and financing activities (IAS 7 - Cash Flow Statements).

Net cash inflow from operating activities arrived after adjusting operating expenses paid, payment interest to suppliers paid during the year.

Net cash used in investing activities includes cash outflow for purchase of property, plant and equipment. and

Net cash used in financing activities mainly results from repayment of Short term loan as well as proceeds from long term loan.

3.00 Cash received from customers

Gross cash received from customers arrived at after adjusting accounts receivables with revenue for the year.

1.00 Cash paid to suppliers & contractors

Cash paid to various suppliers arrived at after adjusting cost of gas consumption and cost of spares parts consumed with creditors for trade supplies.

1.00 Cash paid for operating expenses

Cash paid for operating expenses arrived at after adjusting non-cash items and creditors for revenue expenses.

1.00 Payment of financial expenses

The interest paid has been shown separately in accordance with IAS 7 (Cash Flow Statements). This amount is calculated by adjusting the interest expenses for accruals and deferrals from in the balance sheet.

1.00 Purchase of fixed assets

Investment relate to outflows of cash and cash equivalents for tangible fixed assets.

1.00 Long term loan received

During the year under review the company received long term loan amounting to Taka 1,114,600,000 (2009: Taka 4,18,60,000).

1.00 Short term loan repaid

The item includes loan repaid to banks amounting to Taka 1,227,549,337.00 (2009: Loan received Taka 160,274,562).

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Bank facilities

The company has got the following loan facilities from the followings Financial Institutions:

| | Figures in Taka | | | 2009 |
|---------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| | 2010 | | | |
| | Dutch Bangla Bank Ltd. | Dhaka Bank Ltd. | Other Banks | |
| Term loan | 1,268,560,000 | 1,037,900,000 | - | 1,191,860,000 |
| Short term loan facilities | | - | - | 1,227,549,337 |
| Letter of credit-Limit | | 100,000,000 | - | 50,000,000 |
| LTR-Limit | | 95,000,000 | - | - |
| Overdraft-Limit | | 100,000,000 | - | - |
| Bank Guarantee Facilities-Limit | | 50,000,000 | 195,790,400 | 245,790,400 |
| | <u>1,268,560,000</u> | <u>1,382,900,000</u> | <u>195,790,400</u> | <u>2,715,199,737</u> |

Securities :

These are secured by:

- Hyphothecation of Fixed and floating assets of DEPZ project for Dhaka Bank Ltd. and CEPZ for CEPZ project against Term Loan under Banks mortgage clause with notarized IGPA to sell.
- Letter of trust receipt.
- Counter Guarantee in case of BG.
- Personal Guarantee of all the directors of the Company.
- Corporate of United Enterprises & co., Neptune Land Land Development Ltd and Standard Charged documents as per Bank format of Eastern Bank Ltd.

Expenditure incurred on employees

Salaries, Wages and benefits

Employment through out the year in receipt of remuneration aggregating Tk. 36,000 or more per year

| | 2010 <u>Number</u> | 2009 <u>Number</u> |
|--|-----------------------|-----------------------|
| | 83 | 78 |
| | <u>83</u> | <u>78</u> |

Employee remuneration includes all types of benefits paid and provided both in cash and kind other than the re-imbusement of expenses incurred for the Company's business.

Expenditure in equivalent foreign currency

Foreign travel for Company's business purpose

| | Figures in Taka | |
|--|-----------------|------------------|
| | 2010 | 2009 |
| | 795,773 | 1,355,993 |
| | <u>795,773</u> | <u>1,355,993</u> |

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33.00 Remuneration of Directors, Managers & Officers

Figures in Taka

2010 2009

33.01 Managerial Remuneration - Managers & Officers

| | | |
|------------------|-------------------|-------------------|
| Salary and bonus | 16,754,096 | 14307011 |
| Rent | 105,302 | 40,890 |
| Medical | 214,500 | 174,875 |
| | 17,073,898 | 14,522,776 |

33.02 Paid to Directors

| | | |
|------------|------------------|----------------|
| Honorarium | 6,895,615 | 6605799 |
| | 6,895,615 | 6605799 |

34.00 Related Party Transactions

During the year the company carried out a number of transactions with related parties in the normal courses of business and on an arms' length basis. The name of the related parties, the nature of relationship have been set out below:

| SL. No. | Name of the related parties | Relationship |
|---------|-----------------------------|----------------|
| 1 | United Enterprises & Co Ltd | Parent Company |
| 3 | United Ashuganj Power Ltd | Sister concern |

35.00 Capacity and Production

35.01 Own Manufacture

| Line of Business | Installed capacity KWH | Actual Production KWH | | Unit |
|------------------|---------------------------|--------------------------|--------------------|------|
| | | 2010 | 2009 | |
| Electricity | 359,160,000 | 238,798,776 | 175,140,107 | DEPZ |
| Electricity | 385,440,000 | 230,328,960 | 66,122,180 | CEPZ |
| | 744,600,000 | 469,127,736 | 241,262,287 | |

35.02 Licensed capacity is no more applicable and the regulatory authority does not exercise any direct control over the procurement, production or sale.

36.00 Event After the Balance sheet

The Board of Directors in its meeting dated 05 March 2011, proposed 85% stock dividend to the shareholders in the ratio of 85 shares for every 100 ordinary shares.

The proposed dividend is not recognized as a liability at the balance sheet date in accordance with IAS 10 " Events after the Balance Sheet Date".

IAS 1 'Presentation of Financial Statements' also require that the dividend proposed after the balance sheet date but before the financial statements are authorized for issue, be disclosed either on the face of balance sheet as a separate component of equity or in the notes to the financial statements. Accordingly the company is disclosing its proposed dividend in notes to the accounts.

The provision of the Companies Act, 1994, requires that dividend stated to be in respect of period covered by the financial statements and that are proposed or declared after the balance sheet date but before approval of the financial statements should be either adjusted or disclosed. Considering the requirements of IAS and Companies Act, 1994 dividend proposed have been disclosed in the financial statements and not shown as liability.

37.00 General

37.01 Previous year's phrases and figures have been re-arrange, wherever necessary to conform to the presentation of financial statements for the year under review.

37.02 Figures appearing in these financial statements have been rounded-off to the nearest Taka.