

**Bangladesh Services Limited
(Owner of Ruposhi Bangla Hotel)**

Auditors' report and financial statements
for the year ended 30 June 2018

Hoda Vasi Chowdhury & Co

Chartered Accountants

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BANGLADESH SERVICES LIMITED

We have audited the accompanying financial statements of Bangladesh Services Limited (the "Company") which comprise the statement of financial position (balance sheet) as at 30 June 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), the Companies Act 1994, the Securities and Exchange Rules 1987, 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.

Auditors' 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 the auditors' 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 consider 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 principles 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 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 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1.08 in the financial statements which indicates that as of June 30, 2018 the Company's current liabilities exceeded its current assets by BDT 881,324,765 (2017: BDT 344,043,910), as well as incurred net loss of 554,504,987 for the year ended 30 June 2018 (2017: Tk 492,756,005) mainly due to the ongoing renovation work for which the Company's Hotel operation is temporarily suspended and incurring loss from the operation of BICC. The Board and Management of the Company are closely reviewing the ongoing renovation work as well as other business matters and determined that the Company has adequate resources to continue in operation for foreseeable future. It is also concluded that once the renovation work is completed and the Hotel operation starts there will be sufficient operating cash flow to mitigate any risks. Accordingly, these financial statements have been prepared on going concern basis. These conditions, especially any potential delay in completing ongoing renovation work along with other matters as set forth in note 1.08, indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

We also draw attention to note 33 to the financial statements where management explains the circumstances of various contingencies and additional claims of value added tax (VAT) and supplementary duty from Large Taxpayers Unit (VAT) and additional tax demand from Income Tax Assessing Authority, the uncertainties of getting judgment in favor of the Company and Management's position on the same. Our opinion is not qualified in respect of this matter.

Without qualifying our opinion we further to draw attention to note 38.2 to the financial statements which explains the restatement of comparative cash flow statement for the year ended 30 June 2017 and its impact on previously reported amounts.

Report on Other Legal and Regulatory Requirements

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

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- c) the Company's balance sheet and profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account; and
- d) the expenditure incurred were for the purpose of the Company's business.

Dhaka, 25 November 2018

Hoda Vasi Chowdhury
Chartered Accountants

Bangladesh Services Limited
(Owner of Ruposhi Bangla Hotel)
Statement of Financial Position (Balance Sheet)
As at 30 June 2018

	Notes	30-Jun-18 Taka	30-Jun-17 Taka
Assets			
Non-current assets			
		7,294,112,461	4,971,745,138
Property, plant and equipment	3	397,896,364	396,525,367
Capital work in progress	4	6,736,216,097	4,415,219,771
Guarantee deposits	5	160,000,000	160,000,000
Current assets			
		1,310,973,380	1,307,037,141
Cash and cash equivalents	6	894,211,776	960,894,306
Inventories - spares and general stores	7	2,752,002	3,186,919
Inventories - food and beverage	8	52,582,654	56,417,215
Accounts receivables	9	195,910,331	178,775,148
Other receivables	10	2,300,935	3,700,935
Advances, deposits and prepayments	11	163,215,682	104,062,617
Total assets		8,605,085,841	6,278,782,279
Shareholders' equity and liabilities			
Shareholders' equity			
		40,735,997	595,240,984
Share capital	20	977,889,130	977,889,130
General reserve		60,000,000	60,000,000
Retained earnings/(accumulated losses)		(997,153,133)	(442,648,146)
Non-current liabilities			
		6,372,051,699	4,032,460,244
Deferred tax liability	15	21,138,468	14,305,661
Long term secured loan	18	5,693,140,449	3,760,716,136
Deferred tariff	19	532,479,926	142,896,606
Reserve for replacements, substitutions and additions to furniture and equipment	16	125,292,856	114,541,841
Current liabilities			
		2,192,298,145	1,651,081,051
Accounts payables	12	1,832,852,520	1,191,275,694
Advance rent, security deposits and earnest money	13	208,798,249	151,946,493
Unpaid dividend		307,688	307,688
Provision for taxation	14	11,362,334	5,655,585
Deferred liability for gratuity	17	138,977,354	146,608,342
Loan against FDR		-	155,287,250
Total shareholders' equity and liabilities		8,605,085,841	6,278,782,279

These financial statements should be read in conjunction with annexed notes


Md. Ayub Hossain
Managing Director


Md. Emran
Director
See annexed report of even date


Md. Abul Monsur
Company Secretary

Hoda Vasi Chowdhury
Chartered Accountants

Dhaka, 25 November 2018



**Bangladesh Services Limited
(Owner of Ruposhi Bangla Hotel)
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2018**

	Notes	2017-2018 Taka	2016-2017 Taka
Revenue	21	268,779,298	241,692,546
Less: operating cost	22	154,012,569	138,253,437
Gross profit		<u>114,766,729</u>	<u>103,439,110</u>
Less: Hotel administrative and other expenses	23	117,389,087	110,158,529
BSL administrative and other expenses	24	319,582,644	243,008,250
		<u>436,971,731</u>	<u>353,166,778</u>
Profit/(loss) from operation		<u>(322,205,002)</u>	<u>(249,727,669)</u>
Other income	25	47,599,973	48,226,700
Rental income from BSL office complex	26	59,734,988	47,246,089
Income/(loss) from BICC	27	(327,095,390)	(272,905,097)
Net profit before tax		<u>(541,965,431)</u>	<u>(427,159,977)</u>
Less: Income tax expense			
Current tax	14	5,706,749	58,552,002
Deferred tax	15	6,832,807	7,044,026
		<u>12,539,556</u>	<u>65,596,028</u>
Net profit/(loss) after tax		<u>(554,504,987)</u>	<u>(492,756,005)</u>
Other comprehensive income		-	-
Total comprehensive income/(loss)		<u>(554,504,987)</u>	<u>(492,756,005)</u>
Earnings per share (EPS) for the year	35	<u>(5.67)</u>	<u>(5.04)</u>

These financial statements should be read in conjunction with annexed notes


Md. Ayub Hossain
Managing Director


Md. Emran
Director


Md. Abul Monsur
Company Secretary

See annexed report of even date


Hoda Vasi Chowdhury

Chartered Accountants

Dhaka, 25 November 2018



**Bangladesh Services Limited
(Owner of Ruposhi Bangla Hotel)
Statement of Changes in Equity
For the year ended 30 June 2018**

Particulars	Share capital Taka	General reserve Taka	Retained earnings/ (accumulated losses) Taka	Total Taka
Balance at 01 July 2017	977,889,130	60,000,000	(442,648,146)	595,240,984
Net profit/(loss) for the year	-	-	(554,504,987)	(554,504,987)
Balance at 30 June 2018	<u>977,889,130</u>	<u>60,000,000</u>	<u>(997,153,133)</u>	<u>40,735,997</u>
Balance at 01 July 2016	977,889,130	60,000,000	50,107,859	1,087,996,989
Net profit/(loss) for the year	-	-	(492,756,005)	(492,756,005)
Balance at 30 June 2017	<u>977,889,130</u>	<u>60,000,000</u>	<u>(442,648,146)</u>	<u>595,240,984</u>

These financial statements should be read in conjunction with annexed notes

Bangladesh Services Limited
(Owner of Ruposhi Bangla Hotel)
Statement of Cash Flows
For the year ended 30 June 2018

	2017-2018 Taka	Restated 2016-2017 Taka
A. Cash flows from operating activities		
Cash receipts from customers	807,609,306	432,768,466
Cash paid to suppliers, employees and administrative purpose	(852,097,318)	(629,593,470)
	<u>(44,488,012)</u>	<u>(196,825,005)</u>
Cash received from tenants	90,915,318	85,641,399
Cash received from other income	1,876,144	2,251,758
Cash received from Bank interest	35,464,825	36,555,159
	<u>128,256,286</u>	<u>124,448,316</u>
Cash flow before gratuity and tax	83,768,274	(72,376,688)
Tax paid	(25,280,182)	(32,622,425)
Gratuity paid	(6,525,886)	(18,854,344)
Net cash inflow/(outflow) from operating activities	<u>51,962,206</u>	<u>(123,853,458)</u>
B. Cash flows from investing activities		
Acquisition of asset	(20,744,525)	(4,948,717)
Capital work-in-progress	(2,264,620,597)	(2,574,650,343)
Net cash used in investing activities	<u>(2,285,365,122)</u>	<u>(2,579,599,060)</u>
C. Cash flows from financing activities		
Proceeds from borrowings	2,322,007,634	2,466,637,580
(Repayment of)/proceeds of loan against FDR	(155,287,250)	155,287,250
Net cash used in financing activities	<u>2,166,720,385</u>	<u>2,621,924,830</u>
D. Net increase in cash and cash equivalents (A+B+C)	(66,682,531)	(81,527,688)
E. Opening cash and cash equivalents	960,894,306	1,042,421,994
F. Closing cash and cash equivalents (D+E)	<u>894,211,776</u>	<u>960,894,306</u>

These financial statements should be read in conjunction with annexed notes

**Bangladesh Services Limited
(Owner of Ruposhi Bangla Hotel)
Notes to the financial statements
as at and for the year ended 30 June 2018**

1 Reporting entity and basis of preparation

1.01 Company profile

Bangladesh Services Limited ("BSL" or "the Company") is a public company, limited by shares. The shares of the Company are listed with Dhaka Stock Exchange Ltd. The registered office of the Company is situated at Mino Road, Ramna, Dhaka 1000.

1.02 Nature of the business

The principal activities of the Company is to perform the business of a hotel and all related activities thereto. Upon expiry of the management contract between Starwood Hotels and Resorts Asia Pacific Pte Ltd and Bangladesh Services Limited on 30 April 2011, the Company had taken over management of its Hotel Operation and had been operating the Hotel in the name of "Ruposhi Bangla Hotel" until signing of a management agreement with InterContinental Hotels Group (Asia Pacific) Pte Ltd (IHG) on 19 February 2012. As per the management agreement an extensive renovation work is going on to achieve the brand standard of IHG. Therefore, Hotel's operation is closed from 31 August 2014. After completion of the renovation, IHG will brand the Hotel as "InterContinental Dhaka". The Company continue to operate an airport lounge with trade name "Balaka" at Hajrat Shahjalal International Airport, Dhaka and an office complex which is rented out to tenants. The Company has also signed a lease agreement with Public Works Department on 17 June 2012 for management, maintenance and operation of Bangabandhu International Conference Centre (BICC) and commenced the same on 01 July 2012.

1.03 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in Bangladesh and the Companies Act, 1994, Securities and Exchange Rules, 1987 as well as the provisions of and other laws and regulation. The title and format of these financial statements follow the requirements of IFRS which are to some extent different to the requirements of the Companies Act, 1994. However, such differences are not considered material.

1.04 Date of authorisation

The financial statements were authorised for issue by the Board of Directors on 25 November 2018.

1.05 Reporting period

The current financial period of the Company covers one year from 1 July 2017 to 30 June 2018 with the corresponding period 1 July 2016 to 30 June 2017.

1.06 Functional and presentation currency

The financial statements are prepared in Bangladesh Taka (BDT/Tk), 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.

1.07 Basis of measurement

The financial statements have been prepared under the historical cost convention.

1.08 Going concern

Notwithstanding the fact that, at 30 June 2018 the Company has a current assets deficit of BDT 881,324,765 (2017: BDT 344,043,910), these financial statements are prepared under going concern basis. Consistent with the business plan approved by the Board of Directors, the Company has incurred net loss of 554,504,987 for the year ended 30 June 2018 (2017: Tk 492,756,005) due to the ongoing renovation work for which the Company's Hotel operation is temporarily suspended, as well incurring loss from the operation of BICC. The Board and Management of the Company are closely reviewing the ongoing renovation work as well as other business matters and determined that the Company has adequate resources to continue in operation for foreseeable future. Accordingly, these financial statements have been prepared on going concern basis. Once the Hotel operation commences toward the end of 2018, the Company is expected to generate sufficient operating cash flows to finance its obligations.

1.09 Use of estimates and judgement

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRSs) requires management to make judgments, estimates and assumptions that affect the applicable accounting policies and the reported amounts of assets, liabilities, income and expenses, and disclosure requirements for contingent assets and liabilities during and at the date of the financial statements. Actual result may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognized in the period in which the estimate is revised in any future years affected as required by IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors.

In particular, significant areas of estimation uncertainty and critical judgments in applying accounting policies that has the most significant effect on the amount recognized in the financial statements are carrying value of property, plant and equipment, valuation of receivables, income tax provision (both current and deferred tax) and other provisions and accruals.

1.10 Statement of cash flows

Statement of cash flows has been prepared as per IAS 7: Statement of Cash Flows using Direct Method as per the requirement of Securities and Exchange Rules, 1987.

1.11 Events after reporting period

Events after reporting period that provide additional information about the Company's position at the balance sheet date are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

2 Significant accounting policies

2.01 Property, plant and equipment

Initial recognition and measurement

Items of property, plant and equipment have been measured at cost less accumulated depreciation and accumulated impairment losses, if any, as per IAS 16: Property, Plant and Equipment. Cost includes expenditures that are directly attributable to the acquisition of the assets and any other cost directly attributable to bringing the asset to usable condition for its intended use.

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 cost of the day to day servicing of property, plant and equipment are expensed when incurred.

Assets under construction/capital work in progress

Assets under construction/capital work in progress represent the cost incurred for acquisition and/or construction of items of property, plant and equipment that are not ready for use at reporting date and these are stated at cost. Borrowing costs associated directly with financing of construction costs are capitalized as per IAS 23.

Impairment

The carrying value of the Company's non financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amounts are estimated.

Depreciation

Depreciation is charged on fixed assets following straight-line method at the rates as stated below except on leasehold land which is amortized at the rate of BDT 60,908 per annum which will be fully amortized within lease period:

<u>Category of asset</u>	<u>Rate (%)</u>
Building on leasehold land	2.50
Other operating property, plant and equipment	10
Addition during the year	5

2.02 Inventories

Inventories are valued at lower of cost and net realizable value. Cost is determined following average cost method in all cases other than engineering stores, which are valued at first-in, first-out (FIFO) method. In respect of engineering stores, items having unit cost up to BDT 250, expecting electric bulbs, which are directly charged as consumption.

2.03 Leases

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the entity separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values.

a. Finance Lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance lease are apportioned between the finance expense and the reduction of outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant rate of interest on the remaining balance of the liability.

b. Operating lease

Leases that are not finance lease are considered as operating leases and the leased assets are not recognized in the Group's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight line basis over the term of the lease.

2.04 Advances, deposits and prepayments

Advances are initially measured at cost. After initial recognition, advances are carried at cost less deductions, adjustments or charges to other account heads such as property, plant and equipment, inventory or expenses. Deposits are measured at payment value without any adjustment for time value.

Prepayments are initially measured at cost. After initial recognition, prepayments are carried at cost less charges to profit or loss on accrual basis.

2.05 Employee retirement benefits

The Company operates a gratuity scheme which is a defined benefit plan, covering all its eligible permanent employees. Provision is made on the basis of period of employment and latest basic pay to cover obligation under the scheme in respect of the employees who meet eligibility requirements. The Company has not undertaken an actuarial assessment of its gratuity obligation as it considers that existing provision which has been calculated on the assumption that all employees are made redundant at year end as more appropriate in this circumstances. The Company also operates a contributory provident fund for its employees. The provident fund is administered by a board of trustees and is funded by contribution partly from the employees and partly from the Company at a predetermined rate. The contributions are invested separately from the Company's assets. In addition, a provision for termination benefit has also been made during the year to cover staff entitlements at the time of termination.

2.06 Foreign currency transactions

Foreign currency transactions are translated into BDT at the rate prevailing on the dates of transactions. Year end balances of monetary items are translated at the rate prevailing on the balance sheet date. Exchange differences are taken to the profit and loss statement.

2.07 Taxation

Current tax

Provision for corporate income tax is made following income tax laws. The applicable rate of income tax for the Company is 25% of taxable profit as the Company is a publicly-traded company. However, as the Company is making losses a provision has been made for minimum tax as per the Finance Act 2018. Tax assessments of the Company have been finalized up to the assessment year 1999-2000. Assessment for the years 2000-2001 and 2001-2002 have been completed at the first level of assessment where additional amounts of BDT 9,544,689 and BDT 10,507,313 respectively were claimed which the Company initially disputed. In respect of the assessment years 2000-2001 and 2001-2002, the Company has filed an appeal with the Hon'ble High Court Division of the Supreme Court. However, as these appeals have been dismissed by the Appellate Division of Supreme Court the Company has made required provision for these disputed tax claims in current year. Assessments for the assessment years 2003-2004; 2005-2006 and 2006-2007 have been completed. Moreover an additional claim for the assessment years 2007-2008 and 2008-2009 amounting to BDT 5,954,210 and BDT 9,340,009 respectively have been claimed by the assessing officer against which the Company made appeals to relevant appeal authority which are still pending. No provision has been made in the accounts for the additional amount claimed by the tax authority as the Company has reasonable grounds to believe its appeal against such unjust additional demand will be ultimately successful and these would be set aside at the time disposal of final appeal.

Deterred tax

Deferred tax has been calculated and provided in the accounts using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability or asset has been calculated on the basis current tax rate.

2.08 Provisions and contingencies

A provision is recognised on the balance sheet date if, as a result of past events, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an out flow of economic benefits will be required to settle the obligation.

Contingencies arising from claim, lawsuit, etc. are recorded when it is probable that a liability has been incurred and the amount can reasonably be measured, otherwise a disclosure is provided if the matter is significant.

2.09 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.

(a) 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 financial instrument. The Company determines the classification of its financial assets at initial recognition.

The Company derecognizes a financial asset when the contractual rights to 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 assets are transferred.

An entity shall classify financial assets as subsequently measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL) on the basis of both:

- a. the entity's business model for managing the financial assets and
- b. the contractual cash flow characteristics of the financial assets.

Amortised cost

The asset is measured at the amount recognized at initial cost minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and any loss allowance. Interest income is calculated using the effective interest method and is recognized in profit and loss. Changes in fair value are recognized in profit and loss when the asset is derecognized or reclassified.

At fair value through profit or loss

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

At fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets include cash and cash equivalents, trade and other receivables.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances which were held and readily available for use of the Company without restrictions.

(ii) Trade and other receivables

Accounts receivable at the balance sheet date are stated at receivable amount. Provision for bad and doubtful debt is made when there is an indication that the recoverable amount or a portion thereof has been impaired.

(b) Financial liabilities

The Company initially recognizes financial liabilities on the dates that are originated. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Company classifies non-derivative financial liabilities into the liabilities for expenses category. Such financial liabilities are recognized initially at fair value less directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost.

Financial liabilities include trade and other payables, accrued expenses and loans and borrowings.

(i) Loans and borrowings

Principal amounts of the loans and borrowings are stated at their amortised amount. Borrowings repayable after twelve months from reporting date are classified as non-current liabilities whereas the portion of borrowings repayable within twelve months from reporting date, unpaid interest and other charges are classified as current liabilities.

(ii) 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.

(C) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as expenses. Paid-up share capital represents total amount contributed by the shareholders and bonus shares issued by the Company.

2.10 Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- (i) default or delinquency by a debtor;
- (ii) restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- (iii) indications that a debtor or issuer will enter bankruptcy;
- (iv) adverse changes in the payment status of borrowers or issuers;
- (v) observable data indicating that there is measurable decrease in expected cash flows from a company of financial assets.

(ii) Financial assets measured at amortized cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(iii) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. 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 recognizing an impairment loss, if and only if, the recoverable amount of the asset is less than its carrying amount. Impairment loss is recognized immediately in profit or loss. As at 30 June 2018, the assessment of indicators of impairment revealed that impairment testing was not required for the Company.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.11 Total revenue

Airport Lounge and BICC

Revenue is net off value added tax, supplementary duty, services charges and surcharge collectable from guests as well as rebate and discount allowed to customers. Revenue is recognised when the goods is supplied and/or service is provided to the customer.

BSL Office Complex

Rental income from BSL office complex has been recognised as per accrual basis in terms of the respective agreements with tenants.

2.12 Earnings per share

Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary shareholders of the Company with the weighted average number of ordinary shares outstanding during the year. No diluted earnings per share is required to be calculated for the year as there is no scope for dilution during the year under audit.

2.13 New Standards and interpretations yet adopted

New standards or interpretations that have been adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and effective from July 01, 2017 are duly adopted by the Company and none of these new adoptions has material impact on stated numbers of these financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2018 and earlier application is permitted; however, the Company has not early applied these new or amended standards in preparing these financial statements.

3. Property, plant and equipment - at cost less accumulated depreciation and amortisation

Name of the asset	Cost			Depreciation				Written down value at 30 June 2018 Taka		
	At 01 July 2017 Taka	Addition during the year Taka	Disposal/Adjustment during the year Taka	Total at 30 June 2018 Taka	Rate %	At 01 July 2017 Taka	Charge for the year Taka		Disposal/Adjustment during the year Taka	Total at 30 June 2018 Taka
BSL Operation										
Leasehold land	5,198,175	-	-	5,198,175	-	3,080,029	60,908	-	3,140,937	2,057,238
Building on leasehold land	575,346,013	-	-	575,346,013	2.5	273,616,814	13,834,666	-	287,451,479	287,894,534
Admin office furniture and equipment	223,940	-	-	223,940	10	38,733	22,394	-	61,127	162,813
	580,768,128	-	-	580,768,128		276,735,576	13,917,968	-	290,653,544	290,114,584
BSL Office Complex										
Building on leasehold land	181,678,955	-	-	181,678,955	2.5	94,394,297	4,541,974	-	98,936,271	82,742,684
Admin office furniture and equipment	1,647,897	-	-	1,647,897	10	468,087	144,144	-	612,231	1,035,666
Electrical fittings & general equipment	47,221,945	-	-	47,221,945	10	47,221,945	-	-	47,221,945	-
Elevators	12,872,456	-	-	12,872,456	10	12,839,454	4,127	-	12,843,581	28,875
Air-conditioning plant	84,118,406	-	-	84,118,406	10	83,914,061	20,520	-	83,934,581	183,825
Special equipment and fire alarms	25,388,546	-	-	25,388,546	10	25,388,546	-	-	25,388,546	-
Motor vehicle	3,990,525	20,744,525	-	24,735,050	10	199,526	744,795	-	944,321	23,790,729
	356,918,730	20,744,525	-	377,663,255		264,425,916	5,455,560	-	269,881,476	107,781,779
Bangabandhu International Conference Centre										
Office furniture and equipment	64,263,218	-	-	64,263,218	100	64,263,218	-	-	64,263,218	-
	64,263,218	-	-	64,263,218		64,263,218	-	-	64,263,218	-
Total 30 June 2018	1,001,950,076	20,744,525	-	1,022,694,601		605,424,710	19,373,527	-	624,798,237	397,896,364
Total 30 June 2017	997,001,359	4,948,717	-	1,001,950,076		585,928,187	19,496,523	-	605,424,710	396,525,366

* Leasehold land and building of the Company are mortgaged with Agrani Bank Ltd. to secure long term renovation loan.

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	30-Jun-18 Taka	30-Jun-17 Taka
4. Capital work in progress		
Interest on renovation loan		
Loan against land mortgage	875,689,460	337,998,272
Loan against FDR	13,011,102	6,093,900
S.S.B Enterprise (rubbish removing contractor)	-	181,365
Other renovation related works	(18,583,574)	58,415
Preliminary expenses for site preparation	30,000	30,000
Chada Pty Ltd.	187,274,464	159,822,194
Element Design Studio Pte Ltd.	13,940,047	13,315,772
IMpossible	7,009,998	6,889,932
inProjects Ltd.	259,755,874	257,098,370
inProjects Ltd., Vistar Interior LLP	83,515,102	61,284,200
PPS Consultancy	9,298,294	9,169,459
ADG Sumavi Technical Services Pvt. Ltd.(MEP)	60,365,776	52,880,103
Anan Construction	88,930,034	4,613,304
Bengal Technological Corp. Ltd.	57,668,926	44,109,233
Broadway Malayn	5,180,189	5,038,497
Charuta Pvt. Ltd.	393,476,562	289,916,196
Charuta-Norinceo JV	598,926,009	597,736,739
Creative Engineers Ltd.	5,972,500	5,972,500
Currie & Brown(India) Pvt. Ltd.(QS)	38,729,179	20,577,651
Depa Interiors LLC	2,257,263,102	1,414,733,019
Energypac Eng. Ltd.	391,375,875	177,560,337
Esadore International	6,524,895	6,348,695
Hotel Consult Orient	8,143,829	7,091,030
Intercontinental Hotel Group	11,662,001	11,662,001
LW Design Group LLC	32,157,139	31,769,230
ORACLE Corporation Singapore Pvt. Ltd.	666,500	666,500
Pro Visual Audio Pvt. Ltd.	51,751,781	35,161,292
Tech Valley Networks Ltd.	49,530,610	34,956,953
The Parker Company (Middle East)	21,559,963	17,009,392
Unity Services Ltd.	275,890,646	260,340,888
Vistar Interior LLP	56,050,106	7,482,128
WSP Buildings Pty. Ltd	9,257,593	8,942,902
WSP NG Pte. Ltd.	10,149,789	9,984,526
Pacific Maintenance	12,195,336	-
Want Ad Ltd.	17,060,955	-
Alifum Outdoor Living	4,237,065	270,392
Atlier N5 LLC	23,278,283	4,336,293
IM Interior Decoration LLC	20,306,021	1,962,225
L'Anecs Furniture & decore	4,441,531	677,761
Lux Light Pte. Ltd.	49,322,796	9,672,558
Senyun Furniture Group	181,312,973	68,192,891
Tai Ping Carpets Ltd.	66,464,861	5,210,364
Warps & Wefts	8,388,346	539,244
Artistic Works	6,074,254	-
Office Supplies and Equipment	98,520,889	-
Ozone	15,576,318	-
Digijadoo Spectrum JV	6,362,314	-
	<u>6,375,715,713</u>	<u>3,987,356,728</u>
Advance payment to contractors (hotel renovation)		
Charuta-Norinceo JV	75,121,513	64,981,513
Charuta Pvt. Ltd.	71,744,461	66,116,007
Bengal Technological Corp. Ltd.	16,129,560	23,823,692
Energypac Eng. Ltd.	-	903,987
Tech Valley Networks Ltd.	8,558,414	10,912,174
Unity Services Ltd.	107,137,106	89,502,249
Depa Interiors LLC	74,237,043	171,623,421
Pacific Maintenance	7,572,289	-
	<u>360,500,385</u>	<u>427,863,044</u>
Total	<u>6,736,216,097</u>	<u>4,415,219,771</u>

The above amount represent payments to various contractors and suppliers conducting renovation work of the Hotel.

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	30-Jun-18 Taka	30-Jun-17 Taka
5. Guarantee deposits		
Guarantee deposits for BICC (*)	160,000,000	160,000,000
	<u>160,000,000</u>	<u>160,000,000</u>

(*) This amount remained with Bangladesh Commerce Bank Limited as bank guarantee deposit for BICC in the form of FDR as per requirement of management agreement between Bangladesh Services Limited and Public Works Department. The total balance of above FDR along with interest as at 30 June 2018 is Taka 171,544,376. Since, the guarantee obligation is sixteen crore, the remaining amount (Tk 11,544,376) of that FDR being freely convertible into cash has been presented in cash and cash equivalents (note-6).

6. Cash and cash equivalents

Cash in hand	3,511,535	2,206,535
Bank balances		
Short term deposits with		
Agrani Bank Limited (reserve fund for replacement)	40,589,683	582,273
Agrani Bank Limited (gratuity & retirement account-Hotel)	263,895,100	275,824,976
Agrani Bank Limited	81,758,428	172,495,312
Sonali Bank Limited	4,027,687	3,927,796
Agrani Bank Limited (BSL complex rental account)	43,762,081	37,217,766
Standard Chartered Bank (Hotel)	7,818,653	7,798,043
	<u>441,851,631</u>	<u>497,846,167</u>
Fixed deposits with		
Agrani Bank Limited	296,613,560	284,581,790
IFIC Bank Limited	40,806,808	38,322,526
Bangladesh Krishi Bank	2,745,238	2,675,835
Uttara Bank Limited	1,050,414	1,005,791
Pubali Bank Limited	448,636	426,357
Bangladesh Commerce Bank Limited (see note 5 above)	11,544,376	57,533,693
Sonali Bank Limited	13,500,689	12,964,692
	<u>366,709,721</u>	<u>397,510,684</u>
Current accounts with		
Agrani Bank Limited-1905 (*)	8,965,816	1,791,810
Agrani Bank Limited	24,593,274	27,851,823
Agrani Bank Limited (no actual overdraft)	(2,052,815)	(1,537,754)
Agrani Bank Limited (BICC account)	23,839,208	9,466,088
	<u>55,345,483</u>	<u>37,571,966</u>
Agrani Bank Limited - gratuity & retirement account	26,508,611	25,472,859
Agrani Bank Limited - dividend account	284,795	286,095
	<u>894,211,776</u>	<u>960,894,306</u>

(*) The above account is being used by the Contractors of the Hotel renovation work to import construction materials through Letter of Credit.

7. Inventories - spares and general stores

Hotel Operation

Stores and spares in hand

General and other stores

2,456,141	2,891,058
<u>2,456,141</u>	<u>2,891,058</u>

BSL Office Complex

In good condition

295,861	295,861
<u>2,752,002</u>	<u>3,186,919</u>

8. Inventories - food and beverage

52,582,654	56,417,215
<u>52,582,654</u>	<u>56,417,215</u>

Food and beverage will be utilized to generate revenue from Balaka and BICC. A portion of food and beverage will be utilized by the employees of Ruposhi Bangla Hotel and Bangladesh Services Limited.

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	30-Jun-18 Taka	30-Jun-17 Taka
9. Accounts receivables		
Accounts receivables - trade, considered good	250,154,038	227,602,460
Accounts receivables - trade, considered doubtful	21,371,198	21,371,198
Rent receivables	31,416,904	17,900,727
Receivable from Ruposhi Bangla Hotel for BICC (contra)	437,629,510	437,629,510
Receivable for renovation expenses (contra)	673,234,318	436,568,790
Receivable from employees	376,719	258,025
Gross balance	1,414,182,687	1,141,330,709
Less: Provision for bad and doubtful debts on accounts receivables-trade (note 9.2)*	107,408,528	88,357,261
	1,306,774,159	1,052,973,448
Less: Contra item	1,110,863,828	874,198,300
	<u>195,910,331</u>	<u>178,775,148</u>
* Management has reviewed the above receivables balances and satisfied that the provision for doubtful debts recognised at 30 June 2018 is adequate to cover any potential impairments.		
9.1 Ageing of accounts receivable - trade considered good		
Overdue for less than six months	119,936,915	156,890,460
Overdue for more than six months	130,217,124	70,712,001
	<u>250,154,038</u>	<u>227,602,460</u>
9.2 Provision for bad and doubtful debts on account of receivable-trade		
Opening balance	88,357,261	79,957,261
Add: Provision made during the year (note: 23 and 24.2)	19,051,267	8,400,000
Closing balance	<u>107,408,528</u>	<u>88,357,261</u>
10. Other receivables		
Cash margin against guarantee issued by bank in favor of court relating to Mir Akhter Hossain Ltd	920,015	920,015
Interest receivable	1,363,221	1,363,221
Receivable from Employees' Provident Fund	-	1,400,000
Sundry debtors	17,699	17,699
	<u>2,300,935</u>	<u>3,700,935</u>
11. Advances, deposits and prepayments		
Advances		
Advance tax for employees taxation	24,621,244	19,121,244
Income tax deducted at source - Hotel	19,675,186	21,994,641
Income tax deducted at source - BSL	51,821,278	24,221,642
Advance against income tax	4,274,391	4,274,391
Advance to suppliers	11,070,191	2,316,414
VAT and supplementary duty	36,845,086	19,774,259
Advances to General Manager	856,384	129,756
Advance to employees	2,313,081	1,078,109
	151,476,842	92,910,456
Deposits		
Security/guarantee deposits - Hotel	10,802,240	10,215,561
Security/guarantee deposits - BSL	936,600	936,600
	11,738,840	11,152,161
	<u>163,215,682</u>	<u>104,062,617</u>
12. Accounts payables		
For goods	39,725,455	47,680,092
For expenses (note 12.1)	1,291,915,474	799,982,066
For other finance (note 12.2)	501,211,592	343,613,536
	<u>1,832,852,520</u>	<u>1,191,275,694</u>

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	30-Jun-18 Taka	30-Jun-17 Taka
12.1 Creditors for expenses		
Payable for BICC (contra)	437,629,510	437,629,510
Payable for renovation expenses to RBH (contra)	673,234,318	436,568,790
Provision for termination benefits	106,590,891	117,402,424
Salaries, wages, bonus gratuity and other benefits	66,547,089	47,871,195
Accrued expenses	116,536,368	117,831,650
Accrual for BICC rent payable to PWD	933,350,000	453,350,000
Accrual for Balaka Rent	14,352,832	14,573,178
Accrual for insurance	5,340,240	1,740,240
Municipality tax	19,277,511	19,277,511
Indebtness to operator and its affiliates	10,559,933	11,608,681
Utility service for Hotel operation	4,521,192	4,521,192
Utility bills for BSL Office Complex	40,125	495,489
Other professional services fees	250,000	250,000
Software maintenance fee	42,721	59,703
Legal and professional charges	450,000	450,000
Audit fee	1,159,000	879,000
VAT payable	480	480
Accrual for social sports	4,311,017	4,311,017
Accrual for OPERA and Platinum	7,505,101	4,560,307
Crew Allowance	800,000	800,000
Dues and subscription	280,973	-
	2,402,779,301	1,674,180,366
<u>Less: Contra item</u>	1,110,863,828	874,198,300
	<u>1,291,915,474</u>	<u>799,982,066</u>
12.2 Creditors for other finance		
VAT and supplementary duty *	258,936,997	183,230,033
Lease and other security deposit	17,677,379	13,967,541
Service charge unadjusted with project cost	200,297,733	132,472,328
Service charge payable to employees	3,217,552	2,865,324
Income tax deduction from staff salaries	16,757,731	8,754,978
Provident fund loan deduction	1,922,760	1,579,522
Tax deducted but not deposited	1,031,734	39,625
Tips payable	147,883	147,883
UNICEF donation received from guests	4,971	4,971
Union subscription	35,000	35,300
VAT payable	-	84,836
Liabilities for LOC	978,426	292,935
Suspense A/C	203,426	138,260
	501,211,592	343,613,536
	<u>1,291,915,474</u>	<u>1,143,595,602</u>
* The above VAT and supplementary duty also included VAT on Balaka Restaurant of the Company situated at the departure lounge after clearance of immigration of Hajrat Shahjalal International Airport. The Company has disputed imposition of VAT on this outlet and hence not paying the disputed claim of VAT.		
13. Advance rent, security deposit, earnest and retention money		
Earnest money	250,000	250,000
Advance rent received	18,272,385	18,091,741
Retention money received	8,001,712	7,994,822
Rental security deposit	6,784,466	6,489,083
Security money received from contractors	175,489,686	119,120,846
	208,798,249	151,946,493
14. Provision for taxation		
Opening balance	5,655,585	(20,080,374)
<u>Add: Provision made during the year</u>	5,706,749	58,552,002
	11,362,334	38,471,628
<u>Less: Payments made during the year</u>	-	32,816,043
Closing balance	11,362,334	5,655,585

	30-Jun-18 Taka	30-Jun-17 Taka
15. Deferred tax liability/ (asset)		
Deferred tax liability has been recognized in accordance with the provision of IAS 12 based on temporary difference arising due to difference in the carrying amount of the assets/liabilities and its tax base.		
Opening balance	14,305,661	7,261,635
Deferred tax (income)/expense for the year (A-B)	6,832,807	7,044,026
Closing balance	21,138,468	14,305,661

Deferred tax liability is arrived at as under:

	Carrying amount	Tax base	Taxable / (deductible) temporary difference
30-Jun-18			
Property, plant and equipment (DTL)	397,896,364	174,365,144	223,531,220
Deferred liability for gratuity (DTA)	(138,977,354)	-	(138,977,354)
Taxable/ (deductible) temporary difference	258,919,010	174,365,144	84,553,866
Applicable rate			25%
Deferred tax liability/ (asset)-A			21,138,467
30-Jun-17			
Property, plant and equipment (DTL)	396,525,367	192,694,382	203,830,985
Deferred liability for gratuity (DTA)	(146,608,342)	-	(146,608,342)
Taxable/ (deductible) temporary difference	249,917,024	192,694,382	57,222,642
Applicable rate			25%
Deferred tax liability/ (asset)-B			14,305,661

16. Reserve for replacements, substitutions and additions to furniture and equipment

Opening balance	114,541,841	104,820,367
Add: Charged to operation during the year @4% of total revenue of Interest accrued from replacement reserve account	10,751,015	9,700,548
	-	20,926
Closing balance	125,292,856	114,541,841

17. Deferred liability for gratuity

Opening balance	146,608,342	154,438,434
Add: Provision made during the year	(1,105,102)	11,024,252
	145,503,240	165,462,686
Less: Payment made during the year to outgoing members	6,525,886	18,854,344
Closing balance	138,977,354	146,608,342

18. Long term secured loan

Agrani Bank- renovation Loan	4,800,055,000	3,400,030,000
Interest during construction period	893,085,449	360,686,136
	5,693,140,449	3,760,716,136

The loan was drawn under the Borrowing Facilities agreement executed by the Company on 10 May 2015 and 08 January 2017 with the Agrani Bank Limited to finance construction and renovation work of the Hotel. This commercial housing loan bears interest rate at 11.50% for total Taka 574 core facility. Leasehold land and building of the Company along with renovation work/materials are mortgaged/hypothecated against this loan.

19. Deferred tariffs

Chittagong Customs	483,589,263	135,663,355
ICD Kamalapur Customs	15,411,524	-
Dhaka Airport Customs	30,970,030	7,076,632
Beanpole Customs	2,509,108	156,619
	532,479,926	142,896,606

The Company has obtained an approval from Government for deferral of tariffs imposed on importation of equipment and materials for renovation work of the Hotel.

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	30-Jun-18 Taka	30-Jun-17 Taka
20. Share Capital		
20.1 Authorized:		
250,000,000 ordinary shares of Taka 10 each	2,500,000,000	2,500,000,000
20.2 Issued and paid up:		
4,741,993 ordinary shares of Taka 10 each issued for consideration other than cash	47,419,930	47,419,930
4,258,007 ordinary shares of Taka 10 each issued in cash	42,580,070	42,580,070
88,788,913 ordinary shares of Taka 10 each issued as bonus shares	887,889,130	887,889,130
	977,889,130	977,889,130

20.3 Shareholding position at 30 June 2018 is as under:

Allocation of shares	Nationality	Number of shares	Face value Taka	Percentage of shares (%)
Government of Bangladesh	Bangladeshi	97,470,791	-	99.67
H. H. Prince Sadaruddin Aga Khan	Swiss	183,751	-	0.19
Individuals	Bangladeshi	92,359	-	0.09
Bangladesh Parjatan Corporation	Bangladeshi	42,012	-	0.04
		97,788,913	-	100

20.4 Classification of shareholders by holding:

Holding of shares	30-Jun-18 No. of shareholders	30-Jun-17 No. of shareholders
Less than 500	39	39
501 -- 5000	16	16
5001 -- 10000	4	4
10001 -- 20000	0	0
20001 -- 30000	1	1
30001 -- 40000	0	0
40001 -- 50000	1	1
50001 -- 100000	0	0
100001 -- 1000000	1	1
100001 & above	1	1

	2017-2018 Taka	2016-2017 Taka
21. Revenue		
Food and beverage	253,982,764	227,419,606
Rental and others	14,796,535	14,272,941
	268,779,298	241,692,546

				2017-2018 Taka	2016-2017 Taka
22. Cost of sales and operating cost	Rooms	Food and beverage	Minor operating departments	Total	Total
Salaries, wages, bonus, gratuity and other benefits	-	28,559,570	12,987,129	41,546,699	56,698,191
Cost of materials and other expenses	-	48,140,908	3,190,903	51,331,812	42,741,559
Operating supplies	1,129,037	9,521,710	1,120,456	11,771,202	7,157,658
Balaka restaurant rent	-	37,639,225	-	37,639,225	21,670,765
Linen, china glass, silver, etc.	-	-	-	-	138,602
Laundry, dry cleaning & uniforms	2,424,780	3,374,706	3,000	5,802,486	6,227,434
Limousine expenses	-	-	1,576,690	1,576,690	915,677
In-house TV, video, music, etc.	110,400	-	-	110,400	110,400
Travelling and communication	157,099	218,640	-	375,739	522,013
Fuel and power	-	3,776,055	-	3,776,055	1,617,174
Training	81,453	-	-	81,453	49,984
Others	-	-	808	808	330
Permits and license	-	-	-	-	403,650
	<u>3,902,768</u>	<u>131,230,815</u>	<u>18,878,986</u>	<u>154,012,569</u>	<u>138,253,437</u>

23. Hotel administrative and other expenses

Heat, light and power (note 23.1)	10,371,793	7,431,620
Administrative and general expenses (note 23.2)	60,495,126	42,839,561
Advertising, promotion and public relations (note 23.3)	3,654,793	5,025,686
Repairs and maintenance (note 23.4)	23,318,560	23,667,572
Provision for VAT & supplementary duty	-	12,733,543
Provision made during the year for reserve for replacement	10,751,015	9,700,548
Audit fee	397,800	360,000
Provision for bad and doubtful debts on accounts receivable - trade (note 9.2)	8,400,000	8,400,000
	<u>117,389,087</u>	<u>110,158,529</u>

23.1 Heat, light and power

Utilities	10,371,793	7,425,269
Salaries, wages, bonus, gratuity and other benefits	-	6,351
	<u>10,371,793</u>	<u>7,431,620</u>

23.2 Administrative and general expenses

Salaries, wages, bonus, gratuity and other benefits	42,308,331	29,779,579
Credit card commission	316,006	218,268
Security	7,697,046	4,509,405
Communication	1,113,707	1,021,994
Operating supplies	2,635,782	1,815,689
Travelling expenses	296,260	867,128
Legal and professional charges	4,490,854	2,100,000
General manager's expenses	503,824	281,365
Dues and subscriptions	-	65,996
Fees and purchased services	1,173,207	1,305,594
BSL expenses	27,135	5,283
Uniforms	-	23,620
Training and training related expenses	23,173	757,429
Others	(90,201)	88,211
	<u>60,495,126</u>	<u>42,839,561</u>

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	2017-2018 Taka	2016-2017 Taka
23.3 Advertising, promotion and public relations		
Salaries, wages, bonus, gratuity and other benefits	-	2,402,445
Signage, events and functions	2,203,741	778,480
Entertainment	202,976	123,018
Travelling	245,642	507,353
Print Newspapers	-	278,600
Training expense	-	-
Communication	275,461	331,809
Operating supplies	726,973	603,982
	<u>3,654,793</u>	<u>5,025,686</u>
23.4 Repair and maintenance		
Salaries, wages, bonus, gratuity and other benefits	11,785,869	4,485,778
Removal of waste	211,869	293,652
Communication costs	35,209	40,218
Heating, ventilation and air-conditioning	873,243	2,449,619
IT - Repair & Maintenance	4,869,021	9,511,891
Other equipment and machinery supplies	1,064,791	1,372,241
Furnishing, painting, decoration and sign	425,425	297,533
Laundry equipment	216,325	195,358
Water treatment	308,300	163,500
Plumbing	250,332	70,144
Radio and television	145,681	60,595
Elevators	267,800	650,500
Refrigeration	45,100	25,368
Fire, light and safety equipment	98,081	47,970
Electric bulbs/electrical	302,289	114,384
Kitchen equipment	23,298	68,281
Boiler room	10,000	10,000
Balaka restaurant	1,026,953	3,459,742
Building	48,500	104,754
Uniforms	-	18,400
Office equipment	15,300	-
Operating supplies	212,283	209,896
Travelling - local	3,200	870
Vehicles	-	1,500
Others	1,079,690	15,378
	<u>23,318,560</u>	<u>23,667,572</u>
24. BSL administrative and other expenses		
Depreciation	13,917,968	13,923,568
Rates and taxes	3,209,097	3,209,097
Insurance	1,659,057	1,659,057
Project related expenses made by Hotel (note 24.1)	236,665,529	180,702,475
Other expenses BSL (note 24.2)	64,130,994	43,514,053
	<u>319,582,644</u>	<u>243,008,250</u>
24.1 Project related expenses made by Hotel		
Service charges	135,946,679	136,084,730
Utility	19,610,389	17,468,854
Furniture, fixture & equipment	22,870	740,000
Accounts and general expenses	47,546,786	3,374,029
Repair and maintenance	18,167,177	11,601,611
Housekeeping and laundry expenses	1,090,763	286,563
Food and beverage department expenses	-	490,864
Front office expenses	3,081,796	1,024,498
Consultancy accommodation and meal expenses	9,427,932	7,385,064
Sales and marketing expenses	1,315,922	2,246,261
HR Department expenses	455,215	-
	<u>236,665,529</u>	<u>180,702,475</u>

24.2 Other expenses BSL

Salaries, wages, bonus, gratuity and other benefits	27,803,146	26,467,546
Entertainment	3,025,677	2,243,148
Directors' remuneration	4,887,600	4,784,800
Bank charge and levy	9,985,667	124,325
Legal and consultancy fee	505,750	589,000
Staff quarter expenses	641,893	2,040,231
Other professional services fee	300,000	645,000
Advertisement	1,555,211	712,430
Auto maintenance	768,899	660,320
Software maintenance	50,947	236,869
Company cable and postage	769,995	579,586
Stock exchange listing fee	488,945	488,945
Office supplies	558,246	614,716
Donation	28,800	134,800
Office maintenance	717,032	880,173
Printing and stationery	106,975	12,740
Land Development Tax	386,565	135,000
Medical expenses	191,270	143,229
Conveyance	112,916	73,764
Website maintenance costs	25,000	15,000
Tourism related expenses	80,715	1,296,115
CDBL expenses	55,200	262,600
AGM expenses	23,340	272,167
Provision for bad and doubtful rent receivable	10,651,267	-
Others	409,938	101,549
	<u>64,130,994</u>	<u>43,514,053</u>

25. Other income

Interest on bank deposits	35,464,825	36,555,159
Rental income from staff quarter	11,839,648	11,308,604
Sale of tender schedule	158,500	-
Non operating income	137,000	362,937
	<u>47,599,973</u>	<u>48,226,700</u>

26. Rental income from BSL office complex

Rental income	92,296,464	79,659,211
<u>Less:</u> Expenses on complex		
Electricity and fuel	4,280,652	6,062,964
Salaries, wages, bonus, gratuity and other benefits	13,189,021	14,514,214
Cleaning and maintenance	7,083,616	3,348,762
Depreciation on building, equipment and elevators	5,455,560	5,572,955
Water and sewerage	1,708,085	2,630,288
Conveyance and medical expenses	844,542	283,939
	<u>32,561,476</u>	<u>32,413,122</u>
	<u>59,734,988</u>	<u>47,246,089</u>

27. Income/(loss) from BICC

Revenue	542,449,012	277,113,612
Cost of sales	163,719,562	72,777,153
	<u>378,729,450</u>	<u>204,336,459</u>
<u>Less:</u> Expenses		
Lease rental	480,000,000	273,350,000
Wages and benefits	144,433,971	143,767,136
Utility	32,497,680	18,754,496
Maintenance	5,057,764	5,214,610
Administrative and general	21,833,018	15,955,695
Security	9,409,055	8,555,049
Supplies	5,087,060	4,005,702
Insurance	3,600,000	3,600,000
Travel	38,300	12,100
Advertisement	784,231	2,038,747
Communication	415,126	257,984
Decoration	2,449,527	1,207,901
Linen china silver glass	-	472,035
Uniform	219,110	-
Signage	-	50,100
	<u>705,824,840</u>	<u>477,241,555</u>
	<u>(327,095,390)</u>	<u>(272,905,097)</u>

28. Auditors' remuneration

Audit fee

397,800	360,000
<u>397,800</u>	<u>360,000</u>

29. Remuneration to directors

Fee to directors

4,887,600	4,784,800
<u>4,887,600</u>	<u>4,784,800</u>

30. Salaries, wages, bonus, gratuity and other benefits

Salaries, wages, bonus, gratuity and other benefits of Taka 417,013,716 (30 June 2017 Taka 414,205,970) appearing in these financial statements of various departments.

31. Capacity

31.1 Capacity of the hotel

Due to renovation, Ruposhi Bangla Hotel is closed from 31 August, 2014. Therefore, there were no rooms available to rent at 30 June 2018.

31.2 Capacity of BSL office complex

Total area of space available to let out at 30 June

61,879

61,879

Total area in use as of 30 June

61,406

61,406

32. Remittance of foreign currency

Expatriates salaries and benefits

US\$

151,430

131,238

33. Contingent liabilities and claims

A. Letter of guarantees

9,200,346

9,200,346

In the course of executing the contract work, certain disputes have arisen between the Company and its contractor Mir Akhter Hossain Limited. As per the terms of contract, the contractor was authorized to refer the matter to arbitrator for resolution of the dispute in accordance with the provision of the arbitration Act 1940. Both the parties nominated their Arbitrators; Late Justice Badrul Haider Chowdhury was nominated by the contractor and Mr. M.S.I Chowdhury was nominated by the Company and the arbitrators appointed Justice Kemaluddin Hossain, the former Chief Justice of Bangladesh as umpire and thereafter arbitral proceedings started. The arbitrators differed on certain matters and sent their reports to the umpire. The umpire has given the following awards on 02 April 1998:

- i. The Company shall refund the entire amount of VAT amounting to Taka 7,003,669 to the contractor as deducted from the invoices.
- ii. The contractor is also entitled to claim damages to the extend of Taka 2,196,677 for payment of its invoices by the Company.

The contractor filed a petition to the 3rd Sub Judge Court of Dhaka to enforce the award given by the umpire, whereas the Company decided to contest it. The case was sent back on remand by the Hon'ble Supreme Court vide judgment dated 02 July 2001 passed in F.M.A no: 235/99 filed by BSL with a direction to dispose of the matter. Recently the 3rd Sub Judge court has upheld its previous verdict in favor of contractor and directed the Company to pay the entire amount of Taka 9,200,346 to the contractor. The Company has filed an appeal with the Hon'ble High court in 2004 against the verdict, the ultimate outcome of which is uncertain. To comply with the terms of the contest petition, the Company issued a bank guarantee in favour of the court amounting to Taka 9,200,346 which has been shown as contingent liability being letter of guarantee in the books of the Company. Against the guarantee, the Company has paid a sum of Taka 920,215 as margin against bank guarantee and the amount is shown under sundry debtors in these financial statements.

No provision has been made in these financial statements against the above.

B. Income tax pending matters

The income authority has made an additional claim for the assessment years 2007-2008 and 2008-2009 amounting to BDT 5,954,210 and BDT 9,340,009 respectively against which the Company has made appeals to relevant appeal authority which are still pending. No provision has been made in the accounts for the additional amount claimed by the tax authority as the Company has reasonable grounds to believe its appeal against such unjust additional demand will be ultimately successful and these would be set aside at the time disposal of final appeal.

C. Value added tax (VAT) and supplementary duty

Large Taxpayers Unit (LTU) - VAT has issued a demand notice to the Company for Tk 24,732,774 which allegedly resulted from claiming VAT rebates on certain items, not paying VAT on rent received and unpaid VAT as deducted at source from suppliers for the period July 2005 to June 2010. Pursuant to an audit conducted by the Local and Revenue Audit Department on the Hotel operation of the Company, the LTU - VAT has also issued demand notices of Tk. 282,159,786 for the years 2010-2011 and 2011-2012 and Tk 120,220,847 for the year 2012-2013 on the grounds of not collecting supplementary duty and VAT on supplementary duty from sale of alcoholic beverages at restaurants of the Hotel and taking rebate on restaurant services without price declaration.

The Company is defending these objections as it believes that these were neither factually correct nor consistent with the prevailing VAT legislation. The Company maintains its position that all VAT rebates claimed are legitimate, relevant requirements of the VAT Act 1991 have been appropriately followed and any withholding VAT are duly deposited to the Government exchequer. Since these matters are pending and the Company believes on reasonable ground that such alleged objection shall be quashed in favor of the Company in due course by the appropriate authority no provision has been made for such disputed claims.

D. Additional supplementary duty and VAT on sale of alcoholic beverages and floor show

The erstwhile Dhaka Sheraton Hotel (now renamed as Ruposhi Bangla Hotel) has been conducting its Hotel business after taking Value Added Tax (VAT) registration from relevant authority. As per SRO No. 152/Law/2005/443-VAT dated 9 June 2005, hotels under service code S001.10 was exempted from supplementary duty. However, VAT Large Taxpayers Unit (LTU) vide a letter dated 30 March 2009, alleged that for those hotels which also provide in-house restaurant services, supplementary duty shall be paid on receipts from supply of alcoholic beverages and organization of floor show. The said letter also claimed that since the Hotel has in-house restaurants where alcoholic beverages are served and also floor show is organized, supplementary duty shall be payable on such receipts. The letter further alleged that total supplementary duty of Tk 188,390,994 is payable by the Hotel for the period from July 2005 to June 2009. The Hotel has filed a writ petition on 31 May 2009 with the High Court Division of the Supreme Court of Bangladesh challenging validity of the alleged claim by VAT LTU. Other five star hotels operating in Bangladesh at that time also received similar demands from VAT LTU and they also filed their respective writ petitions. On 10 September 2017, the High Court Division has passed a judgment maintaining the demand of VAT LTU. A civil petition number 1425 of 2017 was filed for leave to appeal against this judgment with the Appellate Division of the Supreme Court of Bangladesh. However, as per an order dated 13 September 2017 the civil petition has been dismissed. The Hotel management are reviewing the matter and discussing with competent lawyers to decide next course of action. Since this is an industry-wide issue involving a number of other five star hotels, management is also discussing this matter with other stakeholders. It is worthwhile to note that an amendment has been made vide SRO No 184-Law/2012/642 dated 7 June 2012 whereby supplementary duty @10% has been imposed on Hotel and Restaurants on income received from supply of alcoholic beverages and organization of floor show (even for a day of the year). Since this SRO is applicable from 1 July 2012 and clearly spelt out collection of supplementary duty from supply of alcoholic beverages and organization of floor show, management believes that this supports the Hotel's argument that the earlier imposition of supplementary duty prior to 1 July 2012 has no legal basis. The LTU-VAT has issued a demand notice on same matter claiming additional supplementary duty and VAT on sale of beverages and floor show income of Tk 12,733,543 for the period from 1 July 2012 to 30 June 2013 which has been provided for by the Company.

34. Number of employees

The aggregate number of employees during the year 2018 was 516 (2017: 443).

35. Earnings per share (EPS)

35.1. Basic earnings per share

Earnings attributable to the ordinary shareholders	(554,504,987)	(492,756,005)
Weighted average number of ordinary shares outstanding	97,788,913	97,788,913
Basic earnings per share	(5.67)	(5.04)

Earning per share (EPS) has been computed by dividing the basic earnings by the weighted average number of ordinary shares outstanding as of 30 June 2017 in terms of IAS-33 "Earnings Per Share."

35.2. Diluted earnings per share

No diluted earnings per share is required to be calculated for the year as there was no potentially dilutive potential ordinary shares during the year.

36. Events after the reporting period

The Board of Directors of the company has not recommended any dividend for the year ended 30 June 2018.

37 Financial Instruments-Financial risk management

The management has overall responsibility for the establishment of the Company's risk management framework with oversight by the Board of Directors. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Company has exposure to the following risks from its use of Financial Instruments:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

37.1 Credit risk

Credit risk is risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations which arises principally from the Company's receivables and investments.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	30-Jun-18	30-Jun-17
Cash and cash equivalents	894,211,776	960,894,306
Accounts receivables	195,910,331	178,775,148
Other receivable	2,300,935	3,700,935
Advances, deposits and prepayments	163,215,682	104,062,617
	1,255,638,724	1,247,433,006

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry in which customers operate. Based on the Company's operations there is no concentration of credit risk.

The Company's management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company review includes clients goodwill and in some cases bank references. Customers that fails to meet the Company's standard credit policy may transact with the company only on a pre-payment basis.

Cash at banks are maintained with both local branch of domestic schedule banks having acceptable credit rating and an international Bank.

37.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with with its financial liabilities that are settled by delivering cash. 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.

Exposure to Liquidity risk

The following are the contractual maturities of financial liabilities:

Contractual cash flows

Non-derivative financial liabilities	Carrying amount as on 30 June 2018	Within 12 months	More than 12 months	Carrying amount as on 30 June 2017
	Taka	Taka	Taka	Taka
Long term loan	5,693,140,449	-	5,693,140,449	3,760,716,136
Accounts payables	1,832,852,520	1,832,852,520	-	1,191,275,694
Provision for income tax	11,362,334	11,362,334	-	5,655,585
Deferred liability for gratuity	138,977,354	138,977,354	-	146,608,342
Deferred tariff	532,479,926	-	532,479,926	142,896,606
Advance rent, security deposits and earnest money	208,798,249	208,798,249	-	422,607,597
Unpaid dividend	307,688	307,688	-	422,607,597
Total	8,417,918,519	2,192,298,144	6,225,620,375	6,092,367,558

As at 30 June 2018, all current liabilities were expected to be paid within 12 months and all non current liabilities except deferred tax were expected to be paid after 12 months. The major liquidity risk the Company is facing due to current liabilities being higher than current assets. However, included in current liabilities an amount of Taka 933,350,000 to PWD on account of BICC rent which the Company is seeking for deferral.

37.3 Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, will affect that 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 optimizing the return.

37.4 Currency risk

The Company is exposed to currency risk on purchases of renovation materials and some food and beverage items which are denominated in a currency other than the functional currency. To manage this exposure normally the Company take assistance from relevant banks and if the exchange rate is expected to be volatile it attempts to upfront agree the exchange rate of retiring LCs at the time of settlement date. At balance sheet date there were no major financial instruments having material foreign exchange risk.

37.5 Interest risk

Interest rate risk arises from movement in interest rates both on deposits with banks as well as loans and borrowings. The Company is not significantly exposed to fluctuation in interest rates as most of the borrowings are on fixed interest rates and the Company has no derivative financial instruments.

38 Other information

	2017-2018 Taka	2016-2017 Taka
38.1 Reconciliation of operating cash flows to net profit		
Net profit/(loss) before tax	(541,965,431)	(427,159,977)
Adjustment for non-cash items :		
Depreciation	19,373,527	19,496,523
Gratuity provision made/(reversed)	(1,105,102)	11,024,252
Reserve for replacements, substitutions and additions to furniture and equipment	10,751,015	9,721,474
Provision for bad and doubtful debts	19,051,267	8,400,000
	48,070,707	48,642,249
Changes in working capital components:		
Decrease in Inventories - spares and general stores	434,917	2,250,918
Decrease in Inventories - food and beverage	3,834,561	3,630,797
Increase in Accounts receivable	(36,186,449)	(99,764,109)
Decrease/(increase) in Other receivable	1,400,000	(478,437)
Increase in Advances, deposits and prepayments	(33,872,883)	(18,550,199)
Increase in Accounts payable	641,576,826	416,684,810
Increase in Advance rent receipt	180,644	2,367,258
increase in Rental security deposit receipt	295,383	-
	577,662,998	306,141,040
Operating cash flow before gratuity and tax payments	83,768,274	(72,376,689)
Income tax paid	(25,280,182)	(32,622,425)
Gratuity paid	(6,525,886)	(18,854,344)
Net cash inflow/(outflow) from operating activities	51,962,206	(123,853,458)

38.2 Restatement of previous year's cash flow statement

While preparing cash flow statement for the year ended 30 June 2017, the Company has considered proceeds from short term loan secured against FDR as operating activities. However, since that loan along with other borrowings are taken prima facie to support the ongoing renovation work of the Company's hotel operation, for consistency the Company has decided to consider all borrowings as financing activities. Accordingly, cash flow statement of previous year has been restated to reflect this change and hence restated operating cash outflow for the year ended 30 June 2017 is (Tk 123,853,458) which was previous reported as operating cash inflow of Tk 31,433,792. Similarly, restated cash inflow from financing activities for the year ended 30 June 2017 is Tk 2,621,924,830 which was previously reported as inflow of Tk 2,466,637,580. Because of this restatement net operating cash flow per share also changed from cash inflow of Tk 0.33 per share to outflow of Tk 1.27 per share.

38.3 Net operating cash flows per share (NOCFPS)

		Restated
Net operating cash flows	51,962,206	(123,853,458)
Weighted average number of ordinary shares outstanding	97,788,913	97,788,913
Net operating cash flows per share	0.53	(1.27)

38.4 Net assets value (NAV) per share

Net assets as at 30 June (represented by shareholders' equity)	40,735,997	595,240,984
Weighted average number of ordinary shares outstanding	97,788,913	97,788,913
Net assets value per share	0.42	6.09

38.5 Figures in these notes and annexed financial statements have been rounded off to the nearest Taka.

38.6 These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

38.7 Figures relating to the previous year included in this report have been rearranged, wherever considered necessary, to make them comparable with those of the current year without, however, creating any impact on the operating result and value of assets and liabilities as reported in the financial statements for the current year.