

**United Power Generation &  
Distribution Company Ltd.**

Report and financial statements as at and  
for the year ended 30 June 2019



**Rahman Rahman Huq**

Chartered Accountants

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**Independent Auditor's Report  
to the shareholders of United Power Generation & Distribution Company Ltd.**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of United Power Generation & Distribution Company Ltd. ("the Company"), which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Expiry of contract between United Energy Ltd (subsidiary) and Bangladesh Power Development Board (BPDB)	
See note 1.5 to the financial statements	
The key audit matter	How the matter was addressed in our audit
<p>The Contract for Supply of Electricity on Rental Basis between BPDB and United Energy Ltd, the Company's subsidiary, relating to its 53 MW plant expired on 22 June 2019. Negotiations for contract extension are under process. No electricity is being demanded from the plant by BPDB in the meantime.</p> <p>Timely outcome of contract extension negotiations will affect the future cash flows and profitability of United Power Generation &amp; Distribution Company Ltd. as the parent company.</p>	<p>Our substantive procedures in this area included:</p> <ul style="list-style-type: none"> <li>- Reviewing application made to BPDB for extension of the said contract.</li> <li>- Assessment of likelihood of contract renewal based on inquiry with management and review of correspondence with relevant authorities.</li> </ul>

Independent Auditor's Report (Continued)

<b>2. Additional charges claimed by the gas suppliers to the Company</b>	
See note 36.2 to the financial statements	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Based on a decision of the Ministry of Power, Energy and Mineral Resources with regard to gas rates applicable for gas based power plants, the gas suppliers of the Company have claimed additional amounts of BDT 1,087,826,071 and BDT 491,063,484 for Dhaka Export Processing Zone (DEPZ) and Chittagong Export Processing Zone (CEPZ) plants, respectively.</p> <p>The Company initiated legal proceedings against this decision. Current uncertainty in outcome of this litigation inherently affects the amount and timing of potential cash outflows.</p>	<p>Our substantive procedures in this area included:</p> <ul style="list-style-type: none"> <li>- Reviewing of legal documents pertaining to the case.</li> <li>- Inquiry with management regarding probable outcome of the case.</li> <li>- Obtaining legal opinion from the Company's external legal counsel with regard to the outcome of the case.</li> <li>- Reviewing contingent liability disclosures.</li> </ul>

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



## Independent Auditor's Report (Continued)

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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



### Independent Auditor's Report (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994 and the Securities and Exchange Rules 1987, we also report the following:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of accounts as required by law have been kept by the Company so far as it appeared from our examination of these books;
- c) the statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of accounts and returns; and
- d) the expenditure incurred was for the purposes of the Company's business.

The engagement partner on the audit resulting in this independent auditor's report is Adeeb H. Khan.

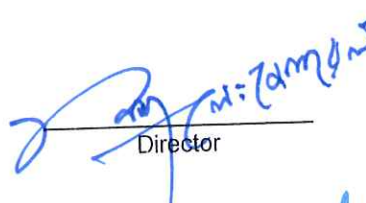
Dhaka, 01 AUG 2019

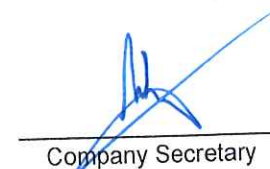
**United Power Generation & Distribution Company Ltd.**  
**Statement of financial position**

<i>In Taka</i>	Note	30 June 2019	30 June 2018
<b>Assets</b>			
Property, plant and equipment	5	8,272,063,545	8,550,236,159
Investment in subsidiary	6	297,000	-
<b>Non-current assets</b>		<b>8,272,360,545</b>	<b>8,550,236,159</b>
Inventories	7	493,397,340	718,082,928
Trade and other receivables	8	1,188,525,256	950,161,525
Advances, deposits and prepayments	9	72,495,919	86,691,838
Investment in marketable securities	10	126,872,487	81,507,659
Receivable from related parties	11	6,536,945,438	4,759,627,601
Cash and cash equivalents	12	1,009,871,492	1,278,881,647
<b>Current assets</b>		<b>9,428,107,932</b>	<b>7,874,953,198</b>
<b>Total assets</b>		<b>17,700,468,477</b>	<b>16,425,189,357</b>
<b>Equity</b>			
Share capital	13	4,790,870,000	3,992,391,670
Share premium	14	2,046,000,000	2,046,000,000
Retained earnings	15	10,664,437,759	10,252,390,068
<b>Total equity</b>		<b>17,501,307,759</b>	<b>16,290,781,738</b>
<b>Liabilities</b>			
Security money received	16	700,000	700,000
<b>Non-current liabilities</b>		<b>700,000</b>	<b>700,000</b>
Trade and other payables	17	149,552,121	114,627,170
Accrued expenses	18	22,867,066	12,090,945
Payable to related parties	19	26,041,531	6,989,504
Provision for taxation	20	-	-
<b>Current liabilities</b>		<b>198,460,718</b>	<b>133,707,619</b>
<b>Total liabilities</b>		<b>199,160,718</b>	<b>134,407,619</b>
<b>Total equity and liabilities</b>		<b>17,700,468,477</b>	<b>16,425,189,357</b>

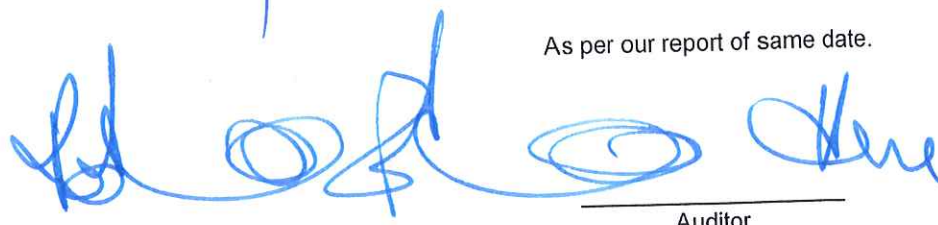
The annexed notes 1 to 42 form an integral part of these financial statements.

  
 Managing Director

  
 Director

  
 Company Secretary

As per our report of same date.

  
 Auditor

Dhaka, 01 AUG 2019



**Rahman Rahman Huq**  
 Chartered Accountants  
 KPMG in Bangladesh

**United Power Generation & Distribution Company Ltd.**  
**Statement of profit or loss and other comprehensive income**

In Taka	Note	For the year ended	
		30 June 2019	30 June 2018
Revenue	21	6,473,676,520	6,144,608,026
Cost of sales	22	(2,192,598,086)	(1,925,890,090)
<b>Gross profit</b>		<b>4,281,078,434</b>	<b>4,218,717,936</b>
Other operating income	23	16,729,542	(6,013,780)
General and administrative expenses	24	(56,416,580)	(55,366,720)
<b>Operating profit</b>		<b>4,241,391,396</b>	<b>4,157,337,436</b>
Finance income	25	562,287,129	439,025,118
<b>Profit before tax</b>		<b>4,803,678,525</b>	<b>4,596,362,554</b>
Income tax expenses		-	-
<b>Profit</b>		<b>4,803,678,525</b>	<b>4,596,362,554</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>4,803,678,525</b>	<b>4,596,362,554</b>
<b>Earnings per share</b>	26	<b>10.03</b>	<b>9.59</b>

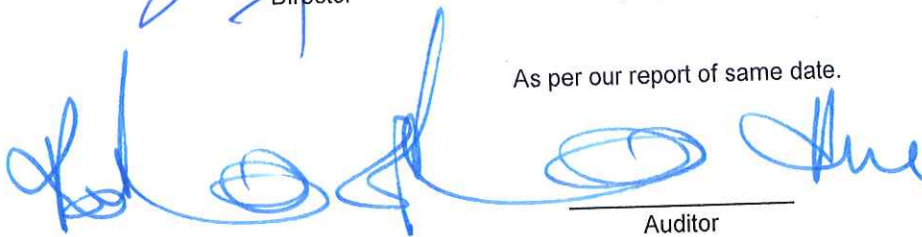
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 \_\_\_\_\_  
 Managing Director

  
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 Director

  
 \_\_\_\_\_  
 Company Secretary

As per our report of same date.



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 Auditor

Dhaka, 01 AUG 2019



**Rahman Rahman Huq**  
**Chartered Accountants**  
**KPMG in Bangladesh**

**United Power Generation & Distribution Company Ltd.**  
**Statement of changes in equity**

<i>In Taka</i>	For the year ended 30 June 2019			
	Share capital	Share premium	Retained earnings	Total equity
Balance at 1 July 2018	3,992,391,670	2,046,000,000	10,252,390,068	16,290,781,738
<b>Total comprehensive income</b>				
Profit for the year	-	-	4,803,678,525	4,803,678,525
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	-	4,803,678,525	4,803,678,525
<b>Transactions with owners of the Company</b>				
<b>Contributions and distributions</b>				
Issue of bonus shares	798,478,330	-	(798,478,330)	-
Cash dividend	-	-	(3,593,152,504)	(3,593,152,504)
<b>Total transactions with owners of the Company</b>	798,478,330	-	(4,391,630,834)	(3,593,152,504)
Balance at 30 June 2019	4,790,870,000	2,046,000,000	10,664,437,759	17,501,307,759

<i>In Taka</i>	For the year ended 30 June 2018			
	Share capital	Share premium	Retained earnings	Total equity
Balance at 1 July 2017	3,629,446,980	2,046,000,000	9,285,474,486	14,960,921,466
<b>Total comprehensive income</b>				
Profit for the year	-	-	4,596,362,554	4,596,362,554
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	-	4,596,362,554	4,596,362,554
<b>Transactions with owners of the Company</b>				
<b>Contributions and distributions</b>				
Issue of bonus shares	362,944,690	-	(362,944,690)	-
Cash dividend	-	-	(3,266,502,282)	(3,266,502,282)
<b>Total transactions with owners of the Company</b>	362,944,690	-	(3,629,446,972)	(3,266,502,282)
Balance at 30 June 2018	3,992,391,670	2,046,000,000	10,252,390,068	16,290,781,738

The annexed notes 1 to 42 form an integral part of these financial statements.





**United Power Generation & Distribution Company Ltd.**  
**Statement of cash flows**

<i>In Taka</i>	For the year ended	
	30 June 2019	30 June 2018
<b>Cash flows from operating activities</b>		
Cash received from customers	6,238,532,639	6,045,781,585
Cash received from other income	19,905,114	87,143,225
Cash paid to suppliers and others	(1,586,924,028)	(1,817,132,612)
Tax paid	(48,000)	(1,810,313)
<b>Net cash generated from operating activities</b>	<b>4,671,465,725</b>	<b>4,313,981,885</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(81,694,307)	(263,645,569)
Cash paid for related party loan	(1,229,090,959)	(1,103,000,000)
Investment in subsidiary company	(297,000)	-
Investment in marketable securities	(37,699,999)	159,100,499
<b>Net cash used in investing activities</b>	<b>(1,348,782,265)</b>	<b>(1,207,545,070)</b>
<b>Cash flows from financing activities</b>		
Dividend paid	(3,591,693,615)	(3,266,349,783)
<b>Net cash used in financing activities</b>	<b>(3,591,693,615)</b>	<b>(3,266,349,783)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(269,010,155)</b>	<b>(159,912,968)</b>
Cash and cash equivalents at 1 July	1,278,881,647	1,438,794,615
<b>Cash and cash equivalents at 30 June</b>	<b>1,009,871,492</b>	<b>1,278,881,647</b>

*The annexed notes 1 to 42 form an integral part of these financial statements.*



## Notes to the financial statements

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### 1 Reporting entity

#### 1.1 Company profile

United Power Generation & Distribution Company Ltd. (UPGDCL) (hereinafter referred to as "the Company"), a public limited company, was incorporated in Bangladesh on 15 January 2007 under the Companies Act (#18) 1994 under registration no. C-65291(2783)/07 with its corporate office at Gulshan Center Point, Road No. 90-91, House No. 23-26, Gulshan-2, Dhaka-1212, Bangladesh. The Company was initially registered as a private limited company, formerly known as Malancha Holdings Ltd. (MHL) and subsequently converted into a public limited company on 22 December 2010.

The Company is listed with Dhaka Stock Exchange Limited (DSE) and Chattogram Stock Exchange Limited (CSE).

#### 1.2 Nature of the business

The principal activity of the Company is to generate electricity by gas fired power plants, at Dhaka Export Processing Zone (DEPZ) with 86 MW capacity and Chattogram Export Processing Zone (CEPZ) with 72 MW capacity and to sell electricity to the export processing industries located inside DEPZ and CEPZ with the provision of selling surplus power outside the Export Processing Zones (EPZs) after fulfilling their requirement. The Company is also supplying electricity to Dhaka PBS-1 of Bangladesh Rural Electrification Board (BREB), Bangladesh Power Development Board (BPDB), Karnaphuli Export Processing Zone (KEPZ) and other private sector companies.

#### 1.3 Power plant

The natural gas fired power plants of Dhaka EPZ and Chattogram EPZ consist of Wartsila, Rolls Royce and MTU engine generators with 30 years expected useful life, which form the major part of the power generation companies.

DEPZ power plant came into commercial operation on 26 December 2008 with a capacity of 41 MW at DEPZ premises. In 2013, the Company increased its capacity from 41 MW to 86 MW and installed 2 heat recovery boilers to produce 8 ton/h of steam for sale to other customers. At DEPZ, there are four gas fired engines with a capacity of 8.73 MW each, five gas fired engines with a capacity of 9.34 MW each and two gas fired engines with a capacity of 2 MW each for generation of electricity.

CEPZ power plant came into commercial operation on 12 August 2009 with a capacity of 44 MW at CEPZ premises. In 2013, the Company increased its capacity from 44 MW to 72 MW and installed 3 heat recovery boilers to produce 12 ton/h of steam for sale to other customers. At CEPZ, there are five gas fired engines with a capacity of 8.73 MW each and three gas fired engines with a capacity of 9.34 MW each.

#### Gas Line : Dhaka EPZ and Chattogram EPZ power plant

According to Power Supply Agreement, dated 6 May 2007 and 16 May 2007, Bangladesh Export Processing Zone Authority (BEPZA) at their own cost, was to 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 Karnaphuli Gas Distribution Company Limited (formerly known as Bakhrabad Gas System Limited). BEPZA was to maintain such gas connection until the expiry of a period of 50 years unless extended or terminated earlier. Although both parties agreed upon this arrangement, the Company established the gas line back on 17 November 2008 at its own cost due to lack of initiative by BEPZA in this regard.

For the DEPZ plant, the initial contract was for 6.91 (million cubic feet per day) MMCFD. Subsequently, additional allocation of 9 MMCFD gas was given by Titas Gas Transmission & Distribution Company Limited for further capacity enhancement. Thus total contract load is 15.91 MMCFD.

For the CEPZ plant, the initial contract was for 10.68 MMCFD. An additional allocation was given for another 4 MMCFD by Karnaphuli Gas Distribution Company Ltd for further capacity enhancement. Thus total contract load is 14.68 MMCFD.

Gas line cost includes Electric Resistance Welded (ERW) carbon steel pipe, tape for gas line, Regulating & Metering System (RMS), Town Border Station (TBS), line accessories, and construction and commissioning expenditures.



## Notes to the financial statements (Continued)

### 1.4 Investment in subsidiaries

On 13 November 2018, the Board of Directors of the Company resolved to acquire 99% ordinary shares of United Energy Ltd (UEL) at face value. UEL is a power generation company established under the Private Sector Power Generation Policy of Bangladesh. It operates two power plants, a 53 MW plant at Ashuganj and a 28 MW plant at Sylhet, respectively.

UEL also holds 92.41% ordinary shares of United Ashuganj Energy Ltd (UAEL), a power generation company established under Public Private Partnership (PPP). It operates a 195 MW plant located at Ashuganj, Brahmanbaria.

Please see Note 6.

### 1.5 Expiry of Contract for Supply of Electricity on Rental Basis

On 22 June 2019, the Contract for Supply of Electricity on Rental Basis between Bangladesh Power Development Board (BPDB) and United Energy Ltd relating to its 53 MW plant expired. Prior to the expiry, on 4 August 2018 the Company filed an application with BPDB for a 5 year extension of the contract.

Negotiations for extension of the contract with BPDB are under process and management believes that BPDB will agree to the extension. No electricity is being demanded from the plant by BPDB in the meantime. Necessary market disclosures in this regard were given by the Company on 23 June 2019.

## 2 Basis of accounting

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

Details of the Company's accounting policies are included in Note 41.

### 2.2 Date of authorisation

The financial statements were authorised for issue by the Board of Directors on 01 AUG. 2019

### 2.3 Reporting period

The current financial period of the Company covers one year from 1 July 2018 to 30 June 2019 and it is followed consistently.

## 3 Functional and presentation currency

These financial statements have been presented in Bangladeshi Taka (Taka/Tk/BDT), which is both the functional and presentation currency of the Company. All financial information presented in Taka have been rounded off to the nearest integer, unless otherwise indicated.

## 4 Use of estimates and judgements

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

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



## Notes to the financial statements (Continued)

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### 4.1 Assumptions and estimation uncertainties

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statement is included in the following notes:

Note 5 and Note 41A	Property, plant and equipment
Note 7 and 41B	Inventories
Note 20 and 41I	Provision for taxation
Note 34, 36, and 41G	Contingent assets and Contingent liabilities

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data

The Company, on regular basis, reviews the inputs and valuation judgements used in measurement of fair value and recognises transfers between level of the fair value hierarchy at the end of the reporting period during which the changes have occurred.

### 4.2 Changes in significant accounting policies

The Company has applied IFRS 15: *Revenue from Contracts with Customers* and IFRS 9: *Financial Instruments* from 1 July 2018.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. It replaces IAS 18: *Revenue*, IAS 11: *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement. However, adoption of IFRS 15 does not have any significant impact in recognition of revenue for the Company.

#### IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. However, adoption of IFRS 9 does not have any significant impact on the financial statements of the Company.

Other new standards that are also effective from 1 January 2018 do not have a material impact on these financial statements either.



**Notes to the financial statements (Continued)**

**5 Property, plant and equipment**

See accounting policy in Note 41A

**Reconciliation of carrying amount**

<i>In Taka</i>	Plant and machinery	Gas line	Office equipment	Furniture and fixture	Motor vehicle	Total
<b>Cost</b>						
Balance at 1 July 2017	10,223,870,377	225,054,911	11,075,336	2,622,563	42,923,836	10,505,547,023
Additions	120,396,759	125,823,736	85,073	-	17,340,000	263,645,568
Disposals/transfers	-	-	-	-	-	-
<b>Balance at 30 June 2018</b>	<b>10,344,267,136</b>	<b>350,878,647</b>	<b>11,160,409</b>	<b>2,622,563</b>	<b>60,263,836</b>	<b>10,769,192,591</b>
Balance at 1 July 2018	10,344,267,136	350,878,647	11,160,409	2,622,563	60,263,836	10,769,192,591
Additions	84,285,220	1,997,455	123,950	456,657	2,230,000	89,093,282
Disposals/transfers	(7,419,563)	-	-	-	-	(7,419,563)
<b>Balance at 30 June 2019</b>	<b>10,421,132,793</b>	<b>352,876,102</b>	<b>11,284,359</b>	<b>3,079,220</b>	<b>62,493,836</b>	<b>10,850,866,310</b>
<b>Accumulated depreciation</b>						
Balance at 1 July 2017	1,805,658,726	39,699,730	8,138,178	980,194	9,554,622	1,864,031,450
Depreciation for the year	343,010,263	4,934,142	1,671,229	260,278	5,049,070	354,924,982
Adjustment for disposals/transfers	-	-	-	-	-	-
<b>Balance at 30 June 2018</b>	<b>2,148,668,989</b>	<b>44,633,872</b>	<b>9,809,407</b>	<b>1,240,472</b>	<b>14,603,692</b>	<b>2,218,956,432</b>
Balance at 1 July 2018	2,148,668,989	44,633,872	9,809,407	1,240,472	14,603,692	2,218,956,432
Depreciation for the year	345,345,751	7,034,218	1,168,387	276,882	6,041,683	359,866,921
Adjustment for disposals/transfers	(20,589)	-	-	-	-	(20,589)
<b>Balance at 30 June 2019</b>	<b>2,493,994,151</b>	<b>51,668,090</b>	<b>10,977,794</b>	<b>1,517,354</b>	<b>20,645,375</b>	<b>2,578,802,764</b>
<b>Carrying amounts</b>						
At 30 June 2018	8,195,598,147	306,244,775	1,351,002	1,382,091	45,660,144	8,550,236,159
<b>At 30 June 2019</b>	<b>7,927,138,642</b>	<b>301,208,012</b>	<b>306,565</b>	<b>1,561,865</b>	<b>41,848,461</b>	<b>8,272,063,545</b>

**a) Allocation of depreciation**

<i>In Taka</i>	Note	2019	2018
Cost of sales	22.1	356,268,252	351,375,732
General and administrative expenses	24	3,598,669	3,549,250
		<b>359,866,921</b>	<b>354,924,982</b>

**b) Basis of allocation**

99% of total depreciation cost charged to cost of sales. Remaining 1% of total depreciation cost charged to the general and administrative expenses.



## Notes to the financial statements (Continued)

### 6 Investment in subsidiary

<i>In Taka</i>	2019	2018
United Energy Ltd	297,000	-
	297,000	-

### 7 Inventories

See accounting policy in Note 41B

<i>In Taka</i>	Note	2019	2018
Spare parts	7.1	457,117,013	626,739,151
Lube oil and chemicals	7.1	8,619,479	87,936,133
Goods in transit		27,660,848	3,407,644
		493,397,340	718,082,928

### 7.1 Movement in inventories

<i>In Taka</i>	Lube oil and chemicals	Spare parts
Balance at 1 July 2017	10,965,310	505,976,580
Addition during the year	25,844,824	496,882,801
Consumption during the year	(33,402,490)	(376,120,230)
<b>Balance at 30 June 2018</b>	<b>3,407,644</b>	<b>626,739,151</b>
Balance at 1 July 2018	45,952,488	416,862,665
Addition during the year	8,601,231	(11,530,045)
Transfer during the year	(49,341,884)	(574,954,758)
Consumption during the year	8,619,479	457,117,013
<b>Balance at 30 June 2019</b>	<b>8,619,479</b>	<b>457,117,013</b>

### 8 Trade and other receivables

See accounting policy in Note 41C

<i>In Taka</i>	Note	2019	2018
Trade receivables	8.1	1,182,904,406	947,760,525
Other receivables	8.2	5,620,850	2,401,000
		1,188,525,256	950,161,525

### 8.1 Trade receivables

<i>In Taka</i>	Note	2019	2018
BREB	8.3	240,932,313	227,827,395
BPDB	8.4	321,101,366	209,493,349
BEPZA		323,346,582	284,808,480
Other private customers		297,524,145	225,631,301
		1,182,904,406	947,760,525

### 8.2 Other receivables

<i>In Taka</i>	2019	2018
Wartsila Bangladesh Ltd	5,171,525	-
Bergen Engine BD (Pvt.) Ltd	442,974	-
Others	6,351	-
Interest on fixed deposits	-	1,875,000
Dividend receivable	-	526,000
	5,620,850	2,401,000



## Notes to the financial statements (Continued)

8.3 Out of the total receivable from BREB, an amount of BDT 177,171,835 for the period from 2009 to 2012 was under arbitration in Bangladesh Energy Regulatory Commission (BERC) for determination. In May 2018, the arbitration panel awarded in favor of BREB. The Company has filed a writ petition with the Honorable High Court Division of the Supreme Court of Bangladesh against the arbitration award as management continues to believe the amount is recoverable. This is supported by external legal opinion.

8.4 Out of the total receivable from BPDB, an amount of BDT 128,900,233 is disputed by BPDB dating back to the period 2009 to 2012. The Company will pursue this amount upon satisfactory resolution of the above matter, but is confident of recovery.

### 9 Advances, deposits and prepayments

See accounting policy in Note 41C

<i>In Taka</i>	<i>Note</i>	<b>2019</b>	<b>2018</b>
Advance	9.1	39,570,162	56,145,661
Deposits	9.2	24,911,344	24,911,344
Prepayments	9.3	8,014,413	5,634,833
		<b>72,495,919</b>	<b>86,691,838</b>

#### 9.1 Advances

<i>In Taka</i>	<b>2019</b>	<b>2018</b>
Advance against expenses	37,541,241	54,885,500
Advance income tax	808,161	760,161
Advance against LC charges	720,760	-
Advance against salary and allowances	500,000	500,000
	<b>39,570,162</b>	<b>56,145,661</b>

#### 9.2 Deposits

<i>In Taka</i>	<b>2019</b>	<b>2018</b>
Karnaphuli Gas Distribution Company Limited	17,448,825	17,448,825
Bank guarantee margin	5,850,000	5,850,000
BEPZA	1,112,519	1,112,519
Central Depository Bangladesh Limited	500,000	500,000
	<b>24,911,344</b>	<b>24,911,344</b>

#### 9.3 Prepayments

<i>In Taka</i>	<b>2019</b>	<b>2018</b>
Insurance premium	7,530,667	5,477,333
BERC license fees	483,746	157,500
	<b>8,014,413</b>	<b>5,634,833</b>



## Notes to the financial statements (Continued)

### 10 Investment in marketable securities

See accounting policy in Note 41C

<i>In Taka</i>	Note	2019	2018
Cash available for share purchase		12,684,697	22,663
Financial assets classified as fair value through profit and loss	10.1	114,187,790	81,485,006
		126,872,487	81,507,659

### 10.1 Financial assets classified as fair value through profit and loss

Name of the Company	No. of shares	Rate per share	Market value at 30 June 2019	Market value at 30 June 2018	Cost price	Changes in fair value
BRAC Bank Limited	251,045	70.90	16,594,075	-	17,799,989	(1,205,914)
Bangladesh Submarine Cable Company Limited (BSCCL)	338,422	161.65	44,671,704	-	54,705,315	(10,033,611)
National Polymer Ltd	727,333	94.71	30,534,363	-	26,267,091	4,267,272
Shahjalal Islami Bank Limited	723,580	24.97	18,523,648	-	18,065,677	457,971
Singer BD Ltd	20,000	179.97	3,864,000	-	3,599,312	264,688
Square Pharmaceuticals Ltd	12,500	293.10	-	3,663,750	-	-
The ACME Laboratories Ltd	60,000	99.90	-	5,994,000	-	-
Active Fine Chemicals Ltd	250,000	28.80	-	7,200,000	-	-
Bank Asia Limited	112,500	17.20	-	1,935,000	-	-
BRAC Bank Limited	11,000	71.20	-	783,200	-	-
Delta Life Insurance Company Ltd	3,000	100.00	-	300,000	-	-
Dhaka Bank Limited	168,750	14	-	2,396,250	-	-
Fareast Islami Life Insurance Company Limited	23,500	66.80	-	1,569,800	-	-
GPH Ispat Ltd	40,400	36.70	-	1,482,680	-	-
IFIC Bank Limited	504,000	12.70	-	6,400,800	-	-
Islami Bank Bangladesh Ltd	240,000	23.80	-	5,712,000	-	-
MJL Bangladesh Limited	30,890	101.90	-	3,147,691	-	-
NCC Bank Limited	275,000	14.70	-	4,042,500	-	-
Prime Bank Limited	357,500	16.10	-	5,755,750	-	-
Pubali Bank Limited	131,250	23.10	-	3,031,875	-	-
SAIF Powertec Limited	129,000	24.50	-	3,160,500	-	-
Shahjalal Islami Bank Limited	657,800	23.20	-	15,260,960	-	-
Southeast Bank Limited	172,500	15.70	-	2,708,250	-	-
Titas Gas Transmission & Distribution Company Limited	50,000	40.00	-	2,000,000	-	-
Uttara Bank Limited	200,000	24.70	-	4,940,000	-	-
			114,187,790	81,485,006	120,437,383	(6,249,593)





## Notes to the financial statements (Continued)

### 11 Receivable from related parties

See accounting policy in Note 41C

<i>In Taka</i>	2019	2018
United Mymensingh Power Ltd	6,529,242,459	-
United Anowara Power Ltd	7,257,473	-
United Lube Oil Ltd	377,392	-
United Jamalpur Power Ltd	68,114	-
United Enterprises & Co. Ltd	-	4,759,627,601
	<b>6,536,945,438</b>	<b>4,759,627,601</b>

### 12 Cash and cash equivalents

See accounting policy in Note 41C

<i>In Taka</i>	Note	2019	2018
Cash in hand		140,534	132,157
Cash at bank	12.1	1,009,730,958	1,278,749,490
		<b>1,009,871,492</b>	<b>1,278,881,647</b>

#### 12.1 Cash at bank

<i>In Taka</i>	2019	2018
Dutch Bangla Bank Limited	519,238,745	103,329,626
Dhaka Bank Limited	438,333,721	1,135,098,934
The Hongkong and Shanghai Banking Corporation Ltd	29,178,640	-
Brac Bank Limited	13,116,290	12,805,671
The City Bank Limited - Dividend distribution account 2016	5,959,588	4,109,624
Brac Bank Limited - Dividend distribution account 2013 and 2014	1,400,987	1,404,039
Dhaka Bank Limited - Dividend distribution account 2017	1,045,838	1,277,074
Shahjalal Islami Bank Limited	928,860	930,510
Trust Bank Limited	224,593	769,897
Jamuna Bank Limited	224,509	18,942,788
Eastern Bank Limited	79,187	81,327
	<b>1,009,730,958</b>	<b>1,278,749,490</b>

### 13 Share capital

See accounting policy in Note 41M

<i>In Taka</i>	2019	2018
<b>Authorised</b>		
800,000,000 ordinary shares of Tk. 10 each	8,000,000,000	8,000,000,000
200,000,000 redeemable preference shares of Tk. 10 each	2,000,000,000	2,000,000,000
	<b>10,000,000,000</b>	<b>10,000,000,000</b>

#### Ordinary shares issued, subscribed and paid up

Opening balance (399,239,167 ordinary shares of Tk. 10 each)	3,992,391,670	3,629,446,980
Bonus shares issued (79,847,833 ordinary shares of Tk. 10 each)	798,478,330	362,944,690
Closing balance (479,087,000 ordinary shares of Tk. 10 each)	<b>4,790,870,000</b>	<b>3,992,391,670</b>

#### Particulars of shareholding

Name of shareholders	2019		2018	
	No. of shares	Value (Tk)	No. of shares	Value (Tk)
United Mymensingh Power Ltd	431,170,994	4,311,709,940	-	-
United Energy Ltd	-	-	359,309,162	3,593,091,620
Investment Corporation of Bangladesh	13,086,748	130,867,480	8,136,283	81,362,830
General investors	34,829,258	348,292,580	31,793,722	317,937,220
	<b>479,087,000</b>	<b>4,790,870,000</b>	<b>399,239,167</b>	<b>3,992,391,670</b>



## Notes to the financial statements (Continued)

### 13.1 Percentage of shareholdings

Name of shareholders	2019	2018
United Mymensingh Power Ltd	90%	-
United Energy Ltd	-	90%
Investment Corporation of Bangladesh	2.73%	2%
General investors	7.27%	8%
	100%	100%

### 13.2 Classification of shareholders by holding

Range of holding in number of shares	2019		2018	
	No. of shareholders	No. of shares	No. of shareholders	No. of shares
01 to 5000 shares	6,029	3,338,906	4,956	2,519,442
5,001 to 20,000 shares	340	3,411,089	310	3,028,731
20,001 to 50,000 shares	95	2,936,301	97	2,989,387
50,001 to 1,000,000 shares	81	14,889,798	84	13,837,409
1,000,001 to 10,000,000 shares	8	23,339,912	6	17,555,036
over 10,000,001 shares	1	431,170,994	1	359,309,162
	6,554	479,087,000	5,454	399,239,167

### 14 Share premium

	2019	2018
<i>In Taka</i>		
Share premium	2,046,000,000	2,046,000,000
	2,046,000,000	2,046,000,000

This represents premium of Tk. 62 per share of 33,000,000 ordinary shares of Tk. 10 each.

### 15 Retained earnings

	2019	2018
<i>In Taka</i>		
Opening balance	10,252,390,068	9,285,474,486
Net profit for the period	4,803,678,525	4,596,362,554
	15,056,068,593	13,881,837,040
Cash dividend for the year 2017-18	(3,593,152,504)	(3,266,502,282)
Stock dividend for the year 2017-18	(798,478,330)	(362,944,690)
	10,664,437,759	10,252,390,068

### 16 Security money received

See accounting policy in Note 41C

	2019	2018
<i>In Taka</i>		
Lilac Fashion Wear Ltd	700,000	700,000
	700,000	700,000

Security deposit received comprises of an amount equal to two months minimum charge received from Lilac Fashion Wear Ltd.

### 17 Trade and other payables

See accounting policy in Note 41C

	Note	2019	2018
<i>In Taka</i>			
Trade payables	17.1	127,390,004	98,859,737
Other payables	17.2	22,162,117	15,767,433
		149,552,121	114,627,170



## Notes to the financial statements (Continued)

### 17.1 Trade payables

<i>In Taka</i>	2019	2018
Gas bill	127,390,004	98,859,737
	127,390,004	98,859,737

### 17.2 Other payables

<i>In Taka</i>	Note	2019	2018
Share application money payable		6,452,280	6,481,080
Service charge on gas bill		7,375,825	3,297,008
Unclaimed dividend	17.3	7,348,961	5,890,072
Other operating expenses		985,051	99,273
		22,162,117	15,767,433

### 17.3 Unclaimed dividend

<i>In Taka</i>	2019	2018
Unclaimed cash dividend for the year 2013 & 2014	1,405,988	6,481,080
Unclaimed interim & final cash dividend for the period ended on 30 June 2016	3,373,574	3,403,915
Unclaimed cash dividend for the year 2017	827,266	1,079,618
Unclaimed cash dividend for the year 2018	1,742,133	-
	7,348,961	10,964,613

### 18 Accrued expenses

See accounting policy in Note 41C

<i>In Taka</i>	2019	2018
VAT payable	13,647,904	3,450,016
Service charge on gas bill	3,337,015	3,000,000
Other operating expenses	3,115,234	1,888,353
Directors' remuneration	1,000,000	1,400,000
Audit fee	800,000	747,500
Utility bill	650,253	564,450
Security expenses	234,220	233,653
Medical expenses	50,280	50,235
Welfare fund	16,760	17,621
Environmental expenses	15,400	4,400
C&F bill	-	734,717
	22,867,066	12,090,945

### 19 Payable to related parties

See accounting policy in Note 41C

<i>In Taka</i>	2019	2018
United Engineering & Power Services Ltd	12,211,723	6,989,504
United Ashuganj Energy Ltd	10,438,917	-
United Energy Ltd	3,390,891	-
	26,041,531	6,989,504

### 20 Provision for taxation

See accounting policy in Note 41I

<i>In Taka</i>	2019	2018
Opening balance	-	1,720,313
Charged/(paid) during the year	-	(1,720,313)
Closing balance	-	-

No provision is required for income tax on the Company's profits as it has received exemption from all such taxes from the Government of Bangladesh for 15 years from commencement.



## Notes to the financial statements (Continued)

### 21 Revenue

See accounting policy in Note 41E

<i>In Taka</i>	<i>Note</i>	<b>2019</b>	<b>2018</b>
Electricity supply	21.1	6,443,761,495	6,119,900,443
Steam supply	21.2	29,915,025	24,707,583
		<b>6,473,676,520</b>	<b>6,144,608,026</b>

#### 21.1 Electricity supply

<i>In Taka</i>	<b>2019</b>	<b>2018</b>
BEPZA	4,161,471,744	4,082,381,550
Other private customers	1,187,628,272	1,263,078,710
BPDB	569,790,173	472,168,504
BREB	524,871,306	302,271,679
	<b>6,443,761,495</b>	<b>6,119,900,443</b>

#### 21.2 Steam supply

<i>In Taka</i>	<b>2019</b>	<b>2018</b>
Gunze United Ltd	22,643,385	19,603,506
Global Labels (Bangladesh) Ltd	4,840,629	3,944,305
Regency Garments Limited	1,707,962	1,159,772
Croydon-Kowloon Designs Ltd	602,739	-
Talisman Ltd	120,310	-
	<b>29,915,025</b>	<b>24,707,583</b>

- During the year ended 30 June 2019, the Company generated 1,023,956 MWH electricity of which 531,230 MWH was from the DEPZ power plant and 492,726 MWH from the CEPZ power plant.
- Of the BDT 3,517,031,901 total revenue from DEPZ plant, BDT 1,878,679,227 is attributable to the plant's extended project which came into operation in 2013.
- Of the BDT 2,956,644,619 total revenue from CEPZ plant, BDT 1,010,350,638 is attributable to the plant's extended project which came into operation in 2013.

### 22 Cost of sales

<i>In Taka</i>	<i>Note</i>	<b>2019</b>	<b>2018</b>
Gas bill		940,916,697	861,913,843
Operation and maintenance expenses	22.1	627,384,747	654,453,527
Spare parts		574,954,758	376,120,230
Lube oil and chemicals		49,341,884	33,402,490
		<b>2,192,598,086</b>	<b>1,925,890,090</b>



## Notes to the financial statements (Continued)

### 22.1 Operation and maintenance expenses

<i>In Taka</i>	<i>Note</i>	<b>2019</b>	<b>2018</b>
Depreciation	5	356,268,252	351,375,732
Direct overhead	22.2	113,395,425	95,224,727
Minimum load charge		61,466,823	123,412,153
Repair and maintenance		52,137,936	48,668,489
Insurance premium		11,738,666	10,712,000
Entertainment		9,551,400	7,292,848
Utility bill		9,034,907	5,800,678
Security expense		2,962,802	2,801,045
Land lease rent		2,331,584	2,292,184
Vehicle running and maintenance		1,480,390	1,311,601
Travelling and conveyance		1,006,239	738,813
Carrying charge		929,234	2,101,400
Gardening and beautification		837,741	139,008
Advertisement expense		745,750	-
Site office expense		717,002	494,715
Labour and wages		696,369	797,642
BERC license and others		691,353	481,980
Printing and stationery		392,272	344,450
Environmental expenses		383,784	20,290
Telephone, mobile and internet		274,913	272,071
Worker welfare fund		201,616	-
Automation and IP expense and others		87,284	86,550
Postage and courier		53,005	61,691
Computer maintenance		-	23,460
		<b>627,384,747</b>	<b>654,453,527</b>

22.2 The Company signed an agreement for all its operation, maintenance and management (O&M) services with United Engineering and Power Service Ltd (UEPSL). It provides all technical support related to operation and management of the power plants. UEPSL raises invoice for actual cost and a service charge per month.

### 23 Other operating income

<i>In Taka</i>	<b>2019</b>	<b>2018</b>
Realised gain from marketable securities	13,914,422	8,558,157
Scrap sale	5,914,110	4,210,754
Sale of used lube oil and drums	3,143,700	3,578,960
Foreign exchange gain	6,903	34,133
Dividend income	-	1,644,000
Unrealised loss from marketable securities	(6,249,593)	(24,039,785)
	<b>16,729,542</b>	<b>(6,013,780)</b>



## Notes to the financial statements (Continued)

### 24 General and administrative expenses

<i>In Taka</i>	2019	2018
Directors' remuneration	15,932,500	19,932,500
Office maintenance	10,890,000	10,890,000
CDBL and listing fee	8,160,510	3,849,408
Advertisement	6,838,056	4,688,723
Depreciation	3,598,669	3,549,250
AGM expenses	2,521,774	1,653,220
Bank charge and commission	2,159,893	1,816,112
Board meeting fees	1,850,000	3,100,000
Office rent	1,380,000	1,380,000
Auditor's fee	800,000	650,000
Vehicle running expenses	480,751	732,589
Traveling and conveyance	250,350	340,480
Entertainment	213,440	1,231,730
Overseas travelling	211,250	259,018
Consultancy fees	195,000	177,183
VAT on audit fee	120,000	97,500
RJSC expenses	105,630	90,810
Postage, telephone and telex	64,243	135,658
Printing and stationery	60,944	92,627
Office expenses	22,830	35,908
Trade license and others	560,740	116,254
Legal expense	-	47,750
Donation	-	500,000
	<b>56,416,580</b>	<b>55,366,720</b>

### 25 Finance income

See accounting policy in Note 41L

<i>In Taka</i>	2019	2018
Interest on related party loan	548,226,878	358,948,742
Interest income on bank balance and fixed deposits	14,060,251	80,076,376
	<b>562,287,129</b>	<b>439,025,118</b>

### 26 Earnings per share

See accounting policy in Note 41N

#### 26.1 Basic earnings per share

The calculation of basic earnings per share is based on profit of the Company attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

<i>In Taka</i>	Note	2019	2018
Profit attributable to the ordinary shareholders (basic)		4,803,678,525	4,596,362,554
Weighted average number of shares outstanding (basic)	26.2	479,087,000	479,087,000
<b>Earnings per share</b>		<b>10.03</b>	<b>9.59</b>

#### 26.2 Weighted average number of shares outstanding (basic)

	Note	2019	2018
Ordinary shares outstanding at beginning of the year		399,239,167	362,944,698
Bonus shares issued in 2016-17		-	36,294,469
Bonus shares issued in 2017-18	13	79,847,833	79,847,833
<b>Total weighted average number of share outstanding</b>		<b>479,087,000</b>	<b>479,087,000</b>

According to paragraph 64 of IAS 33: *Earnings per share*, if the number of ordinary shares outstanding increases as a result of a bonus issue, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. Therefore, the basic earnings per share (EPS) for the year ended 30 June 2018 has been restated to reflect the bonus shares issued in 2019 on the basis of profit attributable to the ordinary shareholders for the year ended 30 June 2018.



## Notes to the financial statements (Continued)

### 27 Net asset value per share

	Note	2019	2018
Net assets	27.1	17,501,307,759	16,290,781,738
Weighted average number of shares outstanding (basic)	26.2	479,087,000	479,087,000
<b>Net asset value per share</b>		<b>36.53</b>	<b>34.00</b>

### 27.1 Net assets

<i>In Taka</i>	2019	2018
Total assets	17,700,468,477	16,425,189,357
Total liabilities	199,160,718	134,407,619
<b>Net assets</b>	<b>17,501,307,759</b>	<b>16,290,781,738</b>

### 28 Net operating cash flow per share

	Note	2019	2018
Net cash generated from operating activities		4,671,465,725	4,313,981,885
Weighted average number of shares outstanding (basic)	26.2	479,087,000	479,087,000
<b>Net operating cashflow per share</b>		<b>9.75</b>	<b>9.00</b>

### 29 Reconciliation of net profit with cash flow from operating activities

<i>In Taka</i>	2019	2018
<b>Profit for the year</b>	<b>4,803,678,525</b>	<b>4,596,362,554</b>
<b>Adjustment for</b>		
Depreciation	359,866,921	354,924,982
Realised gain from marketable securities	(13,914,422)	(8,558,157)
Unrealised loss from marketable securities	6,249,593	24,039,785
Interest on related party loan	(548,226,878)	(358,948,742)
<b>Changes in</b>		
Inventories	224,685,588	(167,314,460)
Trade and other receivables	(238,363,731)	(101,227,441)
Advances, deposits and prepayments	14,195,919	(27,168,398)
Trade and other payables	33,466,062	2,037,964
Accrued expenses	10,776,121	611,385
Payable to related parties	19,052,027	942,725
Provision for taxation	-	(1,720,313)
<b>Net cash generated from operating activities</b>	<b>4,671,465,725</b>	<b>4,313,981,885</b>



## Notes to the financial statements (Continued)

### 30 Related party transactions

During the year, the Company carried out a number of transactions with related parties. The names of the related parties and nature of these transactions have been set out in accordance with the provisions of IAS 24: *Related party disclosures*.

#### A Transactions with key management personnel

##### i. Loan to directors

During the year, no loan was given to the directors of the Company.

##### ii. Key management personnel compensation comprised the following:

<i>In Taka</i>	2019	2018
Directors' remuneration	15,932,500	19,932,500
Board meeting fees	1,850,000	3,100,000
	17,782,500	23,032,500

The Company's key management personnel includes the Company's directors. Compensation includes salaries, festival bonus and meeting attendance fees.

#### B Other related party transactions

<i>In Taka</i>	Transaction value during the year ended 30 June		Balance outstanding as at 30 June	
	2019	2018	2019	2018
<b>Sale of goods and services</b>				
Gunze United Limited	22,643,385	19,603,506	4,826,023	5,687,309
<b>Purchase of services</b>				
United Engineering & Power Services Ltd.	106,204,604	95,224,727	9,870,923	6,989,504
<b>Loans</b>				
United Enterprises & Co. Ltd.	-	-	-	4,759,627,601
Loan disbursed during the period	-	11,353,000,000	-	-
Loan repaid during the period	4,759,627,601	10,250,000,000	-	-
United Mymensingh Power Ltd	-	-	6,528,674,556	-
Loan disbursed during the period	9,049,674,556	-	-	-
Loan repaid during the period	2,521,000,000	-	-	-
<b>Transfer of inventory (spare parts)</b>				
United Mymensingh Power Ltd	567,903	-	567,903	-
United Anowara Power Ltd	7,257,473	-	7,257,473	-
United Lube Oil Ltd	377,392	-	377,392	-
United Jamalpur Power Ltd	68,114	-	68,114	-
United Ashuganj Energy Ltd	10,438,917	-	10,438,917	-
United Energy Ltd	3,390,891	-	3,390,891	-
United Engineering & Power Services Ltd.	2,340,800	-	2,340,800	-





**Notes to the financial statements (Continued)**

31 Financial instruments - Fair values and risk management

**Accounting classifications and fair values**

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

In Taka	Note	Carrying amount					Fair value							
		Fair value- hedging instruments	Mandatorily at FVTPL – others	FVOCI – debt instruments	FVOCI – equity instruments	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total		
30 June 2019														
Financial assets measured at fair value														
Investment in marketable securities	10	-	126,872,487	-	-	-	-	-	-	126,872,487	-	-	-	126,872,487
		-	126,872,487	-	-	-	-	-	-	126,872,487	-	-	-	126,872,487
Financial assets not measured at fair value														
Trade and other receivables	8	-	-	-	-	-	-	1,188,525,256	-	-	-	-	-	-
Receivable from related parties	11	-	-	-	-	-	-	6,536,945,438	-	-	-	-	-	-
Cash and cash equivalents	12	-	-	-	-	-	-	1,009,871,492	-	-	-	-	-	-
		-	-	-	-	-	-	8,735,342,186	-	-	-	-	-	-
Financial liabilities not measured at fair value														
Security money received	16	-	-	-	-	-	-	-	700,000	-	-	-	-	-
Trade and other payables	17	-	-	-	-	-	-	-	149,552,121	-	-	-	-	-
Accrued expenses	18	-	-	-	-	-	-	-	22,867,066	-	-	-	-	-
Payable to related parties	19	-	-	-	-	-	-	-	26,041,531	-	-	-	-	-
		-	-	-	-	-	-	-	199,160,718	-	-	-	-	-
Financial assets measured at fair value														
Investment in marketable securities	10	81,507,659	-	-	-	-	-	-	-	-	-	-	-	81,507,659
		81,507,659	-	-	-	-	-	-	-	-	-	-	-	81,507,659
Financial assets not measured at fair value														
Trade and other receivables	8	-	-	-	-	-	-	950,161,525	-	-	-	-	-	-
Receivable from related parties	11	-	-	-	-	-	-	4,759,627,601	-	-	-	-	-	-
Cash and cash equivalents	12	-	-	-	-	-	-	1,278,881,647	-	-	-	-	-	-
		-	-	-	-	-	-	6,988,670,773	-	-	-	-	-	-
Financial liabilities not measured at fair value														
Security money received	16	-	-	-	-	-	-	-	700,000	-	-	-	-	-
Trade and other payables	17	-	-	-	-	-	-	-	114,627,170	-	-	-	-	-
Accrued expenses	18	-	-	-	-	-	-	-	12,090,945	-	-	-	-	-
Payable to related parties	19	-	-	-	-	-	-	-	6,989,504	-	-	-	-	-
		-	-	-	-	-	-	-	134,407,619	-	-	-	-	-



## Notes to the financial statements (Continued)

### 32 Financial risk management

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

- A Credit risk
- B Liquidity risk
- C Market risk

The Board of Directors have overall responsibility for the establishment and oversight of the Company's risk management framework. The Board oversees how management monitors compliance with risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to risks faced by the Company. The Board is assisted in its oversight role by the Audit Committee. Internal audit, under the purview of Audit Committee, undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

#### A Credit risk

Credit risk is the risk of a 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 receivables from buyers.

Management monitors the exposure to credit risk on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of financial assets in the statement of financial position.

##### i. Exposure to credit risk

The maximum exposure to credit risk at the reporting date was:

<i>In Taka</i>	Note	2019	2018
Trade and other receivables	8	1,188,525,256	950,161,525
Investment in marketable securities	10	126,872,487	81,507,659
Receivable from related parties	11	6,536,945,438	4,759,627,601
Cash and cash equivalents (excluding cash in hand)	12	1,009,730,958	1,278,749,490
		<b>8,862,074,139</b>	<b>7,070,046,275</b>

##### ii. Ageing of trade and other receivables

<i>In Taka</i>	2019	2018
Not past due	480,049,539	466,540,002
Past due 0-30 days	132,066,413	76,812,930
Past due 31-60 days	66,554,067	33,248,051
Past due 61-90 days	63,558,325	24,283,245
Past due 91-120 days	25,313,903	19,774,075
Past due 121-365 days	91,454,071	2,598,024
Past due 365+ days	329,528,938	326,905,198
	<b>1,188,525,256</b>	<b>950,161,525</b>

#### B Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due that are settled by delivering cash or another financial asset. 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 equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow 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.



## Notes to the financial statements (Continued)

### Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

30 June 2019

<i>In Taka</i>	Note	Carrying amount	Total	Contractual cash flows	
				6 months or less	Over 6 months
<b>Non-derivative financial liabilities</b>					
Trade and other payables	17	149,552,121	149,552,121	149,552,121	-
Accrued expenses	18	22,867,066	22,867,066	22,867,066	-
Payable to related parties	19	26,041,531	26,041,531	26,041,531	-
		198,460,718	198,460,718	198,460,718	-
<b>Derivative financial liabilities</b>					
		198,460,718	198,460,718	198,460,718	-

30 June 2018

<i>In Taka</i>	Note	Carrying amount	Total	Contractual cash flows	
				6 months or less	Over 6 months
<b>Non-derivative financial liabilities</b>					
Trade and other payables	17	114,627,170	114,627,170	114,627,170	-
Accrued expenses	18	12,090,945	12,090,945	12,090,945	-
Payable to related parties	19	6,989,504	6,989,504	6,989,504	-
		198,460,718	133,707,619	133,707,619	-
<b>Derivative financial liabilities</b>					
		198,460,718	133,707,619	133,707,619	-

### C Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates 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.

#### i. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The Company is exposed to foreign currency risk relating to purchases and other transactions which are denominated in foreign currencies.

#### Exposure to currency risk

The Company's exposure to foreign currency risk arising from foreign currency denominated assets and liabilities at balance sheet date denominated in US dollar (USD) and Great British Pound (GBP) are as follows:

	Note	2019		2018	
		USD	GBP	USD	GBP
Cash and cash equivalents	12	10,558	153	10,564	152
Share application money payable	17.2	(10,558)	(153)	(10,564)	(152)
Net exposure		-	-	-	-

The following significant exchange rates have been applied:

<i>In Taka</i>	Year-end spot rate	
	2019	2018
USD	84.50	83.75
GBP	107.29	110.63

#### Sensitivity analysis

The basis for the sensitivity analysis to measure foreign exchange risk is an aggregate corporate-level currency exposure. The aggregate foreign exchange exposure is composed of all assets and liabilities denominated in foreign currencies. As the Company's net exposure to foreign currency risk arising from such assets and liabilities as on the date of statement of financial position was nil, no sensitivity analysis is required.



## Notes to the financial statements (Continued)

### ii. Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on deposits and receivables.

#### Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments as at the date of statement of financial position is as follows:

<i>In Taka</i>	Note	Nominal Amount	
		2019	2018
<b>Fixed rate instruments</b>			
<i>Financial assets</i>			
Receivable from related parties	11	6,536,945,438	4,759,627,601
<i>Financial liabilities</i>			
		6,536,945,438	4,759,627,601
<b>Variable rate instruments</b>			
<i>Financial assets</i>			
		-	-
<i>Financial liabilities</i>			
		-	-

### 33 Operational risk

Operational risk constitutes the ability of the Company's power projects to generate and distribute stipulated electricity to its off-takers. Technology used, fuel supply arrangement, operational and maintenance (O&M) arrangement, political or force majeure in the form of natural disaster like floods, cyclone, tsunami and earthquake may hamper normal performance of power generation. The timely and appropriate maintenance of the distribution networks undertaken by BEPZA reduces the chance of major disruptions. However, severe natural calamities which are unpredictable and unforeseen have the potential to disrupt normal operations of the Company. Management believes that prudent rehabilitation schemes and quality maintenance will lessen the damages caused by such natural disasters. Most importantly, all the above risks are covered under the insurance agreement with Pragati Insurance Company Limited to compensate for all the potential damages caused in such situations.

### 34 Contingent assets

The Company has raised a claim against BEPZA for losses suffered as a result of BEPZA failing to timely provide vacant possession of required land and gas connection and a consequent 234 day delay in the Company commencing commercial operation.

In March 2015 an arbitration panel (consisting of three arbitrators, appointed by the Company, BEPZA and the Government of Bangladesh, respectively) ordered that BEPZA compensate the Company for the following amounts.

<i>In Taka</i>	2019	2018
Service charge deducted by BEPZA ordered to return to the Company	18,733,918	18,733,918
Loss of warranty	17,424,510	17,424,510
	36,158,428	36,158,428

In April 2015, BEPZA took the matter to the Court of District Judge, Dhaka. Multiple hearings took place during this year with no significant developments to date.

### 35 Commitments

The Company has outstanding letters of credit amounting to USD 1,183,874 and EUR 1,516,991 (2018: USD 744,060; EUR 627,453) against which it is committed to purchase spare parts.



## Notes to the financial statements (Continued)

### 36 Contingent liabilities

#### 36.1 Contingent liabilities relating to bank guarantees amounted to:

Beneficiary	Expiry date	Currency	30 June 2019	30 June 2018
Titas Gas Transmission & Distribution Company Limited	11 November 2023	BDT	78,790,400	78,790,400
Titas Gas Transmission & Distribution Company Limited	11 December 2022	BDT	6,628,382	6,628,382
Karnaphuli Gas Distribution Company Limited	23 January 2023	BDT	34,897,650	34,897,650
Karnaphuli Gas Distribution Company Limited	20 June 2023	BDT	8,647,617	8,647,617
Karnaphuli Gas Distribution Company Limited	2 March 2024	BDT	71,724,353	-
			200,688,402	128,964,049

36.2 In line with the provisions of its gas supply agreements, the Company has historically been charged for gas consumption at the rate set for Independent Power Producers (IPPs). However, on 2 January 2018, the Energy and Mineral Resources Division of the Ministry of Power, Energy and Mineral Resources resolved in a meeting that gas based power plants will be charged for gas consumption in the following manner:

- Gas consumed for generating power supplied to the national grid will be charged at the rate set for IPPs.
- Gas consumed for generating power supplied to private customers will be charged at the rate set for captive power producers.

Accordingly, in May 2019, the Company's gas suppliers, Titas Gas Transmission & Distribution Company Limited and Karnaphuli Gas Distribution Company Limited, have claimed additional charges amounting to BDT 1,087,826,071 (for the period January 2018 to June 2019) and BDT 491,063,484 (for the period May 2018 to June 2019).

The Company has filed two separate writ petitions, dated 23 May 2019 and 1 July 2019, with the Honorable High Court Division of the Supreme Court of Bangladesh against the above decision. The Honorable High Court issued a stay order of 4 months, dated 26 May 2019 and 4 July 2019, respectively, on the operation of this decision.

### 37 Bank facilities

The Company enjoys the following credit facilities from the following financial institutions:

Name of the bank	Letter of credit limit	Loan against trust receipt limit	Overdraft limit	Bank guarantee facilities limit
Dhaka Bank Limited	350,000,000	300,000,000	300,000,000	200,690,000
Jamuna Bank Limited	1,000,000,000	250,000,000	50,000,000	300,000,000
Total	1,450,000,000	550,000,000	350,000,000	500,690,000

### 38 Expenditure in equivalent foreign currency

	2019	2018
<i>In Taka</i>		
Foreign travel for business purpose	211,250	259,018
	211,250	259,018

### 39 Other disclosures

#### 39.1 Capacity and production

Location of plant	Installed capacity (MWH)		Actual production (MWH)		Capacity utilisation (%)	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Dhaka EPZ	688,000	688,000	531,230	472,196	77%	69%
Chattogram EPZ	576,000	576,000	492,726	468,834	86%	81%
Total	1,264,000	1,264,000	1,023,956	941,030		

#### 39.2 Number of employees

The Company has no employees. Operation and maintenance (O&M) activities of the Company is managed by 211 employees of United Engineering & Power Services Ltd under an O&M contract.

#### 39.3 Comparatives and rearrangement

Previous year's figures have been rearranged, wherever considered necessary to conform to the current year's presentation.



## Notes to the financial statements (Continued)

### 39.4 Investment in power plant

On 22 June 2019, the Board of Directors of the Company resolved to acquire 75% shares (300,000 shares at face value of Tk. 10 each) of Leviathan Global BD Ltd. (LGBDL) from United Enterprises & Co. Ltd. (UECL). A share transfer agreement was also signed on the same date stating the acquisition to be effective from 1 July 2019.

LGBDL is a 50 MW IPP gas fired power plant built under joint venture between Leviathan Global Corporation, USA and UECL. The plant is located at KEPZ in Chattogram and will be operated under an agreement with BEPZA with a contract period of 30 years (extendable for a further 30 years). Commercial operation is expected to start in August 2019.

### 39.5 Events after the reporting period

Events after the reporting period that provide additional information about the Company's position at the reporting date or those that indicate the going concern assumption is not appropriate are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

The Board of Directors in its 90th meeting held on 1 August 2019 have recommended cash dividend @ 130% per share of Taka 10 each aggregating to Taka 6,228,131,000 and stock dividend @ 10% i.e. 1 (one) bonus share for every 10 (ten) ordinary shares of Taka 10 each involving Taka 479,087,000 for the year ended 30 June 2019. The dividend is subject to final approval by the shareholders at the forthcoming annual general meeting of the Company.

In accordance with IAS 10: *Events after the Reporting Period*, the proposed final dividend is not recognised in the statement of financial position.

There are no other events identified after the date of the statement of financial position which require adjustment or disclosure in the accompanying financial statements.

### 39.6 Going concern

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



## Notes to the financial statements (Continued)

### 40 Basis of measurement

The financial statements have been prepared on historical cost basis except inventories which is measured at lower of cost and net realisable value on each reporting date.

### 41 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (see also Note 4.2).

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

- A Property, plant and equipment
- B Inventories
- C Financial instruments
- D Impairment
- E Revenue
- F Provisions
- G Contingencies
- H Foreign currency
- I Income tax
- J Employee benefits
- K Statement of cash flows
- L Finance income
- M Share capital
- N Earnings per share
- O Dividends
- P Leases

#### A Property, plant and equipment

##### Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment comprises of its purchase price, import duties and non-refundable taxes, after deducting trade discount and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner.

##### Subsequent costs

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

##### Depreciation

i) Property, plant and equipment is stated at cost less accumulated depreciation. All property, plant and equipment have been depreciated on straight line method.

ii) In respect of addition to fixed assets, full depreciation is charged in the month of addition irrespective of date of purchase in that month and no depreciation is charged in the month of disposal/retirement. Residual value is estimated to be zero for all assets.

The rates of depreciation vary according to the estimated useful life of the items of all property, plant and equipment.

Considering the estimated useful life of the assets, the rates of depreciation are as follows:

	%
Plant and machinery	3.33%
Gas line	2%
Office equipment	15%
Furniture and fixture	10%
Motor vehicle	10%



## Notes to the financial statements (Continued)

### Retirements and disposals

An asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gain or loss arising from the retirement or disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised as gain or loss from disposal of asset in the statement of profit or loss and other comprehensive income.

### B Inventories

Inventories consisting mainly of spare parts, lube oil and chemicals are valued at lower of cost and net realisable value. Net realisable 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. Costs of inventories include expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost of inventories is determined by using weighted average cost method.

When inventories are consumed, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### C Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### ii. Classification and subsequent measurement

##### Financial assets – Policy applicable from 1 July 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.





## Notes to the financial statements (Continued)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### Financial assets – Business model assessment: Policy applicable from 1 July 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management; the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

### Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 July 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets include cash and cash equivalents, trade and other receivables and receivable from related parties.

#### (a) Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and all cash deposits with maturities of three months or less that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

#### (b) Trade and other receivables

Trade and other receivables and receivable from related parties are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.



## Notes to the financial statements (Continued)

### iii. Financial liability

All financial liabilities are recognised initially on the transaction date at which the Company becomes a party to the contractual provisions of the liability.

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

Financial liabilities include trade and other payables, accrued expenses, payable to related parties etc.

#### (a) Trade and other payables

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

#### (b) Accrued expenses

Accrued expenses represent various operating expenses that are due at the reporting date which are initially measured at fair value.

## D Impairment

### Financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment. Financial assets are impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

### Non-financial assets

An asset is impaired when its carrying amount exceeds its recoverable amount. The Company assesses yearly whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Carrying amount of the asset is reduced to its recoverable amount by recognising an impairment loss, if and only the recoverable amount of the asset is less than its carrying amount. Impairment loss is recognised immediately in the statement of comprehensive income.

## E Revenue

Revenue is recognised, upon supply of electricity, quantum of which is determined by survey of meter reading. It excludes value added tax and other government levies, on the basis of net units of energy generated and transmitted to the authorised customer's transmission systems and invoiced on a monthly basis upon transmission to the customers. Revenue is valued using rates in effect when service is provided to customers.

## F Provisions

A provision is recognised in the statement of financial position when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

## G Contingencies

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

### (i) Contingent liability

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

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



## Notes to the financial statements (Continued)

### (ii) Contingent asset

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

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

### H Foreign currency

Foreign currency transactions are translated into BDT/Taka at the exchange rates prevailing on the date of transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate prevailing at the reporting date.

Foreign currency denominated non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates prevailing at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

### I Income tax

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### (i) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. No provision is required for income tax on the Company's 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: 188-Law/Income Tax/2009-Income Tax Ordinance (#36) 1984 dated 01 July 2009. Such exemption for Dhaka EPZ power plant will expire in 2023 and for Chittagong EPZ power plant in 2024.

#### (ii) Deferred tax

There are varied practices of calculating tax depreciation by power companies in Bangladesh. Amongst these practices there is a precedence of tax assessments being completed for several years for a power company whereby the tax authorities have taken the accounting depreciation charge to be the tax depreciation charge, implying that there were no temporary differences between accounting net book value and tax written down value of property, plant and equipment. On the basis of the said precedence, the Company has not considered any deferred tax relating to property, plant and equipment in the preparation of these financial statements.

### J Employee benefits

#### Workers profit participation fund (WPPF)

The government of Bangladesh has made an amendment to the Labour Law 2006 in July 2013. As per amended section-232 (chha) of the Act, any undertaking carrying on business to earn profit is liable to make provision for WPPF at 5% of the net profit and it also needs to be distributed within 9 months of the statement of financial position date. Operation and maintenance (O&M) activities of the Company are managed by employees of United Engineering and Power Services Limited under an O&M contract. Therefore, the provision of WPPF is not applicable for the Company.

### K Statement of cash flows

Statement of cash flows has been prepared in accordance with the IAS 7: *Statement of cash flows* under the direct method.



## Notes to the financial statements (Continued)

### L Finance income

Finance income comprises interest on financial deposits with banks and loans made to related parties. Finance income is recognised on an accrual basis and shown under statement of profit or loss and other comprehensive income.

### M Share capital

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

### N Earnings per share

The Company represents earnings per share (EPS) data for its ordinary shares. 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.

### O Dividends

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

### P Leases

#### (i) Determining whether an arrangement contains a lease

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

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

#### (ii) Leased assets

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

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

#### (iii) Lease payments

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

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



## Notes to the financial statements (Continued)

### 42 Standards issued but not yet effective

In January 2018, the Institute of Chartered Accountants of Bangladesh (ICAB) has adopted International Financial Reporting Standards issued by the International Accounting Standards Board as IFRSs. As the ICAB previously adopted such standards as Bangladesh Financial Reporting Standards without any modification, this adoption does not have any impact on the financial statements of the Company for annual periods beginning on or after 1 January 2018.

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these financial statements.

#### (i) IFRS 16: Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17: *Leases*, IFRIC 4: *Determining whether an Arrangement contains a Lease*, SIC-15: *Operating Leases – Incentives* and SIC-27: *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15: *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16. Based on initial assessment, the impact of adoption of IFRS 16 is not expected to be material.

