

**Independent Auditor's Report to the Shareholders
of
Bangladesh Submarine Cables PLC**

Report on the Audit of the Financial Statements as on 30 June 2024

Qualified Opinion

We have audited the financial statements of Bangladesh Submarine Cables PLC (BSCPLC), which comprise the statement of financial position as at 30 June 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respect, the financial position of the Company as at 30 June 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

Basis for Qualified Opinion

1. **Reference is made to Note # 17 of the financial statements**, where Bangladesh Submarine Cable PLC (BSCPLC) received Taka 1,660,000,000 during the financial years 2015-2016 and 2016-2017, and an additional Taka 1,192,360,790 during the financial years 2021-2022, 2022-2023, and 2023-2024 as Equity Money from the Government of the People's Republic of Bangladesh for the implementation of various telecommunications projects, including the Regional Submarine Telecommunications Project (SMW5) and the 3rd Submarine Cable project. The total Equity Money stands at Taka 2,852,360,790 as on 30 June 2024.

As per the Financial Reporting Council (FRC) Notification # 146/FRC/Admin/Notification/2020/01, dated 11 February 2020, any amount received as share money deposit must be converted to share capital within six months of receipt. However, BSCPLC has not converted any of the Equity Money into share capital as of 30 June 2024, except for an amount of Taka 1,660,000,000, for which the official process with the Ministry of Posts, Telecommunications and Information Technology has been completed, along with final approval from the Ministry of Finance and the Bangladesh Securities and Exchange Commission (BSEC). This non-compliance with the FRC notification has resulted in a misclassification of Equity Money as share money deposit instead of share capital in the financial statements, affecting the classification of equity.

2. **As referenced in Note # 12.00 of the financial statements**, the Company has reported an advance VAT payment amounting to Taka 18,771,755 as on 30 June 2024. However, as per the VAT return for June 2024, the Company had a net VAT payable of Taka 13,639,202. This

indicates a difference between the advance VAT recorded in the financial statements and the actual VAT liability per the returns, which has not been reconciled. Consequently, the reported VAT balances may not fully reflect the Company's VAT obligations.

3. **As described in Note 09.02 and Note 62 to its financial statements**, the Company has recognized a receivable of Taka 124,100,000 from Bangladesh Telecommunications Company Limited (BTCL) in relation to interest on VAT, and disclosed a contingent liability of Taka 33,176,932 for the same. The total VAT audit demand of Taka 157,276,932 arose due to the delayed payment of VAT to the Government Treasury, a liability borne by the Company.

The receivable amount from BTCL has been recorded on the basis of a letter sent by the Company to BTCL, without written confirmation from BTCL and without charging this amount to profit or loss as an expense. In the absence of written confirmation from BTCL, the Company has not adequately transferred the liability to its customer. As a result, expenses have been understated, and assets overstated by Taka 124,100,000 as of 30 June 2024. Had the Company appropriately recognized the interest on VAT as an expense and not as a receivable, profit for the year would have been reduced by Taka 124,100,000, and assets would have been similarly reduced.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' 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), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matters

We draw attention to the following matters described in the notes to the financial statements. Our opinion is not modified in respect of these matters:

1. **As disclosed in Note # 25** of the financial statements, the company has carried forward an amount of Taka 13,808,952 under "Employees' Pension Fund" for a long period without adjustments, although the company does not have a pension fund. Management should review this balance and take appropriate steps to resolve this issue.
2. **Reference is made to Note # 62** of the financial statements, which describes the company's contingent liabilities and commitments. The company is involved in a number of legal proceedings, including disputes with revenue authorities. A specific dispute with the Deputy Commissioner of Taxes (DCT) for the assessment year 2011-12 involves a demand of Taka 25,240,639, for which an appeal has been lodged with the High Court Division.

Additionally, the VAT authorities have raised a demand for Taka 3.32 crore relating to interest on VAT arising from a VAT audit covering the financial years 2013-14 to 2018-19. Management is currently addressing these matters.