

**Auditors' Report and
Audited Financial Statements
of
Power Grid Company of Bangladesh Ltd.
For the year ended 30 June 2013**

**Auditors' Report
to the shareholders of
Power Grid Company of Bangladesh Ltd.**

We have audited the accompanying financial statements of Power Grid Company of Bangladesh Ltd. (PGCBL) which comprise the Statement of Financial Position as at 30 June 2013 and statement of 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. The financial statements of Power Grid Company of Bangladesh Ltd. (PGCBL) for the year ended 30 June 2012 were audited by ACNABIN Chartered Accountants who expressed a qualified opinion on 08 November 2012.

Management's Responsibility for the Financial Statements

Management of PGCBL is responsible for the preparation and fair representation of these financial statements in accordance with Bangladesh Financial Reporting Standards, the Companies Act 1994 and other applicable laws and regulations 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 evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. The carrying amount of property, plant and equipment as reported in the Balance Sheet is Tk. 42,116,295,135. Proper register for property, plant and equipment is not maintained by the company. Valuation of plant and machinery transferred from Bangladesh Power Development Board (BPDB) and Dhaka Power Distribution Company (DPDC, previously DESA) was not done properly. No physical verification of its property, plant and equipment as at 30 June 2013 or any time during the period under audit was done. We had no other practical alternative auditing procedure that we could apply to authenticate the physical existence as well as the value thereof as on 30 June 2013. Bangladesh Accounting Standard (BAS) 36 requires impairment test of property, plant and equipment and necessary disclosure in this regard. The Company has no laid down policy and procedure in regard to impairment test, and no such test was carried out. However, the company has hired the services of a firm of Chartered Accountants for the valuation in September 2011 which is still in progress.

And as disclosed in Note # 5 to the financial statements, the Company has reported an amount of Tk. 48,513,303,442 as Capital work-in-progress which includes five completed projects amounting Tk. 847,632,179. The projects have been completed and are already in operation and generating revenue but have not been transferred to Property, Plant and Equipment; as a result the company has understated depreciation expenses by Tk. 14,833,563 in relation to the projects. For which EPS for the year 2012-13 has been overstated.

2. As disclosed in Note # 6 to the financial statements, the Company has reported an amount of Tk. 1,658,585,163 as inventories. Movement of inventories is not properly recorded in the accounts maintained at the cost centers we visited. As a result, physical existence of inventory could not be verified. We had no other practical alternative auditing procedure that we could apply to authenticate the physical existence as well as the value thereof as on 30 June 2013. However, the company has hired the services of a firm of Chartered Accountants for the valuation in September 2011 which is still in progress.
3. Exchange rate fluctuation gain amounting to Tk. 645,808,508 relating to the outstanding principal amount of loan for the year ended 30 June 2013 of the completed projects that are now in operation has been deducted from Property, plant and equipment instead of recognizing such gain in Profit and Loss Account. Para-28 of Bangladesh Accounting Standard (BAS-21) requires that the said exchange rate fluctuation gain shall be recognized in Profit and Loss account. The company has been following the policy of capitalizing or deducting such exchange rate fluctuation loss /gain from Property, plant and equipment from the year 2010-2011 which is a non-compliance of the above provision of BAS-21.

4. As disclosed in Note # 7 to the financial statements, the Company has reported an amount of Tk. 1,278,732,152 as receivable from transmission/wheeling and optical fiber charge. It includes receivables from DPDC, DESCO and WZPDCL Tk. 296,231,062, 173,596,648 and Tk. 88,402,498 respectively. Receivable from DPDC includes Tk. 136,848,400 being carried forward from June 2008 due to fewer amounts received against wheeling charge bills over the years. Receivable from DESA Tk. 15,700,698 due to fewer amounts received against wheeling charge bills from DPDC subsequent to June 2008. Receivable from DESCO includes Tk. 3,106,230 being carried forward from 2007. And receivable from WZPDCL includes Tk. 968,010 being carried forward from the year 2007. Repair and maintenance charge receivable from DESA is Tk. 104,722,014 which is being carried forward from 2010. Ernst & Young India has produced a report in reference to the repair and maintenance charge receivable from DESA but the company is yet to provide provisions for the disputed amounts according to the report. As for the other disputed amounts, in our opinion the company is very unlikely to receive the amounts in full. If provisions were provided for the abovementioned amounts the EPS for the year 2012-13 would have adversely been affected.
5. As disclosed in Note# 19 to the financial statements, liabilities for other finance include an amount of Tk. 3,765,000 owed to BPDB, and as disclosed in Note # 19.4, liabilities for other finance include account current with corporations and other offices amounting to Tk. 104,032,421 comprising Tk. 106,454,988 and Tk (2,422,567) on account of BPDB and Project-1 respectively as on 30 June 2013. As disclosed in Note # 12.3, Note # 12.4(A) and Note # 16 PGCBL owes to BPDB Tk. 8,003,670, Tk. 9,855,673,033 and Tk. 881,647,500 respectively. The balances could not be confirmed from BPDB.
6. As disclosed in Note # 14 to the financial statements, the gratuity scheme operated by the company is unfunded and provision is provided as per Company policy. But no actuarial valuation has been done as per BAS 19.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, financial statements give a true and fair view of the financial position of Power Grid Company of Bangladesh Ltd. as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards and comply with the Companies Act 1994 and other applicable laws and regulations.

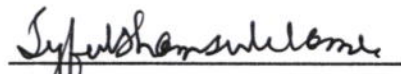
Report on Other Legal and Regulatory Requirements

We also report that:

- i) 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;
- ii) in our opinion, proper books of account as required by law have been kept by the Fund so far as it appeared from our examination of those books;
- iii) the statement of financial position and statement of comprehensive income of the Company dealt with by the report are in agreement with the books of account;
- iv) the expenditure incurred was for the purposes of the Company's business.

Place: Dhaka

Dated: 10 November 2013



SYFUL SHAMSUL ALAM & CO.
CHARTERED ACCOUNTANTS
SSA

Power Grid Company of Bangladesh Ltd.
Statement Of Financial Position
as at 30 June 2013

	Notes	2013 Taka	2012 Taka
ASSETS			
Non-Current Assets			
Property, plant and equipment	04	42,116,295,135	41,849,896,138
Capital work-in-progress	05	48,513,303,442	32,560,541,870
		90,629,598,577	74,410,438,008
Current assets			
Investment in FDR	06	5,860,000,000	4,940,000,000
Inventories	07	1,658,585,163	1,471,182,090
Accounts and other receivables	08	1,607,095,693	1,577,598,855
Advances, deposits and prepayments	09	4,958,623,141	4,037,096,904
Cash and cash equivalents	10	3,947,665,038	2,719,387,878
		18,031,969,035	14,745,265,727
Total assets		108,661,567,612	89,155,703,735
EQUITY AND LIABILITIES			
Equity			
Share capital	11	4,609,129,910	4,190,118,100
Deposit for shares	12	18,973,754,871	11,820,001,386
Retained earnings		5,774,062,389	6,121,379,532
		29,356,947,170	22,131,499,017
Non-current liabilities			
Term loan-interest bearing	13	63,245,787,725	54,002,075,071
Grant from SIDA	14	115,811,792	120,725,019
Deferred liability-gratuity	15	674,893,948	587,934,431
Deferred tax liabilities	16	3,619,490,958	2,953,736,108
		67,655,984,423	57,664,470,629
Current liabilities			
Term loan-interest bearing	17	1,966,838,264	1,991,313,004
Interest Payable	18	7,929,219,838	5,779,427,703
Liabilities for expenses	19	212,044,593	205,605,143
Liabilities for other finance	20	1,496,819,414	1,342,973,239
Provision for taxation	21	43,713,910	40,415,000
		11,648,636,019	9,359,734,089
Total liabilities		79,304,620,442	67,024,204,718
Total equity and liabilities		108,661,567,612	89,155,703,735

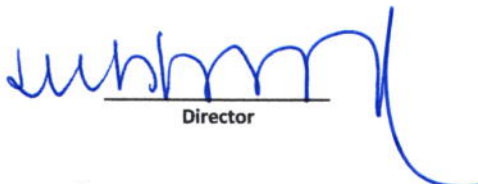
The accounting policies and explanatory notes (1 to 33) form an integral part of these Financial Statements.



 Company Secretary



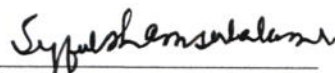
 Managing Director



 Director

As per our report of same date.

Place: Dhaka
 Dated: 10 November 2013



 SYDUL SHAMSUL ALAM & CO.
 CHARTERED ACCOUNTANTS
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Power Grid Company of Bangladesh Ltd.
Statement Of Comprehensive Income
for the year ended 30 June 2013

	Notes	2012-2013	2011-2012
		Taka	Taka
Revenue	22	7,870,432,616	7,142,208,076
Transmission expenses	23	(4,718,696,940)	(4,320,538,770)
Gross profit		3,151,735,676	2,821,669,306
Administrative expenses	24	(254,574,320)	(219,919,063)
Results from operating activities		2,897,161,356	2,601,750,243
Finance income	25	825,045,245	825,634,836
Other income	26	47,304,164	115,157,155
Finance expenses	27	(1,653,728,998)	(1,629,264,693)
Profit before contribution to WPPF		2,115,781,767	1,913,277,541
Contribution to WPPF		(100,751,513)	(91,108,454)
Profit before income tax		2,015,030,254	1,822,169,087
Income tax expense	28	(1,004,842,371)	(638,625,905)
Current Tax		43,713,910	40,415,000
Deferred Tax		961,128,461	598,210,905
Profit after tax carried forward		1,010,187,883	1,183,543,182
Basic Earnings Per Share (per value Tk.10)	29	2.19	2.82

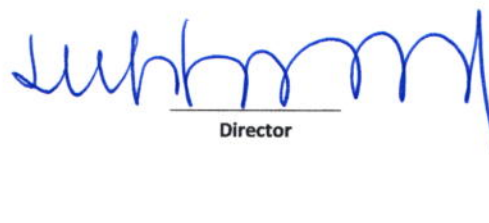
The accounting policies and explanatory notes (1 to 33) form an integral part of these Financial Statements.



Company Secretary



Managing Director



Director

As per our report of same date.

Place: Dhaka
Dated: 10 November 2013


SYFUL SHAMSUL ALAM & CO.
CHARTERED ACCOUNTANTS
SSA

Power Grid Company of Bangladesh Ltd.

Statement of Changes in Equity

for the year ended 30 June 2013

	Share capital Taka	Deposit for shares Taka	Retained earnings Taka	Total Taka
Balance as at 30 June 2011	4,190,118,100	9,738,181,387	5,853,349,465	19,781,648,952
Prior year adjustment on account of :				
Reversal of overstated expenses of prior years			161,475	161,475
Reversal of understated tax provision of prior years			(287,156,874)	(287,156,874)
Profit for the year			1,183,543,181	1,183,543,181
Net investment received during the year		2,081,820,000		2,081,820,000
Final dividend of 2011 (15% Cash)			(628,517,715)	(628,517,715)
Restated Balance as at 30 June 2012	4,190,118,100	11,820,001,386	6,121,379,532	22,131,499,019
Profit for the year			1,010,187,883	1,010,187,883
Reversal of understated expenses of prior years			(806,411,289)	(806,411,289)
Reversal of overstated expenses of prior years			295,447,047	295,447,047
Reversal of overstated income of prior years			(8,517,163)	(8,517,163)
Net investment received during the year		7,153,753,485		7,153,753,485
Final dividend of 2011 (10% Cash)			(419,011,810)	(419,011,810)
Final dividend of 2011 (10% Stock)	419,011,810		(419,011,810)	
Balance as at 30 June 2013	4,609,129,910	18,973,754,871	5,774,062,389	29,356,947,170

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Company Secretary

Place: Dhaka

Dated: 10 November 2013

J. Faruk

Managing Director

[Signature]

Director

