

**Hoda Vasi  
Chowdhury & Co**

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**United Power Generation and  
Distribution Company Limited  
United Center, House # NW(J) 6,  
Road # 51, Gulshan - 2  
Dhaka # 1212  
Bangladesh**

Auditors' Report  
&  
Audited Financial Statements  
of  
**United Power Generation and  
Distribution Company Limited**  
For the year ended 31 December 2011

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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

#### Introduction

We have audited the accompanying financial statements of United Power Generation & Distribution Company Limited, which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes thereon.

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

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

#### Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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.

**Opinion**

In our opinion, the financial statements, prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs), give a true and fair view of the state of the company's affairs as at 31 December 2011 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994, the Security and Exchange Rules 1987 and other applicable laws and regulations.

We also report that;

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 statement of financial position (balance sheet) and statement of comprehensive income (profit and loss account) together with notes dealt with by the report are in agreement with the books of account and returns; and
- d. the expenditure incurred and payments made were for the purposes of the company's business.

Dated: Dhaka, **04** MAR 2012

  
Chartered Accountants

# Hoda Vasi Chowdhury & Co

## United Power Generation and Distribution Company Limited Statement of Financial Position As at 31 December 2011

	<u>Note(s)</u>	<u>2011 Taka</u>	<u>2010 Taka</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	4	3,619,651,795	3,703,492,223
Capital work-in-progress		-	174,262
Pre-operational expenses	4.2	17,380,575	19,553,147
		<b>3,637,032,370</b>	<b>3,723,219,632</b>
<b>Current assets</b>			
Inventories	5	211,164,353	87,577,173
Trade and other receivables	6	788,785,880	622,350,089
Advance, deposits and prepayments	7	1,064,280,720	47,372,759
Cash and bank balances	8	37,294,406	74,335,728
		<b>2,101,525,359</b>	<b>831,635,748</b>
<b>Total assets</b>		<b>5,738,557,729</b>	<b>4,554,855,380</b>
<b>EQUITY</b>			
<b>Shareholders' equity</b>			
Share capital	9	1,979,664,840	1,070,089,100
Retained earnings	10	1,246,234,967	1,093,544,217
		<b>3,225,899,807</b>	<b>2,163,633,317</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term loan	11	2,135,832,865	2,174,331,857
Finance lease obligation		-	674,762
		<b>2,135,832,865</b>	<b>2,175,006,619</b>
<b>Current liabilities</b>			
Trade and other payables	12	89,713,026	75,541,436
Finance lease obligation (Current portion)	13.01	674,762	955,865
Long term loan (Current portion)	11.01	228,297,389	132,128,143
Short term loan	14	39,546,522	-
Provision for Taxation		771,543	-
Provisions for other liabilities and charges	15	17,821,815	7,590,000
<b>Total liabilities</b>		<b>376,825,057</b>	<b>216,215,444</b>
<b>Total equity and liabilities</b>		<b>5,738,557,729</b>	<b>4,554,855,380</b>

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

  
Company Secretary

  
Director

  
Managing Director

Dated: Dhaka, 04 MAR 2012

  
Chartered Accountants



# Hoda Vasi Chowdhury & Co

United Power Generation and Distribution Company Limited  
Statement of Comprehensive Income  
For the year ended 31 December 2011

	Note(s)	2011 Taka	2010 Taka
Revenue	18	2,227,633,409	1,778,491,868
Operating expenses	19	(895,485,539)	(673,310,436)
<b>Gross profit</b>		<b>1,332,147,870</b>	<b>1,105,181,432</b>
Administrative expenses	20	(36,371,340)	(22,412,566)
<b>Operating profit</b>		<b>1,295,776,530</b>	<b>1,082,768,866</b>
Other operating income	21	2,057,447	(338,384)
Financial expenses	22	(234,795,944)	(182,151,008)
<b>Net profit before Tax</b>		<b>1,063,038,033</b>	<b>900,279,475</b>
Provision for Taxation		(771,543)	-
<b>Net Profit after Tax for the year</b>		<b>1,062,266,490</b>	<b>900,279,475</b>
<b>Earning Per Share (EPS)</b>	23	<b>5.37</b>	<b>8.41</b>

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

  
Company Secretary

  
Director

  
Managing Director

Dated: Dhaka, 04 MAR 2012

  
Chartered Accountants



# Hoda Vasi Chowdhury & Co

United Power Generation and Distribution Company Limited  
Statement of Cash Flows  
For the period from 01 January 2011 to 31 December 2011

	<u>Note(s)</u>	<u>2011</u> <u>Taka</u>	<u>2010</u> <u>Taka</u>
<b>A Cash flows from operating activities</b>			
Cash received from customers	24	2,061,197,618	1,164,123,951
Cash received from other operating income		2,057,447	2,141,425
Cash paid to suppliers and contractors	25	(734,870,628)	(460,614,605)
Cash paid for other operating expenses	26	(145,409,560)	(101,235,900)
Payment of financial expenses	27	(224,564,129)	(243,870,734)
<b>Net cash flow from operating activities</b>		<b>958,410,747</b>	<b>360,544,137</b>
<b>B Cash flows from investing activities</b>			
Payment for acquisition of property, plant and equipment	28	(65,638,629)	(182,658,519)
Proceeds from sale of property, plant and equipment		-	1,087,623
Investment in Share		(1,026,074,350)	-
<b>Net cash used in investing activities</b>		<b>(1,091,712,979)</b>	<b>(181,570,896)</b>
<b>C Cash flows from financing activities</b>			
Term Loan received	29	57,670,254	1,114,600,000
Short Term Loan received	30	39,546,522	(1,227,549,337)
Lease Finance		(955,865)	(834,748)
<b>Net cash flow from financing activities</b>		<b>96,260,911</b>	<b>(113,784,086)</b>
<b>D Net cash</b>		<b>(37,041,321)</b>	<b>65,189,155</b>
<b>E Opening balance</b>		74,335,728	9,146,573
<b>Closing balance (D+E) - Note 8</b>		<b>37,294,406</b>	<b>74,335,728</b>

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

  
Company Secretary

  
Director

  
Managing Director

Dated: Dhaka, 04 MAR 2012

  
Chartered Accountants



**United Power Generation and Distribution Company Limited  
Statement of Changes in Equity  
For the Year ended 31 December 2011**

Particulars	Share capital	Retained earnings	Total
	Taka	Taka	Taka
Balance at 1 January 2010	817,668,600	193,264,743	1,010,933,343
Capital increased during the year	252,420,500	-	252,420,500
Net profit for the year 2010	-	900,279,474	900,279,474
<b>Balance at 31 December 2010</b>	<b><u>1,070,089,100</u></b>	<b><u>1,093,544,217</u></b>	<b><u>2,163,633,317</u></b>
Balance at 1 January 2011	1,070,089,100	1,093,544,217	2,163,633,317
Net profit for the year 2011	-	1,062,266,490	1,062,266,490
Dividend for the year 2010	909,575,740	(909,575,740)	-
<b>Balance at 31 December 2011</b>	<b><u>1,979,664,840</u></b>	<b><u>1,246,234,967</u></b>	<b><u>3,225,899,807</u></b>

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

  
Company Secretary

  
Director

  
Managing Director

Dated: Dhaka, 04 MAR 2012

  
Chartered Accountants



**United Power Generation and Distribution Co. Ltd  
Notes to the Financial Statements  
As at and for the year ended 31 December 2011**

**1 Reporting entity**

**1.1 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 as a subsidiary company of United Group in order to produce and supply electricity. The company changed the existing name and style on 1st October 2009 as a private limited company under the Companies Act 1994 and converted into Public Limited Company by Shares on 30 December 2010.

The company has developed two power plants one of them is capacity of 41 MW at Dhaka Export Processing Zone (DEPZ) and another is 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. Both plant DEPZ and CEPZ came into Commercial Operation respectively on 26th December 2008 and 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. 10,000,000,000 (Taka One Thousand crore) only divided into 1,000,000,000 (One hundred crore) shares of Tk. 10 (Ten) each.

**1.2 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 electricity 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).

**2 Basis of presenting and preparation of financial statements.**

**2.1 Legal compliance**

Financial Statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS), the companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

**2.2 Basis of presentation**

Presentation of financial statements have been maintained as per Bangladesh Accounting Standards - 1

**2.3 Basis of measurements**

The financial statements have been prepared under historical cost convention





**2.4 Going Concern Assumption**

The Financial Statements has been prepared considering going concern assumption as per BAS-1(25). The management did not find any significant uncertainties regarding going concern issue within the next twelve months from the end of the reporting period.

**2.5 Functional and presentational currency and level of precision**

These financial statements are presented in Bangladesh Taka (Taka/Tk/BDT) which is both functional currency and presentation currency of the company. The amounts in these financial statements have been rounded off to the nearest Taka.

**2.6 Critical accounting estimates, assumptions and judgment**

The preparation of the financial statements in conformity with BFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies.

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

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

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

Note 3.2	Amortization of pre-operational expenses
Note 4	Depreciation
Note 5	Inventory valuation
Note 12	Accrued expenses

**2.7 Reporting Period**

These financial statements cover the period from 1 January 2011 to 31 December 2011.

**2.8 Authorization for issue**

These financial statements have been issued for authorization by the board of Directors on 15 January 2012



**3 Summary of significant accounting policies**

**3.1 Property, Plant and Equipment**

**a) Recognition and Measurement**

Property, Plant and equipment are stated according to BAS 16 (Property, Plant and Equipment) at historical cost or revaluation less cumulative depreciation. The cost of asset includes expenses directly attributable to bringing the asset to the location and condition necessary for use.

The cost of an asset is measured at the cash price equivalent at the date of acquisition.

**b) Subsequent costs**

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.

**c) Depreciation**

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. Residual value is estimated to be zero for all assets.

Category of assets	Rate of depreciation
Plant and Machinery	3.33%
Gas Pipe Line (50 years)	2%
Furniture and Equipment	10% to 20%
Transport and Vehicles	10%

**d) Leased Assets**

Property, plant, and equipment which are financed by leases giving substantially all the risks and rewards of ownership are capitalized at the lower of the fair value of the leased asset or the present value of minimum lease payments at the inception of the lease, and depreciated in the same manner as other assets over the shorter of the lease term or their useful life. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. These are charged to the income statement over the life of the lease, generally on a straight-line basis.

**3.2 Pre-operating Expense**

Pre-Operating Expenses is shown at historical cost and to be amortized over 10 years as per BAS-38 considering its useful life.



**3.3 Inventories**

Inventories consisting of spare parts, fuel and lubricant are valued in accordance with BAS 2 (Inventories) at the lower of cost or 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.

**3.4 Financial instruments**

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

**3.4.1 Financial assets**

**a) Trade and other receivable**

Trade accounts receivable are carried at original invoice amount. These asset also include Inter company receivable which are stated at cost

**b) Cash and Cash equivalent**

Cash and cash equivalent comprise 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.

**3.4.2 Financial Liabilities**

It includes borrowings, finance lease obligation, trade and other payables.

**a) Finance lease obligation**

Leases in terms of which the entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lessee, if this is practicable to determine; if not, the lesee's incremental borrowing rate is used.

**b) Borrowings**

Borrowings are classified into both current and non-current liabilities. Moreover in compliance with the requirements of BAS 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.



**c) Trade and other payables**

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

**3.5 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 BAS 19. All remaining provisions are recognized by making the best estimate of the amounts in accordance with BAS 37 (Provisions, Contingent Liabilities and Contingent assets).

**3.6 Impairment**

**3.6.1 Financial assets**

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

**3.6.2 Non-financial assets**

At each reporting date, indicators of impairment are reviewed. For this review, the Company is considered as a single cash generating unit and both tangible and intangible assets are reviewed. If any indication exists, the assets' recoverable amount will need to be estimated. As at 31 December 2011, the assessment of indicators of impairment reveals that impairment testing is not required for the Company.



**3.7 Revenue recognition**

United Power Generation and Distribution Company is a power generation company operating its owned electric generating plants. It produces gas generated electricity for sale to DEPZ, CEPZ, REB, and PDB. UPGD has primarily started its power plant in Dhaka EPZ and Chittagong EPZ. The Company's revenues are derived from electric power generation and distribution services and include energy supplied and billed at each year-end.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue measured at the fair value of the consideration received or receivable. The following specific recognition criteria must be met before revenue is recognized:

- 1) Entity has transferred significant risks and rewards of ownership of the electric power to the buyer;
- 2) The amount of revenue can be measured reliably;
- 3) The costs incurred and the costs to complete for the transaction can be measured reliably

Revenue is recognized, excluding Value Added Tax and other Government levies, on the basis of net units of energy generated and transmitted to the authorized customer's transmission systems and invoiced on a monthly basis upon transmission to the customers. Revenues are valued using rates in effect when services are provided to customers. Accrued billed revenues are presented in current assets as trade receivables and the corresponding cost is included in cost of sales.

**3.8 Cash flow statement**

Statement of Cash Flows is prepared principally in accordance with BAS 7 (Cash Flow Statement) shows how the company's cash and cash equivalents changed during the period through inflows and outflows and the cash flows from operating activities have been presented under direct method.

Net cash inflows from operating activities arrived after adjusting operating expenses paid and interest paid to suppliers during the period.

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

Net cash inflow from financing activities mainly due to loan paid to related companies repayment of bank loan and short term loan received from bank.



**3.9 Leases**

**a) Finance lease**

Leases in terms of which the entity assumes substantially all the risks and rewards of ownership are classified as finance leases. 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 periodic rate of interest on the remaining balance of the liability.

**b) Operating lease**

All leases other than those which meet the definition of finance lease are treated as operating lease and are not recognised in the statement of financial position.

**3.10 Foreign currency transaction**

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction date in accordance with BAS 21 (The Effects of Changes in Foreign Exchange Rates).

**3.11 Employee benefits**

The company maintains defined contribution plan for its eligible permanent employees. The eligibility is determined according to the terms and conditions set forth in the respective deeds.

**3.11.1 Defined contribution plan (provident fund)**

The company operates contributory provident fund for all its permanent employees, which is defined contribution plan. The provident fund is funded by contribution from employees @ 10% of the basic pay.

**3.12 Income tax**

Income tax has made for other operating income only and no provision is required for income tax on the company's business profits as the company has received exemption from all such taxes from the Government of Bangladesh under the private sector power generation policy for a period of 15 years from start of its commercial operation, vide SRO ref: 114-Law/Income Tax/1999—Income Tax ordinance, 1984 (XXXVI of 1984) dated 26 May 1999.

**3.13 Deferred tax**

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



**3.14 Earnings per share**

The company presents basic earnings per share (EPS) 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.

**3.15 Consolidation**

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

**3.16 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.





4.00 Property, Plant and Equipment, note 3.1

Particulars	Plant and Machinery	Gas Line	Equipment	Furniture and Fixtures	Transport and vehicles	Total
	Taka	Taka	Taka	Taka	Taka	Taka
<b>Cost</b>						
At 1 January 2010	3,577,106,384	148,082,383	776,733	115,225	3,976,336	3,730,057,061
Addition during the period	157,595,121	1,792,889	1,569,000	200,100	1,260,500	162,417,610
Disposal during the period	(3,321,196)	(1,170,120)	-	-	-	(4,491,316)
<b>31 December 2010</b>	<b>3,731,380,309</b>	<b>148,705,152</b>	<b>2,345,733</b>	<b>315,325</b>	<b>5,236,836</b>	<b>3,887,983,355</b>
<b>Depreciation</b>						
1 January 2010	52,326,783	9,582,620	65,109	9,803	-	61,984,315
Depreciation charged during the period, note 4.1	119,117,643	2,974,103	116,510	11,523	397,634	122,617,413
Depreciation adjusted during the period	(110,596)	-	-	-	-	(110,596)
<b>31 December 2010</b>	<b>171,333,830</b>	<b>12,556,723</b>	<b>181,619</b>	<b>21,326</b>	<b>397,634</b>	<b>184,491,132</b>
<b>Net book value at 31 December 2010</b>	<b>3,560,046,479</b>	<b>136,148,429</b>	<b>2,164,114</b>	<b>293,999</b>	<b>4,839,202</b>	<b>3,703,492,223</b>
<b>Cost</b>						
At 1 January 2011	3,731,380,309	148,705,152	2,345,733	315,325	5,236,836	3,887,983,355
Addition during the period	42,332,136	-	1,733,221	230,358	-	44,295,715
Disposal during the period	-	-	-	-	-	-
<b>31 December 2011</b>	<b>3,773,712,445</b>	<b>148,705,152</b>	<b>4,078,954</b>	<b>545,683</b>	<b>5,236,836</b>	<b>3,932,279,070</b>
<b>Depreciation</b>						
1 January 2011	171,333,830	12,556,723	181,619	21,326	397,634	184,491,132
Depreciation charged during the period, note 4.1	124,254,964	2,974,103	351,860	31,533	523,684	128,136,144
Depreciation adjusted during the period	295,588,794	15,530,826	533,479	52,859	921,318	312,627,276
<b>31 December 2011</b>	<b>3,478,123,651</b>	<b>133,174,326</b>	<b>3,545,475</b>	<b>492,825</b>	<b>4,315,518</b>	<b>3,619,651,795</b>
<b>Net book value at 31 December 2011</b>	<b>3.33%</b>	<b>2%</b>	<b>15%</b>	<b>10%</b>	<b>10%</b>	
<b>Rate of Depreciation</b>						



# Hoda Vasi Chowdhury & Co

2011  
Taka

2010  
Taka

## 4.1 Allocation of depreciation expense, Note 4

Operating Expenses  
Administrative expense

126,854,782	121,391,239
1,281,361	1,226,174
<b>128,136,144</b>	<b>122,617,413</b>

### 4.1.01 Power plant

#### a) Plant Description

The natural gas fired power plants of UPGD consist of Wärtsilä and MTU engine generator terminal with 30 years expected useful life, which form the major part of the power generation companies. This gas-powered generating set consists of Auxiliaries, Exhaust Gas Silencer, and Electrical, Mechanical & Civil Construction and Erection. Each power plant has fourteen (14) integrated systems named fuel, lubrication oil, compressed air, cooling, charge air, exhaust, water treatment, fire protection, emission control, automation, electrical, station service, DC and high voltage systems. At DEPZ there are four (4) gas fired engines with the capacity of 8.73 MW each and three (3) gas fired engines with the capacity of 2 MW each for the generation of electricity. At CEPZ there are five (5) gas fired engines with the capacity of 8.73 MW each. The total output of these stationary power plants at DPEZ and CEPZ is 41 MW & 44 MW respectively.

#### b) Environmental Impact

The environmental impact of a gas power plant is low; it is both efficient and environmentally sound. These gas power plants have the highest simple-cycle efficiency in the market. Natural gas has the lowest CO2 emissions compared to other fossil fuels. The SO2 and PM emissions are relatively low for power plants running on natural gas. The NOx emissions are also lower than with fuel oil-fired diesel/HFU engines. The engine cooling arrangement using closed-circuit radiator cooling reduces plant process water consumption to almost zero, minimizing the effect on local water resources. Effective sound-proofing allows the plant to be operated even in densely populated areas.

### 4.1.02 Gas Line

According to Power Supply Agreement, dated 6th and 16th May 2007 with Bangladesh Export Processing Zone Authority (BEPZA); BEPZA, at their own cost, shall provide necessary gas connection of required quantity and specification from the nearest District Regulatory Station (DRS) of Titas Gas Transmission and Distribution Company Limited and Bakhrabad Gas system Limited. BEPZA shall maintain such gas connection until the expire of a period of thirty (30) years unless extended or earlier termination. Although both parties agreed upon this condition but due to lack of initiative by concerned authority (BEPZA), UPGD has established this gas line back on 17 November 2008 at its own cost. As the company has developed natural gas-powered power plants, without any gas facility, a fundamental precondition for electricity generation, it could not start its operation in time which in-effect impose penalty at-the-rate of BDT.500,000 per day for delay production. It was essential for UPGD to take this initiative at that time to avoid any unjustified penalties.

Gas line is valued at construction cost less depreciation and impairment loss. Cost includes ERW carbon steel pipe, tape for gas line, RMS, TBS, line accessories, and construction and commissioning expenditures. Cost are only included in the asset's carrying amount when it is probable that economic benefits associated with this item will flow to the company and the cost can be measured reliably. All other repair and maintenance expenses are charged to the income statement during the period in which they are incurred.



## Hoda Vasi Chowdhury & Co

### 4.2 Pre-operational expenses

	2011 <u>Taka</u>	2010 <u>Taka</u>	2009 <u>Taka</u>	2008 <u>Taka</u>	2007 <u>Taka</u>
<b>Balance as at 01</b>	<b>19,553,147</b>	<b>21,725,719</b>	<b>21,668,119</b>	<b>7,036,047</b>	<b>-</b>
Advertisement	-	-	-	14,000	-
Audit fee	-	-	-	20,000	20,000
Bank Charges and Commission	-	-	-	55,821	78,566
Computer Maintenance	-	-	-	109,581	65,900
Directors Remuneration	-	-	-	4,920,000	1,950,000
Donation and Entertainment	-	-	-	18,000	157,680
Festival Bonus	-	-	-	107,585	103,324
Gas, Fuel & Vehicle Maintenance	-	-	-	497,108	208,978
Gift and Complements	-	-	-	854,769	255,994
Miscellaneous Expenses	-	-	-	52,047	4,080
Telecommunication Expenses	-	-	-	-	26,871
Ifter & Milad Expenses	-	-	-	94,564	37,242
Office Expenses	-	-	-	85,580	-
Overtime Expenses	-	-	-	38,721	15,894
Paper, Books & Periodicals	-	-	-	40,294	12,553
Postage & courier	-	-	-	7,794	-
Printing and stationery	-	-	-	22,545	372
Repairs & Maintenance	-	-	-	296,424	71,770
Salary & Allowances	-	-	-	4,500	-
Stamp Duty & Others	-	-	-	5,212,338	2,923,221
Trade Licencce and others	-	-	-	122,278	-
Travelling & conveyance	-	-	-	9,110	74,150
Gas bill	-	-	-	429,508	127,152
Uniform and liveries	-	-	-	1,924,842	-
Expenses incurred for incorporation and raising authorised Capital of the Company	-	-	57,600	20,083	4,270
	-	-	-	1,600,940	898,030
<b>Total pre-operating expenses</b>	<b>19,553,147</b>	<b>21,725,719</b>	<b>21,725,719</b>	<b>23,594,479</b>	<b>7,036,047</b>
Less: Revenue income during Pre COD upto 25.12.2008	-	-	-	1,926,361	-
<b>Net pre-operating expenses</b>	<b>19,553,147</b>	<b>21,725,719</b>	<b>21,725,719</b>	<b>21,668,119</b>	<b>7,036,047</b>
less: Amortization of Pre Operating and Preliminary expenses	2,172,572	2,172,572	-	-	-
<b>Balance as at 31 December</b>	<b>17,380,575</b>	<b>19,553,147</b>	<b>21,725,719</b>	<b>21,668,119</b>	<b>7,036,047</b>



# Hoda Vasi Chowdhury & Co

	2011 Taka	2010 Taka
<b>5 Inventories, note 3.3</b>		
Spare Parts, note-5.02	205,372,601	83,814,252
Fuel and Lubricants, note-5.02	5,791,752	3,762,921
	<b>211,164,353</b>	<b>87,577,173</b>

Inventory comprises spare parts and fuel & lubricants which are used for maintenance of power plants machineries.

5.01 Movement of Inventories	Spare Parts	Fuel and Lubricants
Balance as at 1 January 2010	28,625,829	-
Purchase during the year 2010	71,502,407	25,919,503
Issued during the year 2010	(16,313,984)	(22,156,582)
Balance as at 31 December 2010	83,814,252	3,762,921
Purchase during the year 2011	241,469,389	34,355,793
Issued during the year 2011	(119,911,040)	(32,326,962)
Balance as at 31 December 2011	<b>205,372,601</b>	<b>5,791,752</b>

## 5.02 Number of Inventories (as at 31 December 2011)

	Spare parts			Lube oil	
	Types (Nos.)	Items (Nos.)	Amount	Types (Ltr)	Amount
DEPZ	484	4050	144,579,451	9533	2,284,202
CEPZ	217	2980	60,793,150	14788	3,507,550
<b>Total</b>	<b>701</b>	<b>7030</b>	<b>205,372,601</b>	<b>24321</b>	<b>5,791,752</b>

## 6 Trade and other receivables represents

Dhaka Export Processing Zone Authority-DEPZ	69,971,285	62,732,863
Rural Electrification Board-REB	122,714,755	37,417,253
Oli Knitting Fabrics Ltd.	4,948,948	3,615,793
Chittagong Export Processing Zone Authority-CEPZ	69,464,275	54,882,574
Bangladesh Power Development Board-PDB	129,758,841	149,219,040
Other receivable/(Payable) ( Note-6.01)	391,927,776	314,482,566
	<b>788,785,880</b>	<b>622,350,089</b>

## 6.01 Other Receivable/(payable)-It includes Inter Company Receivable

United Enterprise & Co. Ltd.	352,880,441	425,880,441
United Ashugong Power Ltd.	29,138,000	3,580,000
Neptune Commercial Ltd.	4,719,107	-
Neptune Properties	-	(119,991,800)
United Engineering & Power Services Ltd.	696,963	-
United Hospital Ltd.	4,493,265	-
Westmont Power (Bangladesh) Ltd.	-	5,013,925
	<b>391,927,776</b>	<b>314,482,566</b>

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.



**2011  
Taka**

**6.02 Ageing of trade receivables and other receivable/(payable)**

a) The ageing of gross trade receivables as at 31 December was:

Invoiced 0-30 days	210,342,620
Invoiced 31-60 days	29,471,499
Invoiced 61-90 days	42,395,654
Invoiced 91-180 days	34,899,695
Invoiced 181-365 days	53,341,341
Invoiced over 365 days	26,407,295
	<b>396,858,104</b>

b) The ageing of gross other receivables as at 31 December was:

Invoiced 0-30 days	61,820
Invoiced 31-60 days	80,023,000
Invoiced 61-90 days	101,172,876
Invoiced 91-180 days	201,457,708
Invoiced 181-365 days	4,266,838
Invoiced over 365 days	4,945,534
	<b>391,927,776</b>

**2011  
Taka**

**2010  
Taka**

**7 Advances, Deposits and Prepayments**

Advance paid to Suppliers, Employees and others ( Note- 7.01)  
Security and other deposits ( Note-7.02 )  
Prepaid expenses ( Note-7.03 )

1,042,404,888	20,469,486
18,915,165	23,855,273
2,960,667	3,048,000
<b>1,064,280,720</b>	<b>47,372,759</b>

**7.01 Advance paid to Suppliers, Employees and others**

Land Lease Rent to BEPZA  
Against Salary  
Against Expenses  
Against House Rent  
EPC Contractor  
Against Investment in Shares

865,341	865,341
3,320,600	1,797,900
12,144,597	5,773,467
-	10,000
-	12,022,778
1,026,074,350	-
<b>1,042,404,888</b>	<b>20,469,486</b>

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

**2011  
Taka**

**7.01.1 Ageing of advance paid to Suppliers, Employees and others**

Ageing of advance paid to Suppliers, Employees and others as at 31 December was:

Invoiced 0-30 days	635,128
Invoiced 31-60 days	4,869,159
Invoiced 61-90 days	2,500,000
Invoiced 91-180 days	95,310
Invoiced 181-365 days	1,029,099,350
Invoiced over 365 days	5,205,941
	<b>1,042,404,888</b>



# Hoda Vasi Chowdhury & Co

	2011 <u>Taka</u>	2010 <u>Taka</u>
<b>7.02 Security and other deposits</b>		
LC Margin	5,147,360	10,087,468
Bank Gurantee Margin	13,729,040	13,729,040
Lease Deposit	38,765	38,765
	<b>18,915,165</b>	<b>23,855,273</b>
<b>7.03 Prepaid expenses</b>		
Insurance Premium	2,335,667	2,548,000
BERC Licence fees	625,000	500,000
	<b>2,960,667</b>	<b>3,048,000</b>

Prepayments against expenses represents advance payments against insurance premium to Green Delta Insurance Co. Ltd for DEPZ and CEPZ and Bangladesh Energy Regulatory Commission (BERC) licence fees.

**8 Cash and bank balances, note 3.8**

	170,687	157,998
<b>Cash in hand</b>		
<b>Cash at bank on current account with-</b>		
Dhaka Bank Ltd. - Local Office	17,737	3,122,221
Dhaka Bank Ltd. - F EX. Branch	409,177	697,286
Dhaka Bank Ltd. - F EX. Branc-OD A/C	-	-
Citi Bank-NA	41,762	41,882
Standard Chartered Bank	27,877	28,877
One Bank Limited	22,180	23,163
Mercantile Bank Limited	51,341	53,291
Dutch-Bangla Bank Ltd.-Gulshan Branch	4,206	6,006
AB Bank Ltd.- Gulshan Branch	7,942	7,942
Standard Bank Ltd. - Principal Branch	15,559	16,134
Bank -Al - Falah	19,784	19,650
The City Bank Ltd. - Gulshan Branch	22,135	22,135
Prime Bank Limited - Banani Branch	1,477	2,627
Dutch Bangla Bank Ltd. -Banani Branch	36,387,249	62,131,073
Shahjalal Islami Bank Ltd. - Main Branch	19,355	19,355
National Bank Ltd. - Gulshan Branch	11,424	15,128
Eastern Bank Ltd. - Gulshan branch	64,514	7,970,960
	<b>37,123,719</b>	<b>74,177,730</b>
	<b>37,294,406</b>	<b>74,335,728</b>

**9 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**

1,000,000,000 ordinary shares of Tk. 10 each	10,000,000,000	10,000,000,000
	<b>10,000,000,000</b>	<b>10,000,000,000</b>

**9.02 Issued, subscribed and paid-up capital**

197,966,484 ordinary shares of Tk. 10 each	1,979,664,840	1,070,089,100
	<b>1,979,664,840</b>	<b>1,070,089,100</b>

**9.03 Movement of share capital**

<b>Balance as at 1 January 2010</b> (10,700,891 shares of Tk. 100 each)	1,070,089,100
Issuence of stock dividend during 2010	-
<b>Balance as at 31December 2010</b>	<b>1,070,089,100</b>
Issuence of stock dividend during 2011 (90,957,574 bonus shares of Tk. 10 each)	909,575,740
<b>Balance as at 31December 2011</b>	<b>1,979,664,840</b>



# Hoda Vasi Chowdhury & Co

## 9.04 Position of shareholding

	% of holding		Value of shares (Tk.)	
	2011	2010	2011	2010
<b>Name of Shareholders:</b>				
Hasan Mahmood Raja	8.58%	8.58%	169,932,860	91,855,600
Ahmed Ismail Hossain	8.58%	8.58%	169,932,860	91,855,600
Akhter Mahmud Rana	8.58%	8.58%	169,932,860	91,855,600
Khandaker	8.58%	8.58%	169,932,860	91,855,600
Moinul Ahsan				
Faridur Rahman Khan	2.38%	2.38%	47,203,490	25,515,400
Abul Kalam Azad	2.38%	2.38%	47,203,490	25,515,400
Moinuddin Hasan Rashid	8.58%	8.58%	169,932,860	91,855,600
Mahmuduzzaman Khan	0.31%	0.31%	6,167,900	3,334,000
United	52%	52%	1,029,425,660	556,446,300
Enterprises & Co.				
			<b>1,979,664,840</b>	<b>1,070,089,100</b>

## 9.05 Classification of shareholders' by holding

	No of shareholders		No of shares	
	2011	2010	2011	2010
5,001 to 20,000 shares	-	-	-	-
20,001 to 50,000 shares	-	-	-	-
50,001 to 1,000,000 shares	1	1	616,790	333,400
1,000,001 to	2	7	9,440,698	51,030,880
10,000,000				
over 10,000,000 shares	6	1	187,908,996	55,644,630
	<b>9</b>	<b>9</b>	<b>197,966,484</b>	<b>107,008,910</b>

## 9.06 Option on un-issued shares

There is no option on un-issued share capital

2011  
Taka

2010  
Taka

## 10 Retained Earnings

Opening balance  
Net profit for the year  
  
Less: Dividend for the year 2010  
Accumulated profit transferred to Balance Sheet

1,093,544,217	193,264,743
1,062,266,490	900,279,474
2,155,810,707	1,093,544,217
909,575,740	-
<b>1,246,234,967</b>	<b>1,093,544,217</b>

## 11 Long term loan

Dhaka Bank Limited  
Dutch-Bangla Bank Ltd.

988,919,355	985,524,474
1,146,913,509	1,188,807,383
<b>2,135,832,865</b>	<b>2,174,331,857</b>

### 11.01 Current portion of long term loan

Dhaka Bank Limited  
Dutch-Bangla Bank Ltd.

103,710,429	52,375,526
124,586,960	79,752,617
<b>228,297,389</b>	<b>132,128,143</b>



**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: 15.50% 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 implement the power project.

e) Security:

Hypothecation of all fixed and floating assets including but not limited to machinery, book debts, furniture and equipment on first ranking pari passu basis creating present and future charge with the RJSC.

**b) Dutch-Bangla Bank Ltd.**

This is arranged by Dutch-Bangla Bank Ltd. 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: 15.00% 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 implement the power project.

e) Security:

Hypothecation of all fixed and floating assets including but not limited to machinery, book debts, furniture, fixture and equipment on first ranking pari passu basis creating present and future charge with the RJSC.

	<u>2011</u> <u>Taka</u>	<u>2010</u> <u>Taka</u>
<b>12 Trade and other payables</b>		
<b>The make-up:</b>		
Trade payables, note 12.01	66,590,189	47,186,851
Creditors for other finance, note 12.02	2,110,620	1,372,373
Creditors for revenue expenses, note 12.03	21,012,217	5,465,036
Creditors for capital expenditure	-	21,517,176
	<u>89,713,026</u>	<u>75,541,436</u>

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

**12.01 Trade payables, note 12**

Gas bill - Titas	34,693,214	16,966,744
Gas bill - BGSL	31,896,975	30,220,107
	<u>66,590,189</u>	<u>47,186,851</u>



# Hoda Vasi Chowdhury & Co

	2011 <u>Taka</u>	2010 <u>Taka</u>
<b>12.02 Creditors for other finance, note 12</b>		
Payable to Oli knitting and fabrics	802,050	802,050
VAT deduction at source	483,659	293,869
Payable to employees P. F Fund	824,911	276,454
	<u>2,110,620</u>	<u>1,372,373</u>
<b>12.03 Creditors for revenue expenses, note 12</b>		
Mobile bill	21,779	15,000
Salary and allowances	2,076,624	1,459,644
Directors remuneration	300,000	460,000
Utility bill	10,527	8,123
Security expenses	274,450	251,918
Service charge on gas bil	3,189,697	3,022,011
Medical expenses	11,745	8,340
Audit Fees	229,900	240,000
House rent	6,000,000	-
C & F Bill	340,696	-
R. J. M Corporation	1,829,500	-
Minimum Load Charge	6,727,299	-
	<u>21,012,217</u>	<u>5,465,036</u>

## 13 Finance Lease obligation

United Power Generation and Distribution Company Ltd entered into two lease agreement respectively with United Leasing Company and National Bank Limited for the right to use the vehicles for an agreed period of time.

Obligation under finance lease was initially measured at cost.

	United Leasing Company Ltd		National Bank Ltd	
	2011	2010	2011	2010
Finance lease obligation	353,219	727,247	321,543	903,380
Less : Current portion, Note	353,219	374,028	321,543	581,837
	-	<u>353,219</u>	-	<u>321,543</u>

Finance lease obligation as at 31 December 2011 and 31 December 2010 are payable as follows:

	United Leasing Company Ltd		National Bank Ltd	
	2011	2010	2011	2010
i) Within 1 Year	353,219	374,028	321,543	581,837
ii) Two to five years	-	353,219	-	321,543
ii) More than five years	-	-	-	-





# Hoda Vasi Chowdhury & Co

2011  
Taka

2010  
Taka

## 13.01 Current portion of finance lease obligation

United	353,219	374,028
National	321,543	581,837
	<u>674,762</u>	<u>955,865</u>

Current portion of finance lease obligation represents the principal amount of lease obligation included in the minimum lease payments falling due in next 12 month period from the end of the reporting period.

### a) United Leasing Company Limited (ULCL)

United Leasing Company Limited (ULCL) has financed the acquisition of one unit of Toyota Voxy Microbus, 2,000 CC Model 2003. The terms and conditions of the facility are as follows:

Acquisition cost : Tk. 1,600,000  
 Transfer fee : Tk. 100  
 Interest Rate : Interest will be charged @ 15.83% per annum.

Security : i. Ownership of the lease asset.  
 ii. Demand Promissory Note for gross rent; and  
 iii. Letter of Continuity and Trust Receipt.

Lease Term : Lease term will be 60 months with effect from the lease execution date (24 September 2009)

### b) National Bank Limited (NBL)

National Bank Limited (NBL) has financed the acquisition of one unit of Reconditioned Toyota Premio, 1,500 CC Model 2008. The terms and conditions of the facility are as follows:

Acquisition cost : Tk. 1,642,000  
 Transfer fee : Tk. 1,642  
 Interest Rate : Interest will be charged @ 13.50% per annum.

Security : i. Ownership of the lease asset.  
 ii. Personal Guarantee of all the Directors and their spouse of the company  
 iii. Corporate Guarantee of United Enterprise & Co. Ltd.

Lease Term : Lease term will be 36 months with effect from the lease execution date (17 July 2009)

## 14 Short term loan

Bank overdraft-Dhaka Bank Ltd.	39,546,522	-
	<u>39,546,522</u>	<u>-</u>

## 15 Provisions for other liabilities and charges

Dutch Bangla Bank Ltd.	17,821,815	7,590,000
	<u>17,821,815</u>	<u>7,590,000</u>

Provision has been made for Interest on term loan for the month of December 2011.



**16 Contingent assets**

The company has raised a claim to BEPZA amounting to Taka 388,521,161 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.

**17 Contingent liabilities and commitments**

i) Contingent liabilities

Bank Guarantees issued by Shahjalal Islami Bank Ltd. with 5% margin in favour of Bangladesh Export Processing Zone

Bank Guarantees issued by One Bank Ltd. with 10% margin in favour of TITAS Gas Transmission and Distribution Company

ii) Financial Commitments

Confirmed irrevocable letters of credit

iii) Capital expenditure authorised but not contracted for

iv) Capital expenditure authorised and committed for

v) There was no claim against and/or favouring the Company - not acknowledged as debts payable and/or receivable

117,000,000	117,000,000
78,790,400	78,790,400
7,194,550	86,529,905
-	-
-	-
<b>202,984,950</b>	<b>282,320,305</b>



# Hoda Vasi Chowdhury & Co

	2011 Taka	2010 Taka
<b>18 Revenue, note 3.7</b>		
Sale of Electricity	2,227,633,409	1,778,491,868
	<u>2,227,633,409</u>	<u>1,778,491,868</u>

In 31 December 2011 Electricity sale of the company increase by tk. 449,141,541/- as compared to the period 2010 due to the increasing production and increasing electricity tariff rate per unit. Net sales increased by 25.25% during the period under review. During the year the Company produced electricity totally 579,165,786 kwh (DEPZ 267,155,998 kwh & CEPZ 312,009,788 kwh).

## 19 Operating expenses

### Personnel costs:

Salary, wages and bonus  
Welfare and other benefits

Fuel and energy  
Stores and spares consumed  
Depreciation  
Minimum load charge  
Repair and Maintaince  
Liquidity damage charge  
Generator fuel  
Land lease rent  
Travelling and conveyance  
Carrying charge  
Entertainment  
Uniform and leverage  
Telephone, mobile, internet & dish line bill  
Printing and stationery  
Newspaper, postage and courier  
Vehicle running and maintenance  
Rent, rates and taxes  
Utility bill  
Insurance premium  
Road repairing expense  
Medical Expenses  
Beautification and gardening expense  
BERC license and others  
Environmental Expenses  
House rent  
Advertisement expenses  
Site office expenses  
Security expense

13,932,922	11,708,411
4,407,971	167,500
<b>18,340,893</b>	<b>11,875,911</b>
478,448,785	377,829,957
152,238,001	41,887,225
126,854,783	121,391,239
75,591,254	104,340,203
27,068,914	-
29,552	3,217,041
-	18,227
1,958,723	1,835,120
227,998	369,029
58,800	93,590
2,309,482	609,465
392,100	28,940
526,230	59,081
222,271	73,108
1,175	25,246
207,892	88,797
377,850	412,200
141,046	191,075
4,502,333	2,132,000
-	3,188,924
225,672	214,500
29,459	10,050
1,389,595	513,255
459,000	304,000
259,563	105,302
-	88,275
238,083	-
3,386,086	2,408,676
<b>895,485,539</b>	<b>673,310,436</b>



# Hoda Vasi Chowdhury & Co

	2011 <u>Taka</u>	2010 <u>Taka</u>
<b>20 Administrative Expense</b>		
<b>Personnel costs</b>		
Salary, wages and bonus	8,629,211	6,745,845
Welfare and benefits	1,373,000	335,000
	<b>10,002,211</b>	<b>7,080,845</b>
Depreciation expense, note 4.1.01	1,281,361	1,226,174
Amotization of pre-operating and	2,172,572	2,172,572
Directors' remuneration	5,766,881	6,895,615
Rent, rates and taxes	355,358	183,650
Traveling and conveyance	1,102,311	1,307,108
Postage, telephone and telex	320,936	234,353
Entertainment	376,930	473,131
Repair and maintenance	51,704	65,235
Printing and stationery	546,904	1,095,967
Newspaper bill	15,344	9,322
Computer maintenance	74,150	123,150
Audit fee	570,300	260,000
Advertisement	625,000	25,000
Medical Expense	601,204	15,354
Vehicle running expense	310,983	1,038,893
Office expense	6,000,000	206,197
Consultancy fees	1,794,000	-
Other administrative expense	4,403,191	-
	<b>36,371,340</b>	<b>22,412,566</b>
<b>21 Other Operating Income / (Loss)</b>		
Sale of drums and burned lube oil etc.	2,057,447	2,141,425
Loss on disposal of Fixed Assets	-	(2,479,809)
	<b>2,057,447</b>	<b>(338,384)</b>
<p>Other operating income derived from sale of scrap drum and burned lube oils which is directly related with the normal course of business activity.</p>		
<b>22 Financial Expense</b>		
Interest on lease finance	163,831	284,947
Syndication loan expense	1,806,797	818,160
Short term loan arrangement fee	-	115,000
Interest on long term loan	219,984,089	141,585,585
Interest on short term loan	12,225,365	38,159,051
Bank charge and commission	615,862	236,755
Bank grauntee commision	-	951,510
	<b>234,795,944</b>	<b>182,151,008</b>



Year wise breakup of Financial charges:

	2011 Taka	2010 Taka	2009 Taka	2008 Taka	2007 Taka
Interest Capitalized	-	-	102,938,926	263,741,366	-
Interest charged to revenue	234,795,944	182,151,008	245,022,204	2,827,083	-
<b>Total:</b>	<b>234,795,944</b>	<b>182,151,008</b>	<b>347,961,130</b>	<b>266,568,449</b>	<b>-</b>

	2011 Taka	2010 Taka
<b>23 Earnings Per Share ( Basic Earnings Per Share - IAS 33.10)</b>		
Profit/(loss) for the period	1,062,266,490	900,279,475
Weighted average number of shares outstanding during the	197,966,484	107,008,910
<b>Basic Earning Per Share (Taka)</b>	<b>5.37</b>	<b>8.41</b>
<b>EPS - Based on operating income</b>	<b>5.37</b>	<b>8.41</b>

The calculation of the Basic Earnings Per Share is made in accordance with IAS 33 ( Earnings Per Share), dividing the profit for the period by weighted average number of ordinary shares outstanding during the period. Moreover, EPS of the period ending 31 December 2011 has been calculated based on the annualized income of the year 2011.

**Basic Earnings Per Shares**

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.

**Diluted Earnings Per**

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

**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.

**24 Cash received from customers**

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

	2011 Taka	2010 Taka
Net Sales	2,227,633,409	1,778,491,868
Changes in other receivables	(77,445,210)	(420,350,506)
Add. Changes of Opening Accounts Receivable	307,867,523	118,864,037
Less: Changes of Closing Accounts Receivable	(396,858,104)	(312,881,448)
	<b>2,061,197,618</b>	<b>1,164,123,951</b>



# Hoda Vasi Chowdhury & Co

	2011 Taka	2010 Taka
<b>25 Cash paid to suppliers &amp; contractors</b>		
Cash paid to various suppliers arrived at after adjusting cost of gas consumption and cost of spare parts consumed with creditors for trade supplies.		
Cost of purchase (spare parts and gas bill)	630,686,785	419,717,182
Changes in inventories	123,587,180	58,951,344
Add Opening balance of creditors	47,186,851	29,132,930
Less Closing balance of creditors	(66,590,188)	(47,186,851)
	<b>734,870,628</b>	<b>460,614,605</b>
<b>26 Cash paid for other operating expenses</b>		
Cash paid for other operating expenses arrived at after adjusting non-cash items and creditors for revenue expenses.		
Total Expense	931,856,879	695,723,002
Fuel and energy	(478,448,785)	(41,887,225)
Stores and spares consumed	(152,238,001)	(377,829,957)
	<b>301,170,094</b>	<b>276,005,820</b>
Changes in advance deposits and prepayments	(9,166,390)	(51,252,038)
Depreciation	(128,136,144)	(122,617,413)
Amotization of pre-operating and preliminary exp	(2,172,572)	(2,172,572)
Adjustment of Fixed Assets as included in Repair and Maintenance	-	356,831
Add: Opening balance of accrued exp.	6,837,409	7,752,681
Less: Closing balance of accrued exp.	(23,122,837)	(6,837,409)
	<b>145,409,560</b>	<b>101,235,900</b>
<b>27 Payment of financial expenses</b>		
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 the balance sheet.		
Interest expense	234,795,944	182,151,008
Add: Opening Balance of interest Payable	7,590,000	69,309,726
Less: Closing Balance of interest Payable	(17,821,815)	(7,590,000)
	<b>224,564,129</b>	<b>243,870,734</b>
<b>28 Purchase for acquisition of Property, Plant and Equipment.</b>		
Investment related to outflows of cash and cash equivalents for tangible fixed assets.		
Total Fixed Addition assets	44,295,715	162,417,610
Disposal of Fixed Assets	-	(1,170,121)
Work in progress	(174,262)	174,262
Add: Opening balance of capex liability	21,517,176	17,606,586
Less: Closing balance of capex liability	-	(21,517,176)
Add: Opening balance of Tax Payable from EPC.	-	25,147,358
Less: Opening balance of Tax Payable from EPC.	-	-
	<b>65,638,629</b>	<b>182,658,519</b>



# Hoda Vasi Chowdhury & Co

2011  
Taka

2010  
Taka

## 29 Long term loan received

During the period under review the company received long term loan amounting to Taka 57,670,253/- (2010:the company received long term loan amounting to Taka 1,114,600,000/-).

Opening Balance of Long Term Loan	2,306,460,000	1,191,860,000
Less: Closing Balance of Long Term Loan	2,364,130,254	2,306,460,000
	<u>(57,670,254)</u>	<u>(1,114,600,000)</u>

## 30 Short term loan received

The item includes loan received from banks amounting to Tk. 39,546,522/- (2010: Short term Loan paid to banks amounting to Tk. 1,227,549,337/-).

Opening Balance of Short Term Loan	-	1,227,549,337
Less: Closing Balance of Short Term Loan	39,546,522	-
	<u>(39,546,522)</u>	<u>1,227,549,337</u>



**31 Bank facilities**

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

	Term loan	Letter of credit-limit	LTR - limit	Overdraft Limit	Bank Guarantee Facilities - limit
Dutch-Bangla Bank	1,297,306,474	-	-	-	-
Dhaka Bank Ltd.	1,129,157,504	100,000,000	95,000,000	100,000,000	50,000,000
Other Banks	-	-	-	-	195,790,400
	<u>2,426,463,978</u>	<u>100,000,000</u>	<u>95,000,000</u>	<u>100,000,000</u>	<u>245,790,400</u>

**Securities :**

These are secured by :

- Hyphothecation of fixed and floating assets of DEPZ project to Dhaka Bank Limited 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 Limited.

**32 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

	2011 Number	2010 Number
	118	83
	<u>118</u>	<u>83</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.

**33 Expenditure in equivalent foreign currency**

Foreign travel for Company's business purpose

	2011 Taka	2010 Taka
	415,920	795,773
	<u>415,920</u>	<u>795,773</u>





# Hoda Vasi Chowdhury & Co

	2011 <u>Taka</u>	2010 <u>Taka</u>
<b>34 Remuneration of directors, managers &amp; officers</b>		
<b>34.01 Managerial remuneration - managers &amp; officers</b>		
Salary and bonus	22,562,133	9,185,969
Rent	259,563	59,183
Medical	826,876	134,896
	<u>23,648,572</u>	<u>9,380,048</u>
<b>34.02 Paid to directors</b>		
Honorarium	5,766,881	4,456,000
	<u>5,766,881</u>	<u>4,456,000</u>

## 35 Financial Risk Management:

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

- \* Credit risk
- \* Liquidity risk
- \* Market risk

### 35.01 Risk management framework

Board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### 35.02 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivable from customers. The Company's sales is made to Dhaka Export Processing Zone Authority (DEPZ), Chittagong Export Processing Zone Authority (CEPZ), Rural Electrification Board (REB), Bangladesh Power Development Board (BPDB), Oli Knitting Fabrics Limited under the conditions of the long term Power Purchase Agreement (PPA).

The Company held cash and cash equivalents of Taka at 31 December 2011 37,294,406 (2009: Taka 74,335,728), which represents its maximum credit exposure on these assets.

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

#### a) Exposure to credit risk

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

Trade & other receivables	788,785,880	622,350,089
Security & other deposits	18,915,165	23,855,273
Cash and cash equivalent	37,294,406	74,335,728
	<u>844,995,451</u>	<u>720,541,089</u>



**35.03 Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Typically, the Company ensures that it has sufficient cash and cash equivalent to meet expected operational expenses, including the servicing of financial obligation through preparation of the cash forecast, prepared based on time line of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date. Moreover, the company seeks to maintain short term lines of credit with scheduled commercial bank (Note:14) to ensure payment of obligations in the event that there is insufficient cash to make the required payment. The requirement is determined in advance through cash flows projections and credit lines facilities with bank is negotiated accordingly.

**35.04 Market risk**

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

**35.05 Interest rate risk**

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. Local loans and borrowings are however not affected by fluctuations in interest rates as the rate is below from market rate. The company has not entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

**35.06 Capital management**

Capital management refers to implement policies and measures to maintain sufficient capital, assessing Company's internal capital adequacy to ensure Company's operation as a going concern. Capital consists of share capital and retained earnings. All major investment and operational decisions with exposure to certain amount are evaluated and approved by the board. The Board of Directors monitors the level of dividends to ordinary shareholders.



36 Related party transactions

During the period under review 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 and the nature of relationship have been set out below:

SL No	Name of the related parties	Relationship	Nature of transaction	Opening Balance as on 01 January 2011	Addition	Adjustment	Closing Balance as on 31 December 2011
1	United Enterprises & Co Ltd.	Parent Company	Loan	425,880,441	548,175,650	621,175,650	352,880,441
2	United Ashuganj Power Ltd.	Sister concern	Loan	3,580,000	185,558,000	160,000,000	29,138,000
3	United Hospital Ltd	Sister concern	Loan	-	4,493,265	-	4,493,265
4	United Engineering SP Service	Sister concern	Loan	-	696,963	-	696,963
5	Westmont power	Sister concern	Loan	5,013,925	-	5,013,925	-
6	Neptune Propertise	Sister concern	Loan	119,991,800	-	119,991,800	-
7	Neptune Commercial	Sister concern	Loan	-	4,719,107	-	4,719,107

36.01 Key management personnel compensation comprises

SI No	Name of the Directors	Designation	Nature of transaction	Nature of benefit	2011 Taka
1	Hasan mahmood Raja	Chairman	Honourarium	Short term	3,292,500
2	Moinuddin Hasan Rashid	Managing Director	Honourarium	Short term	2,474,381
					<u>5,766,881</u>

37 Capacity and Production

37.01 Own Manufacture

Line of business	Installed capacity	Actual Production		Unit
	KWH	KWH		
		2011	2010	
Electricity	328000000	267,155,998	238,798,776	DEPZ
Electricity	352000000	312,009,788	230,328,960	CEPZ
	<u>680,000,000</u>	<u>579,165,786</u>	<u>469,127,736</u>	

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

38 General

38.01 Previous year's phrases and figures have been re-arranged, wherever necessary to conform to the presentation of financial statements for the period under audit.

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

