

United Power Generation & Distribution Company Ltd.

Independent Auditor's Report and

Financial Statements

As at and for the year ended 30 June 2020

INDEPENDENT AUDITOR'S REPORT

To the shareholders of United Power Generation & Distribution Company Limited

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 2020, 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 2020, 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. For each matter below our description of how our audit addressed the matter is provided in that context.

1. Revenue recognition See note 45 (E) and 23 to the financial statements	
Description of key audit matters	How the matters were addressed in our audit
Revenue recognition and provision for customer receivables are key areas of judgement, particularly in relation to: <ul style="list-style-type: none"> ▪ energy revenue is made based on the survey of the meter reading. The customer (or government authority) verify the electrical energy output through physical inspection of meter and/or review of relevant reports generated from the meter. Upon agreement by both parties, the electrical energy delivered for the month is evidenced by the approvals of the professional engineers representing the 	Our audit procedures included: <ul style="list-style-type: none"> ▪ assessing whether revenue recognition policies are applied through comparison with relevant accounting standards and industry practice; ▪ testing the Company's controls over revenue recognition; ▪ re-calculate the invoice amount as per Power Supply Agreement (PSA); ▪ assessing the assumptions used to calculate the metered accrued income by ensuring that inputs used to the calculation have been derived appropriately;

<p>Company and the customer. The meter is calibrated and certified by independent professional engineers on a regular basis; and</p> <ul style="list-style-type: none"> ▪ identify conflicting issues relating to billing and assessing whether there is little prospect cash will be received for revenue that has been billed; 	<ul style="list-style-type: none"> ▪ assessing the Company's disclosures of its revenue recognition, including the estimation and uncertainty involved in recording revenue; and ▪ discussed with the management regarding the treatment for revenue recognition policy of the Company.
<p>2. Additional charges claimed by the gas suppliers to the Company See note 40.2 to the financial statements</p>	
<p style="text-align: center;">Description of key audit matters</p> <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 1,776,734,152 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. Outcome of this litigation inherently affects the amount and timing of potential cash outflows.</p> <p>The matter being sub judicial outcome cannot be predict with certainty. However, Legal Advisor of the company opined about positive grounds favouring the company.</p>	<p style="text-align: center;">How the matters were addressed in our audit</p> <p>Our substantive procedures in this area included:</p> <ul style="list-style-type: none"> ▪ reviewing of legal documents pertaining to the case. ▪ inquiry with management regarding probable outcome of the case. ▪ obtaining legal opinion from the Company's external legal counsel with regard to the outcome of the case. ▪ reviewing contingent liability disclosures.
<p>3. Implementation of IFRS 16 -Leases See note 4.2 and 45(P) to the financial statements</p>	
<p style="text-align: center;">Description of key audit matters</p> <p>The Company recognized rights-of-use assets (ROUA) and lease liabilities arising from the lease rental agreements for land. The recognition is made for the first time in current year's financial statements. However, that would not require a restatement of the comparative period information because Company elected modified retrospective approach. The lease liability is measured at the present value of the lease payments that are not paid at that date. For calculation of the lease liability, the management applies its judgment in determination of lease term, where certainty of exercising the option to extend or the option not to terminate the lease is considered.</p> <p>The incremental borrowing rate is used as discounting rate in calculation of lease liability.</p>	<p style="text-align: center;">How the matters were addressed in our audit</p> <p>We obtained an understanding of the management's process for implementing IFRS 16 including financial controls designed by the management to mitigate the risks assessed by us independently. We tested those relevant controls and adopted a control rely strategy. Furthermore, to mitigate the inherent risk in this audit area, our audit approach included testing of the controls and substantive audit procedures, including:</p> <ul style="list-style-type: none"> ▪ we studied the contracts for lease rental arrangements, especially the terms and conditions related to payments, lease incentives, any indirect costs, dismantling and restoration, option to extend the lease or not to terminate the lease. ▪ through discussion we evaluated management's judgement and estimates used in adopting the new standard.

<p>We considered the implementation of "IFRS- 16 Leases" as a key audit matter, since management had to apply several judgements and estimates such as lease term, discount rates, measurement basis among others and undertake a significant data extraction exercise to summarise the lease data for input into their lease calculation model.</p>	<ul style="list-style-type: none"> ▪ we checked the lease amortization schedule and depreciation schedule for each of the leases. ▪ we checked the appropriateness of management's assumptions, especially in determining the certainty of exercising option to extend or terminate lease and the discounting rate applied to calculate lease liability. ▪ we assessed whether the disclosures within the financial statements are adequate as prescribed by the relevant IFRSs.
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Other Matter

The financial statements of the Company for the year ended 30 June 2019 were audited by another auditor who expressed an unqualified opinion on those statements on 01 August 2019.

Other Information included in the Company's June 30, 2020 Annual Report

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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

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.

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.



A. Qasem & Co.
Chartered Accountants

Partner: Sanjida Kasem, FCA, FCMA, CFE

Dhaka, 28 October 2020

United Power Generation and Distribution Company Limited
Statement of financial position

<i>In Taka</i>	<i>Notes</i>	30 June 2020	30 June 2019
Assets			
Property, plant and equipment	5	8,021,031,738	8,272,063,545
Right of use assets	6	24,747,212	-
Investment in subsidiary	7	3,297,000	297,000
Non-current assets		8,049,075,950	8,272,360,545
Inventories	8	734,840,489	493,397,340
Trade and other receivables	9	1,407,646,707	1,188,525,256
Advances, deposits and prepayments	10	71,814,584	72,495,919
Investment in marketable securities	11	92,817,221	126,872,487
Receivable from related parties	12	5,176,876,020	6,536,945,438
Cash and cash equivalents	13	323,879,180	1,009,871,492
Current assets		7,807,874,201	9,428,107,932
Total assets		15,856,950,151	17,700,468,477
Equity			
Share capital	14	5,269,957,000	4,790,870,000
Share premium	15	2,046,000,000	2,046,000,000
Retained earnings	16	8,305,986,678	10,664,437,759
Total equity		15,621,943,678	17,501,307,759
Liabilities			
Security money received	17	700,000	700,000
Land lease Liability	18	24,449,893	-
Non-current liabilities		25,149,893	700,000
Trade and other payables	19	156,313,540	149,552,121
Accrued expenses	20	18,988,856	22,867,066
Payable to related parties	21	33,648,445	26,041,531
Land lease Liability	18	905,739	-
Provision for taxation	22	-	-
Current liabilities		209,856,580	198,460,718
Total liabilities		235,006,473	199,160,718
Total equity and liabilities		15,856,950,151	17,700,468,477

The annexed notes 1 to 46 form an integral part of these financial statements.



Managing Director



Director



Company Secretary

As per our report of same date.



A. Qasem & Co.
Chartered Accountants

Dhaka, 28 October 2020



United Power Generation and Distribution Company Limited
Statement of profit or loss and other comprehensive income

<i>In Taka</i>	Notes	For the year ended	
		30 June 2020	30 June 2019
Revenue	23	6,223,160,052	6,473,676,520
Cost of sales	24	(2,328,672,071)	(2,192,598,086)
Gross profit		3,894,487,981	4,281,078,434
Other operating income	25	3,948,448	16,729,542
General and administrative expenses	26	(54,937,223)	(56,416,580)
Operating profit		3,843,499,206	4,241,391,396
Finance income	27	508,260,780	562,287,129
Finance charge	28	(1,519,833)	-
Profit before tax		4,350,240,153	4,803,678,525
Income tax expenses	29	(1,473,234)	-
Profit after tax		4,348,766,919	4,803,678,525
Other comprehensive income		-	-
Total comprehensive income		4,348,766,919	4,803,678,525
Earnings per share	30	8.25	9.12

The annexed notes 1 to 46 form an integral part of these financial statements.



Managing Director




Director



Company Secretary

As per our report of same date.

Dhaka, 28 October 2020



A. Qasem & Co.
Chartered Accountants



United Power Generation and Distribution Company Limited
Statement of changes in equity

<i>In Taka</i>	For the year ended 30 June 2020			
	Share capital	Share premium	Retained earnings	Total equity
Balance at 1 July 2019	4,790,870,000	2,046,000,000	10,664,437,759	17,501,307,759
Total comprehensive income				
Profit for the year	-	-	4,348,766,919	4,348,766,919
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	4,348,766,919	4,348,766,919

Transactions with owners of the Company

Contributions and distributions				
Issue of bonus shares	479,087,000	-	(479,087,000)	-
Cash dividend	-	-	(6,228,131,000)	(6,228,131,000)
Total transactions with owners of the Company	479,087,000	-	(6,707,218,000)	(6,228,131,000)
Balance at 30 June 2020	5,269,957,000	2,046,000,000	8,305,986,678	15,621,943,678

<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
Total comprehensive income				
Profit for the year	-	-	4,803,678,525	4,803,678,525
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	4,803,678,525	4,803,678,525

Transactions with owners of the Company

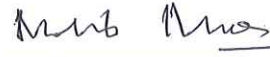
Contributions and distributions				
Issue of bonus shares	798,478,330	-	(798,478,330)	-
Cash dividend	-	-	(3,593,152,504)	(3,593,152,504)
Total transactions with owners of the Company	798,478,330	-	(4,391,630,834)	(3,593,152,504)
Balance at 30 June 2019	4,790,870,000	2,046,000,000	10,664,437,759	17,501,307,759

Notes	14	15	16
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The annexed notes 1 to 46 form an integral part of these financial statements.



 Managing Director



 Director



 Company Secretary

As per our report of same date.



 A. Qasem & Co.
 Chartered Accountants

Dhaka, 28 October 2020



United Power Generation and Distribution Company Limited
Statement of cash flows

<i>In Taka</i>	Notes	For the year ended	
		30 June 2020	30 June 2019
Cash flows from operating activities			
Cash received from customers		6,003,014,356	6,238,532,639
Cash received from other income	25	39,724,530	19,905,114
Cash paid to suppliers and others		(2,253,640,442)	(1,586,924,028)
Finance charge paid	28	(1,519,833)	-
Tax paid	29	(665,073)	(48,000)
Net cash generated from operating activities		3,786,913,538	4,671,465,725
Cash flows from investing activities			
Acquisition of property, plant and equipment	5	(141,827,724)	(81,694,307)
Cash received from/(paid for) related party loan		1,857,076,496	(1,229,090,959)
Insurance claim received on disposal of fixed assets		41,503,257	-
Investment in subsidiary company	7	(3,000,000)	(297,000)
Investment in marketable securities	11	-	(37,699,999)
Net cash flows from/(used in) investing activities		1,753,752,029	(1,348,782,265)
Cash flows from financing activities			
Dividend paid	16	(6,225,803,409)	(3,591,693,615)
Land lease payment	18	(854,470)	-
Net cash used in financing activities		(6,226,657,879)	(3,591,693,615)
Net (decrease)/increase in cash and cash equivalents		(685,992,312)	(269,010,155)
Cash and cash equivalents at 1 July	13	1,009,871,492	1,278,881,647
Cash and cash equivalents at 30		323,879,180	1,009,871,492
Net operating cash flow per share	32	7.19	8.86

The annexed notes 1 to 46 form an integral part of these financial statements.



 Managing Director



 Director



 Company Secretary

As per our report of same date.

Dhaka, 28 October 2020



 A. Qasem & Co.
 Chartered Accountants



United Power Generation and Distribution Company Limited

Notes to the financial statements

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.

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) which is expected to be operational by December 2020.

Please see Note 7.

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. Matter is under active negotiation.

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 45.

2.2 Date of authorisation

The financial statements were authorised for issue by the Board of Directors on 28 October 2020.

2.3 Reporting period

The current financial period of the Company covers one year from 1 July 2019 to 30 June 2020 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.



Notes to the financial statements (Continued)

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.

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 45A	Property, plant and equipment
Note 8 and 45B	Inventories
Note 22 and 45I	Provision for taxation
Note 38, 40, and 45G	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 following lists shows the recent changes to International Financial Reporting Standards ("IFRS" or "standards") that are required to be applied by an entity with an annual reporting period beginning on or after 1 July 2019:

- IFRS 16: *Leases*
- Interpretation made by the International Financial Reporting Interpretation Council (IFRIC) 23: *Uncertainty over Tax Treatments*
- Amendments to IFRS 9: *Financial Instruments* on prepayment features with negative compensation
- Amendments to IAS 28: *Investments in Associates and Joint Ventures* on long-term interests in associates and joint ventures
- Amendments to IAS 19: *Employee Benefits* on plan amendment, curtailment or settlement
- Amendments to various standards based on the Annual Improvements to IFRSs 2015-2017 Cycle

The Company initially adopted IFRS 16: *Leases* (hereafter "IFRS 16") on 1 July 2019. The other new and amended standards and the interpretation to a standard listed above do not have any material effect on the Company's financial statements.

The effects of the adoption of IFRS 16 on the Company's financial statements are explained below:

IFRS 16

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 supersedes 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*.



Notes to the financial statements (Continued)

IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. It changed the accounting of leases previously classified as operating leases under IAS 17, which were off balance sheet. Under IAS 17, operating leases were expensed on a straight-line basis over the term of the lease, and assets and liabilities were recognised only to the extent that there was a timing difference between actual lease payments and the expense recognised. Under IFRS 16, 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 (practical expedients). In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17; i.e. lessors continue to classify leases as finance or operating leases.

Impact on lessee accounting

The Company has chosen to apply the modified retrospective approach, under which the cumulative effect of initial application is not recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for the year ended on 30 June 2019 is not restated, i.e. it is presented as previously reported under IAS 17.

On initial application of IFRS 16, for all leases, except for those that the practical expedient was applied (see below), the Company has:

- Recognised right of use assets in the statement of financial position by reclassifying Prepaid lease rent;
- Recognised depreciation of right of use assets in the statement of profit or loss.

Under IFRS 16, the Company applied the practical expedient to grandfather the definition of a lease on transition. This means that:

- all contracts entered into before 1 July 2019 that were not identified as leases in accordance with IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019;
- for any leases with unexpired lease term on initial application date of less than 12 months or any leases relating to low value items, the Company elected to use the short-term lease exemption; and
- the initial direct costs arising from the measurement of right-of-use asset at the date of initial application were excluded.
- The Company's right of use assets were measured by land lease rent.
- The impact of IFRS 16 on the statement of profit or loss was to replace the operating lease expenses (or rent expense) with a depreciation of right-of-use assets, with the exception of short-term leases and leases of low-value assets. The financial impact of these changes on the results of the Company for the year compared to those of the prior year was not significant.
- IFRS 16 doesn't have any material impact on the statement of cash flows.

As a result of adoption of new standard, the company had to change its accounting policies as set out in Note 45 (P).



Notes to the financial statements (Continued)

5 Property, plant and equipment

See accounting policy in Note 45A

Reconciliation of carrying amount

<i>In Taka</i>	Plant and machinery	Gas line	Office equipment	Furniture and fixture	Motor vehicle	Total
Cost						
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)
Balance at 30 June 2019	10,421,132,793	352,876,102	11,284,359	3,079,220	62,493,836	10,850,866,310
Balance at 1 July 2019	10,421,132,793	352,876,102	11,284,359	3,079,220	62,493,836	10,850,866,310
Additions	140,094,317	1,410,533	299,171	23,703	-	141,827,724
Disposals/transfers	(48,140,896)	-	-	-	-	(48,140,896)
Balance at 30 June 2020	10,513,086,214	354,286,635	11,583,530	3,102,923	62,493,836	10,944,553,137
Accumulated depreciation						
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)
Balance at 30 June 2019	2,493,994,151	51,668,090	10,977,794	1,517,354	20,645,375	2,578,802,764
Balance at 1 July 2019	2,493,994,151	51,668,090	10,977,794	1,517,354	20,645,375	2,578,802,764
Depreciation for the year	347,669,024	7,066,926	154,030	302,597	5,824,158	361,016,735
Adjustment for disposals/transfers	(16,298,100)	-	-	-	-	(16,298,100)
Balance at 30 June 2020	2,825,365,075	58,735,016	11,131,824	1,819,952	26,469,533	2,923,521,399
Carrying amounts						
At 30 June 2019	7,927,138,642	301,208,012	306,565	1,561,865	41,848,461	8,272,063,545
At 30 June 2020	7,687,721,139	295,551,619	451,706	1,282,971	36,024,303	8,021,031,738
a) Allocation of depreciation						
<i>In Taka</i>				Note	2020	2,019
Cost of sales				24.1	357,406,568	356,268,252
General and administrative expenses				26	3,610,167	3,598,669
					361,016,735	359,866,921

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 Right of Use Assets

See accounting policy in Note 45P

<i>In Taka</i>	2020	2019
Cost		
Balance as at 01 July	-	-
Additions	26,210,102	-
Disposals	-	-
Balance at 30 June	26,210,102	-
Accumulated amortisation		
Balance as at 01 July	-	-
Amortisation for the year	1,462,890	-
Adjustment for disposal/transfers	-	-
Balance at 30 June	1,462,890	-
Carrying amounts		
As At 30 June	24,747,212	-

7 Investment in subsidiary

<i>In Taka</i>	2020	2019
United Energy Ltd	297,000	297,000
Leviathan Global BD Ltd.	3,000,000	-
	3,297,000	297,000

8 Inventories

See accounting policy in Note 45B

<i>In Taka</i>	Note	2020	2019
Spare parts	8.1	603,771,077	457,117,013
Lube oil and chemicals	8.1	20,906,529	8,619,479
Goods in transit		110,162,883	27,660,848
		734,840,489	493,397,340

8.1 Movement in inventories

<i>In Taka</i>	Lube oil and chemicals	Spare parts
Balance at 1 July 2018	3,407,644	626,739,151
Addition during the year	45,952,488	416,862,665
Transfer during the year	8,601,231	(11,530,045)
Consumption during the year	(49,341,884)	(574,954,758)
Balance at 30 June 2019	8,619,479	457,117,013
Balance at 1 July 2019	8,619,479	457,117,013
Addition during the year	54,907,753	509,768,425
Loan/Transfer during the year	-	9,781,993
Consumption during the year	(42,620,704)	(372,896,354)
Balance at 30 June 2020	20,906,529	603,771,077

9 Trade and other receivables

See accounting policy in Note 45C

<i>In Taka</i>	Note	2020	2019
Trade receivables	9.1	1,403,050,102	1,182,904,406
Other receivables	9.2	4,596,605	5,620,850
		1,407,646,707	1,188,525,256



Notes to the financial statements (Continued)

9.1 Trade receivables

<i>In Taka</i>	<i>Note</i>	2020	2019
BREB	9.3	231,669,177	240,932,313
BPDB	9.4	478,612,516	321,101,366
BEPZA		386,377,099	323,346,582
Other private customers		306,391,310	297,524,145
		1,403,050,102	1,182,904,406

9.2 Other receivables

<i>In Taka</i>	2020	2019
Wartsila Bangladesh Ltd	4,401,754	5,171,525
Bergen Engine BD (Pvt.) Ltd	-	442,974
Others	194,851	6,351
	4,596,605	5,620,850

9.3 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.

9.4 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.

10 Advances, deposits and prepayments

See accounting policy in Note 45C

<i>In Taka</i>	<i>Note</i>	2020	2019
Advance	10.1	37,777,775	39,570,162
Deposits	10.2	24,911,344	24,911,344
Prepayments	10.3	9,125,465	8,014,413
		71,814,584	72,495,919

10.1 Advances

<i>In Taka</i>	2020	2019
Advance against expenses	37,000,711	37,541,241
Advance income tax	-	808,161
Advance against LC charges	277,064	720,760
Advance against salary and allowances	500,000	500,000
	37,777,775	39,570,162

10.2 Deposits

<i>In Taka</i>	2020	2019
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
	24,911,344	24,911,344

10.3 Prepayments

<i>In Taka</i>	2020	2019
Insurance premium	8,746,667	7,530,667
BERC license fees	378,798	483,746
	9,125,465	8,014,413



Notes to the financial statements (Continued)

11 Investment in marketable securities

See accounting policy in Note 45C

<i>In Taka</i>	Note	2020	2019
Cash available for share purchase		789,680	12,684,697
Financial assets classified as fair value through profit and loss	11.1	92,027,541	114,187,790
		92,817,221	126,872,487

11.1 Financial assets classified as fair value through profit and loss

Name of the Company	No. of shares	Rate per share	Market value		Market value at 30 June 2019	Cost price	Changes in fair value
			at 30 June 2020	at 30 June 2019			
Baximco Pharma Limited	100,000	69.20	6,920,000	-	-	7,810,171	(890,171)
Glaxosmith Ltd.	5,500	2,186.60	12,026,300	-	-	9,859,808	2,166,493
Olympic Industries Ltd.	28,024	150.20	4,209,205	-	-	5,070,361	(861,156)
Pioneer Insurance Ltd.	250,000	29.40	7,350,000	-	-	10,099,741	(2,749,741)
Ranata Ltd.	14,000	1,026.20	14,366,800	-	-	16,668,204	(2,301,404)
Shahjalal Islami Bank Limited	723,580	19.20	13,892,736	-	-	18,065,677	(4,172,941)
Singer BD Ltd	150,000	147.00	22,050,000	-	-	31,969,527	(9,919,527)
Singer BD Ltd	65,000	172.50	11,212,500	-	-	14,090,352	(2,877,852)
Singer BD Ltd	251,045	70.90	-	16,594,075	-	-	-
BRAC Bank Limited	338,422	161.65	-	44,671,704	-	-	-
Bangladesh Submarine Cable Company Limited (BSCCL)	277,333	94.71	-	30,534,363	-	-	-
National Polymer Ltd	723,580	24.97	-	18,523,648	-	-	-
Shahjalal Islami Bank Limited	20,000	179.97	-	3,864,000	-	-	-
Singer BD Ltd			92,027,541	114,187,790		113,633,840	(21,606,299)



Notes to the financial statements (Continued)

12 Receivable from related parties
See accounting policy in Note 45C

<i>In Taka</i>	2020	2019
United Mymensingh Power Ltd	5,168,213,416	6,529,242,459
United Anowara Power Ltd	7,272,176	7,257,473
United Lube Oil Ltd	377,392	377,392
United Jamalpur Power Ltd	68,114	68,114
United Energy Ltd	944,922	-
	5,176,876,020	6,536,945,438

13 Cash and cash equivalents
See accounting policy in Note 45C

<i>In Taka</i>	Note	2020	2019
Cash in hand		140,534	140,534
Cash at bank	13.1	323,738,646	1,009,730,958
		323,879,180	1,009,871,492

13.1 Cash at bank

<i>In Taka</i>	2020	2019
Dutch Bangla Bank Limited	7,317,281	519,238,745
Dhaka Bank Limited	290,207,455	438,333,721
The Hongkong and Shanghai Banking Corporation Ltd	971,447	29,178,640
Brac Bank Limited	13,498,490	13,116,290
The City Bank Limited - Dividend distribution account 2016	8,916,088	5,959,588
Brac Bank Limited - Dividend distribution account 2013 and 2014	1,398,487	1,400,987
Dhaka Bank Limited - Dividend distribution account 2017	1,072,191	1,045,838
Shahjalal Islami Bank Limited	32,624	928,860
Trust Bank Limited	223,753	224,593
Jamuna Bank Limited	21,319	224,509
Eastern Bank Limited	79,511	79,187
	323,738,646	1,009,730,958

14 Share capital
See accounting policy in Note 45M

<i>In Taka</i>	2020	2019
Authorised		
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
	10,000,000,000	10,000,000,000

Ordinary shares issued, subscribed and paid up

Opening balance (479,087,000 ordinary shares of Tk. 10 each)	4,790,870,000	3,992,391,670
Bonus shares issued (47,908,700 ordinary shares of Tk. 10 each)	479,087,000	798,478,330
Closing balance (526,995,700 ordinary shares of Tk. 10 each)	5,269,957,000	4,790,870,000

Particulars of shareholding

Name of shareholders	2020		2019	
	No. of shares	Value (Tk)	No. of shares	Value (Tk)
United Mymensingh Power Ltd	474,288,093	4,742,880,930	431,170,994	4,311,709,940
Investment Corporation of Bangladesh	14,395,360	143,953,600	13,086,748	130,867,480
General investors	38,312,247	383,122,470	34,829,258	348,292,580
	526,995,700	5,269,957,000	479,087,000	4,790,870,000



Notes to the financial statements (Continued)

14.1 Percentage of shareholdings

Name of shareholders	2020	2019
United Mymensingh Power Ltd	90%	90%
Investment Corporation of Bangladesh	2.73%	2.73%
General investors	7.27%	7.27%
	100%	100%

14.2 Classification of shareholders by holding

Range of holding in number of shares	2020		2019	
	No. of shareholders	No. of shares	No. of shareholders	No. of shares
01 to 5000 shares	6,864	3,378,514	6,029	3,338,906
5,001 to 20,000 shares	332	3,066,727	340	3,411,089
20,001 to 50,000 shares	94	2,952,245	95	2,936,301
50,001 to 1,000,000 shares	80	16,610,169	81	14,889,798
1,000,001 to 10,000,000 shares	9	26,699,952	8	23,339,912
over 10,000,001 shares	1	474,288,093	1	431,170,994
	7,380	526,995,700	6,554	479,087,000

15 Share premium

<i>In Taka</i>	2020	2019
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.

16 Retained earnings

<i>In Taka</i>	2020	2019
Opening balance	10,664,437,759	10,252,390,068
Net profit for the year	4,348,766,919	4,803,678,525
	15,013,204,678	15,056,068,593
Stock dividend for the year 2018-19	(479,087,000)	-
Cash dividend for the year 2018-19	(6,228,131,000)	-
Cash dividend for the year 2017-18	-	(3,593,152,504)
Stock dividend for the year 2017-18	-	(798,478,330)
	8,305,986,678	10,664,437,759

17 Security money received

See accounting policy in Note 45C

<i>In Taka</i>	2020	2019
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.



Notes to the financial statements (Continued)

18 Land lease Liability
See accounting policy in Note 45P

<i>In Taka</i>	2020	2019
Balance as at 01 July	-	-
Add: Addition during the year	26,210,102	-
Add: Interest charged during the year	1,519,833	-
Less: Payment made during the year	(2,374,303)	-
Balance as at 30 June	25,355,632	-

Segregation of Land lease liability:

<i>In Taka</i>	2020	2019
Non-current portion	24,449,893	-
Current portion	905,739	-
	25,355,632	-

19 Trade and other payables
See accounting policy in Note 45C

<i>In Taka</i>	Note	2020	2019
Trade payables	19.1	121,372,274	127,390,004
Other payables	19.2	34,941,266	22,162,117
		156,313,540	149,552,121

19.1 Trade payables

<i>In Taka</i>	2020	2019
Gas bill	121,372,274	127,390,004
	121,372,274	127,390,004

19.2 Other payables

<i>In Taka</i>		2020	2019
Share application money payable		6,452,280	6,452,280
Service charge on gas bill		14,109,483	7,375,825
Unclaimed dividend	19.3	9,676,552	7,348,961
Other operating expenses		4,702,951	985,051
		34,941,266	22,162,117

19.3 Unclaimed dividend

<i>In Taka</i>	2020	2019
Unclaimed cash dividend for the year 2013 & 2014	1,405,987	1,405,988
Unclaimed interim & final cash div. for the period ended 30 June 2016	3,373,574	3,373,574
Unclaimed cash dividend for the year 2017	825,684	827,266
Unclaimed cash dividend for the year 2018	1,076,059	1,742,133
Unclaimed cash dividend for the year 2019	2,995,247	-
	9,676,552	7,348,961



Notes to the financial statements (Continued)

20 Accrued expenses
See accounting policy in Note 45C

<i>In Taka</i>	2020	2019
VAT payable	4,831,160	13,647,904
Service charge on gas bill	8,273,856	3,337,015
Other operating expenses	2,286,948	3,115,234
Directors' remuneration	1,000,000	1,000,000
Audit fee	800,000	800,000
Utility bill	691,153	650,253
Security expenses	211,583	234,220
Medical expenses	50,970	50,280
Welfare fund	16,985	16,760
Bergen Engine BD (Pvt.) Ltd.	810,000	-
Environmental expenses	16,200	15,400
	18,988,856	22,867,066

21 Payable to related parties
See accounting policy in Note 45C

<i>In Taka</i>	2020	2019
United Engineering & Power Services Ltd	9,882,230	12,211,723
United Ashuganj Energy Ltd	23,766,215	10,438,917
United Energy Ltd	-	3,390,891
	33,648,445	26,041,531

22 Provision for taxation

See accounting policy in Note 45I

<i>In Taka</i>	2020	2019
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.

23 Revenue

See accounting policy in Note 45E

<i>In Taka</i>	Note	2020	2019
Electricity supply	23.1	6,193,195,368	6,443,761,495
Steam supply	23.2	29,964,684	29,915,025
		6,223,160,052	6,473,676,520

23.1 Electricity supply

<i>In Taka</i>	2020	2019
BEPZA	3,847,735,571	4,161,471,744
Other private customers	946,141,736	1,187,628,272
BPDB	733,837,499	569,790,173
BREB	665,480,562	524,871,306
	6,193,195,368	6,443,761,495



Notes to the financial statements (Continued)

23.2 Steam supply

<i>In Taka</i>	2020	2019
Gunze United Ltd	21,852,432	22,643,385
Global Labels (Bangladesh) Ltd	3,487,050	4,840,629
Regency Garments Limited	-	1,707,962
Croydon-Kowloon Designs Ltd	3,976,031	602,739
Talisman Ltd	649,171	120,310
	29,964,684	29,915,025

- a. During the year ended 30 June 2020, the Company generated 1,007,546 MWH electricity of which 502,742 MWH was from the DEPZ power plant and 504,804 MWH from the CEPZ power plant.
- b. Of the BDT 3,205,038,972 total revenue from DEPZ plant, BDT 1,700,027,807 is attributable to the plant's extended project which came into operation in 2013.
- c. Of the BDT 3,018,121,080 total revenue from CEPZ plant, BDT 1,022,581,868 is attributable to the plant's extended project which came into operation in 2013.

24 Cost of sales

<i>In Taka</i>	Note	2020	2019
Gas bill		1,334,140,283	940,916,697
Operation and maintenance expenses	24.1	579,014,730	627,384,747
Spare parts		372,896,354	574,954,758
Lube oil and chemicals		42,620,704	49,341,884
		2,328,672,071	2,192,598,086

24.1 Operation and maintenance expenses

<i>In Taka</i>	Note	2020	2019
Depreciation	5	357,406,568	356,268,252
Direct overhead	24.2	105,160,573	113,395,425
Minimum load charge		27,278,956	61,466,823
Repair and maintenance		44,486,779	52,137,936
Insurance premium		15,264,000	11,738,666
Entertainment		7,367,168	9,551,400
Utility bill		9,105,228	9,034,907
Security expense		3,461,357	2,962,802
Land lease rent		-	2,331,584
Vehicle running and maintenance		1,679,513	1,480,390
Travelling and conveyance		716,039	1,006,239
Carrying charge		1,819,175	929,234
Gardening and beautification		841,539	837,741
Advertisement expense		154,422	745,750
Site office expense		234,402	717,002
Labour and wages		571,878	696,369
BERC license and others		296,626	691,353
Printing and stationery		439,831	392,272
Environmental expenses		668,957	383,784
Telephone, mobile and internet		277,971	274,913
Worker welfare fund		203,670	201,616
Automation and IP expense and others		87,304	87,284
Postage and courier		29,885	53,005
Amortisation of right of use assets		1,462,890	-
		579,014,730	627,384,747

Notes to the financial statements (Continued)

24.2 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.

25 Other operating income

<i>In Taka</i>	2020	2019
Scrap sale	18,850,148	5,914,110
Sale of used lube oil and drums	6,657,846	3,143,700
Foreign exchange gain	3,248	6,903
Dividend income	1,935,341	-
Gain on disposal of fixed assets	9,660,461	-
Realised gain/(loss) from marketable securities	(11,552,297)	13,914,422
Unrealised gain/(loss) from marketable securities	(21,606,299)	(6,249,593)
	3,948,448	16,729,542

26 General and administrative expenses

<i>In Taka</i>	Note	2020	2019
Directors' remuneration		15,932,500	15,932,500
Office maintenance		10,890,000	10,890,000
CDBL and listing fee		4,981,661	8,160,510
Advertisement		9,467,194	6,838,056
Depreciation	5	3,610,167	3,598,669
AGM expenses		2,742,545	2,521,774
Bank charge and commission		361,444	2,159,893
Board meeting fees		1,812,000	1,850,000
Office rent		1,380,000	1,380,000
Auditor's fee		800,000	800,000
Vehicle running expenses		441,476	480,751
Traveling and conveyance		377,696	250,350
Entertainment		306,442	213,440
Overseas travelling		-	211,250
Consultancy fees		218,750	195,000
VAT on audit fee		120,000	120,000
RJSC expenses		106,225	105,630
Postage, telephone and telex		50,658	64,243
Printing and stationery		26,266	60,944
Office expenses		-	22,830
Trade license and others		35,529	560,740
Legal expense		345,000	-
Fees Fine & Others		35,000	-
Brokerage commission		896,670	-
		54,937,223	56,416,580

27 Finance income

See accounting policy in Note 45L

<i>In Taka</i>	2020	2019
Interest on related party loan	497,007,078	548,226,878
Interest on Short Term Deposits Account	11,253,702	14,060,251
	508,260,780	562,287,129



Notes to the financial statements (Continued)

28 Finance charge

<i>In Taka</i>	2020	2019
Interest on leasehold land	1,519,833	-
	1,519,833	-

29 Income tax expenses

<i>In Taka</i>	2020	2019
Adjustment of advance tax on completion of assessment	808,161	-
Charged/(paid) during the year	665,073	-
Closing balance	1,473,234	-

30 Earnings per share

See accounting policy in Note 45N

30.1 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	2020	2019
Profit attributable to the ordinary shareholders (basic)		4,348,766,919	4,803,678,525
Weighted average number of shares outstanding (basic)	30.2	526,995,700	526,995,700
Earnings per share		8.25	9.12

30.2 Weighted average number of shares outstanding (basic)

	Note	2020	2019
Ordinary shares outstanding at beginning of the year		479,087,000	399,239,167
Bonus shares issued in 2017-18		-	79,847,833
Bonus shares issued in 2018-19	14	47,908,700	47,908,700
Total weighted average number of share outstanding		526,995,700	526,995,700

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 2019 has been restated to reflect the bonus shares issued in 2020 on the basis of profit attributable to the ordinary shareholders for the year ended 30 June 2019.

31 Net asset value per share

	Note	2020	2019
Net assets	31.1	15,621,943,678	17,501,307,759
Weighted average number of shares outstanding (basic)	30.2	526,995,700	526,995,700
Net asset value per share		29.64	33.21

31.1 Net assets

<i>In Taka</i>	2020	2019
Total assets	15,856,950,151	17,700,468,477
Total liabilities	235,006,473	199,160,718
Net assets	15,621,943,678	17,501,307,759



Notes to the financial statements (Continued)

32 Net operating cash flow per share

	Note	2020	2019
Net cash generated from operating activities		3,786,913,538	4,671,465,725
Weighted average number of shares outstanding (basic)	30.2	526,995,700	526,995,700
Net operating cashflow per share		7.19	8.86

33 Reconciliation of net profit with cash flow from operating activities

<i>In Taka</i>	2020	2019
Profit for the year	4,348,766,919	4,803,678,525
Adjustment for		
Depreciation	361,016,735	359,866,921
Amortisation of right of use assets	1,462,890	-
Brokerage commission	896,670	-
Gain on Disposal of fixed assets	(9,660,461)	-
Realised gain/(loss) from marketable securities	11,552,297	(13,914,422)
Unrealised gain/(loss) from marketable securities	21,606,299	6,249,593
Interest on related party loan	(497,007,078)	(548,226,878)
Changes in		
Inventories	(241,443,149)	224,685,588
Trade and other receivables	(219,121,451)	(238,363,731)
Advances, deposits and prepayments	681,335	14,195,919
Trade and other payables	4,433,828	33,466,062
Accrued expenses	(3,878,210)	10,776,121
Payable to related parties	7,606,914	19,052,027
Net cash generated from operating activities	3,786,913,538	4,671,465,725



Notes to the financial statements (Continued)

34 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:

The Company's key management personnel includes the Company's Managing Directors.

a) Short-term employee benefit:

Short-term employee benefit includes remuneration, festival bonus and meeting attendance fees.

<i>In Taka</i>	2020	2019
Directors' remuneration	15,932,500	15,932,500
Board meeting fees	1,812,000	1,850,000
	17,744,500	17,782,500
b) Post employment benefit:	-	-
c) Other long-term benefit:	-	-
d) Termination benefit:	-	-
e) Share-based payment:	-	-
	17,744,500	17,782,500

B Other related party transactions

<i>In Taka</i>	Transaction value during the year ended 30 June		Balance outstanding as at 30 June	
	2020	2019	2020	2019
Sale of goods and services				
Gunze United Limited	21,852,432	22,643,385	4,057,473	4,826,023
United Securities Limited	896,670	-	-	-
Purchase of services				
United Engineering & Power Services Ltd.	100,762,268	106,204,604	7,541,430	9,870,923
Loans				
United Enterprises & Co. Ltd.	-	-	-	-
Loan disbursed during the year	-	-	-	-
Loan repaid during the year	-	4,759,627,601	-	-
United Mymensingh Power Ltd	-	-	5,167,681,634	6,528,674,556
Loan disbursed during the year	10,877,681,635	9,049,674,556	-	-
Loan repaid during the year	5,710,000,000	2,521,000,000	-	-
Transfer of inventory (spare parts)				
United Mymensingh Power Ltd	36,121	567,903	531,782	567,903
United Anowara Power Ltd	14,703	7,257,473	7,272,176	7,257,473
United Lube Oil Ltd	-	377,392	377,392	377,392
United Jamalpur Power Ltd	-	68,114	68,114	68,114
United Ashuganj Energy Ltd	13,327,300	10,438,917	23,766,218	10,438,917
United Energy Ltd	2,445,969	3,390,891	944,922	3,390,891
United Engineering & Power Services Ltd.	-	2,340,800	2,340,800	2,340,800



Notes to the financial statements (Continued)

35 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	Equity instruments	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
30 June 2020													
Financial assets measured at fair value													
	11	-	92,817,221	-	-	-	-	92,817,221	92,817,221	-	-	-	92,817,221
Investment in marketable securities													
Financial assets not measured at fair value													
	9	-	-	-	1,407,646,707	-	-	1,407,646,707	-	-	-	-	-
Trade and other receivables													
	12	-	-	-	5,176,876,020	-	-	5,176,876,020	-	-	-	-	-
Receivable from related parties													
	13	-	-	-	323,879,180	-	-	323,879,180	-	-	-	-	-
Cash and cash equivalents													
		-	-	-	6,908,401,907	-	-	6,908,401,907	-	-	-	-	-
Financial liabilities not measured at fair value													
	17	-	-	-	-	700,000	-	700,000	-	-	-	-	-
Security money received													
	18	-	-	-	-	25,355,632	-	25,355,632	-	-	-	-	-
Land lease liability													
	19	-	-	-	-	156,313,540	-	156,313,540	-	-	-	-	-
Trade and other payables													
	20	-	-	-	-	18,988,856	-	18,988,856	-	-	-	-	-
Accrued expenses													
	21	-	-	-	-	33,648,445	-	33,648,445	-	-	-	-	-
Payable to related parties													
		-	-	-	-	235,006,473	-	235,006,473	-	-	-	-	-
30 June 2019													
Financial assets measured at fair value													
	11	126,872,487	-	-	-	-	-	126,872,487	126,872,487	-	-	-	126,872,487
Investment in marketable securities													
Financial assets not measured at fair value													
	9	-	-	-	1,188,525,256	-	-	1,188,525,256	-	-	-	-	-
Trade and other receivables													
	12	-	-	-	6,536,945,438	-	-	6,536,945,438	-	-	-	-	-
Receivable from related parties													
	13	-	-	-	1,009,871,492	-	-	1,009,871,492	-	-	-	-	-
Cash and cash equivalents													
		-	-	-	8,735,342,186	-	-	8,735,342,186	-	-	-	-	-
Financial liabilities not measured at fair value													
	17	-	-	-	-	700,000	-	700,000	-	-	-	-	-
Security money received													
	19	-	-	-	-	149,552,121	-	149,552,121	-	-	-	-	-
Trade and other payables													
	20	-	-	-	-	22,867,066	-	22,867,066	-	-	-	-	-
Accrued expenses													
	21	-	-	-	-	26,041,531	-	26,041,531	-	-	-	-	-
Payable to related parties													
		-	-	-	-	199,160,718	-	199,160,718	-	-	-	-	-



Notes to the financial statements (Continued)

36 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>	<i>Note</i>	2020	2019
Trade and other receivables	9	1,407,646,707	1,188,525,256
Investment in marketable securities	11	92,817,221	126,872,487
Receivable from related parties	12	5,176,876,020	6,536,945,438
Cash and cash equivalents (excluding cash in hand)	13	323,738,646	1,009,730,958
		7,001,078,594	8,862,074,139

ii. Ageing of trade and other receivables

<i>In Taka</i>	2020	2019
Not past due	574,600,818	480,049,539
Past due 0-30 days	113,784,362	132,066,413
Past due 31-60 days	100,729,016	66,554,067
Past due 61-90 days	93,428,059	63,558,325
Past due 91-120 days	75,746,331	25,313,903
Past due 121-365 days	113,683,317	91,454,071
Past due 365+ days	335,674,803	329,528,938
	1,407,646,707	1,188,525,256

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.

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.



Notes to the financial statements (Continued)

30 June 2020

<i>In Taka</i>	Note	Contractual cash flows			
		Carrying amount	Total	6 months or less	Over 6 months
Non-derivative financial liabilities					
Trade and other payables	19	156,313,540	156,313,540	156,313,540	-
Accrued expenses	20	18,988,856	18,988,856	18,988,856	-
Payable to related parties	21	33,648,445	33,648,445	33,648,445	-
		208,950,841	208,950,841	208,950,841	-
Derivative financial liabilities					
		-	-	-	-
		208,950,841	208,950,841	208,950,841	-

30 June 2019

<i>In Taka</i>	Note	Contractual cash flows			
		Carrying amount	Total	6 months or less	Over 6 months
Non-derivative financial liabilities					
Trade and other payables	19	149,552,121	149,552,121	149,552,121	-
Accrued expenses	20	22,867,066	22,867,066	22,867,066	-
Payable to related parties	21	26,041,531	26,041,531	26,041,531	-
		208,950,841	198,460,718	198,460,718	-
Derivative financial liabilities					
		-	-	-	-
		208,950,841	198,460,718	198,460,718	-

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	2020		2019	
		USD	GBP	USD	GBP
Cash and cash equivalents	13	10,552	153	10,558	153
Share application money payable	19.2	(10,552)	(153)	(10,558)	(153)
Net exposure		-	-	-	-

The following significant exchange rates have been applied:

<i>In Taka</i>	Year-end spot rate	
	2020	2019
USD	84.90	84.50
GBP	104.37	107.29

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>	<i>Note</i>	<i>Nominal Amount</i>	
		<i>2020</i>	<i>2019</i>
Fixed rate instruments			
Financial assets			
Receivable from related parties	12	5,176,876,020	6,536,945,438
Financial liabilities		-	-
		5,176,876,020	6,536,945,438
Variable rate instruments			
Financial assets		-	-
Financial liabilities		-	-

37 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.

38 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>	<i>2020</i>	<i>2019</i>
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.

39 Commitments

The Company has outstanding letters of credit amounting to USD 384,881 and EUR 1,478,941 against which it is committed to purchase spare parts & Lube Oil.



Notes to the financial statements (Continued)

40 Contingent liabilities

40.1 Contingent liabilities relating to bank guarantees amounted to:

Beneficiary	Expiry date	Currency	30 June 2020	30 June 2019
Titas Gas Transmission & Distribution Com. Ltd.	11 Nov. 2023	BDT	78,790,400	78,790,400
Titas Gas Transmission & Distribution Com. Ltd.	11 Dec. 2022	BDT	6,628,382	6,628,382
Karnaphuli Gas Distribution Company Limited	23 Jan. 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	71,724,353
Chattogram Customs House	Unconditional & Continuous	BDT	20,421,244	-
			221,109,646	200,688,402

40.2 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 1,776,734,152.53 (for the period January 2018 to June 2020) and BDT 491,063,484 (for the period May 2018 to June 2019) respectively.

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.

41 Bank facilities

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

Name of the bank	Loan against			Bank guarantee facilities limit
	Letter of credit limit	trust receipt limit	Overdraft limit	
Dutch Bangla Bank Limited	100,000,000	-	-	-
Dhaka Bank Limited	350,000,000	300,000,000	300,000,000	221,109,646
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	521,109,646

42 Expenditure in equivalent foreign currency

<i>In Taka</i>	2020	2019
Foreign travel for business purpose	-	211,250
	-	211,250

43 Other disclosures

43.1 Capacity and production

Location of plant	Installed capacity (MWH)		Actual production (MWH)		Capacity utilisation (%)	
	30 June		30 June		30 June	
	2020	2019	2020	2019	2020	2019
Dhaka EPZ	688,000	688,000	502,742	531,230	73%	77%
Chattogram EPZ	576,000	576,000	504,804	492,726	88%	86%
Total	1,264,000	1,264,000	1,007,546	1,023,956		



Notes to the financial statements (Continued)

43.2 Number of employees

The Company has no employees. Operation and maintenance (O&M) activities of the Company is managed by 194 employees of United Engineering & Power Services Ltd under an O&M contract.

43.3 Comparatives and rearrangement

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

43.4 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.

On 15 September 2020, the Board of Directors of the Company, resolved to acquire 99% shares (9,900,000 shares) of United Anowara Power Limited (UAnPL) from Sponsor Shareholders at Net Asset Value based on audited Financial Statements as at 30 June 2020. A share transfer agreement was also signed on the same date stating the acquisition to be effective from 1 July 2020. UAnPL is a 300 MW IPP HFO fired power plant, located at Anwara, Chattogram for a period of 15 years which came into Commercial Operation on 22 June 2019. The principal activity of the company is to generate electricity to sell such generated electricity to Bangladesh Power Development board (BPDB) under a Power Purchase Agreement (PPA).

On 15 September 2020, the Board of Directors of the Company also resolved to acquire 99% shares (9,900,000 shares) of United Jamalpur Power Limited (UJPL) from Sponsor Shareholders at Net Asset Value based on audited Financial Statements as at 30 June 2020. A share transfer agreement was also signed on the same date stating the acquisition to be effective from 1 July 2020. UJPL is a 115 MW IPP HFO fired power plant, located at Jamalpur for a period of 15 years which came into commercial operation on 21 February 2019. The principal activity of the company is to generate electricity to sell such generated electricity to Bangladesh Power Development board (BPDB) under a Power Purchase Agreement (PPA).

The Board of Directors in its 95th meeting held on 28 October 2020 recommended cash dividend @ 145% per share of Taka 10 each aggregating Taka 7,641,437,650 and stock dividend @ 10% i.e 1 (one) bonus share for every 10 (ten) ordinary shares of Taka 10 each involving Taka 526,995,700 for the year ended 30 June 2020. 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.

Following the declaration of COVID-19 as a pandemic by the World Health Organization (WHO) in early March 2020, like many other governments, the Government of Bangladesh introduced restrictive measures to contain further spread of the virus, affecting free movement of people and goods. These measures included imposing nationwide general holidays from 26 March until 30 June 2020. Though demand of BEPZA fell in April 2020 only, BPDB and REB bought low price electricity from UPGDCL as UPGDCL electricity price is lower for them. So, there was no material impact of ("COVID-19") during the reporting period as well as after the reporting period.

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.

43.5 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)

44 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.

45 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.



Notes to the financial statements (Continued)

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%

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

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



Notes to the financial statements (Continued)

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.

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

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.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.



Notes to the financial statements (Continued)

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

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.



Notes to the financial statements (Continued)

(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.

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.



Notes to the financial statements (Continued)

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.

(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.



Notes to the financial statements (Continued)

(ii) Deferred tax

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

As of 30 June 2020, the Company's power plant operated under tax exemption regime. It has examined the precedent of tax assessment completed of a power generation company for the year when its tax exemption ended, which shows accounting depreciation charge to be equal to the tax depreciation charge, implying that there were no temporary differences between accounting net book value and tax written down value of at that point in time. On this basis, in the preparation of these financial statements, the Company has not considered any deferred tax relating to property, plant and equipment as the Company is still under tax exemption as at the reporting date.

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.

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.



Notes to the financial statements (Continued)

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

The Company has applied IFRS 16 for the first time as the new standard was effective from 1 January 2019.

Policy applicable from 1 July 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 July 2019.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.



Notes to the financial statements (Continued)

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased. Lease payments included in the measurement of the lease liability comprise the following:

- i. fixed payments, including in-substance fixed payments;
- ii. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- iii. amounts expected to be payable under a residual value guarantee; and
- iv. the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- i. fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- ii. the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- iii. the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the;
- iv. the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- iv. facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In comparative period, as a lessee the Company classified leases as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on quarterly basis.



Notes to the financial statements (Continued)

46 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 July 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

Effective for year beginning 1 January 2020	• Amendments to references to conceptual framework in IFRS standards
	• Amendments to IFRS 3: <i>Business Combinations</i> of definition of business
	• Amendments to IAS 1: <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> of definition of material.
Effective for year beginning	• IFRS 17: <i>Insurance Contracts</i>
Effective date deferred indefinitely / available for	• Amendments to IFRS 10: <i>Consolidated Financial Statements</i> and IAS 28: <i>Investments in Associates and Joint Ventures</i> on sale or contribution of assets between an investor and its associate or joint venture

Management does not expect that the adoption of the above new and amended standards and the interpretation to a standard will have a significant impact on the Company's financial statements.

