

Bangladesh Services Limited
(Owner of InterContinental Dhaka)
1 Minto Road, Ramna
Dhaka 1000

Bangladesh Services Limited
(Owner of InterContinental Dhaka)

Auditor's report and financial statements
for the year ended 30 June 2019

S. F. AHMED & CO

Chartered Accountants

House # 51 (3rd Floor), Road # 9, Block # F, Banani, Dhaka 1213, Bangladesh

Telephones : (880-2) 9871018, 9870619, 9870516, 9894258, 55042315 & 55042261

Fax : (880-2) 55042314

Emails : (i) sfaco@citechco.net (ii) sfaco@sfahmedco.org

Website : www.sfahmedco.org

Bangladesh Services Limited

Independent Auditor's Report
To the Shareholders of Bangladesh Services Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bangladesh Services Limited (the "Company"), which comprise the statement of financial position (balance sheet) as at 30 June 2019, and the statement of profit or loss and other comprehensive income (profit and loss statement), statement of changes in equity and statement of cash flows for the year ended 30 June 2019, and notes to the financial statements, including a summary of significant accounting policies, and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note in 1.3.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1.8 to the financial statements which indicates that as of 30 June 2019 the company's current liabilities exceeded its current assets by BDT 1,063,490,563 (2018: BDT 881,324,765), as well as incurred net loss of BDT 364,393,077 for the year ended 30 June 2019 (2018: 554,504,987) mainly due to the renovation work for which the Company's Hotel operation is temporarily suspended and incurring loss from the operations of Bangabandhu International Conference Center. After completion of renovation, the Company has been rebranded as InterContinental Dhaka and started commercial operations from 1 December 2018 and has started generating operating cash flows to finance its obligations. The Board and management of the company are closely reviewing the matters and determined that the Company has adequate resources to continue its operations for the foreseeable future. Accordingly, these financial statements have been prepared on going concern basis. Our opinion is not qualified in respect of this matter.

We also draw attention to note 32 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 favour of the Company and management's position on the same. Our opinion is not qualified of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Revenue recognition

At the year end, the Company reported total revenue of BDT 710.37 million from food and beverage, rental and others and related activities. The application of revenue recognition is complex and involves a number of key judgments and estimates, including those applied on revenue arrangements with multiple elements.

Due to the estimates and judgment involved in the application of the revenue recognition there is a risk of revenue being misstated.

The Company's accounting policies relating to revenue recognition are presented in note 2.11 to the financial statements. See note 21 to the financial statements.



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Our audit approach included a combination of controls testing, data analytics and substantive procedures covering the following:

- understanding of the significant revenue processes including performance of an end to end walk through of the revenue assurance process and identifying the relevant controls including IT systems, interfaces and reports;
- testing of the design and operating effectiveness of the relevant controls;
- reviewing of significant new contracts and regulatory determinations, the accounting treatments opted and testing the related revenues recognised during the period;
- performing of data analysis and analytical reviews of significant revenue streams;
- performing of specific procedures to test the accuracy and completeness of adjustments relating to multiple element arrangements and grossing up certain revenue and costs; and
- performing of procedures to ensure that the revenue recognition criteria adopted by each business unit for all major revenue streams are appropriate and in line with the Company's accounting policies.

Valuation of defined benefits plan

The Company operates a funded gratuity scheme. In accordance with the rules of the Gratuity Fund, a benefit becomes due when a member ceases to be a member of the Fund. This results in the Fund having a constructive obligation to pay the benefit. Consequently, the Fund is required to recognise the liability related to such benefits. At the year end, the Company reported a net funded gratuity liability of BDT 72.76 million. Methodologies applied in the calculation of the benefits payable to members as disclosed in notes 2.5 and 20 of the financial statements include liability for gratuity is provisioning on the presumption that all the employees are retiring on the balance sheet date rather than actuarial valuation of the gratuity. Therefore, valuation of the benefits payable provision is considered as a key audit matter.

Our audit procedures included updating our understanding of the business processes employed by the Company for accounting for, and valuing, their defined benefit plan included the following:

- obtaining sufficient audit evidence to conclude that the inputs and methodologies used to determine the liability for defined benefit plan;
- assessing the design and operating effectiveness of the Company's key controls supporting the identification, measurement and oversight of valuation of the defined benefits payable provision;
- examining the basis on which gratuity is payable to the employee and is worked out the liability for gratuity on the presumption that all employees retire on the balance sheet date;
- ensuring that the basis of computing gratuity is valid; verify the computation of liability on aggregate basis;
- checking the amount of gratuity paid to employees who retired during the year with reference to the number of years of service rendered by them;
- testing the employees data used in calculating obligation, assessing the appropriateness and presentation of disclosures against IAS 19 "Employee Benefits".

Measurement of deferred tax

Bangladesh Services Limited has unrecognised deferred tax liability in respect of taxable temporary difference for capital allowance and deductible timing differences for gratuity resulting in net deferred tax liabilities.

The Company reports net deferred tax liabilities totalling to BDT 14.22 million as at 30 June 2019. Significant judgment is required in relation to deferred tax assets and liabilities as their settlement is dependent on various factors as detailed in notes 2.7 and 14 to the financial statements.

Our audit approach included a combination of controls testing, data analytics and substantive procedures covering the following:

- obtaining an understanding, evaluating the design and testing the operational effectiveness of the Company's key controls over the recognition and measurement of deferred tax assets and liabilities;



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- assessing the completeness and accuracy of the data used for the estimations of future taxable income;
- evaluating the reasonableness of key assumptions, timing of reversal of temporary differences and expiration of tax loss carried forward, recognition and measurement of deferred tax assets and liabilities;
- assessing the adequacy of the Company's disclosures setting out the basis of deferred tax assets and liabilities balances and the level of estimation involved;
- evaluating the tax implications, the reasonableness of estimates and calculations determined by management;
- assessing the appropriateness and presentation of disclosures under IAS 12 "Income Taxes".

Fees and charges payable to the operator

Management Agreement between Bangladesh Services Limited and InterContinental Hotels Group (Asia Pacific) Pte Ltd defines terms and conditions for operation of the Hotel. It also defines and interprets accounting matters, adjusted gross operating profit, capital replacements, owner's cost and operator's fees, etc.

The Company reports incentive management fee, system fund contributions and other fees as operator's fees and insurance expenses as owner's cost.

Our audit approach included a combination of controls testing, data analytics and substantive procedures covering the following:

- assessing the accuracy of the data used for adjusted gross operating profit, incentive management fee, system fund contribution, other fees and operator's fees and insurance expenses;
- ensuring that the basis of computing incentive management fee, system fund contribution, other fees and operator's fees and insurance expenses;
- checking completeness, proper classification, financial reporting presentation and disclosure of incentive management fee, system fund contribution, other fees and operator's fees and insurance expenses.

Legal and regulatory matters

We focused on this area because the Company operates in a legal and regulatory environment that is exposed to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may be difficult to predict.

These uncertainties inherently affect the amount and timing of potential outflows with respect to the provisions which have been established as other contingent liabilities.

Overall, the legal provision represents the Company's best estimate for existing legal matters that have a probable and estimable impact on the Company's financial position.

Our audit approach to address the matter included the following:

- obtaining an understanding, evaluating the design and testing the operational effectiveness of the Company's key controls over the legal provision and contingencies process;
- enquiring to those charged with governance to obtain their view on the status of all significant litigation and regulatory matters;
- enquiring of the Company's internal legal counsel for all significant litigation and regulatory matters and inspected internal notes and reports;
- assessing the methodologies on which the provision amounts are based, recalculated the provisions, and tested the completeness and accuracy of the underlying information;
- assessing the Company's provisions and contingent liabilities disclosures.

IT systems and controls

Our audit procedure have a focus on IT systems and controls due to pervasive nature and complexity of IT environment, the large volume of transactions processed daily and the reliance on automated and IT dependent manual controls.



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Our areas of audit focus included user access management, developer access to the production environment and changes to the IT environment. These are key to ensuring IT dependent and application based controls are operating effectively.

The audit approach we have followed included the following:

- testing the design and operating effectiveness of the Company's IT access controls over the information systems that are critical to financial reporting;
- testing IT general control (logical access, changes management and aspects of IT operational controls). This includes testing that requests for excess to systems were appropriately reviewed and authorised;
- testing the Company's periodic review of access rights and reviewed requests of changes to systems for appropriate approval and authorisation;
- considering the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.

Reporting on the other matters

Management is responsible for the other information. The other information comprises all of the information in the annual report other than the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusive thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements and internal controls

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as explained in note 2.1, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;



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- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the Companies Act 1994 and the Securities and Exchange Rules 1987 and relevant notifications issued by Bangladesh Securities and Exchange Commission, we also report the following:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of these books;
- c) the statement of financial position (balance sheet) and statement of profit or loss and other comprehensive income (profit and loss statement) dealt with by the report are in agreement with the books of account and returns; and
- d) the expenditures incurred was for the purposes of the Company's business.

Dhaka, Bangladesh
Dated, 24 November 2019




S. F. AHMED & CO
Chartered Accountants


Bangladesh Services Limited
(Owner of InterContinental Dhaka)

Statement of Financial Position (Balance Sheet)
As at 30 June 2019

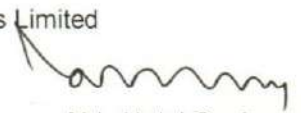
	Notes	2019 BDT	2018 BDT
Assets			
Non-current assets			
		8,902,625,514	7,294,112,461
Property, plant and equipment	3	388,922,931	397,896,364
Capital works-in-progress	4	8,353,702,583	6,736,216,097
Guarantee deposit	5	160,000,000	160,000,000
Current assets			
		1,508,003,407	1,310,973,380
Inventories - spares and general stores	6	3,413,040	2,752,002
Inventories - food and beverage	7	59,911,970	52,582,654
Accounts receivable	8	417,354,809	195,910,331
Other receivables	9	7,179,849	2,300,935
Advances, deposits and prepayments	10	195,448,749	163,215,682
Cash and cash equivalents	11	824,694,990	894,211,776
Total assets		10,410,628,921	8,605,085,841
Shareholders' equity and liabilities			
Shareholders' equity			
		(198,364,224)	166,028,853
Share capital	12	977,889,130	977,889,130
General reserve		60,000,000	60,000,000
Reserve for replacements, substitutions and additions to furniture and equipment	13	141,419,911	125,292,856
Retained earnings/(accumulated losses)		(1,377,673,265)	(997,153,133)
Non-current liabilities			
		8,037,499,176	6,246,758,843
Deferred tax liability	14	14,221,697	21,138,468
Long term secured loan	15	7,258,207,346	5,693,140,449
Deferred customs tariff	16	765,070,133	532,479,926
Current liabilities			
		2,571,493,969	2,192,298,145
Accounts payable	17	2,153,332,077	1,832,852,520
Advance rent, security deposits and earnest money	18	241,210,471	208,798,249
Unpaid dividend		307,688	307,688
Provision for taxation	19	18,972,730	11,362,334
Liability for gratuity	20	157,671,003	138,977,354
Total shareholders' equity and liabilities		10,410,628,921	8,605,085,841

These financial statements should be read in conjunction with annexed notes

For and on behalf of Board of Directors of Bangladesh Services Limited



Md. Ayub Hossain
Managing Director


Md. Atiqul Huq
Director


Md. Abdul Quaiyum
Company Secretary

See annexed report of the date


Dhaka, Bangladesh
Dated, 24 November 2019


S. F. AHMED & CO
Chartered Accountants


Bangladesh Services Limited
(Owner of InterContinental Dhaka)

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2019

	Notes	2019 BDT	2018 BDT
Revenue	21	710,370,575	268,779,298
Less: Operating cost	22	375,444,260	154,012,569
Gross profit		334,926,315	114,766,729
Less: Hotel administrative and other expenses	23	254,069,922	117,389,087
BSL administrative and other expenses	24	345,432,090	319,582,644
		599,502,012	436,971,731
Profit/(loss) from operation		(264,575,697)	(322,205,002)
Other income	25	75,454,792	47,599,973
Rental income from BSL office complex	26	55,055,009	59,734,988
Income/(loss) from BICC	27	(229,633,555)	(327,095,390)
Net profit/(loss) before tax		(363,699,451)	(541,965,431)
Less: Income tax expense			
Current tax	19	7,610,397	5,706,749
Deferred tax	14	(6,916,771)	6,832,807
		693,626	12,539,555
Net profit/(loss) after tax		(364,393,077)	(554,504,987)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		(364,393,077)	(554,504,987)
Earnings per share (EPS)	35	(3.73)	(5.67)

These financial statements should be read in conjunction with annexed notes

For and on behalf of Board of Directors of Bangladesh Services Limited


Md. Ayub Hossain
Managing Director


Md. Atiqul Huq
Director


Md. Abdul Quaiyum
Company Secretary

See annexed report of the date



Dhaka, Bangladesh
Dated, 24 November 2019


S. F. AHMED & CO
Chartered Accountants

Bangladesh Services Limited
(Owner of InterContinental Dhaka)

Statement of Changes in Equity
For the year ended 30 June 2019

Particulars	Share capital BDT	General reserve BDT	Reserve for replacements BDT	Retained earnings/ (accumulated losses) BDT	Total BDT
Balance at 01 July 2018	977,889,130	60,000,000	125,292,856	(997,153,133)	166,028,853
Net profit/(loss) for the year	-	-	-	(364,393,077)	(364,393,077)
Charge during the year	-	-	16,607,055	(16,607,055)	-
Utilisation during the year	-	-	(480,000)	480,000	-
Balance at 30 June 2019	<u>977,889,130</u>	<u>60,000,000</u>	<u>141,419,911</u>	<u>(1,377,673,265)</u>	<u>(198,364,224)</u>
Balance at 01 July 2017	977,889,130	60,000,000	114,541,841	(442,648,146)	709,782,825
Net profit/(loss) for the year	-	-	10,751,015	(554,504,987)	(543,753,972)
Charge during the year	-	-	-	-	-
Utilisation during the year	-	-	-	-	-
Balance at 30 June 2018	<u>977,889,130</u>	<u>60,000,000</u>	<u>114,541,841</u>	<u>(997,153,133)</u>	<u>166,028,853</u>

For and on behalf of Board of Directors of Bangladesh Services Limited



Md. Ayub Hossain
Managing Director



Md. Atiqul Huq
Director



Md. Abdul Quaiyum
Company Secretary

Dhaka, Bangladesh
Dated, 24 November 2019



Bangladesh Services Limited
(Owner of InterContinental Dhaka)

Statement of Cash Flows
For the year ended 30 June 2019

	2019 BDT	2018 BDT
A. Cash flows from operating activities		
Cash receipts from customers	880,031,884	807,609,306
Cash paid to suppliers, employees and administrative purpose	(1,269,267,535)	(852,097,318)
	(389,235,652)	(44,488,012)
Cash received from tenants	98,509,288	90,915,318
Cash received from other income	17,371,707	1,876,144
Bank interest receipt	39,418,373	35,464,825
	155,299,368	128,256,286
	(233,936,284)	83,768,274
Income tax paid	(1,158,544)	(25,280,182)
Gratuity paid	(15,555,152)	(6,525,886)
Net cash from/(used in) operating activities	(250,649,980)	51,962,206
B. Cash flows from investing activities		
Acquisition of property, plant and equipment	(14,318,320)	(20,744,525)
Capital works-in-progress	(1,602,205,592)	(2,264,620,597)
Net cash used in investing activities	(1,616,523,912)	(2,285,365,122)
C. Cash flows from financing activities		
Borrowings from bank	1,797,657,105	2,322,007,634
Loan against FDR	-	(155,287,250)
Net cash from financing activities	1,797,657,105	2,166,720,385
D. Net decrease in cash and cash equivalents (A+B+C)	(69,516,787)	(66,682,531)
E. Opening cash and cash equivalents	894,211,776	960,894,306
F. Closing cash and cash equivalents (D+E)	824,694,990	894,211,776

These financial statements should be read in conjunction with annexed notes

For and on behalf of Board of Directors of Bangladesh Services Limited


Md. Ayub Hossain
Managing Director


Md. Atiqul Huq
Director


Md. Abdul Quaiyum
Company Secretary

Dhaka, Bangladesh
Dated, 24 November 2019



1. Reporting entity and basis of preparation

1.1 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 1 Minto Road, Ramna, Dhaka 1000.

1.2 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 for operation and management of its hotel in the name of Dhaka Sheraton Hotel, the Company had taken over management of its hotel operation and operated the hotel in the name of "Ruposhi Bangla Hotel" until closure of the hotel from 1 September 2014 for renovation. In the meantime, prior to closure of the hotel, the Company had signed a management agreement with InterContinental Hotels Group (Asia Pacific) Pte Ltd (IHG) on 19 February 2012 for operation and management of its hotel. As per the management agreement, the hotel has undergone an extensive renovation to achieve the brand standard of IHG, for which, the hotel's operation had been closed from 1 September 2014. After completion of the renovation, the hotel has been rebranded as "InterContinental Dhaka" on 13 September 2018 and started commercial operation from 1 December, 2018. The Company's 'Balaka Lounge' at Hazrat Shahjalal International Airport, Dhaka is also managed and operated by IHG. The Company has an office complex adjacent to its hotel which has been rented out to different tenants. The Company has been managing, maintaining and operating Bangabandhu International Conference Centre (BICC) since 01 July 2012 under a lease contract with Public Works Department signed on 17 June 2012.

1.3 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) the Companies Act 1994, the Securities and Exchange Rules 1987 as well as the provisions of and other laws and regulations. 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.

1.4 Date of authorisation

The financial statements were authorised for issue by the Board of Directors on 24 November 2019.

1.5 Reporting period

The current financial period of the Company covers one year from 1 July 2018 to 30 June 2019 with the corresponding period 1 July 2017 to 30 June 2018.

1.6 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.

1.7 Basis of measurement

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



Bangladesh Services Limited
(Owner of InterContinental Dhaka)

Notes to the financial statements
as at and for the year ended 30 June 2019

1.8 Going concern

Notwithstanding the fact that, at 30 June 2019 the Company has a current assets deficit of BDT 1,063,490,563 (2018: BDT 881,324,765), these financial statements are prepared under going concern basis. The Company has incurred net loss of 364,393,077 for the year ended 30 June 2019 (2018: BDT 554,504,987) due to the renovation work of the hotel for which the Company's Hotel operation had been temporarily suspended, as well incurring loss from the operations of Bangabandhu International Conference Center. After completion of renovation, the Company has been rebranded as InterContinental Dhaka and started commercial operations from 1 December 2018 and has started generating operating cash flows to finance its obligations. The Board and management of the Company are closely reviewing matters and determined that the Company has adequate resources to continue its operations for the foreseeable future. Accordingly, these financial statements have been prepared on going concern basis.

1.9 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 recognised 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 recognised 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

2.1 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.



Bangladesh Services Limited
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Notes to the financial statements
as at and for the year ended 30 June 2019

Assets under construction/capital work in progress

Assets under construction/capital works-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 capitalised 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 property, plant and equipment following straight-line method at the rates as stated below except on leasehold land which is amortised at the rate of BDT 60,908 per annum which will be fully amortised within lease period:

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

2.2 Inventories

Inventories are valued at lower of cost and net realisable 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 unite cost up to BDT 250, expecting electric bulbs, which are directly charged as consumption.

2.3 Leases

At inception of an arrangement, the Company 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 Company 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 recognised in the Group's statement of financial position for operating lease not more than one year period. Payments made under this lease are recognised in profit or loss.

2.4 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.



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2.5 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.

2.6 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.

2.7 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 2019. Tax assessments of the Company have been finalised 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.

Deferred 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.

2.8 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.



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2.9 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 derecognises 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 recognised at initial cost minus principal repayments, plus or minus the cumulative amortisation 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 recognised in profit and loss. Changes in fair value are recognised in profit and loss when the asset is derecognised 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 recognised 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 recognised in profit or loss.

At fair value through other comprehensive income

financial asset is held within a business model whose objective is achieve 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.



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(b) Financial liabilities

The Company initially recognises financial liabilities on the dates that are originated. The Company derecognises 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 recognised initially at fair value less directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortised 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 recognised 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 amortised 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.



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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 recognising an impairment loss, if and only if, the recoverable amount of the asset is less than its carrying amount. Impairment loss is recognised immediately in profit or loss. As at 30 June 2019, 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 amortisation, if no impairment loss had been recognised.

2.11 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 and effective from 1 July 2018 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 2019 and earlier application is permitted; however, the Company has not early applied these new or amended standards in preparing these financial statements.



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

Particulars	Cost				Depreciation				Written down value at 30 June 2019	
	At 01 July 2018	Addition during the year	Disposal/ Adjustment during the year	Total at 30 June 2019	Rate %	Up to 01 July 2018	Charge for the year	Disposal/ Adjustment during the year		Total at 30 June 2019
Amount in BDT										
BSL Operation										
Leasehold land	5,198,175	-	-	5,198,175	-	3,140,937	60,908	-	3,201,845	1,996,330
Building on leasehold land	575,346,013	-	-	575,346,013	2.5	287,451,479	14,383,650	-	301,835,129	273,510,884
Admin office furniture and equipment	223,940	13,320	-	237,260	10	61,127	23,726	-	84,853	152,407
	580,768,128	13,320	-	580,781,448		290,653,543	14,468,284	-	305,121,827	275,659,621
BSL Office Complex										
Building on leasehold land	181,678,955	-	-	181,678,955	2.5	98,936,271	4,541,974	-	103,478,245	78,200,710
Admin office furniture and equipment	1,647,897	-	-	1,647,897	10	612,231	164,790	-	777,021	870,876
Electrical fittings and general equipment	47,221,945	-	-	47,221,945	10	47,221,945	-	-	47,221,945	-
Elevators	12,872,456	-	-	12,872,456	10	12,843,581	28,875	-	12,872,456	-
Air-conditioning plant	84,118,406	-	-	84,118,406	10	83,934,581	183,825	-	84,118,406	-
Special equipment and fire alarms	25,388,546	-	-	25,388,546	10	25,388,546	-	-	25,388,546	-
Motor vehicles	24,735,050	14,305,000	-	39,040,050	10	944,321	3,904,005	-	4,848,326	34,191,724
	377,663,255	14,305,000	-	391,968,255		269,881,476	8,823,469	-	278,704,945	113,263,310
Bangabandhu International Conference Centre										
Office furniture and equipment	64,263,218	-	-	64,263,218		64,263,218	-	-	64,263,218	-
	64,263,218	-	-	64,263,218		64,263,218	-	-	64,263,218	-
Total 30 June 2019	1,022,694,601	14,318,320	-	1,037,012,921		624,798,237	23,291,753	-	648,089,990	388,922,931
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

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



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	2019 BDT	2018 BDT
4. Capital works-in-progress		
Preliminary expenses for renovation	13,825,142	13,825,142
Interest during renovation	1,643,127,346	893,085,449
Interest on loan against FDR	13,011,102	13,011,102
Consultant fee	776,906,179	694,971,017
Consultant reimburseable	135,078,384	113,941,220
Package 1- Charuta Pvt. Ltd	780,733,026	671,969,367
Package 2A- Charuta Pvt. Ltd	195,991,012	195,642,304
Package 2B- Bengal Tech. Corp. Ltd	72,944,471	73,798,486
Package 2C- - Charuta Pvt. Ltd	297,220,592	269,557,149
Package 2D- Energypac Ltd	449,207,055	391,375,875
Package 2E- IT Works	220,905,009	137,171,391
Package 2F- Creative Eng. Ltd	5,972,500	5,972,500
Package 3- Depa Interior LLC	2,483,510,182	2,323,623,664
Package 3A- Unity Services Ltd	421,509,202	383,027,752
Package 3B (i)- Anan Construction	94,486,577	84,154,224
Package 3B (ii)- Anan Construction	4,775,811	4,775,811
Package 3B(iii)- Pacific Maintenance	22,255,749	19,767,625
Package 3C- Want Ad Ltd	26,595,279	17,060,955
Package 3- Others	6,228,663	1,950,521
FF&E and OS&E	711,922,000	463,291,221
Other renovation related works	(28,277,452)	(36,012,978)
Other renovation related works	256,302	256,302
Others	5,518,454	-
Total	8,353,702,583	6,736,216,097

The above amount represents payments to various contractors and suppliers for conducting renovation works of the Hotel.

5. Guarantee deposit		
Guarantee deposit 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 2019 is Taka 171,544,376. Since, the guarantee obligation is sixteen crore, the remaining amount (BDT 11,544,376) of that FDR being freely convertible into cash has been presented in cash and cash equivalents (note-11).



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	2019 BDT	2018 BDT
6. Inventories - spares and general stores		
Hotel Operation		
Stores and spares in hand		
General and other stores	3,117,178	2,456,141
	<u>3,117,178</u>	<u>2,456,141</u>
BSL Office Complex		
In good condition	295,861	295,861
	<u>3,413,040</u>	<u>2,752,002</u>
7. Inventories - food and beverage	59,911,970	52,582,654
	<u>59,911,970</u>	<u>52,582,654</u>
8. Accounts receivable		
Accounts receivable - trade, considered good (note 8.1)	458,958,994	250,154,038
Accounts receivable - trade, considered doubtful	21,371,198	21,371,198
Rent receivable	29,843,374	31,416,904
Receivable from Ruposhi Bangla Hotel for BICC (contra)	508,969,751	437,629,510
Receivable for VAT and tax	19,670,594	19,675,186
Receivable for renovation expenses (contra)	919,359,677	673,234,318
Receivable from employees	219,178	376,719
Gross balance	1,958,392,766	1,433,857,873
<u>Less: Provision for bad and doubtful debts on</u> accounts receivables-trade (note 8.2)*	112,708,528	107,408,528
	<u>1,845,684,237</u>	<u>1,306,774,159</u>
<u>Less: Contra items</u>	1,428,329,428	1,110,863,828
	<u>417,354,809</u>	<u>195,910,331</u>
* Management has reviewed the above receivables balances and satisfied that the provision for doubtful debts recognised at 30 June 2019 is adequate to cover any potential impairments.		
8.1 Ageing of accounts receivable - trade considered good		
Overdue for less than six months	220,048,919	119,936,915
Overdue for more than six months	238,910,075	130,217,124
	<u>458,958,994</u>	<u>250,154,038</u>
8.2 Provision for bad and doubtful debts on account receivable-trade		
Opening balance	107,408,528	88,357,261
Add: Provision made during the year	5,300,000	19,051,267
Closing balance	<u>112,708,528</u>	<u>107,408,528</u>
9. Other receivables		
Cash margin against guarantee issued by bank in favour of court relating to Mir Akhter Hossain Ltd	920,015	920,015
Receivable of gratuity by ICD	1,536,404	-
Bangabandhu International Conference Center (BICC) transfer	451,992,812	-
Transfer to InterContinental Dhaka	(1,200)	-
IHG reward club charges / Reimbursement	535,793	-
Interest receivable	1,363,221	1,363,221
Sundry debtors	17,699	17,699
	456,364,744	2,300,935
<u>Less: Contra items</u>	449,184,895	-
	<u>7,179,849</u>	<u>2,300,935</u>



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	2019 BDT	2018 BDT
10. Advances, deposits and prepayments		
Advances		
Advance tax for employees taxation	26,376,210	24,621,244
Income tax deducted at source - Hotel	-	19,675,186
Income tax deducted at source - BSL	70,337,920	51,821,278
Advance against income tax	4,274,391	4,274,391
Advance to suppliers	15,178,240	11,070,191
VAT and supplementary duty	58,209,630	36,845,086
Advances to General Manager	1,110,007	856,384
Advance to employees	3,936,978	2,313,081
Advances to others	12,825	-
	179,436,202	151,476,842
Deposits		
Security/guarantee deposit - Hotel	10,104,110	10,802,240
Security/guarantee deposit - BSL	936,600	936,600
	11,040,710	11,738,840
Prepayments		
Prepaid insurance	4,971,836	-
	195,448,749	163,215,682
11. Cash and cash equivalents		
Cash in hand	4,109,760	3,511,535
Bank balances		
Short term deposit with		
Agrani Bank Limited (reserve fund for replacement)	30,808,575	40,589,683
Agrani Bank Limited (gratuity and termination benefit- Hotel)	267,258,429	263,895,100
Agrani Bank Limited	11,279,839	81,758,428
Sonali Bank Limited	4,089,458	4,027,687
Agrani Bank Limited (BSL complex rental account)	408,140	43,762,081
Standard Chartered Bank (Hotel)	7,845,446	7,818,653
	321,689,886	441,851,631
Fixed deposit with		
Agrani Bank Limited	336,083,182	296,613,560
IFIC Bank Limited	44,069,356	40,806,808
Bangladesh Krishi Bank	2,833,017	2,745,238
Uttara Bank Limited	1,105,901	1,050,414
Pubali Bank Limited	476,394	448,636
Bangladesh Commerce Bank Limited	24,052,419	11,544,376
Sonali Bank Limited	14,122,106	13,500,689
	422,742,374	366,709,721



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	2019 BDT	2018 BDT
Current accounts with		
Agrani Bank Limited-(A/C nos. 1905, 9051, 1998, 5711 & 7325)	75,869,475	8,965,816
Agrani Bank Limited	-	24,593,274
Agrani Bank Limited	-	(2,052,815)
Agrani Bank Limited (BICC account)	-	23,839,208
	75,869,475	55,345,483
Agrani Bank Limited - gratuity and termination benefit	-	26,508,611
Agrani Bank Limited - dividend account	283,495	284,795
	824,694,990	894,211,776

12. Share capital

12.1 Authorised:

250,000,000 ordinary shares of BDT 10 each 2,500,000,000 2,500,000,000

12.2 Issued, subscription and paid up:

4,741,993 ordinary shares of BDT 10 each issued for consideration other than cash	47,419,930	47,419,930
4,258,007 ordinary shares of BDT 10 each issued in cash	42,580,070	42,580,070
88,788,913 ordinary shares of BDT 10 each issued as bonus shares	887,889,130	887,889,130
	977,889,130	977,889,130

12.3 Shareholding position at 30 June 2019 is as under:

Allocation of shares	Nationality	Number of shares	BDT	Percentage of shares (%)
Government of Bangladesh	Bangladeshi	97,470,791	974,707,910	99.67
H. H. Prince Sadaruddin Aga Khan	Swiss	183,751	1,837,510	0.19
Individuals	Bangladeshi	92,359	923,590	0.09
Bangladesh Parjatan Corporation	Bangladeshi	42,012	420,120	0.04
		97,788,913	977,889,130	100

12.4 Classification of shareholders by holding:

Holding of shares	2019		2018	
	No. of shareholders		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	



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	2019 BDT	2018 BDT
13. Reserve for replacements, substitutions and additions to furniture and equipment		
Opening balance	125,292,856	114,541,841
Add: Charged to operation during the year	16,607,055	10,751,015
Less: Amount utilisation during the year	(480,000)	-
Closing balance	<u>141,419,911</u>	<u>125,292,856</u>

14. Deferred tax liability/ (asset)

Deferred tax liability has been recognised 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	21,138,468	14,305,661
Deferred tax (income)/expense for the year (A-B)	(6,916,771)	6,832,807
Closing balance	<u>14,221,697</u>	<u>21,138,468</u>

Deferred tax liability is arrived at as under:

	Carrying amount	Tax base	Taxable / (deductible) temporary difference
2019			
Property, plant and equipment	388,922,931	174,365,144	214,557,787
Deferred liability for gratuity	(157,671,003)	-	(157,671,003)
Taxable/ (deductible) temporary difference	<u>231,251,928</u>	<u>174,365,144</u>	<u>56,886,784</u>
Applicable rate			25%
Deferred tax liability/ (asset)-A			<u>14,221,697</u>
2018			
Property, plant and equipment	397,896,364	174,365,144	223,531,220
Deferred liability for gratuity	(138,977,354)	-	(138,977,354)
Taxable/ (deductible) temporary difference	<u>258,919,010</u>	<u>174,365,144</u>	<u>84,553,866</u>
Applicable rate			25%
Deferred tax liability/ (asset)-B			<u>21,138,468</u>

15. Long term secured loan

Agrani Bank- renovation Loan	5,615,080,000	4,800,055,000
Interest during construction period	1,643,127,346	893,085,449
	<u>7,258,207,346</u>	<u>5,693,140,449</u>

The loan was drawn under the borrowing facilities agreement dated 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%. Leasehold land and building of the Company along with renovation work/materials are mortgaged/hypothecated against this loan.



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	2019 BDT	2018 BDT
16. Deferred customs tariff		
Chittagong Customs	544,578,675	483,589,263
ICD Kamalapur Customs	43,638,152	15,411,524
Dhaka Airport Customs	173,410,209	30,970,030
Beanpole Customs	3,443,097	2,509,108
	<u>765,070,133</u>	<u>532,479,926</u>

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.

17. Accounts payable

For goods	79,089,654	39,725,455
For expenses (note 17.1)	1,522,092,201	1,291,915,474
For other finance (note 17.2)	552,150,222	501,211,592
	<u>2,153,332,077</u>	<u>1,832,852,520</u>

17.1 Creditors for expenses

Payable for BICC (contra)	433,969,750	437,629,510
Payable for renovation expenses to RBH (contra)	919,359,677	673,234,318
Provision for termination benefits	66,113,905	106,590,891
Salaries, wages, bonus gratuity and other benefits	59,466,137	66,547,089
Accrued expenses	109,962,866	116,536,368
Accrual for BICC rent payable to PWD	1,113,350,000	933,350,000
Accrual for BICC profit share payable to PWD (Jan-Jun 2019)	38,327,177	-
Accrual for Balaka rent	1,666,251	14,352,832
Accrual for insurance	5,340,240	5,340,240
Municipality tax	19,277,511	19,277,511
Indebtness to operator and its affiliates	22,639,146	10,559,933
Utility service for Hotel operation	4,521,192	4,521,192
Utility bills for BSL Office Complex	40,125	40,125
Other professional services fees	250,000	250,000
Software maintenance fee	37,033	42,721
Legal and professional charges	450,000	450,000
Audit fee	1,071,000	1,159,000
VAT payable	480	480
Accrual for social sports	4,311,017	4,311,017
Accrual for OPERA and Platinum	7,505,101	7,505,101
Crew allowance	800,000	800,000
Dues and subscription	280,973	280,973
Transfer from/to BICC	445,693,998	-
Other payable	10,018,948	-
Taxes, deposits and other creditors-ICD	62,614,508	-
Advance from clients ICD	5,247,975	-
Other current liabilities ICD	67,291,516	-
	<u>3,399,606,524</u>	<u>2,402,779,301</u>
Less: Contra items	<u>1,877,514,323</u>	<u>1,110,863,828</u>
	<u>1,522,092,201</u>	<u>1,291,915,474</u>



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	2019 BDT	2018 BDT
17.2 Creditors for other finance		
VAT and supplementary duty *	282,236,948	258,936,997
Lease and other security deposit	20,314,595	17,677,379
Service charge unadjusted with project cost	220,956,738	200,297,733
Service charge payable to employees	87,407	3,217,552
Income tax deduction from staff salaries	19,085,661	16,757,731
Provident fund loan deduction	-	1,922,760
Tax deducted but not deposited	(154,729)	1,031,734
Tips payable	147,883	147,883
UNICEF donation received from guests	4,971	4,971
Union subscription	-	35,000
Other finance creditors	8,557,587	-
Liabilities for LOC	697,527	978,426
Other creditors	215,634	203,426
	552,150,222	501,211,592
<p>* 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 Hazrat Shahjalal International Airport. The Company has disputed imposition of VAT on this outlet and hence not paying the disputed claim of VAT.</p>		
18. Advance rent, security deposit, earnest and retention money		
Earnest money	450,000	250,000
Advance rent received	15,848,194	18,272,385
Retention money received	8,268,088	8,001,712
Rental security deposit	5,591,470	6,784,466
Security money received from contractors	211,052,718	175,489,686
	241,210,471	208,798,249
19. Provision for taxation		
Opening balance	11,362,334	5,655,585
Add: Provision made during the year	7,610,397	5,706,749
	18,972,730	11,362,334
Less: Payments made during the year	-	-
Closing balance	18,972,730	11,362,334
20. Liability for gratuity		
Opening balance	138,977,354	146,608,342
Add: Provision made during the year	34,248,801	(1,105,102)
	173,226,155	145,503,240
Less: Payment made during the year to outgoing members	15,555,152	6,525,886
Closing balance	157,671,003	138,977,354
21. Revenue		
Rooms	118,651,617	-
Food and beverage	525,312,197	253,982,764
Rental and others	66,406,761	14,796,535
	710,370,575	268,779,298



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				2019 BDT	2018 BDT
22. Operating cost	Rooms	Food and beverage	Minor operating departments	Total	Total
Salaries, wages, bonus, gratuity and other benefits	31,093,378	73,820,965	10,441,554	115,355,897	41,546,699
Decoration	313,220	536,626	-	849,846	-
Cost of materials and other expenses	-	159,561,998	2,224,261	161,786,259	51,331,812
Operating supplies	5,382,511	15,616,967	300,100	21,299,578	11,771,202
Balaka restaurant rent	-	27,859,064	-	27,859,064	37,639,225
Laundry, dry cleaning & uniforms	1,883,379	3,113,728	-	4,997,108	5,802,486
Limousine expenses	681,159	-	670,864	1,352,023	1,576,690
Printing and stationery	393,725	821,338	-	1,215,063	-
Entertainment	803,563	239,857	-	1,043,420	-
Contract service	-	244,128	-	244,128	-
Equipment rent	1,020,150	35,813	-	1,055,963	-
In-house TV, video, music, etc.	46,000	58,650	-	104,650	110,400
Room commission	3,151,719	-	-	3,151,719	-
Travel and communication	701,495	2,863,740	-	3,565,235	375,739
Fuel and power	-	6,728,594	-	6,728,594	3,776,055
Training	59,607	-	-	59,607	81,453
Uniforms	408,340	585,096	51,027	1,044,463	-
Permits and licenses	1,236,125	417,294	-	1,653,419	-
Others	903,831	10,699,651	-	11,603,482	808
	<u>58,333,914</u>	<u>303,422,540</u>	<u>13,687,806</u>	<u>375,444,260</u>	<u>154,012,569</u>

23. Hotel administrative and other expenses

Operators and its affiliated company fees (note 23.1)	21,865,086	-
Heat, light and power (note 23.2)	51,389,602	10,371,793
Administrative and general expenses (note 23.3)	89,478,310	60,495,126
Advertising, promotion and public relations (note 23.4)	24,765,226	3,654,793
Repairs and maintenance (note 23.5)	51,091,881	23,318,560
Information and telecomm (note 23.6)	9,949,816	-
Provision made during the year for reserve for replacement	-	10,751,015
Audit fee	230,000	397,800
Provision for bad and doubtful debts on accounts receivable - trade	5,300,000	8,400,000
	<u>254,069,922</u>	<u>117,389,087</u>

23.1 Operators and its affiliated company fees

License fee	11,816,095	-
Incentive management fee	10,048,991	-
	<u>21,865,086</u>	<u>-</u>

23.2 Heat, light and power

Utilities	51,389,602	10,371,793
	<u>51,389,602</u>	<u>10,371,793</u>



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	2019 BDT	2018 BDT
23.3 Administrative and general expenses		
Salaries, wages, bonus, gratuity and other benefits	56,836,042	42,308,331
Credit card commission	4,425,017	316,006
Security	8,070,660	7,697,046
Communication	520,043	1,113,707
Operating supplies	1,984,682	2,635,782
Travelling expenses	1,009,958	296,260
Legal and professional charges	3,170,613	4,490,854
Printing and stationery	1,525,212	-
Entertainment	1,427,794	-
Professional services fee	96,500	-
General manager's expenses	245,909	503,824
Fees and purchased services	653,454	1,173,207
BSL expenses	348,358	27,135
Uniforms	163,355	-
Dues and subscriptions	22,623	-
Training and training related expenses	1,100,449	23,173
Recruitment	30,366	-
Relocation expenses	2,298,372	-
Licenses and taxes	3,694,186	-
Others	1,854,719	(90,201)
	<u>89,478,310</u>	<u>60,495,126</u>
23.4 Advertising, promotion and public relations		
Salaries, wages, bonus, gratuity and other benefits	9,260,378	-
Signage, events and functions	8,979,263	2,203,741
Entertainment	1,200,151	202,976
Travelling	1,354,569	245,642
Print newspapers	192,766	-
Communication	140,201	275,461
Operating supplies	197,884	726,973
Marketing assessment fees	2,373,032	-
Others	1,066,982	-
	<u>24,765,226</u>	<u>3,654,793</u>



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	2019 BDT	2018 BDT
23.5 Repairs and maintenance		
Salaries, wages, bonus, gratuity and other benefits	22,650,772	11,785,869
Removal of waste	1,546,122	211,869
Communication costs	26,460	35,209
Heating, ventilation and air-conditioning	200,900	873,243
IT - repair and maintenance	16,333,073	4,869,021
Other equipment and machinery supplies	1,658,015	1,064,791
Furnishing, painting, decoration and sign	779,627	425,425
Laundry equipment	38,666	216,325
Water treatment	923,975	308,300
Plumbing	830,126	250,332
Radio and television	2,200	145,681
Elevators	795,231	267,800
Refrigeration	2,090	45,100
Fire, light and safety equipment	22,815	98,081
Electric bulbs/electrical	762,588	302,289
Kitchen equipment	270,926	23,298
Boiler room	8,050	10,000
Balaka restaurant	890,477	1,026,953
Building	-	48,500
Uniforms	115,063	-
Office equipment	16,620	15,300
Operating supplies	2,730,693	212,283
Travelling - local	97,860	3,200
Others	389,532	1,079,690
	51,091,881	23,318,560
23.6 Information and telecomm		
IT direct expenses	6,717,542	-
Salaries, wages, bonus, gratuity and other benefits	2,657,882	-
Operating supplies	468,370	-
Dues and subscriptions	2,260	-
Entertainment	10,841	-
Licenses and taxes	37,275	-
Travelling and conference	500	-
Printing and stationery	19,458	-
Uniforms	19,714	-
Operating supplies	15,435	-
Others	540	-
	9,949,816	-
24. BSL administrative and other expenses		
Depreciation	23,291,753	13,917,968
Rates and taxes	3,344,097	3,209,097
Insurance	24,263,698	1,659,057
Ruposhi Bangla Hotel's expenses (Project related expenses) (note 24.1)	246,125,359	236,665,529
Other expenses BSL (note 24.2)	48,407,183	64,130,994
	345,432,090	319,582,644



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	2019 BDT	2018 BDT
24.1 Ruposhi Bangla Hotel's expenses (Project related expenses)		
Service charges	67,973,340	135,946,679
Utility	24,471,226	19,610,389
Furniture, fixtures and equipment	3,096,517	22,870
IP con accommodation and meal	6,621,229	-
Accounts and general expenses	74,052,814	47,546,786
Repair and maintenance	23,034,461	18,167,177
Housekeeping and laundry expenses	10,112,539	1,090,763
Food and beverage department expenses	15,880,801	-
Front office expenses	4,331,498	3,081,796
Consultancy accommodation and meal expenses	-	9,427,932
Sales and marketing expenses	13,662,316	1,315,922
HR department expenses	2,888,619	455,215
	<u>246,125,359</u>	<u>236,665,529</u>
24.2 Other expenses BSL		
Salaries, wages, bonus, gratuity and other benefits	27,458,394	27,803,146
Entertainment	3,135,491	3,025,677
Directors' remuneration	3,628,900	4,887,600
Bank charge and levy	794,288	9,985,667
Legal and consultancy fee	718,600	505,750
Staff quarter expenses	-	641,893
Other professional services fee	-	300,000
Advertisement	3,070,650	1,555,211
Auto maintenance	587,536	768,899
Software maintenance	-	50,947
Cable and postage	433,812	769,995
Stock exchange listing fee	488,945	488,945
Office supplies	-	558,246
Donation	25,000	28,800
Office maintenance	1,441,210	717,032
Printing and stationery	395,520	106,975
Land development tax	-	386,565
Undisputed tax for appeal (AY: 2011-12)	4,992,282	-
Medical expenses	794,173	191,270
Conveyance	-	112,916
AGM expenses	185,561	23,340
Website maintenance costs	-	25,000
Tourism related expenses	38,922	80,715
CDBL expenses	-	55,200
Training expense	152,500	-
Provision for bad and doubtful rent receivable	-	10,651,267
Others	65,399	409,938
	<u>48,407,183</u>	<u>64,130,994</u>
25. Other income		
Interest on bank deposits	39,418,373	35,464,825
Rental income from staff quarter	10,405,811	11,839,648
Income from sale of scraped items of fixed assets	955,796	-
Sale of tender schedule	39,000	158,500
Non-operating income	24,635,812	137,000
	<u>75,454,792</u>	<u>47,599,973</u>



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	2019 BDT	2018 BDT
26. Rental income from BSL office complex		
Rental income	87,722,942	92,296,464
<u>Less: Expenses on complex</u>		
Electricity and fuel	10,647,394	4,280,652
Salaries, wages, bonus, gratuity and other benefits	13,781,497	13,189,021
Cleaning and maintenance	7,853,662	7,083,616
Depreciation on building, equipment and elevators	-	5,455,560
Water and sewerage	-	1,708,085
Conveyance and medical expenses	385,380	844,542
	<u>32,667,933</u>	<u>32,561,476</u>
	<u>55,055,009</u>	<u>59,734,988</u>
27. Income/(loss) from BICC		
Revenue	392,679,318	542,449,012
Cost of sales	119,835,015	163,719,562
	272,844,303	378,729,450
<u>Less: Expenses</u>		
Lease rental	270,000,000	480,000,000
Wages and benefits	-	144,433,971
Utility	34,037,442	32,497,680
Maintenance	19,906,103	5,057,764
Administrative and general	139,259,745	21,833,018
Security	-	9,409,055
Supplies	-	5,087,060
Insurance	-	3,600,000
Travel	-	38,300
Advertisement	947,391	784,231
Communication	-	415,126
Decoration	-	2,449,527
Uniform	-	219,110
	<u>464,150,681</u>	<u>705,824,840</u>
	(191,306,378)	(327,095,390)
Less: 50% share of profit/(loss)-PWD (Jan-Jun 2019)	(38,327,177)	-
Net profit for the year	<u>(229,633,555)</u>	<u>(327,095,390)</u>
28. Remuneration to directors		
Fee to directors	<u>3,628,900</u>	<u>4,887,600</u>
29. Salaries, wages, bonus, gratuity and other benefits		
Salaries, wages, bonus, gratuity and other benefits of BDT 409,300,764 (2018: BDT 417,013,716) appearing in these financial statements of various departments.		



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30. Capacity

30.1 Capacity of the hotel

Total rooms available to the customers during the month of June 2019	226
Total % of actual occupancy of rooms during the month of June 2019	26%
Total actual % of occupancy of rooms during the year to 30 June 2019	23%

30.2 Capacity of BSL office complex

	2019	2018
Total area of space available to let out at 30 June 2019	61,879	61,879
Total area in use as of 30 June 2019	61,406	61,406

31. Remittance of foreign currency

	2019 USD	2018 USD	2019 BDT	2018 BDT
Expatriates salaries and benefits	161,007	151,430	13,605,111	12,682,263
IHG fees	153,803	-	12,996,388	-
Training fee	330	-	27,885	-
Software installation and license fee	119,467	-	10,094,923	-

32. 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.



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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. 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.



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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 to 30 June 2013 which has been provided for by the Company.

33. Number of employees

The number of employees engaged for the whole year or part thereof who received a total remuneration of BDT 36,000 and above were 615 (2018: 516).

	2019 BDT	2018 BDT
34. Earnings per share (EPS)		
34.1 Basic earnings per share		
Earnings attributable to the ordinary shareholders	(364,393,077)	(554,504,987)
Weighted average number of shares outstanding	97,788,913	97,788,913
Basic earnings per share	(3.73)	(5.67)

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

34.2 Diluted earnings per share

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

35. Events after the reporting period

The Board of Directors of the company has not recommended any dividend for the year ended 30 June 2019.



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36 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

36.1 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:

	2019 BDT	2018 BDT
Cash and cash equivalents	824,694,990	894,211,776
Accounts receivable	417,354,809	195,910,331
Other receivables	7,179,849	2,300,935
Advances, deposits and prepayments	195,448,749	163,215,682
	<u>1,444,678,397</u>	<u>1,255,638,724</u>

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.

36.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated 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.



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as at and for the year ended 30 June 2019

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 2019	Within 12 months	More than 12 months	Carrying amount as on 30 June 2018
	BDT	BDT	BDT	BDT
Long term loan	7,258,207,346	-	7,258,207,346	5,693,140,449
Accounts payable	2,153,332,077	2,153,332,077	-	1,832,852,520
Provision for income tax	18,972,730	18,972,730	-	11,362,334
Liability for gratuity	157,671,003	157,671,003	-	138,977,354
Deferred customs tariff	765,070,133	-	765,070,133	532,479,926
Advance rent, security deposits and earnest money	241,210,471	241,210,471	-	208,798,249
Unpaid dividend	307,688	307,688	-	307,688
Total	10,594,771,447	2,571,493,968	8,023,277,479	8,417,918,519

As at 30 June 2019, 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.

36.3 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.

36.4 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.

36.5 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.

37 Other information

37.1 Reconciliation of operating cash flows to net profit

	2019 BDT	2018 BDT
Net profit/(loss) before tax	(363,699,451)	(541,965,431)
Adjustment for non-cash items :		
Depreciation	23,291,753	19,373,527
Gratuity provision made/(reversed)	34,248,801	(1,105,102)
Reserve for replacements, substitutions and additions to furniture and equipment	16,607,055	10,751,015
Provision for bad and doubtful debts	5,300,000	19,051,267
	79,447,609	48,070,707



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	2019 BDT	2018 BDT
Changes in working capital components:		
(Increase)/Decrease in inventories - spares and general stores	(661,038)	434,917
(Increase)/Decrease in inventories - food and beverage	(7,329,316)	3,834,561
(Increase)/Decrease in accounts receivable	(221,444,479)	(36,186,449)
(Increase)/Decrease in other receivable	(4,878,914)	1,400,000
(Increase)/Decrease in advances, deposits and prepayments	(32,233,067)	(33,872,883)
Increase/(Decrease) in accounts payable	320,479,557	641,576,826
Increase/(Decrease) in advance rent receipt	(2,424,191)	180,644
Increase/(Decrease) in rental security deposit receipt	(1,192,996)	295,383
	<u>50,315,558</u>	<u>577,662,998</u>
Operating cash flow before gratuity and tax payments	(233,936,284)	83,768,274
Income tax paid	(1,158,544)	(25,280,182)
Gratuity paid	(15,555,152)	(6,525,886)
Net cash inflow/(outflow) from operating activities	<u>(250,649,980)</u>	<u>51,962,206</u>
37.2 Net operating cash flows per share (NOCFPS)		
Net operating cash flows	(250,649,980)	51,962,206
Weighted average number of ordinary shares outstanding	97,788,913	97,788,913
Net operating cash flows per share	<u>(2.56)</u>	<u>0.53</u>
37.3 Net assets value (NAV) per share		
Net assets as at 30 June (represented by shareholders' equity)	(198,364,224)	166,028,853
Weighted average number of ordinary shares outstanding	97,788,913	97,788,913
Net assets value per share	<u>(2.03)</u>	<u>1.70</u>

Net assets value (NAV) per share for the financial year 2018 is 1.7 instead of 0.42 as reserve for replacements (provision for capital expenditure) is treated a part of net assets.


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

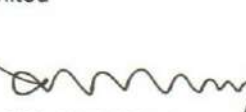
37.5 These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

37.6 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.

For and on behalf of Board of Directors of Bangladesh Services Limited


Md. Ayub Hossain
Managing Director


Md. Aniqul Haq
Director


Md. Abdul Quaiyum
Company Secretary

Dhaka, Bangladesh
Dated, 24 November 2019

