

**Auditors' Report and
Audited Financial Statements
of
Power Grid Company of Bangladesh Limited.
For the year ended 30 June 2014**

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

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 2014 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.

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 (BSA). 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.

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Basis for Qualified Opinion

1. The carrying amount of property, plant and equipment as reported in the Balance Sheet is Tk. 77,249,112,417. 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 2014 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 2014. Bangladesh Accounting Standards (BASs) 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 has now cancelled due to failure to complete the assignment in due time.
2. As disclosed in Note # 7 to the financial statements, the Company has reported an amount of Tk. 864,243,630 as inventories. We have visited 8 GMD's out of 31 as per the TOR of appointment involving the inventories value amounting to Tk. 270,970,906 where we found that movement of inventories is not properly recorded in the accounts maintained. 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 2014. However, the company has hired the services of a firm of Chartered Accountants for the valuation in September 2011 which has now cancelled due to failure to complete the assignment in due time.
3. Exchange rate fluctuation loss amounting to Tk. 58,030,166.38 relating to the outstanding principal amount of loan for the year ended 30 June 2014 of the completed projects that are now in operation has been added to Property, plant and equipment instead of recognizing such loss in Profit and Loss Account. Para-28 of Bangladesh Accounting Standards (BASs-21) requires that the said exchange rate fluctuation loss 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 # 8 to the financial statements, the Company has reported an amount of Tk. 1,420,770,057 as receivable from transmission/wheeling and optical fiber charge. It includes receivables from DPDC, DESCO and WZPDCL Tk. 464,799,716.24, 195,926,954 and Tk. 103,544,777 respectively carried forward since 2007 which includes disputed amount with the respective companies (disputed amount with DPDC Tk. 174,594,248.24, DESCO Tk. 3,480,438 and WZPDCL Tk. 973,755). Repair and maintenance charge receivable from DESA is Tk. 104,722,014 which is being carried forward from 2010. But the company is yet to provide provisions for the amounts according

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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 above mentioned amounts the EPS for the year 2013-14 would have adversely been affected.

5. As disclosed in Note # 20 to the financial statements, liabilities for other finance include an amount of Tk. 3,765,000 owed to BPDB, and as disclosed in Note # 20.4, liabilities for other finance include account current with corporations and other offices amounting to Tk. 110,512,421 comprising Tk. 112,434,988 and Tk. (2,422,567) on account of BPDB and Project-1 respectively as on 30 June 2014. As disclosed in Note # 13.3, Note # 13.4(A) and Note # 17 PGCBL owes to BPDB Tk. 8,003,670, Tk. 8,006,716,130 and Tk. 1,626,835,513 respectively. The balances could not be confirmed from BPDB.
6. As disclosed in Note # 15 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 Limited. as at 30 June 2014, and of its financial performance and cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRSs) 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 Company 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: 03 November 2014


SYFUL SHAMSUL ALAM & CO.
CHARTERED ACCOUNTANTS
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Power Grid Company of Bangladesh Ltd.
Statement Of Financial Position
as at 30 June 2014

	Notes	June 2014 Taka	June 2013 Taka
ASSETS			
Non-Current Assets			
Property, plant and equipment	04	77,249,112,418	42,116,295,136
Capital work-in-progress	05	25,757,833,667	48,513,303,442
		103,006,946,085	90,629,598,577
Current assets			
Investment in FDR	06	3,810,000,000	5,860,000,000
Inventories	07	864,243,630	1,658,585,163
Accounts and other receivables	08	1,685,898,529	1,607,095,693
Advances, deposits and prepayments	09	3,482,082,687	4,958,623,141
Cash and cash equivalents	10	3,426,992,085	3,947,665,038
		13,269,216,931	18,031,969,035
Total assets		116,276,163,016	108,661,567,612
EQUITY AND LIABILITIES			
Equity			
Share capital	11	4,609,129,910	4,609,129,910
Deposit for shares	12	20,094,886,766	18,973,754,871
Retained earnings		4,613,936,822	5,774,062,389
		29,317,953,498	29,356,947,170
Non-current liabilities			
Term loan-interest bearing	13	64,972,355,099	63,245,787,725
Grant from SIDA & KFW	14	128,510,771	115,811,792
Deferred liability-gratuity	15	921,244,097	674,893,948
Deferred tax liabilities	16	4,593,144,208	3,619,490,958
		70,615,254,175	67,655,984,423
Current liabilities			
Term loan-interest bearing	17	3,482,283,973	1,966,838,264
Interest Payable	18	10,329,202,524	7,929,219,838
Liabilities for expenses	19	651,206,134	212,044,593
Liabilities for other finance	20	1,808,117,150	1,496,819,414
Provision for taxation	21	72,145,561	43,713,910
		16,342,955,342	11,648,636,019
Total liabilities		86,958,209,517	79,304,620,442
Total equity and liabilities		116,276,163,016	108,661,567,612

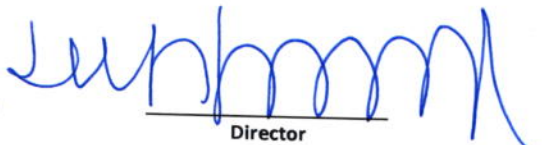
The accounting policies and explanatory notes (1 to 33) form an integral part of these Financial Statements


 3/11/2014

 Company Secretary



 Managing Director



 Director

As per our report of same date

Place: Dhaka
 Dated: 03 November 2014



 SYDUL SHAMSUL ALAM & CO.
 CHARTERED ACCOUNTANTS

Power Grid Company of Bangladesh Ltd.
Statement Of Comprehensive Income
for the year ended 30 June 2014

	Notes	2013-2014 Taka	2012-2013 Taka
Revenue	22	8,671,755,340	7,870,432,616
Transmission expenses	23	(6,145,559,935)	(4,718,696,940)
Gross profit		2,526,195,405	3,151,735,676
Administrative expenses	24	(341,474,944)	(254,574,320)
Results from operating activities		2,184,720,461	2,897,161,356
Finance income	25	753,631,245	825,045,245
Other income	26	51,830,529	47,304,164
Finance expenses	27	(2,390,795,504)	(1,653,728,998)
Profit before contribution to WPPF		599,386,731	2,115,781,767
Contribution to WPPF		(28,542,225)	(100,751,513)
Profit before income tax		570,844,506	2,015,030,254
Income tax expense	28	(599,919,238)	(1,004,842,371)
Current Tax		28,431,651	43,713,910
Deferred Tax		571,487,587	961,128,461
Profit after tax carried forward		(29,074,732)	1,010,187,883
Basic Earnings Per Share (per value Tk.10)	29	(0.06)	2.19

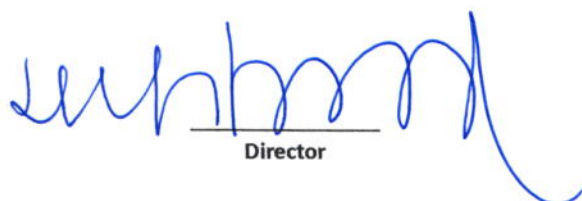
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3/11/2014

Company Secretary



Managing Director



Director

As per our report of same date

Place: Dhaka
Dated: 03 November 2014



SYFUL SHAMSUL ALAM & CO.
CHARTERED ACCOUNTANTS
SSAC

Power Grid Company of Bangladesh Ltd.
Statement of Changes in Equity
for the year ended 30 June 2014

	Share capital Taka	Deposit for shares Taka	Retained earnings Taka	Total Taka
Balance as at 30 June 2012	4,190,118,100	11,820,001,386	6,121,379,532	22,131,499,019
Prior year adjustment on account of :				
Reversal of overstated expenses of prior years	-	-	295,447,047	295,447,047
Reversal of understated expenses of prior years	-	-	(806,411,289)	(806,411,289)
Reversal of overstated income of prior years	-	-	(8,517,163)	(8,517,163)
Profit for the year	-	-	1,010,187,883	1,010,187,883
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)	-
Restated Balance as at 30 June 2013	4,609,129,910	18,973,754,871	5,774,062,389	29,356,947,171
Profit for the year	-	-	(29,074,732)	(29,074,732)
Reversal of understated expenses of prior years	-	-	(440,669,153)	(440,669,153)
Reversal of overstated expenses of prior years	-	-	951,047	951,047
Reversal of understated income of prior years	-	-	36,758	36,758
Net investment received during the year	-	1,121,131,895	-	1,121,131,895
Final dividend of 2012 (15% Cash)	-	-	(691,369,487)	(691,369,487)
Balance as at 30 June 2014	4,609,129,910	20,094,886,766	4,613,936,822	29,317,953,499

[Signature]
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 Company Secretary

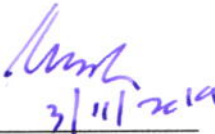
[Signature]
 Director




Place: Dhaka
 Dated: 03 November 2014

Power Grid Company of Bangladesh Ltd.
Statement of Cash Flows
for the year ended 30 June 2014

	2013-2014 Taka	2012-2013 Taka
A. Cash flows from operating activities		
Cash receipts from customers	8,529,717,436	7,772,581,746
Cash paid to suppliers, contractors, employees, etc.	(1,750,119,302)	(1,719,326,111)
Cash generated from operating activities	<u>6,779,598,134</u>	<u>6,053,255,635</u>
Interest paid	(890,020,350)	(669,908,984)
Net cash from operating activities	<u>5,889,577,784</u>	<u>5,383,346,651</u>
B. Cash flows from investing activities		
Interest received	796,866,314	873,399,275
Cash receipts from others	814,341,533	67,304,164
Addition to property, plant and equipments and capital work-in-progress	(13,344,683,357)	(19,605,357,885)
Received from/Investment in fixed deposit	2,050,000,000	(920,000,000)
Net cash used in investing activities	<u>(9,683,475,510)</u>	<u>(19,584,654,446)</u>
C. Cash flows from financing activities		
Share capital and deposit for share	722,581,183	6,629,358,848
Long term loan	3,242,013,077	9,219,237,916
Dividend paid	(691,369,487)	(419,011,810)
Net cash from financing activities	<u>3,273,224,773</u>	<u>15,429,584,954</u>
D. Net increase in cash and cash equivalents (A+B+C)	<u>(520,672,953)</u>	<u>1,228,277,160</u>
E. Opening cash and cash equivalents	3,947,665,038	2,719,387,878
F. Closing cash and cash equivalents (D+E)	<u>3,426,992,085</u>	<u>3,947,665,038</u>


3/11/2014
 Company Secretary


 Managing Director


 Director

Place: Dhaka

Dated: 03 November 2014