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Date: 13th May, 2019

The Board of Directors
Chittagong Chemical Complex
Barabkund, Chittagong.

Subject: Report on the Statement of Accounts of TAPP Chittagong Chemical Complex, Chittagong as on 30-06-2018

Dear Sir,

In pursuance of the appointment letter No 36.091.011.02.08.1001.2018.0051 dated June 20, 2018; we have completed the audit of the books of account of Technical Assistance for Chittagong Chemical Complex, Barabkund, Chittagong for the financial year 2017-2018 under TAPP on Disposal of Abandoned Mercury Cell House and Environment Monitoring & Evaluation Caustic Soda plant of Chittagong Chemical Complex for Tk. 252.25 lacs of which foreign exchange component is Tk. 147.60 lacs provided by the Japan International Co-operation Agency (JICA). We have audited the annexed Statement of financial position as at June 30, 2018 with reference to books, vouchers, Statements, Schedules and relevant documents as maintained by the Company and produced to us during the course of our audit. Our observation, notes and comments on the Statement of Accounts are given below:

Introduction

Chittagong Chemical Complex (CCC) Barabkund, Chittagong and enterprise of Bangladesh Chemical Industries Corporation had been a source of environment pollution due to leakage of mercury and chlorine. Previously development work was implemented to replace the old mercury electrolytic cell process by lone exchange Membrane process. This had stopped the pollution from mercury and chlorine. But it was apprehended that the abandoned Mercury Cell House will be polluting the environment so long as it is not carefully and properly disposed — off because leaked mercury is deposited in various parts of the cell house on the surface and sub-soil water and canals. Disposal of the abandoned mercury cell house will involve dismantling of the abandoned plant and building, washing and chemical cleaning and the properly dumping the debris, construction of lagoon and pits will be necessary. After dumping, testing to monitor the presence of mercury at different points and its checking of quantity will have to be done on a regular basis for at least seven years by which time complete eradication of mercury pollution can be achieved. To achieve this goal a project was proposed for Technical Assistance in terms of procurement of testing equipment's construction of lagoon and pits training and transfer of technology. The project title is TAPP on disposal of abandoned mercury cell house and environmental monitoring and evaluation system for mercury pollution of Chittagong Chemical Complex (CCC).

Operational Performance

During the financial year 2006-2007, the operational activities of TAPP Chittagong Chemical Complex, Barabkund, Chittagong has been closed-down. Therefore, the balances, facts & figures of TAPP Chittagong Chemical Complex has been shown without any movement /adjustment since 2006-2007.

**CHITTAGONG CHEMICAL COMPLEX
BARABKUND, CHITTAGONG**

**STATEMENT OF FINANCIAL POSITION OF TAPP
AS AT JUNE 30, 2018**

Particulars	Notes	Amount in Taka	Amount in Taka
		30-06-2018	30-06-2017
Property & Assets :			
Equipment	1.00		
Cost	1.01	3,316,905	3,316,905
CD/VAT	1.02	952,685	952,685
		4,269,590	4,269,590
Capital - Work - in Progress	2.00	5,111,019	5,111,019
Current Account with CCC	3.00	2,760,733	2,760,733
Sub Total		7,871,752	7,871,752
Grand Total		12,141,342	12,141,342
Loan and Liabilities :			
Loan	4.00		
ADP	4.01	5,452,000	5,452,000
Grant	4.02	6,076,905	6,076,905
Sub Total		11,528,905	11,528,905
Provision & Liabilities :			
Income from Bank Operation	4.03	612,437	612,437
Sub Total		612,437	612,437
Total		12,141,342	12,141,342

The annexed notes form an integral part of these financial statements.

Company Secretary

Managing Director

Director

Signed in terms of our separate report of even date annexed.

Dated: 13th May, 2019
Chittagong



(Signature)
Khan Wahab Shafique Rahman & Co.
Chartered Accountants

**CHITTAGONG CHEMICAL COMPLEX
TAPP OF CHITTAGONG CHEMICAL COMPLEX**

**CAPITAL WORK - IN - PROGRESS
For the year ended June 30, 2018**

Particulars	Amount in Taka 30-06-2018	Amount in Taka 30-06-2017
Dismantling of abandoned mercury plant and building,	178,436	178,436
Construction of Lagoon, pits & other construction works :	988,935	988,935
Material and manpower for chemical treatment	74,274	74,274
Disposal of cell building and ancillary works	71,333	71,333
Construction of Lagoon	262,328	262,328
Disposal of Structure in Brine - Loop area	291,197	291,197
Dismantle & Disposal of old Equipment 1) Construction of pavement in lagoon area	484,516	484,516
Project Management Expenses Training of Local People in Japan Service Cost of Foreign Expert	960,000	960,000
	1,800,000	1,800,000
Total	5,111,019	5,111,019

Company Secretary

Managing Director

Director



BACKGROUND OF TAPP

The Project was approved for an amount of Tk. 252.25 lacs of which foreign component is Tk. 147.60 lacs. Local currency will be provided by Government of Bangladesh under ADP loan and foreign currency requirement will be met by Japan Government through Japan International Co-operation Agency (JICA).

The project cost is enumerated as follows:

Particulars	Amount (Tk.)
Local Currency Cost	10,465,000
Foreign Currency Cost	14,760,000
Total	25,225,000

Particulars	Local Currency	Foreign Currency Equivalent
Dismantling of abandoned mercury plant & Building Construction of lagoon pits and other civil works.	3,965,000	
Project management expenses	500,000	
CD/SD, VAT etc. on equipments	6,000,000	
Equipment's		12,000,000
Training of local people in Japan		960,000
Service cost of foreign experts		1,800,000
Total	10,465,000	14,760,000

The project work started in 1997-98 but accounts have not been drawn for that year and Expenditure related to 1997-98 has been accounted in 1998-99. Similarly the ADP Fund released on 30-06-98 has been accounted for during 1998-99 amounting to Tk. 3,100,000 (received by CCC on 23.07.98). Our comments on Statement of Financial Position items are as follows:

1.0 Equipment's: TK. 4,269,590 Schedule- A

Cost of Equipment's is composed of:

Particulars	Note	Amount (Tk.)
Equipment (at cost)	1.01	3,316,905
CD/SD, VAT on EQUIPMENT	1.02	952,685
Total		4,269,590

1.01 EQUIPMENTS (AT COST): TK. 3,316,905

Required Equipment was supplied by JICA to the tune of 30 million yen equivalent to 12 Million Taka. Equipment worth 82,92,263 yen equivalent to Tk. 33,16,904.80 Tk. 0.40 was supplied and received by Chittagong Chemical Complex upto 16.03.1999 through 5 (five) invoices as shown in Schedule-A.



1.02 CD/SD, VAT ETC. ON EQUIPMENT: TK. 952,685

Provision for CD/SD, VAT and other expenses to the tune for Tk. 952,685.06 have been provided in the accounts of TAPP for Equipment's supplied by JICA and received by CCC based on MRR.

2.00 CAPITAL WORK-IN-PROGRESS: TK. 5,111,019

The above amount broadly constituted the following

Particulars		Amount (Tk.) 30-06-2018	Amount (Tk.) 30-06-2017
a) Dismantling of abandoned Mercury plant & building construction of lagoon pits and other civil works.	2.01	1,866,503	1,866,503
b) Project Management Expenses	2.02	484,516	484,516
c) Training of local people in Japan	2.03	960,000	960,000
d) Service cost of foreign expert	2.04	1,800,000	1,800,000
		5,111,019	5,111,019

2.01 DISMANTLING OF ABANDONED MERCURY PLANT & BUILDING CONSTRUCTION OF LAGOON PITS AND OTHER CIVIL WORKS

Details of the above expenditure are as follows:

Details	Amount (Tk.) 30-06-2018	Amount (Tk.) 30-06-2017
a) Material & Manpower for Chemical treatment	178,436	178,436
b) Disposal of Cell Building & ancillary work	988,935	988,935
c) Construction of lagoon	74,274	74,274
d) Disposal of structure in brain loop area	71,333	71,333
e) Dismantle & disposal of old Equipment	262,328	262,328
f) Construction of pavement in lagoon area	291,197	291,197
	1,866,503	1,866,503

2.02 PROJECT MANAGEMENT EXPENSES: TK. 484,516

The above amount is made up as follows:

Particulars	Amount (Tk.) 30-06-2018	Amount (Tk.) 30-06-2017
a) Advertisement	12,938	12,938
b) TA/DA	85,091	85,091
c) Salary & Wages	359,726	359,726
d) Others	26,761	26,761
	484,516	484,516

It may be mentioned here that the allocation of fund under this head was Tk. 500,000.



2.03 TRAINING OF LOCAL PEOPLE IN JAPAN: TK. 960,000

Project cost under this head was 2,400,000 yen equivalent to Tk. 960,000 We have been appraised that six local staff were sent to Japan for training and the full amount of allocation has been utilized

2.04 SERVICE COST OF FOREIGN EXPERT: TK. 1,800,000

JICA experts worked for 9 (Nine) men 1 month (9 men x 30 days = 270 days) at a total service cost of 45,000,000 yen equivalent to Tk. 1,800,000

3.00 CURRENT ACCOUNT WITH CCC: TK. 2,760,733

The balance shown under this head has been checked and found agreed with the balance as per books and account of the Chittagong Chemical Complex (CCC)

4.00 LOAN ACCOUNT: TK. 11,528,905

This represents the following loans:

Details	Note	Amount (Tk.) 30-06-2018	Amount (Tk.) 30-06-2017
Local Currency Loan (ADP)	4.01	5,452,000	5,452,000
Foreign Currency (Grant)	4.02	<u>6,076,905</u>	<u>6,076,905</u>
		<u>11,528,905</u>	<u>11,528,905</u>

4.01 LOCAL CURRENCY LOAN (ADP) TK. 5,452,000

Local Currency Loan was received from the Govt. of Bangladesh under ADP for TAPP as follows:

a) Fund released under G.O. No. IM/Dev-2/FR-11 (BCIC) 98, dt. 17.06.98	3,100,000	3,100,000
b) Fund released under G.O. No. IM/Dev-2/FR-5 (BCIC)96/126, dt.20.06.99	1,400,000	1,400,000
c) Fund released under G.O. No.IM/Dev-2/FR-7 (BCIC)159/99/159, dt.30.06.99	952,000	952,000
Total	<u>5,452,000</u>	<u>5,452,000</u>

Terms and conditions of these loan are as follows:

- i) 5-years moratorium from the date of release.
- ii) Rate of interest is 8% per annum.
- iii) Only interest is to be paid during moratorium period of 5 years.
- iv) After 5 years principal with interest is to be paid in 20 yearly installments.

Observation

No interest has been charged, management informed us that project has not yet been completed & mean while it has been closed December 15, 2002.



4.02 FOREIGN CURRENCY GRANT: TK. 6,076,905

Foreign currency loan unlike other projects was not received in cash. In this currency loan was provided in kind in the form of equipments, training of local people and services of foreign expertise. Foreign currency grants to the tune of 15,192,263 yen equivalent to Tk. 6,076,905 was utilized up to 30.06.2002 on the following heads of expenditure.

Particulars	In Foreign Currency (Y)	local currency (Tk.)
Equipment's	8,292,263	5,452,000
Training of local people in Japan	2,400,000	
Service of Japanese	4,500,000	
Total	15,192,263	5,452,000

We have been appraised that this foreign fund is a grant sanctioned by the Government of Japan through Japan International Co-operation Agency (JICA) but no documentary evidence could be produced to us for verification.

4.03 INCOME FROM BANK OPERATION: TK. 612,437

Year wise breakup is given below:


Year	Amount
1998-99	51,163
1999-00	85,800
2000-01	105,106
2001-02	88,909
2002-03	79,165
2003-04	52,284
2004-05	47,531
2005-06	59,869
2006-07	42,610
Total	612,437

This is as per last audited report. We understand it is interest and should be delt accordingly.

5.00 SUBJECT TO OUR FOREGOING OBSERVATION, WE REPORT THAT

- 1) We have obtained all the information and explanations we have required during the course of our audit.
- 2) In our opinion, the annexed Statement of Financial Position and Capital Work-in-progress Account have been drawn-up in conformity with the books and records as maintained by the company.
- 3) Such Statement of Financial Position exhibits a true and fair view of the state of affairs of TAPP according to the best of information and explanations given to us and as shown by the Books of Account.
- 4) In our opinion the Books of Account of TAPP have been maintained properly.

Dated: 13th May, 2019
Chittagong


Khan Wahab Shafique Rahman & Co.
Chartered Accountants

