United Power Generation & Distribution Co. Ltd.

Report and financial statements as at and for the year ended 30 June 2017

AMAR STOCK

KPMG

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

Report on the Financial Statements

We have audited the accompanying financial statements of United Power Generation & Distribution Co. Ltd. which comprise the statement of financial position as at 30 June 2017, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Bangladesh 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards.

Other matter

The financial statements of the Company for the period ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 9 October 2016.

Rahman Rahman Huq, a partnership firm registered in Bangladesh and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

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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 explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;

b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;

c) the 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 account; and

d) the expenditure incurred was for the purposes of the Company's business.

Dhaka, 27 NOV 2017

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United Power Generation & Distribution Co. Ltd.
Statement of financial position

In Taka	Note	30 June 2017	30 June 2016
Assets			
Property, plant and equipment	5	8,641,515,573	8,929,915,762
Non-current assets		8,641,515,573	8,929,915,762
Inventories	6	550,768,468	509,714,533
Trade receivables	7	848,934,084	867,737,116
Advances, deposits and prepayments	8	58,853,279	73,082,209
Investment in marketable securities	9	256,089,786	-
Advance income tax	10	670,161	922,481
Inter-company receivables	11	3,297,678,859	2,002,238,953
Cash and cash equivalents	12	1,438,794,615	630,778,697
Current assets		6,451,789,252	4,084,473,989
Total assets		15,093,304,825	13,014,389,751
Equity			
Share capital	13	3,629,446,980	3,629,446,980
Share premium	14	2,046,000,000	2,046,000,000
Retained earnings		9,285,474,486	6,743,761,238
Total equity		14,960,921,466	12,419,208,218
Liabilities			
Security money received	15	700,000	700,000
Non-current liabilities		700,000	700,000
Trade and other payables	16	112,436,707	120,475,047
Accrued expenses	17	11,479,560	13,406,486
Inter-company payables	18	6,046,779	460,600,000
Provision for taxation	19	1,720,313	-
Current liabilities		131,683,359	594,481,533
Total liabilities		132,383,359	595,181,533
Total equity and liabilities		15,093,304,825	13,014,389,751

The annexed notes 1 to 39 are an integral part of these financial statements.

Managing Director | Director | Company Secretary

As per our report of same date.

Dhaka, 27 NOV 2017

Auditor

Rahman Rahman Huq
Chartered Accountants

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

In Taka	Note	For the year/period ended 1 July 2016 to 30 June 2017 (12 months)	 1 January 2015 to 30 June 2016 (18 months)
Revenue	20	5,759,239,628	7,901,369,522
Cost of sales	21	(1,727,288,419)	(2,445,262,860)
Gross profit		4,031,951,209	5,456,106,662
Other operating income	22	16,885,459	72,201,220
General and administrative expenses	23	(60,794,057)	(139,646,040)
Operating profit		3,988,042,611	5,388,661,842
Finance income	24	189,564,572	338,518,183
Finance cost	25	-	(165,669,372)
Profit before income tax		4,177,607,183	5,561,510,653
Income tax expense	26	(2,642,794)	44,635,721
Net profit for the year/period		4,174,964,389	5,606,146,374
Other comprehensive income		-	-
Total comprehensive income		4,174,964,389	5,606,146,374
Earnings per share			
Earnings per share	27	11.50	15.57

The annexed notes 1 to 39 are an integral part of these financial statements.

Managing Director | Director | Company Secretary

As per our report of same date.

Dhaka, 27 NOV 2017

Auditor

Rahman Rahman Huq
Chartered Accountants

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

In Taka	Share capital	Share premium	Retained earnings	Total equity
Balance at 1 January 2015, as previously reported	2,969,497,260	-	6,515,795,387	9,485,292,647
Total comprehensive income/(loss)				
Net profit for the year/period	-	-	5,606,146,374	5,606,146,374
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss)	-	-	5,606,146,374	5,606,146,374
Transactions with owners of the Company				
Contributions and distributions				
Issue of ordinary shares	330,000,000	-	-	330,000,000
Share premium on ordinary share	-	2,046,000,000	-	2,046,000,000
Issue of bonus shares to shareholder	329,949,720	-	(329,949,720)	-
Cash dividend	-	-	(5,048,230,803)	(5,048,230,803)
Total transactions with owners of the Company	659,949,720	2,046,000,000	(5,378,180,523)	(2,672,230,803)
Balance at 30 June 2016	3,629,446,980	2,046,000,000	6,743,761,238	12,419,208,218
Balance at 1 July 2016, as previously reported	3,629,446,980	2,046,000,000	6,743,761,238	12,419,208,218
Total comprehensive income/(loss)				
Net profit for the year/period	-	-	4,174,964,389	4,174,964,389
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss)	-	-	4,174,964,389	4,174,964,389
Transactions with owners of the Company				
Contributions and distributions				
Issue of ordinary shares	-	-	-	-
Cash dividend	-	-	(1,633,251,141)	(1,633,251,141)
Total transactions with owners of the Company	-	-	(1,633,251,141)	(1,633,251,141)
Balance at 30 June 2017	3,629,446,980	2,046,000,000	9,285,474,486	14,960,921,466

The annexed notes 1 to 39 are an integral part of these financial statements.

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United Power Generation & Distribution Co. Ltd.
Statement of cash flows

In Taka	*Note*	30 June 2017	30 June 2016
Cash flows from operating activities			
Cash received from customers		5,778,042,661	7,885,439,857
Cash received from other operating income	*22*	10,795,672	72,201,220
Cash paid to suppliers		(1,045,282,274)	(1,850,331,317)
Cash paid for other operating expenses		(317,021,767)	(477,704,029)
Payment of finance cost		-	(165,669,372)
Tax paid	*10*	(670,161)	(922,481)
Net cash generated from operating activities		4,425,864,131	5,463,013,878
Cash flows from investing activities			
Acquisition of property, plant and equipment	*5*	(165,350,795)	(183,256,205)
Investment in marketable securities	*9*	(250,000,000)	-
Net cash used in investing activities		(415,350,795)	(183,256,205)
Cash flows from financing activities			
Long term loan received/(paid)		-	(1,425,098,154)
Redemption of cumulative preference shares		-	(1,192,000,000)
Share capital received		-	330,000,000
Share premium received		-	2,046,000,000
Investment income received from STD/FDR	*24*	19,124,666	124,322,366
Cash received/(paid) for inter-company loan		(1,579,553,220)	234,600,000
Dividend paid		(1,642,068,864)	(5,033,675,507)
Net cash used in financing activities		(3,202,497,418)	(4,915,851,295)
Net increase in cash and cash equivalents		808,015,918	363,906,378
Cash and cash equivalents at 1 July	*12*	630,778,697	266,872,319
Cash and cash equivalents at 30 June	*12*	1,438,794,615	630,778,697

The annexed notes 1 to 39 are an integral part of these financial statements.



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1. Reporting entity

A. Company profile

United Power Generation & Distribution Company Ltd. (UPGDCL) (hereinafter referred to as "the Company") a Public Limited Company 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 by share on 22 December 2010.

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

B. 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, Chittagong Export Processing Zone (CEPZ) with 72 MW capacity and to sell generated 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 the national grid of Bangladesh through selling the same 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.

C Power plant

Dhaka EPZ power plant:

Dhaka Export Processing Zone (DEPZ) power plant came into commercial operation on 26th December 2008 with capacity of 41 MW at Dhaka Export Processing Zone (DEPZ) premises. The Company increased its capacity from 41 MW to 86 MW in 2013 and the DEPZ project has installed 2 no's of Heat Recovery Boiler to produce 8 ton/h of steam to sale to other customers.

Chittagong EPZ power plant:

Chittagong Export Processing Zone (CEPZ) power plant came into commercial operation on 12 August 2009 with the capacity of 44 MW at Chittagong Export Processing Zone (CEPZ). The Company increased its capacity from 44 MW to 72 MW in 2013 and and the CEPZ project has installed 3 no's of Heat Recovery Boiler to produce 12 ton/h of steam to sale to other customers.

Plant description: Dhaka EPZ and Chittagong EPZ power plant

The natural gas fired power plants of Dhaka EPZ power plant consist of Wärtsilä, Rolls Royce and MTU engine generators with 30 years expected useful life, which form the major part of the power generation companies. This gas fired generating set consists of auxiliaries, exhaust gas silencer and electrical, mechanical & civil construction and erection. Each power plant has fourteen integrated systems named fuel, lubrication oil, compressed air, cooling, charge air, exhaust, water treatment, fire protection, emission control, automation, electrical, station service, DC and high voltage systems. At DEPZ there are four gas fired engines with the capacity of 8.73 MW each, five gas fired engines with capacity of 9.34 MW each and two gas fired engines with the capacity of 2 MW each for the generation of electricity. At Chittagong EPZ there are five gas fired engines with the capacity of 8.73 MW each and three gas fired engines of capacity 9.34 MW. The total output of these stationary power plants at DEPZ and CEPZ is 86 MW & 72 MW respectively.

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Environmental impact

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

Gas Line : Dhaka EPZ and Chittagong EPZ power plant

According to Power Supply Agreement, dated 6th and 16th May 2007 with Bangladesh Export Processing Zone Authority (BEPZA); BEPZA, at their own cost, shall provide necessary gas connection of required quantity and specification from the nearest District Regulatory Station (DRS) of Titas Gas Transmission and Distribution Company Limited and Karnaphuli Gas Distribution Company Ltd. formerly known as Bakhrabad Gas System Limited. BEPZA shall maintain such gas connection until the expiry of a period of 50 years unless extended or earlier termination. Although both parties agreed upon this condition but due to lack of initiative by concerned authority (BEPZA), UPGDCL has established this gas line back on 17 November 2008 at its own cost.

For DEPZ plant the initial contract was for 6.91 (Million Cubic Feet Per Day) MMCFD. Subsequently additional allocation 9 MMCFD gas was given by Titas Gas Transmission & Distribution Company Ltd. for further capacity enhancement. Thus total contract load is 15.91 MMCFD.

For 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.

2. Basis of accounting

A. Statement of compliance

The financial statements have been prepared in accordance with Bangladesh Accounting Standards (BASs), Bangladesh Financial Reporting Standards (BFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

BAS - 01	Presentation of financial statements
BAS - 02	Inventories
BAS - 07	Statement of cash flows
BAS - 08	Accounting policies, changes in accounting estimates and errors
BAS - 10	Events after the reporting period
BAS - 16	Property, plant and equipment
BAS - 18	Revenue
BAS - 21	The effects of changes in foreign exchange rates
BAS - 23	Borrowing cost
BAS - 24	Related party disclosure
BAS - 33	Earnings per share
BAS - 36	Impairment of assets
BAS - 37	Provisions, contingent liabilities and contingent assets.
BFRS - 7	Financial instruments : disclosures
BFRS - 9	Financial instruments

B Date of authorisation

The financial statements were authorised for issue by the Board of Directors on 27 NOV 2017

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C Reporting period

The current financial period of the Company covers one year from 1 July 2016 to 30 June 2017 and will be following consistently. However, pursuant to changes in the provision of section 2 (35) of the Income Tax Ordinance (ITO) 1984 following the enactment of Finance Act 2015, the Company had changed its reporting period to 1 July to 30 June from 1 January to 31 December in prior period. Accordingly, these financial statements cover an eighteen-month period from 1 January 2015 to 30 June 2016 for comparative figures. As a result, the comparative figures stated in the financial statements and the related notes are not entirely comparable.

3. Functional and presentation currency

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

4. Use of estimates and judgements

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

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

A. 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	Depreciation
Note 6	Inventory
Note 7	Trade receivables
Note 19	Provision for income tax
Note 34	Contingent liabilities

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5 Property, plant and equipment

In Taka	Plant and machinery	Gas line	Office equipment	Furniture and fixture	Motor vehicle	Total
Cost						
Balance at 1 January 2015	9,907,951,148	225,054,911	10,522,677	1,954,451	11,456,836	10,156,940,023
Additions	175,713,630	-	65,875	448,700	7,028,000	183,256,205
Disposals/transfers	-	-	-	-	-	-
Balance at 30 June 2016	10,083,664,778	225,054,911	10,588,552	2,403,151	18,484,836	10,340,196,228
Balance at 1 July 2016	10,083,664,778	225,054,911	10,588,552	2,403,151	18,484,836	10,340,196,228
Additions	140,205,599	-	486,784	219,412	24,439,000	165,350,795
Disposals/transfers	-	-	-	-	-	-
Balance at 30 June 2017	10,223,870,377	225,054,911	11,075,336	2,622,563	42,923,836	10,505,547,023
Accumulated depreciation						
Balance at 1 January 2015	870,017,606	25,590,671	3,391,717	293,389	2,685,370	901,978,753
Depreciation for the period	496,794,030	6,751,647	2,372,543	313,568	2,069,925	508,301,713
Adjustment for disposal/transfers	-	-	-	-	-	-
Balance at 30 June 2016	1,366,811,636	32,342,318	5,764,260	606,957	4,755,295	1,410,280,466
Balance at 1 July 2016	1,366,811,636	32,342,318	5,764,260	606,957	4,755,295	1,410,280,466
Depreciation for the year	438,847,090	7,357,412	2,373,918	373,237	4,799,327	453,750,984
Adjustment for disposal/transfers	-	-	-	-	-	-
Balance at 30 June 2017	1,805,658,726	39,699,730	8,138,178	980,194	9,554,622	1,864,031,450
Carrying amounts						
At 30 June 2016	8,716,853,142	192,712,593	4,824,292	1,796,194	13,729,541	8,929,915,762
At 30 June 2017	8,418,211,651	185,355,181	2,937,158	1,642,369	33,369,214	8,641,515,573

a) Allocation of depreciation

In Taka	*Note*	2017	2016
Cost of sales	*21*	449,213,474	503,218,696
General and administrative expenses	*23*	4,537,510	5,083,017
		453,750,984	508,301,713

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.

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6 Inventories

In Taka	*Note*	2017	2016
Spare parts	*6.1*	505,976,580	494,164,198
Goods in transit	*6.2*	33,826,578	3,649,433
Fuel and lubricants	*6.3*	10,965,310	11,900,902
		550,768,468	509,714,533

6.1 Spare parts

In Taka	2017	2016
Opening balance	494,164,198	245,304,781
Purchase during the year/period	198,101,888	573,025,018
Issued during the year/period	(186,289,506)	(324,165,601)
Closing balance	505,976,580	494,164,198

6.2 Goods in transit

In Taka	2017	2016
L/C # 10260, DEPZ	31,550,105	-
L/C # 10098, DEPZ	790,834	-
L/C # 10222, CEPZ	695,903	-
L/C # 10059, DEPZ	445,383	-
L/C # 11774, CEPZ	184,292	-
L/C # 7010066, DEPZ	47,772	-
L/C # 11548, CEPZ	23,149	-
L/C # 10123, DEPZ	15,796	-
L/C # 7011951, DEPZ	15,764	-
L/C # 10536, DEPZ	13,382	-
L/C # 7010035, DEPZ	11,903	-
L/C # 10108, DEPZ	8,619	-
L/C # 7011983, DEPZ	8,524	-
L/C # 7010058, CEPZ	7,912	-
L/C #168917012088, CEPZ	6,113	-
L/C # 7010065, DEPZ	567	-
L/C # 150630, DEPZ	560	-
L/C # 141116010097, DEPZ	-	2,439,424
L/C # 141116010099, DEPZ	-	804,970
L/C # 141116020144, DEPZ	-	223,042
L/C # 141116010059, DEPZ	-	87,100
L/C # 304316010111, DEPZ	-	26,333
L/C # 304316010127, DEPZ	-	21,080
L/C # 141116010056, DEPZ	-	11,447
L/C # 141116010104, CEPZ	-	10,711
L/C # 141116010114, DEPZ	-	9,993
L/C # 141116010098, DEPZ	-	8,880
L/C # 304316010123, DEPZ	-	4,086
TT-161170019, DEPZ	-	811
L/C # 304316010099, DEPZ	-	747
L/C # 236417010021, CEPZ	-	369
L/C # TT161110019, DEPZ	-	358
TT-304316150021, CEPZ	-	82
	33,826,578	3,649,433

6.3 Fuel and lubricants

In Taka	2017	2016
Opening balance	11,900,902	6,251,216
Purchase during the year/period	32,279,053	71,350,259
Issued during the year/period	(33,214,645)	(65,700,573)
Closing balance	10,965,310	11,900,902

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7 Trade receivables

In Taka	*Note*	2017	2016
Bangladesh Rural Electrification Board (BREB)	*7.1*	217,025,515	205,161,098
Bangladesh Power Development Board (BPDB)	*7.2*	210,909,942	209,329,447
Bangladesh Export Processing Zone Authority (BEPZA) - CEPZ		124,161,565	145,036,652
Bangladesh Export Processing Zone Authority (BEPZA) - DEPZ		115,223,936	128,637,299
Bangladesh Export Processing Zone Authority (BEPZA) - KEPZ		41,335,296	36,505,442
Mega Yarn Dyeing Mills Limited		40,889,846	52,144,969
Matin Spinning Mills Ltd		27,969,033	20,370,409
Square Textile Ltd		20,208,122	16,895,250
GMS Composit Knitting Ltd		14,022,858	17,382,846
Oli Knitting Fabrics Ltd		7,778,343	7,838,463
Transcom Beverage Ltd		5,097,076	-
Dhaka Thai Ltd-2		4,516,461	-
Rahimafrooz Accumulators Ltd		3,992,294	4,430,238
NGS Cement Industries Ltd		2,506,400	-
Rahimafrooz Batteries Ltd (Unit-2)		2,313,442	2,735,250
Lilac Fashion		2,200,377	3,104,609
Gunze United Ltd		1,970,244	2,395,701
Plastoccats Ltd		1,570,279	915,961
Fountain Garments Ltd		1,423,595	1,333,570
Mashihata Swetars Ltd		1,103,420	6,883,337
Atomic Energy		827,344	839,494
Ahad Fashion Ltd		822,299	931,744
Dhaka Thai Ltd		558,038	4,462,135
Zam Zam Engineering		273,200	403,200
Global Labels (Bangladesh) Ltd		235,159	-
		848,934,084	867,737,116

7.1 Out of total receivable with BREB, an amount of BDT 177,171,835 for the period from 2009 to 2012 is under arbitration in Bangladesh Energy Regulatory Commission (BERC) for determination. Management believes the amount is recoverable.

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

8 Advances, deposits and prepayments

In Taka	2017	2016
Advances		
Against expenses	45,206,760	59,334,024
Against salary	500,000	500,000
	45,706,760	59,834,024
Deposits		
Bank guarantee margin	5,850,000	5,850,000
BEPZA	1,112,519	1,112,519
CDBL	500,000	500,000
	7,462,519	7,462,519
Prepayments		
Insurance premium-DEPZ	3,813,333	3,813,333
Insurance premium-CEPZ	1,664,000	1,664,000
BERC licence fees-DEPZ	106,667	208,333
BERC licence fees-CEPZ	100,000	100,000
	5,684,000	5,785,666
	58,853,279	73,082,209

9 Investment in marketable securities

In Taka	*Note*	2017	2016
Cash available for purchasing in IDLC		946,977	-
Financial assets classified as fair value through profit and loss	*9.1*	220,446,674	-
Receivable from sales of share		34,696,135	-
		256,089,786	-

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9.1 **Financial assets classified as fair value through profit and loss**

Name of the Company	No of Shares	Rate per share	Market value at 30 June 2017	Market value at 30 June 2016	Cost price	Changes in fair value
ACI Limited	78,831	516.50	40,716,212	-	38,667,240	2,048,972
Confidence Cement Limited	441,767	134.60	59,461,838	-	60,212,350	(750,512)
Far East Knitting & Dyeing Industries Limited	291,892	25.70	7,501,624	-	8,886,706	(1,385,082)
Grameenphone Ltd.	100,000	344.40	34,440,000	-	32,940,825	1,499,175
Square Pharmaceutical Ltd.	270,000	290.10	78,327,000	-	75,432,646	2,894,354
			220,446,674	-	216,139,767	4,306,907

10 **Advance income tax**

In Taka	2017	2016
Opening balance	922,481	1,185,000
Paid during the year/period	670,161	922,481
Adjustment of advance tax on completion of assessment	(922,481)	(1,185,000)
Closing balance	670,161	922,481

11 **Inter-company receivables**

In Taka	2017	2016
United Enterprises & Co. Ltd.	3,297,678,859	2,002,238,953
	3,297,678,859	2,002,238,953

The above inter-company loan is interest bearing.

12 **Cash and cash equivalents**

In Taka	2017	2016
Cash in hand	265,402	224,926
Cash at bank		
Eastern Bank Limited	705,078,801	1,178,629
Dhaka Bank Limited	499,670,252	33,104,825
Dutch Bangla Bank Limited	197,172,716	3,598,304
Jamuna Bank Limited	15,652,489	178,575
Brac Bank Limited	13,941,786	344,536,606
The City Bank Limited	4,942,749	13,130,939
Trust Bank Limited	1,047,052	176,137
Shahjalal Islami Bank Limited	932,160	933,810
Standard Chartered Bank	91,210	91,935
One Bank Limited	-	16,450
Mercantile Bank Limited	-	43,181
National Bank Limited	-	2,693
	1,438,529,213	396,992,084
Fixed deposits		
LankaBangla Finance Limited	-	233,561,687
	-	233,561,687
	1,438,794,615	630,778,697

Fixed deposits are considered as a part of cash and cash equivalents being a liquid investment with three month maturity period.

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13 Share capital

In Taka	2017	2016
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
Issued, subscribed and paid up		
362,944,698 ordinary shares of Tk. 10 each	3,629,446,980	3,629,446,980
	3,629,446,980	3,629,446,980

Particulars of shareholding:

	2017		2016	
Name of shareholders	No. of share	Value (Tk)	No. of share	Value (Tk)
Hasan Mahmood Raja	28,038,921	280,389,210	28,038,921	280,389,210
Ahmed Ismail Hossain	28,038,921	280,389,210	28,038,921	280,389,210
Akhter Mahmud Rana	28,038,921	280,389,210	28,038,921	280,389,210
Khandaker Moinul Ahsan Shamim	28,038,921	280,389,210	28,038,921	280,389,210
Faridur Rahman Khan	7,788,575	77,885,750	7,788,575	77,885,750
Abul Kalam Azad	7,788,575	77,885,750	7,788,575	77,885,750
Moinuddin Hasan Rashid	28,038,921	280,389,210	28,038,921	280,389,210
United Enterprises & Co. Ltd	170,872,938	1,708,729,380	170,872,938	1,708,729,380
General Investors	36,300,005	363,000,050	36,300,005	363,000,050
	362,944,698	3,629,446,980	362,944,698	3,629,446,980

13.1 Percentage of shareholdings

Name of shareholders	2017	2016
Hasan Mahmood Raja	7.725%	7.725%
Ahmed Ismail Hossain	7.725%	7.725%
Akhter Mahmud Rana	7.725%	7.725%
Khandaker Moinul Ahsan Shamim	7.725%	7.725%
Faridur Rahman Khan	2.146%	2.146%
Abul Kalam Azad	2.146%	2.146%
Moinuddin Hasan Rashid	7.725%	7.725%
United Enterprises & Co. Ltd	47.080%	47.080%
General Investors	10.002%	10.002%
	100%	100%

13.2 Classification of shareholders' by holding

Number of shareholdings	2017		2016	
	No. of shareholders	No. of shares	No. of shareholders	No. of shares
01 to 5000 shares	7,006	3,535,480	20,622	10,823,735
5,001 to 20,000 shares	373	3,900,621	760	7,617,731
20,001 to 50,000 shares	102	3,338,488	157	4,822,117
50,001 to 1,000,000 shares	113	18,188,630	91	12,032,792
1,000,001 to 10,000,000 shares	3	22,913,936	3	16,580,780
over 10,000,001 shares	6	311,067,543	6	311,067,543
		362,944,698		362,944,698

14 Share premium

In Taka	2017	2016
Share premium	2,046,000,000	2,046,000,000
	2,046,000,000	2,046,000,000

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

15 Security money received

In Taka	2017	2016
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.

RAHMAN RAHMAN HUQ KPMG DHAKA

16 Trade and other payables

In Taka	*Note*	2017	2016
Trade payables	*16.1*	96,753,909	92,045,455
Other payables	*16.2*	15,682,798	28,429,592
		112,436,707	120,475,047

16.1 Trade payables

In Taka	2017	2016
Gas bill-CEPZ	65,229,183	59,545,455
Gas bill-DEPZ	31,524,726	32,500,000
	96,753,909	92,045,455

16.2 Other payables

In Taka	*Note*	2017	2016
Share application money payable		6,535,582	6,594,643
Unclaimed dividend	*a*	5,737,573	14,555,296
Service charge on gas bill		2,844,357	2,954,544
Other operating expenses		562,946	-
Tax Deducted at Source (TDS)		2,341	517,403
VAT payables		-	3,807,706
		15,682,798	28,429,592

a) Unclaimed dividend

In Taka	2017	2016
Unclaimed cash dividend for the year 2013 & 2014	1,408,197	1,442,681
Unclaimed interim cash dividend for the period ended on 30 June 2016	2,433,158	13,112,615
Unclaimed final cash dividend for the period ended on 30 June 2016	1,896,218	-
	5,737,573	14,555,296

17 Accrued expenses

In Taka	2017	2016
Service charge on gas bill	3,678,561	3,000,000
VAT payables	2,406,411	6,525,205
Other operating expenses	1,697,802	1,880,003
Director remuneration	1,250,000	1,250,000
C&F bill	1,163,587	380,000
Audit fees	650,000	243,750
Utility bill	326,182	87,528
Security expenses	238,117	-
Medical expenses	48,400	24,000
Welfare fund	16,100	16,000
Environmental expenses	4,400	-
	11,479,560	13,406,486

18 Inter-company payables

In Taka	2017	2016
United Engineering and Power Service Limited	6,046,779	600,000
United Ashuganj Power Limited	-	385,000,000
Shajahanullah Power Generation Company Limited	-	75,000,000
	6,046,779	460,600,000

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19 Provision for taxation

In Taka	2017	2016
Opening balance	-	45,820,721
Provision for the year/period	-	-
Prior year/period adjustment	1,720,313	(45,820,721)
Closing balance	1,720,313	-

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 for 15 years from commencement (see note 39.12 a). Hence, the provision made in 2014 was reversed in 2016 in accordance with BAS 8, paragraphs 34 and 36.

The BDT 1.7m adjustment booked in the current reporting period relates to taxation arising from various expenses being disallowed under section 30AA of ITO 1984 as per the assessment of Deputy Commissioner of Taxes (DCT) for the year ended 30 June 2016.

20 Revenue

In Taka	*Note*	2017	2016
Electricity supply	*20.1*	5,744,568,968	7,887,591,158
Steam supply	*20.2*	14,670,660	13,778,364
		5,759,239,628	7,901,369,522

20.1 Electricity supply

In Taka	2017	2016
Bangladesh Export Processing Zone (BEPZA)	3,685,495,219	5,173,324,189
Other private customers	1,168,094,547	877,284,834
Bangladesh Power Development Board (BPDB)	511,415,979	746,293,258
Rural Electrification Board (REB)	370,007,520	1,076,846,183
Atomic Energy Research Establishment (AERE)	9,555,703	13,842,694
	5,744,568,968	7,887,591,158

20.2 Steam supply

In Taka	2017	2016
Gunze United Limited	14,375,295	13,778,364
Global Labels (Bangladesh) Ltd.	295,365	-
	14,670,660	13,778,364

a. During the year ended 30 June 2017, the Company generated 950,366 mwh electricity of which 465,232 mwh from DEPZ power plant and 485,134 mwh from CEPZ power plant.

b. Of the BDT 3,100,896,826 total revenue from Dhaka EPZ BDT 1,613,942,333 is attributable to the plant's extended project which came into operation in 2013.

c. Of the BDT 2,658,342,802 total revenue from Chittagong EPZ BDT 936,241,679 is attributable to the plant's extended project which came into operation in 2013.

21 Cost of sales

In Taka	*Note*	2017	2016
Gas bill		789,432,643	1,194,591,209
Spare parts		186,289,506	324,165,601
Lube oil		33,214,645	65,700,573
Operation and maintenance expenses	*21.1*	718,351,625	860,805,477
		1,727,288,419	2,445,262,860

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21.1 Operation and maintenance expenses

In Taka	*Note*	2017	2016
Depreciation	5	449,213,474	503,218,696
Minimum load charge		92,894,277	88,959,769
Direct overhead		83,583,083	100,503,158
Repair and maintenance		59,328,981	128,865,909
Insurance premium		10,712,000	16,068,000
Entertainment		6,015,856	5,313,292
Utility bill		3,285,946	1,343,327
Security expense		3,095,316	4,786,201
Carrying charge		2,583,340	2,725,735
Land lease rent		2,162,099	3,208,363
Advertisement expense		810,000	-
Travelling and conveyance		764,063	768,414
Labour and wages		752,325	401,224
Vehicle running and maintenance		625,348	461,219
Environmental expenses		570,300	401,370
Printing and stationery		486,354	382,529
Site office expense		414,351	471,697
Telephone, mobile, internet and dish line bill		414,162	702,300
BERC licence and others		311,330	1,196,133
Worker welfare fund		190,716	281,604
Postage and courier		55,310	104,721
Fire fighting expense		24,555	360,490
Automation and IP expense. and others		22,224	28,224
Gardening and beautification		21,515	191,602
Computer maintenance		14,700	61,500
		718,351,625	860,805,477

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 raised invoice for actual cost and a service charge per month.

22 Other operating income

In Taka	2017	2016
Unrealised gain from marketable securities	4,306,907	-
Realised gain from marketable securities	1,782,880	
Burn lube oil sale/used drum sale	3,767,650	4,512,136
Scrap sale	325,629	515,620
Interest income from IPO fund	6,702,393	67,173,464
	16,885,459	72,201,220

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23 General and administrative expenses

In Taka	*Note*	2017	2016
Directors' remuneration		19,032,500	29,437,502
Office maintenance		10,890,000	16,245,000
Advertisement		6,893,684	7,626,588
Contribution to prime minister relief fund		5,000,000	-
Depreciation on property, plant and equipment	5	4,537,510	5,083,017
AGM expenses		2,460,750	4,133,712
Vehicle running expenses		1,901,086	2,965,111
Bank charge and commission		1,798,533	883,254
CDBL and listing Fee		1,486,000	8,677,837
Office rent		1,380,000	1,962,000
Board meeting fees		1,187,500	437,500
Consultancy fees		840,500	10,157,500
Auditor's fee		650,000	494,565
Entertainment		623,651	1,773,704
Legal fees		508,000	379,000
Gift and complements		494,000	944,164
Traveling and conveyance		493,376	1,184,895
Postage, telephone and telex		285,709	669,912
Printing and stationery		148,618	1,307,204
VAT on audit fee		97,500	74,185
Trade licence and others		45,560	228,785
RJSC		31,580	38,900
Medical expenses		8,000	8,200
IPO expenses		-	33,014,114
Underwriter commission		-	4,098,600
BSEC consent fee		-	3,564,000
EGM expenses		-	1,887,386
Bidding fees		-	1,000,000
Professional fee		-	993,313
Office expenses		-	365,750
Newspaper bill		-	10,342
		60,794,057	139,646,040

24 Finance income

In Taka	2017	2016
Interest on inter-company loan	170,439,906	214,195,817
Interest income on STD/FDR	19,124,666	124,322,366
	189,564,572	338,518,183

25 Finance cost

In Taka	*Note*	2017	2016
Interest on long term loan	*25.1*	-	107,735,118
Interest on overdraft	*25.2*	-	1,528,369
Preference share dividend	*25.3*	-	56,399,561
Preference share settlement fees		-	6,324
		-	165,669,372

25.1 Interest on long term loan

In Taka	2017	2016
Dhaka Bank Limited	-	43,075,357
Dutch Bangla Bank Limited	-	64,659,761
	-	107,735,118

25.2 Interest on overdraft

In Taka	2017	2016
Dhaka Bank Limited	-	1,528,369
	-	1,528,369

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25.3 Preference share dividend

In Taka	2017	2016
Pubali Bank Limited	-	18,926,028
The City Bank Limited	-	11,355,618
Trust Bank Limited	-	7,570,410
Jamuna Bank Limited	-	7,570,410
Standard Bank Limited	-	7,570,410
Delta Brac Housing Finance Ltd.	-	3,406,685
	-	56,399,561

26 Income tax expense

In Taka	*Note*	2017	2016
Prior year/period adjustment	*19*	1,720,313	(45,820,721)
Adjustment of advance tax on completion of assessment	*10*	922,481	1,185,000
		2,642,794	(44,635,721)

27 Earnings per share

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

In Taka	*Note*	2017	2016
Net profit for the year/period		4,174,964,389	5,606,146,374
Number of shares outstanding during the period	*27.1*	362,944,698	359,988,575
Earnings per share		11.50	15.57

Were the reported earnings per share for 18 months period ended 30 June 2016 to be annuallised, the annual equivalent earnings per share would be BDT 10.38.

27.1 Number of shares outstanding during the period

	2017	2016
No. of Share outstanding at the beginning of the year	362,944,698	296,949,726
Weighted average no. of Share allotted through IPO on 19 February 2015	-	30,043,876
No. of Share allotted through stock dividend on 24 June 2015	-	32,994,973
Total Weighted average no. of share outstanding	362,944,698	359,988,575

Since the stock dividend issued in June 2015 was an issue without consideration, the issue has been treated as if the event had occurred at the beginning of the earliest period presented and adjusted retrospectively as per BAS 33 para 64.

27.2 Diluted earning per share

No diluted EPS was required to be calculated for the year ended 30 June 2017 since there was no scope for dilution of shares.

RAHMAN RAHMAN HUQ KPMG DHAKA

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28 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 BAS 24: Related party disclosure.

A. Transactions with key management personnel

i. Loans to directors

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

ii. Key management personnel compensation comprised the following:

In Taka	2017	2016
Directors' remuneration	19,032,500	29,437,502
	19,032,500	29,437,502

The Company's key management personnel includes the Company's directors. Compensation includes salaries and non-cash benefits.

B. Other related party transactions

In Taka	Nature of relationship	Nature of transactions	Balance as at 30 June 2016	Transaction value during the year		Balance as at 30 June 2017
			Dr/(cr)	Dr	(Cr)	Dr/(cr)
United Enterprises & Co. Ltd.	Parent Company	Loan	2,002,238,953	1,930,439,906	(635,000,000)	3,297,678,859
Gunze United Ltd	Sister concern	Steam sales	2,395,701	15,582,498	(16,007,955)	1,970,244
United Engineering and Power Service Limited	Sister concern	Operations & Maintenance	(600,000)	78,136,304	(83,583,083)	(6,046,779)
United Ashuganj Power Limited	Sister concern	Loan	(385,000,000)	385,000,000	-	-
Shajahanullah Power Generation Company Limited	Sister concern	Loan	(75,000,000)	75,000,000	-	-
			1,544,034,654			3,293,602,324

RAHMAN RAHMAN HUQ KPMG DHAKA

29 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.

		Carrying amount								Fair value			
										Fair value			
In Taka	*Note*	Held-for-trading	Designated at fair value	Fair value-hedging instruments	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2017													
Financial assets measured at fair value													
Investment in marketable securities	*9*	256,089,786	-	-	-	-	-	-	-	256,089,786	-	-	256,089,786
		256,089,786	-	-	-	-	-	-	-	256,089,786	-	-	256,089,786
Financial assets not measured at fair value													
Trade receivables	*7*	-	-	-	-	848,934,084	-	-	848,934,084	-	-	-	-
Inter-company receivables	*11*	-	-	-	-	3,297,678,859	-	-	3,297,678,859	-	-	-	-
Cash and cash equivalents	*12*	-	-	-	-	1,438,529,213	-	-	1,438,529,213	-	-	-	-
		-	-	-	-	5,585,142,156	-	-	5,585,142,156	-	-	-	-
Financial liabilities not measured at fair value													
Security money received	*15*	-	-	-	-	-	-	700,000	700,000	-	-	-	-
Trade and other payables	*16*	-	-	-	-	-	-	112,436,707	112,436,707	-	-	-	-
Inter-company payables	*18*	-	-	-	-	-	-	6,046,779	6,046,779	-	-	-	-
		-	-	-	-	-	-	119,183,486	119,183,486	-	-	-	-
30 June 2016													
Financial assets not measured at fair value													
Trade receivables	*7*	-	-	-	-	867,737,116	-	-	867,737,116	-	-	-	-
Inter-company receivables	*11*	-	-	-	-	2,002,238,953	-	-	2,002,238,953	-	-	-	-
Cash and cash equivalents	*12*	-	-	-	-	630,553,771	-	-	630,553,771	-	-	-	-
		-	-	-	-	3,500,529,840	-	-	3,500,529,840	-	-	-	-
Financial liabilities not measured at fair value													
Security money received	*15*	-	-	-	-	-	-	700,000	700,000	-	-	-	-
Trade and other payables	*16*	-	-	-	-	-	-	120,475,047	120,475,047	-	-	-	-
Inter-company payables	*18*	-	-	-	-	-	-	460,600,000	460,600,000	-	-	-	-
		-	-	-	-	-	-	581,775,047	581,775,047	-	-	-	-

RAHMAN RAHMAN HUQ KPMG DHAKA

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30 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 has 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 and dealers.

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:

In Taka	*Note*	2017	2016
Trade receivables	*7*	848,934,084	867,737,116
Investment in marketable securities	*9*	256,089,786	-
Inter-company receivables	*11*	3,297,678,859	2,002,238,953
Cash and cash equivalents (excluding cash in hand)	*12*	1,438,529,213	630,553,771
		5,841,231,942	3,500,529,840

ii. Ageing of trade receivable (gross)

In Taka	2017	2016
Not past due	-	-
Invoiced 0-30 days	492,461,850	463,043,635
Invoiced 31-60 days	27,700,581	63,154,220
Invoiced 61-90 days	3,747,795	20,834,234
Invoiced 91-120 days	661,103	1,325,194
Invoiced 121-365 days	3,955,430	5,161,345
Invoiced 365+ days	320,407,325	314,218,485
	848,934,084	867,737,113

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.

30 June 2017

		Contractual cash flows		
In Taka	Carrying amount	Total	6 months or less	Over 6 months
Trade and other payables	112,436,707	112,436,707	112,436,707	-
Inter-company payables	6,046,779	6,046,779	6,046,779	-
	118,483,486	118,483,486	118,483,486	-

30 June 2016

		Contractual cash flows		
In Taka	Carrying amount	Total	6 months or less	Over 6 months
Trade and other payables	120,475,047	120,475,047	120,475,047	-
Inter-company payables	460,600,000	460,600,000	460,600,000	-
	581,075,047	581,075,047	581,075,047	-

C **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect 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 instruments 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 USD dollar and British Pound which was as follows:

	Note	2017		2016	
		USD	GBP	USD	GBP
Cash and cash equivalents	12	10,749	461	10,749	461
Share application money payable	16.2	(10,749)	(461)	(10,749)	(461)
Net exposure		-	-	-	-

The following significant exchange rates have been applied:

	Year-end spot rate	
In Taka	2017	2016
USD	80.60	78.40
GBP	105.01	101.59

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 foreign currency denominated assets and liabilities as on the date of statement of financial position was nil, no sensitivity analysis is required.

ii. **Interest rate risk**

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The Company has not entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

Exposure to interest rate risk

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

		Nominal Amount	
In Taka	Note	2017	2016
Fixed rate instruments			
Financial assets			
Inter-company receivables	11	3,297,678,859	2,002,238,953
Fixed deposit	12	-	233,561,687
Financial liabilities		-	-
		3,297,678,859	2,235,800,640

31 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 Green Delta Insurance Company Ltd., Pioneer Insurance Company Limited and Pragati Insurance company Limited to compensate for all the potential damages caused in such situations.

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32 Contingent assets

The Company has raised a claim against BEPZA for losses suffered as a result of BEPZA failing to timely provid 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. In April 2015, BEPZA took the

In Taka	2017	2016
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

33 Commitments

The following letter of credits were outstanding as at 30 June 2017 against which the Company is committed to purchase spare parts.

Nature of the goods	L/C no.	L/C issue date	Currency	L/C value USD
Inventory	L/C # 304316010260, DEPZ	26-Oct-16	GBP	288,136
Inventory	L/C # 304317010059, DEPZ	14-Jul-16	EUR	40,000
Inventory	L/C # 141117010035, DEPZ	28-Feb-17	USD	45,155
Inventory	L/C # 304317010066, DEPZ	30-Mar-17	USD	74,000
Inventory	L/C # 304317010098, DEPZ	23-Apr-17	EUR	7,977
Inventory	L/C # 304317010108, DEPZ	30-Apr-17	EUR	24,976
Inventory	L/C # 304317010123, DEPZ	30-Apr-17	USD	72,182
Inventory	L/C # 168917011547, DEPZ	30-Apr-17	EUR	34,583
Inventory	L/C # 168917150630, DEPZ	28-May-17	EUR	7,340
Inventory	L/C # 168917011951, DEPZ	30-Jun-17	EUR	127,016
Inventory	L/C # 168917011983, DEPZ	29-Jun-17	EUR	24,576
Inventory	L/C # 304317010065, DEPZ	29-Mar-17	EUR	4,731
Inventory	L/C # 141116010222, CEPZ	21-Nov-16	USD	62,346
Inventory	L/C # 304317010058, CEPZ	28-Feb-17	EUR	35,000
Inventory	L/C # 168917011548, CEPZ	30-Apr-17	EUR	45,008
Inventory	L/C # 168917011774, CEPZ	31-May-17	USD	941,957
Inventory	L/C # 168917012088, CEPZ	29-Jun-17	EUR	7,972
				1,842,955

34 Contingencies

Contingencies represent amounts in relation to issue of bank guarantee as listed below:

Nature of the contingent liability	Expiry date	Currency	2017	2016
Bank guarantee	11-Nov-18	BDT	78,790,400	78,790,400
			78,790,400	78,790,400

Bank guarantee issued by Trust Bank Limited in favour of Titas Gas Transmission and Distribution Company Limited.

35 Bank facilities

The Company has got the following loan facilities from the followings financial institutions:

Figures in thousand

Name of the bank	Letter of credit-limit	LTR - limit	Overdraft Limit	Bank Guarantee Facilities - limit
Dutch-Bangla Bank Ltd.	280,000	200,000	100,000	100,000
Dhaka Bank Ltd.	350,000	300,000	300,000	50,000
Jamuna Bank Ltd.	400,000	200,000	-	300,000
Total	1,030,000	700,000	400,000	450,000

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36 Expenditure in equivalent foreign currency

In Taka	2017	2016
Foreign travel for the business purpose	93,300	1,000,000
	93,300	1,000,000

37 Other disclosures

A. Capacity and production

Name of the Plant	Installed capacity (mwh)		Actual Production (mwh)		Capacity utilization (%)	
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
Dhaka EPZ	688,000	1,032,000	465,232	749,355	68%	73%
Chittagong EPZ	576,000	864,000	485,134	686,977	84%	80%
Total	1,264,000	1,896,000	950,366	1,436,332		

B. Number of employees

The Company has no employees. Operation and maintenance activities of the Company is managed by 168 employees of United Engineering and Power Services Limited under an O&M contract.

C. Comparatives and rearrangement

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

D. 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 financial statement is necessary to adjust in order to reflect true and fair view. There are no such event that indicate that financial statement for the year ended 30 June 2017 is needed to be adjusted except followings.

The Board of Directors in its 81st meeting held on 27 November 2017 have recommended cash dividend @ 90% per share of Taka 10 each aggregating to Taka 3,266,502,282 and stock dividend @ 10% i.e. 1 (one) bonus share for every 10 (ten) ordinary shares of Taka 10 each aggregating to Taka 3,629,446,980 for the year ended 30 June 2017.

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

E. Going concern

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

RAHMAN RAHMAN HUQ DHAKA

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38 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.

39 Significant accounting policies

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

39.1 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 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) No depreciation is charged on land and capital work in progress.

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

iii) 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.

Previously, the Company charged full year depreciation in the year of disposal and no depreciation in the year of purchase. The Company's current policy in this regard is stated above. Given the amount involved, in accordance with BAS 8 this is accounted for in the profit and loss account.

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

Considering the estimated useful life of the assets, the rate of depreciation stand as follows:

Name of the Assets	Rate of Depreciation
Plant & Machinery	3.33%
Gas line	2%
Office Equipment	15%
Furniture & 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.

RAHMAN RAHMAN HUQ KPMG DHAKA

39.2 Inventories

Inventories consisting mainly of raw materials, spare parts and goods in transit are valued at lower of cost and net realisable value. Net realizable value is based on estimated selling price in the ordinary course of business less any further costs expected to be incurred to make the sale. 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 sold, 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.

39.3 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. Non-derivative financial instruments of the Company comprise cash and cash equivalents trade and other receivables, deposits, bank overdraft, short term loan, trade and other payables.

39.4 Financial assets

The Company initially recognises receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the date on which the Company becomes a party to the contractual provisions of the transaction.

The Company derecognises a financial asset when the contractual rights or probabilities of receiving the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

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

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

a) Financial assets at fair value through profit or loss;

A financial asset is classified as fair value through profit or loss if it is classified as held-for-trading or designated as such on initial recognition. A financial asset is designated as fair value through profit or loss if the Company manages such investments and make purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognised in the profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes there in, which takes into account any dividend income, are recognised in the profit or loss.

As at the reporting date the Company had investment in this category of financial assets.

b) Held-to-maturity financial assets

If the Company has positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity financial assets. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

RAHMAN RAHMAN HUQ KPMG DHAKA

c) **Loans and receivables**

Loans and receivables are financial assets with fixed and determinable payments that are not quoted in the active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables at the reporting date comprise cash and cash equivalents and trade and other receivables and inter-company receivable.

i) **Cash and cash equivalent**

Cash and cash equivalents include cash in hand and cash at bank which are held and available for use by the Company without any restriction. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at bank and financial institutions and short-term highly liquid investments with maturities of three months or less from the date of acquisition.

ii) **Trade receivables**

Trade receivables represent the amounts due from customers for rendering services. Trade receivables are recognised initially at cost which is the fair value of the consideration given for them. Provision for debts doubtful of recovery, if any, are made at the discretion of management.

d) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

39.5 Financial liabilities

The Company initially recognises financial liabilities 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 are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities include trade and other payables, borrowings and inter-company payable.

a) **Trade and other payables**

The Company recognises a financial liability 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.

39.6 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.

RAHMAN RAHMAN HUQ KPMG DHAKA

39.7 Measurement of fair values

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

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

b) 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)

c) Level 3: inputs for the asset or liabilities 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 has occurred.

39.8 Revenue recognition

Revenue is recognised in the statement of comprehensive income upon supply of electricity and steam, quantum of which is determined by survey of meter reading. As per *BAS-18 Revenue* is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue measured at the fair value of the consideration received or receivable. The following specific recognition criteria must be met before revenue is recognized:

a. The amount of revenue can be measured reliably
b. The flow of economic benefits to the entity is probable
c. When the service is performed in accordance with the terms of contractual arrangement

Revenue is recognized, excluding Value Added Tax and other Government levies, on the basis of net units of energy generated and transmitted to the authorized customer's transmission systems and invoiced on a monthly basis upon transmission to the customers. Revenues are valued using rates in effect when services are provided to customers.

39.9 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 benefits 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.

39.10 Contingencies

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

a) **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.

b) **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.

RAHMAN RAHMAN HUQ KPMG DHAKA

39.11 Foreign currency transaction

Foreign currency transactions are translated into Taka at the rates ruling on the dates of transactions.

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

39.12 Income tax

Income tax expense comprises 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.

a) 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.

b) Deferred tax

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

39.13 Employee benefit schemes

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 also need to be distributed within 9 months of the statement of financial position/balance sheet date. Operation and maintenance activities of the Company are managed by 168 employees of United Engineering and Power Services Limited under an O&M Contract. Therefore, the provision of WPPF is not applicable for the Company.

39.14 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

39.15 Statement of cash flows

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

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