

**Auditors' Report
&
Audited Financial Statements
of
BRAC EPL Stock Brokerage Limited
For the year ended 31 December 2020**



★ Since 1953 ★

A. QASEM & Co.

Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of BRAC EPL Stock Brokerage Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BRAC EPL Stock Brokerage Limited (the Company), which comprise the statement of financial position as at 31 December 2020, 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 the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 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), Bangladesh Securities and Exchange Commission (BSEC) 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 opinion.

Other Information

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 auditors' report thereon. The Annual Report of its parent-BRAC Bank Limited is expected to be made available to us after the date of this auditors' report.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' 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 these of financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, 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.

Report on Other Legal and Regulatory Requirements

We as required by the Companies Act, 1994, the Securities and Exchange Commission Act, 1993 and the Securities and Exchange Commission Rules, 1987 and other applicable laws and regulations.

We also report that:

- (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- (iii) The Company's statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- (iv) The expenditure incurred was for the purposes of the Company's business.



A. Qasem & Co.
Chartered Accountants
RISC Firm Registration Number: PF1015

Ziaur Rahman Zia, FCA
Partner
Enrolment Number: 1259
DVC: 2103281259AS347611

Place: Dhaka
Date: 21 March 2021

BRAC EPL Stock Brokerage Limited
Statement of Financial Position
As at 31 December 2020

		Amount in BDT	
		As at	
		31 December	
Notes		31 December 2020	2019
Assets			
Non-current assets			
Property, plant and equipment	5	22,874,434	32,922,084
Intangible assets	6	177,110	579,473
Right of use assets	7	22,429,090	60,654,198
Investment in exchanges	9	96,986,595	96,986,595
Total non-current assets		142,467,229	191,142,350
Current assets			
Investment in shares	10	406,964,551	455,931,066
Account receivables	11	195,972,893	174,093,546
Inter-company receivables	12	885,957	1,243,915
Margin loan receivables	13	162,686,891	90,168,705
Advances, deposits and prepayments	14	597,825,652	541,541,544
Other receivables	15	1,534,916	1,223,184
Cash and cash equivalents	16	1,104,663,893	531,288,623
Total current assets		2,470,534,753	1,795,490,583
Total assets		2,613,001,982	1,986,632,933
Equity and liabilities			
Shareholder's equity			
Share capital	17	700,953,800	700,953,800
Retained earnings		333,213,072	171,899,728
Revaluation reserve for TREC license	18	87,688,970	87,688,970
Total equity		1,121,855,842	960,542,498
Non-current liabilities			
Lease liability	19.1	7,850,138	31,225,469
Current liabilities			
Lease liability-current portion	19.1	14,504,475	22,519,557
Payable to clients	20	581,557,828	381,094,036
Account payables	21	225,187,494	1,505,700
Inter-company payables	22	318,029	186,656
Liability for expenses	23	63,618,853	54,113,637
Provision for income tax	24	598,109,323	535,445,379
Total current liabilities		1,483,296,002	994,864,966
Total liabilities		1,491,146,140	1,026,090,435
Total equity and liabilities		2,613,001,982	1,986,632,933

The annexed notes 1 to 36 form an integral part of these financial statements.

Annexure-1 & Annexure-2 are integral part of these financial statements.



A. Qasem & Co.

Chartered Accountants

RJSC Firm Registration Number: PF1015

Ziaur Rahman Zia, FCA

Partner

Enrolment Number: 1259

DVC: 2103281259AS347611



Place: Dhaka

Date: 21 March 2021


Chief Executive Officer
 BRAC EPL Stock Brokerage Limited


Director
 BRAC EPL Stock Brokerage Limited


Chairperson
 BRAC EPL Stock Brokerage Limited

BRAC EPL Stock Brokerage Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2020

	Notes	Amount in BDT For the year ended	
		31 December 2020	31 December 2019
Service Revenue	25	397,427,090	405,957,075
Direct expenses	26	(103,708,192)	(114,295,586)
Gross profit		293,718,898	291,661,489
Operating expenses	27	(194,700,792)	(214,190,050)
Operating profit		99,018,106	77,471,439
Investment income	28	116,139,848	(109,522,344)
Finance income	29	18,068,818	15,533,472
Other income	30	(82,515)	1,582,429
Finance expenses	31	(9,166,970)	(6,965,225)
Share of profit of equity in associate company	8	-	1,261,492
Profit before tax		223,977,287	(20,638,737)
Income tax expenses	32	(62,663,944)	(64,354,732)
Net profit after tax		161,313,343	(84,993,469)
Other comprehensive income			
Items that will never be reclassified to profit or loss		-	-
Items that are or may be reclassified to profit or loss		-	-
Other comprehensive income, net of tax		-	-
Total comprehensive income/(loss)		-	-

The annexed notes 1 to 36 form an integral part of these financial statements.
Allocation of income between Brokerage Income and Other than Brokerage Income has been shown in Annexure-2 which is also an integral part of these financial statements.

A. Qasem & Co.

A. Qasem & Co.
Chartered Accountants
RJSC Firm Registration Number: PF1015

Ziaur Rahman Zia, FCA
Partner
Enrolment Number: 1259
DVC: 2103281259AS347611



Place: Dhaka
Date: 21 March 2021

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Chief Executive Officer
BRAC EPL Stock Brokerage Limited

[Signature]

Director
BRAC EPL Stock Brokerage Limited

Tahmina Khatun
Chairperson
BRAC EPL Stock Brokerage Limited

BRAC EPL Stock Brokerage Limited
Statement of Cash Flows
For the year ended 31 December 2020

	Amount in BDT	
	For the year ended	
	31 December	31 December
A. Cash flows from operating activities:		
Brokerage commission	365,317,598	373,329,034
Payments to creditors and other expenses	(265,673,291)	(241,324,608)
Loans and advances	337,302,789	14,901,368
Cash generated from operating activities	436,947,096	146,905,794
Bank interest income	18,068,818	15,533,472
Income from margin loan	20,772,472	17,638,860
Dividend income	23,197,035	25,780,414
Gain/(loss) on sale of shares	(21,360,537)	(25,596,615)
Other operating income	11,025,288	14,816,425
Income tax paid	(63,349,514)	(67,518,840)
Cash generated used in other operating activities	(11,646,437)	(19,346,285)
Net cash flows from operating activities	425,300,660	127,559,509
B. Cash flows from investing activities:		
Acquisition of property, plant and equipment	(1,804,060)	(6,323,420)
Acquisition of intangible assets	-	(162,417)
Right of use assets	(6,021,716)	(88,559,501)
Sale of property, plant and equipment	1,797,491	1,920,000
Proceeds from liquidation of investment in associate company	-	16,486,002
Investment in shares	48,966,515	87,896,236
Unrealized gain/(loss) on shares	114,303,350	(109,706,142)
Net cash flows (used)/from investing activities	157,241,580	(98,449,243)
C. Cash flows from financing activities:		
Finance cost	(9,166,970)	(6,965,225)
Net cash used in financing activities	(9,166,970)	(6,965,225)
Net increase in cash and cash equivalents (A+B+C)	573,375,270	22,145,041
Cash and cash equivalents at the beginning of the year	531,288,623	509,143,582
Cash and cash equivalents at the end of the year	1,104,663,893	531,288,623

The annexed notes 1 to 36 form an integral part of these financial statements.
Annexure-1 & Annexure-2 are integral part of these financial statements.



A. Qasem & Co.
Chartered Accountants
RJSC Firm Registration Number: PF1015

Ziaur Rahman Zia, FCA
Partner
Enrolment Number: 1259
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Place: Dhaka
Date: 21 March 2021



Chief Executive Officer
BRAC EPL Stock Brokerage Limited



Director
BRAC EPL Stock Brokerage Limited


Chairperson
BRAC EPL Stock Brokerage Limited

BRAC EPL Stock Brokerage Limited
Statement of Changes in Equity
For the year ended 31 December 2020

Particulars	Amount in Taka			
	Share capital	Retained earnings	Revaluation reserve for TREC license	Total
Balance as at 01 January 2019	700,953,800	256,893,197	87,688,970	1,045,535,968
Issue of bonus shares	-	-	-	-
Net profit/(loss) for the year	-	(84,993,469)	-	(84,993,469)
Balance as at 31 December 2019	<u>700,953,800</u>	<u>171,899,728</u>	<u>87,688,970</u>	<u>960,542,499</u>
Issue of bonus shares	-	-	-	-
Net profit/(loss) for the year	-	161,313,343	-	161,313,343
Revaluation reserve for TREC license	-	-	-	-
Balance as at 31 December 2020	<u><u>700,953,800</u></u>	<u><u>333,213,072</u></u>	<u><u>87,688,970</u></u>	<u><u>1,121,855,842</u></u>

The annexed notes 1 to 36 form an integral part of these financial statements.
Annexure-1 & Annexure-2 are integral part of these financial statements.



A. Qasem & Co.

Chartered Accountants

RJSC Firm Registration Number: PF1015

Ziaur Rahman Zia, FCA

Partner

Enrolment Number: 1259

DVC: 2103281259AS347611



Place: Dhaka

Date: 21 March 2021



Chief Executive Officer

BRAC EPL Stock Brokerage Limited



Director

BRAC EPL Stock Brokerage Limited



Chairperson

BRAC EPL Stock Brokerage Limited

BRAC EPL Stock Brokerage Limited
Notes to the Financial Statements
For the year ended 31 December 2020

1 Company and its activities

1.1 Background and legal status

BRAC EPL Stock Brokerage Limited (hereinafter referred to as the "Company" or "BESL") was incorporated in Bangladesh on 16 May 2000 as a private limited company under the Companies Act 1994 initially in the name of Equity Partners Securities Limited, the name of which was changed to BRAC EPL Stock Brokerage Limited on 04 October 2009. The registered office of the Company is located at DSE Annex Building, 9/E Motijheel C/A, Dhaka-1000, Bangladesh.

1.2 Nature of business

The main objectives of the Company are to carry on the business of stock brokers/stock dealers and other related business in connection with the dealings of listed securities. Other objectives of the Company are to buy, sell, hold or otherwise acquire or invest the capital of the Company in shares, stocks and fixed income securities, etc. It has corporate membership of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.

2 Basis of preparation of financial statements

2.1 Components of the financial statements

The financial statements referred to here comprise:

- a) Statement of Financial Position
- b) Statement of Profit or Loss and Other Comprehensive Income
- c) Statement of Changes in Equity
- d) Statement of Cash Flows; and
- e) Notes to the Financial Statements

2.2 Reporting Period

These financial statements cover one calendar year from 1 January 2020 to 31 December 2020.

2.3 Statement of compliance

The financial statements of the Company have been prepared on going concern basis under the historical cost convention in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), the Companies Act 1994, the Securities and Exchange Commission Rules 1987 and other applicable laws and regulations applicable in Bangladesh. In case there are differences between IFRS and local statutory requirements, the local regulation has been prevailed.

2.4 Basis of Measurements

The financial statements have been prepared on the accrual basis under the historical cost convention except for investment in shares which have been recognized at market price and/or NAV (in case of unquoted and open end mutual fund) valued on aggregate basis. No adjustments have been made for inflationary factors affecting the financial statements. The accounting policies, unless otherwise stated, have been consistently applied by the Company and are consistent with those of the previous years.



2.5 Functional and presentational currency

These financial statements are prepared in Bangladesh Taka (Taka/Tk), which is the company's functional currency. All financial information presented in Taka has been rounded to the nearest integer, except where otherwise indicated.

2.6 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.6.1 Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in Note 3 – significant accounting policies

2.6.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2020 is included in the following notes:

Note 5	Depreciation on property, plant and equipment
Note 6	Amortization of intangible assets
Note 7	Right of use assets under lease agreement
Note 24	Provision for income tax

2.7 Going concern

The Company has adequate resources to continue in operation for the foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the financial statements. The current resources of the Company provide sufficient fund to meet the present requirements of its existing business.

2.8 Employee benefit Obligation

2.8.1 a. Defined contribution plan

The Company operates a contributory provident fund for its permanent employees in accordance with the Provident Fund Rules which is recognized by National Board of Revenue. The fund is administered separately by a Board of Trustees consisting of four members and is funded by the equal contribution both by the Company and employees at a predetermined rate.

2.8.2 b. Defined benefit plan (Gratuity scheme)

The Company has a funded gratuity scheme for all permanent employees in accordance with the Gratuity Fund Rules which is approved by National Board of Revenue. Required amount of gratuity is calculated on the basis of last basic pay depending on the length of service for every completed year as well as proportionate to the fraction period of service as of the respective financial year.



3 Significant accounting policies

3.1 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing to the location and condition necessary for it to be capable of operating in the intended manner. The cost of self constructed asset includes the cost of material, direct labor and any other cost directly attributable to bringing the assets to a working condition for their intended use.

Subsequent costs

The costs of replacing part of an item of property, plant and equipment is recognized 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 costs can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

The company uses straight line method for charging depreciation. Full month depreciation is charged on additions irrespective of date of its acquisition whereas no depreciation is charged in the month of disposal. The rates of depreciation on various classes of property, plant and equipment are as under:

<u>Name of the assets</u>	<u>2020</u> <u>Rates (%)</u>	<u>2019</u> <u>Rates (%)</u>
Office floor space	2%	2%
Furniture and fixtures	12.50%	12.50%
Office decoration	15%	15%
Computers and accessories	25%	25%
Air cooler and ceiling fans	20%	20%
Electrical and office	20%	20%
Vehicles	20%	20%

Retirement and disposals

An asset is derecognized on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gains or losses arising from the retirement or disposal of an asset is determined by the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss.

3.2 Intangible assets

Recognition and measurement

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and cost of the asset can be measured reliably.

Intangible assets comprise the value of computer software. An intangible asset is measured initially at cost. After initial recognition, an intangible asset is carried at its cost less accumulated amortization and accumulated impairment losses (if any).



Amortization of intangible assets

Amortization is recognized in the Statement of Profit or Loss and Other Comprehensive Income on straight line basis from the date that they are available for use. Amortization on intangible assets is charged for the full month from the month of acquisition. In case of disposals, amortization is charged up to the immediate previous month of disposal. Amortization is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives based on the management best estimates of 3 years. The rate of amortization is 33.33% per annum for software. Amortization methods and amortization rate are reviewed at each reporting date and adjusted if appropriate.

Subsequent expenditure

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits in the specifications to which it relates. All other expenditures are expensed as incurred.

3.3 Right of use assets

The company lease land and buildings for its office space in different locations. Leases are recognized, measured and presented in line with IFRS 16 'Leases'. The company adopted the standards as from January 2019 and used modified retrospective approach and therefore, the comparative information has not been restated in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The company has applied the cost model to right of use assets except for those assets that meet the definition of investment property.

The application of IFRS 16 requires the company to make judgements that affect the valuation of the lease liabilities (Note-19) and the valuation of right of use assets (Note-7). These includes: determining contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows. Some leases include an option to renew the lease for an additional period of the after the end of the contract term. Some leases provide for additional rent payments as per incremental clause in the contracts. The company has elected not to recognize right of use assets and liabilities for leases where the total lease term is less than or equal to 12 months.

The lease term determined by the company non-cancellable period of lease contracts, periods covered by an option to extend the lease if the company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the company is reasonably certain not to exercise that option.

The company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The lease liability initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discounted rate.

BESL has sub-leases arrangement with BRAC EPL Investments Ltd. (hereinafter referred to as "BEIL") known as lessee, where leases out the partial office in exchange of periodic rentals. The Company derecognized the right-of use asset (to the extent that it is subject to the sub-lease) and recognized a finance lease receivable as 'Receivable from Sub-lease with BEIL' (Note-11). The finance lease receivable is presented under "Accounts receivable" in Statement of Financial Position. Sublease income for the reporting period shown under 'Finance Income' (Note-29.1).



3.4 Valuation and recognition of investment

The listed securities are valued at the closing quoted market price only on the Dhaka Stock Exchange on the date of valuation i.e. on 31 December 2020. Resultant unrealized gain/(loss) is calculated on portfolio basis. The Company shall categorize the investments either as "fair value through profit or loss" or as "fair value through other comprehensive income" as it deems prudent according to the provisions of IFRS-9. However, for those IPO shares the trading of which not yet started are shown at cost price.

3.5 Cash and cash equivalents

In the Statement of Cash Flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

3.6 Provisions

The company recognizes provisions only when it has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

3.7 Taxation

a) Current tax :

Current tax has been made on the basis of the Finance Act 2020. Income tax withheld from the transactions of traded securities in accordance with section 53BBB @ 0.05% is the minimum tax of the Company under section 82C of Income Tax Ordinance (ITO) 1984. Income tax provision is made on capital gains on sale of shares of listed company @ 10% as per SRO No. 269/Law/Income Tax/2010 dated 1 July 2010 whereas it is @ 35% on other than Brokerage income as per tax laws.

b) Deferred tax:

The Company is under purview of section 82C of Income Tax Ordinance (ITO) 1984 which is the minimum tax, therefore, no deferred tax is required.

3.8 Contingencies

Contingencies arising from claims, litigation assessments, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can reasonably be measured.

Contingent liability

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liability should not be recognized in the financial statements, but may require disclosure. A provision should be recognized in the period in which the recognition criteria of provision have been met.

Contingent asset

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent asset must not be recognized. Only when the realization of the related economic benefit is virtually certain should recognition take place provided that it can be measured reliably because, at that point, the asset is no longer contingent.



3.10 Revenue recognition

Revenue is only recognized when the company satisfies a performance obligation in the contract with a customer and when it meets five steps model framework as per IFRS 15. Details of revenue recognition policies are given as under:

- (i) Brokerage commission is recognized as income when selling or buying orders are executed.
- (ii) Interest income on FDR and STD accounts is recognized when accrued.
- (iii) Interest Income from margin loan is recognized on accrual basis. Such income is calculated on daily margin loan balance of the respective parties. Income is recognized on monthly basis and applied to the customers' account on quarterly basis.
- (iv) Cash dividend income is recognized on the declaration of dividend and subsequent receipt of such dividend; and
- (v) Stock dividend (bonus shares) have been recognized at zero cost and added with existing shares resulted decrease in per unit cost price of the existing shares.
- (vi) Capital gains on sale of shares are recognized both on realization and unrealization.

Cost of services

Cost of services includes laga and howla charges of stock exchanges booked on daily basis as per trading after receiving the trade reports and the charges of Central Depository Bangladesh Ltd. (CDBL) booked on monthly basis, after receiving the bills from CDBL.

3.11 Service charge

A memorandum of understanding (MOU) between BRAC Bank Limited (BBL) and BRAC EPL Stock Brokerage Limited (BESL) has been signed on 27 march 2011 which states that BESL will be charged a 5% fee for all disbursements made by BBL to cover overhead expenses.

3.12 Margin loan to clients

Margin loans are given as per margin loan policy of the Company. Normally clients are required to deposit Taka 25 lac for entitlement of margin loan.

3.13 Application of International Accounting Standards (IASs):

The Financial Statements have been prepared in compliance with requirement of IAS/IFRS as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) and applicable in Bangladesh.

3.14 General

- i) Amounts appearing in these financial statements have been rounded off to the nearest Taka; and
- ii) Figures relating to previous year have been rearranged wherever considered necessary to confirm with current year's presentation.



	31 December 2020	31 December 2019
	Taka	Taka
5 Property, plant and equipment		
Cost at the beginning of the year	156,254,098	154,161,698
Add: Addition during the year	1,804,060	6,323,420
Less: Adjustment/disposal during the year	28,552,259	4,231,020
Cost at the close of the year	<u>129,505,898</u>	<u>156,254,098</u>
Accumulated depreciation at the beginning of the year	123,332,014	116,479,778
Add: Depreciation during the year	9,971,704	10,745,685
Less: Adjustment/disposal during the year	26,672,253	3,893,449
Accumulated depreciation the end of the year	<u>106,631,465</u>	<u>123,332,014</u>
Carrying amount as at 31 December	<u>22,874,434</u>	<u>32,922,084</u>
A schedule of property, plant and equipment is given in Annexure - 1.		
6 Intangible assets		
Cost at the beginning of the year	26,015,743	25,853,326
Add: Addition during the year	-	162,417
Cost at the close of the year	<u>26,015,743</u>	<u>26,015,743</u>
Accumulated amortization at the beginning of the year	25,436,270	24,930,638
Add: Amortization during the year @ 33.33%	402,363	505,632
Accumulated amortization at the end of the year	<u>25,838,633</u>	<u>25,436,270</u>
Carrying amount as at 31 December	<u>177,110</u>	<u>579,473</u>
7 Right of use asset under lease agreement		
Cost at the beginning of the year	88,559,501	-
Add: Addition during the year	6,021,716	88,559,501
Less: Adjustment/disposal during the year	36,357,185	-
Cost at the close of the year	<u>58,224,032</u>	<u>88,559,501</u>
Accumulated depreciation at the beginning of the year	27,905,304	-
Add: Depreciation during the year	18,164,286	27,905,304
Less: Adjustment/disposal during the year	10,274,648	-
Accumulated depreciation the end of the year	<u>35,794,942</u>	<u>27,905,304</u>
Carrying amount as at 31 December	<u>22,429,090</u>	<u>60,654,198</u>
A schedule of right of use asset is given in Annexure - 1.		
8 Investment in associate company		
BRAC Asset Management Company Limited		
Opening balance	-	15,224,510
Add: Profit for the year	-	1,261,492
Balance receivable after liquidation	-	<u>16,486,002</u>
Less: Liquidation	-	<u>16,486,002</u>
	<u>-</u>	<u>-</u>
In 2010, the Company along with other BRAC entities, invested Taka 12,000,000 in BRAC Asset Management Company Limited (BAMCL) which represents 24% of the paid up capital of the Company. BAMCL did not start operation during the year 2011 to 2018 due to pending regulatory approval. BESL's share of the profit of BAMCL for the year 2018 has been recognized in the profit and loss.		
9 Investments in exchanges		
Dhaka Stock Exchange Limited (DSE) (Note-9.1)	54,113,295	54,113,295
Chittagong Stock Exchange Limited (CSE) (Note-9.2)	42,873,300	42,873,300
	<u>96,986,595</u>	<u>96,986,595</u>
9.1 Dhaka Stock Exchange Limited (DSE)		
Floated (40%)	28,860,424	28,860,424
Blocked (35%)	25,252,871	25,252,871
	<u>54,113,295</u>	<u>54,113,295</u>



	31 December 2020	31 December 2019
	Taka	Taka
9.2 Chittagong Stock Exchange Limited (CSE)		
Floated (40%)	17,149,320	17,149,320
Blocked (60%)	25,723,980	25,723,980
	42,873,300	42,873,300

Investments for membership of DSE and CSE were initially recognized at cost of BDT 6,920,500 and BDT 4,107,250, subsequently re-measured in accordance with section 8 (Gha) of the Exchanges Demutualization Act 2013. Both stock exchanges have issued shares against membership with Tk. 10 each. The company initially recognized 40% value of Investment in DSE (BDT 28,860,424) and CSE (BDT 17,149,320) in 2013 creating a corresponding Suspense Account of the same value. In 2018, the company recognized the remaining 60% value of both DSE and CSE before receiving the sale proceeds of 25% of DSE shares to Strategic Partner (Chinese Consortium named Shenzhen Stock Exchange and Shanghai Stock Exchange). Membership at cost of both exchanges are adjusted with Revaluation Reserve after de-recognizing the existing Suspense Account.

Shares issued by	No. of shares	No. of shares
Dhaka Stock Exchange Limited (DSE)	5,411,330	5,411,330
Chittagong Stock Exchange Limited (CSE)	4,287,330	4,287,330
Total	9,698,660	9,698,660

Out of total 11,502,436 shares of DSE (7,215,106) and CSE (4,287,330), 40% shares (4,600,974 for Tk 10 each) was transferred by both the Exchanges to Company's BO account. Remaining 60% shares of both Exchanges (6,901,462) were kept in blocked account for disposal in due course. In 2018, DSE sold 25% shares (1,803,777) to Chinese Consortium, remaining 35% shares of DSE (2,525,287) are kept in blocked account along with 60% shares of CSE.

10 Investment in shares		
Investment in securities-IPO (Note- 10.1)	12,495,900	251,320
Investment in securities-strategic fund	34,693,456	29,555,905
Investment in securities- proprietary account (Note- 10.2)	359,775,195	426,123,841
	406,964,551	455,931,066

10.1 Investment in securities-IPO
Applied for IPO Subscription of Mir Akhter Hossain Limited (MIRAKHTER), but shares not yet allotted/credited as at 31 December 2020.

10.2 Investment in securities- proprietary account
Investment in quoted shares

Bank	20,597,712	40,327,000
Cement	-	32,944,050
Engineering	36,935,590	52,770,782
Financial Institutions	-	2,343,150
Fuel & Power	142,750,124	146,566,750
Insurance	428,593	17,828,967
IT Sector	-	568,800
Paper & Printing	10,848,030	13,800,000
Pharmaceuticals & Chemicals	79,836,500	62,296,123
Telecommunication	16,760,839	-
Textile	-	695,489
Travel & Leisure	19,868,322	22,111,731
MF/GF/UF*	-	1,280,000
	328,025,711	393,532,841

Investment in unquoted shares
MF/GF/UF*

	31,749,484	32,591,000
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Total	359,775,195	426,123,841
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*Mutual Fund/Growth Fund/Unit Fund

11 Account receivables		
Receivable from clients (broker)	185,389,181	93,178,788
Receivable from exchanges (Note-11.1)	9,365,886	80,914,758
Receivable from Sub-lease with BEIL	1,217,827	-
	195,972,893	174,093,546



	31 December 2020	31 December 2019
	<u>Taka</u>	<u>Taka</u>
11.1 Receivable from exchanges	9,365,886	80,914,758
DSE (broker)	8,223,191	80,397,848
ABG&N	-	21,331,815
ABG&N	-	45,156,907
ABG&N (Spot)	335,155	673,833
Z	2,877,398	1,093,731
Z	1,913,127	1,332,378
Z	3,097,511	867,699
Z	-	1,271,773
Z	-	1,259,244
Z	-	5,376,325
Z	-	430,521
Z	-	1,168,917
Z	-	434,705
DSE (dealer)		
ABG&N (Spot)	484,200	-
CSE (broker)	658,495	516,911
ABG&N	608,865	52,848
ABG&N (Spot)	29,978	464,063
Z	16,962	-
Z	1,969	-
Z	721	-
12 Inter-company receivables		
BRAC Bank Limited	150,000	150,000
BRAC EPL Investment Limited	735,957	1,093,915
	885,957	1,243,915
13 Margin loan receivables	162,686,891	90,168,705
The above amount represents loan entitled to clients against securities. The Company had started margin loan facilities from 01 October 2011. Loan limit to single client is maximum 50% of client's margin.		
14 Advances, deposits and prepayments		
Advances (Note-14.1)	593,171,035	535,924,053
Deposits (Note-14.2)	3,309,057	4,159,081
Prepayments (Note-14.3)	1,345,560	1,458,410
	597,825,652	541,541,544
14.1 Advances		
Income tax (Note-14.1.1)	582,423,588	519,074,074
Software system	522,472	638,043
Salary and allowances	8,106,972	13,647,925
Other advances	2,118,003	2,564,011
	593,171,035	535,924,053
14.1.1 Advance Income Tax		
Balance at beginning of the year	519,074,074	451,555,234
Add: Paid during the year	63,349,514	67,518,840
	582,423,588	519,074,074
Adjustment made for previous years	-	-
Balance at end of the year	582,423,588	519,074,074
14.2 Security deposits		
DSE-floor space	-	850,024
Depository Participant (DP) for CDBL	102,500	102,500
BTCL-land phone	23,705	23,705
Deposit to BRAC EPL Investment Limited	10,752	10,752
Mobile phone	2,000	2,000
Symphony Tower, Gulshan	3,170,100	3,170,100
	3,309,057	4,159,081
14.3 Prepayments		
Prepaid insurance	550,977	663,827
Prepaid VAT	794,583	794,583
	1,345,560	1,458,410



	31 December 2020	31 December 2019
	Taka	Taka
15 Other receivables		
Accrued interest	1,000,337	1,192,176
Accounts receivable-others	534,579	31,008
	1,534,916	1,223,184

Interest on fixed deposit receipts is recognized on accrual basis. Interests are recognized as and when interest incomes are accrued.

16 Cash and cash equivalents		
Cash in hand	543,634	1,169,339
Cash balance with branches	720,954	2,550,680
	1,264,588	3,720,019
Cash at bank		
Consolidated Customers' Account (Note-16.1)	977,427,080	425,209,243
Operational Account (Note-16.2)	12,447,521	27,893,606
Strategic Investment (Note-16.3)	1,264,118	-
IPO Block Account (Note-16.4)	37,653,970	815,445
Dealer Account (Note-16.5)	12,751,391	7,548,675
Investment in FDRs (Note-16.6)	61,855,225	66,101,635
	1,103,399,305	527,568,604
	1,104,663,893	531,288,623

16.1 Consolidated Customers' Account				
Bank name	Account Number	Type	977,427,080	425,209,243
One Bank Limited	13000000558	SND	663,666,010	332,666,554
Standard Chartered Bank	01-7503024-02	Current	288,395,986	67,630,958
Standard Chartered Bank	02-7503024-01	SND	-	114,634
The City Bank Limited	3102159661001	SND	25,365,083	24,797,097
16.2 Operational Account			12,447,521	27,893,606
Bank name	Account Number	Type		
Standard Chartered Bank	01-7503024-01	Current	(2,343,954)	1,836,185
BRAC Bank Limited	1513201363499001	Current	612,801	722,238
BRAC Bank Limited	1513101363499001	STD	9,408,072	20,668,946
BRAC Bank Limited	1513201363499002	Current	4,348,633	4,243,832
BRAC Bank Limited	1513101363499002	STD	421,970	420,355
BRAC Bank Limited	1501201363499001	Current	-	2,050
16.3 Strategic Investment			1,264,118	-
Bank name	Account Number	Type		
BRAC Bank Limited	1501201363499002	Current	1,264,118	-
16.4 IPO Block Account			37,653,970	815,445
Bank name	Account Number	Type		
Standard Chartered Bank	02-7503024-03	SND	37,653,970	815,445
16.5 Dealer Account			12,751,391	7,548,675
Bank name	Account Number	Type		
Standard Chartered Bank	01-7503024-03	Current	12,101,712	1,075,984
Standard Chartered Bank	02-7503024-02	SND	649,678	6,472,691
16.6 Investment in FDRs			61,855,225	66,101,635
Bank name	Account Number			
BRAC Bank Limited	1513301363499005		13,952,745	12,945,879
Standard Chartered Bank	97503024001		21,673,969	21,094,913
Standard Chartered Bank	97503024002		7,083,283	6,894,042
Jamuna Bank Limited	0024-0330021008		9,145,228	8,641,688
The Padma (Farmers) Bank Limited	124400017244		10,000,000	11,016,741
The Padma (Farmers) Bank Limited	124400017523		-	5,508,371

The terms and conditions of the overdraft from BRAC Bank Limited are as follows:

Loan limit	: BDT 500,000,000.00 (BDT Five Hundred Million) only.
Repayment procedures	: From operational cash flow/or own sources of borrower.
Maximum tenor	: 180 days (maximum from date of each disbursement)
Purpose	: To meet daily settlement requirement and margin for exceeding Dhaka Stock Exchange (DSE)/ Chittagong Stock Exchange (CSE) daily trading limit.
Interest rate	: 8%
Expiry	: 29 September 2021

The terms and conditions of the overdraft from Standard Chartered Limited are as follows:

Loan limit	: BDT 200,000,000.00 (BDT Two Hundred Million) only.
Repayment procedures	: From operational cash flow/or own sources of borrower.
Maximum tenor	: 180 days (maximum from date of each disbursement)
Purpose	: To meet daily settlement requirement and margin for exceeding Dhaka Stock Exchange (DSE)/ Chittagong Stock Exchange (CSE) daily trading limit.
Interest rate	: 8%
Expiry	: 30 March 2021



	31 December 2020	31 December 2019
	Taka	Taka
17 Share capital		
17.1 Authorized share capital		
10,000,000 ordinary shares of Taka 100 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
17.2 Issued, subscribed and paid-up share capital		
Balance at the beginning of the year	700,953,800	700,953,800
Add: Bonus shares issued	-	-
	<u>700,953,800</u>	<u>700,953,800</u>

The Company's shareholding position at the date of statement of financial position was as follows:

Name of share-holders	Nationality/ incorporated in	No. of shares		Amount in Taka	
		2020	Face value	2020	2019
BRAC Bank Limited	Bangladesh	6,308,541	100	630,854,100	630,854,100
Mr. Saiful Islam	Bangladesh	700,954	100	70,095,400	70,095,400
BRAC	Bangladesh	3	100	300	300
Ms. Nihad Kabir	Bangladesh	-	-	-	1,000
Mr. Selim R. F. Hussain	Bangladesh	10	100	1,000	1,000
Mr. Shib Narayan Kairy	Bangladesh	-	-	-	1,000
Ms. Tamara Hasan Abed	Bangladesh	10	100	1,000	1,000
Dr. Zahid Hussain	Bangladesh	10	100	1,000	-
Mr. Mohammad Masud Rana	Bangladesh	10	100	1,000	-
Total		7,009,538		700,953,800	700,953,800

In the 92nd Board Meeting of the Company, held on 08th Dec 2020, the Board approved transfer of 10 shares held by Ms Nihad Kabir to Dr. Zahid Hussain and 10 shares held by Mr. Shib Narayan Kairy to Mr. Mohammad Masud Rana, subject to regulatory and other necessary approvals, if any. All the relevant filing in this regard has been done with RJSC.

18 Revaluation reserve for TREC license		
Revaluation Reserve for TREC License-DSE	48,922,920	48,922,920
Revaluation Reserve for TREC License-CSE	38,766,050	38,766,050
	<u>87,688,970</u>	<u>87,688,970</u>

Investments for membership was initially recognized at cost and was subsequently re-measured in accordance with section 8 (Gha) of the Exchanges Demutualization Act 2013, both stock exchanges have issued shares against membership with Tk. 10 each. Surplus arising from changes in the value of investment for membership are transferred to Revaluation Reserve for TREC License.

19 Lease liability under lease agreement		
Balance at the beginning of the year	53,745,026	-
Add: Addition during the year	5,890,648	79,399,153
Less: Adjustment/disposal during the year	37,281,061	25,654,127
	<u>22,354,613</u>	<u>53,745,026</u>

19.1 Lease liabilities are presented in the statement of financial position as follows:		
Current	14,504,475	22,519,557
Non-current	7,850,138	31,225,469
	<u>22,354,613</u>	<u>53,745,026</u>

20 Payable to clients	<u>581,557,828</u>	<u>381,094,036</u>
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This balance represents the clients' sale proceeds of shares and deposits against share purchase which is currently lying with the company's Consolidated Customers bank A/C.

21 Account payables		
Payable to exchanges (Note-21.1)	148,853,894	1,505,700
Payable to issuer (IPO)	76,333,600	-
	<u>225,187,494</u>	<u>1,505,700</u>

21.1 Payable to exchanges		
DSE (broker)	148,853,894	1,505,700
ABG&N	147,951,858	1,505,700
Z	902,036	-

22 Inter-company payables		
BRAC EPL Investment Limited	267,439	136,066
BRAC IT Services Limited	50,590	50,590
	<u>318,029</u>	<u>186,656</u>



	31 December 2020	31 December 2019
	Taka	Taka
23 Liability for expenses		
Performance bonus	29,967,484	21,841,615
Provision for bad debts	10,608,064	9,813,482
CDBL BO maintenance fees	6,428,451	5,580,100
Withholdings tax and VAT	519,681	4,006,921
Business development expenses	-	96,914
Legal and professional fees	45,000	92,000
Office rent	-	400,200
Audit fee	232,038	220,989
Electricity bills	232,993	295,844
Entertainment expense	-	19,349
CDBL charges	1,326,523	458,937
Repair and office maintenance	95,071	132,458
Telephone and mobile bills	116,550	183,514
Utilities and outsources	34,777	123,508
Salary and allowance	934,208	173,897
Trading expenses payable	12,945,413	9,842,974
Advertisement & publicity expenses	132,600	78,200
Other payables	-	752,736
	63,618,853	54,113,637
24 Provision for income tax		
Balance at the beginning of the year	535,445,379	471,090,647
Add: Provision made during the year (Note-32)	62,663,944	64,354,732
Adjustment of tax provision for previous year	-	-
	598,109,323	535,445,379
25 Service Revenue		
Brokerage commission (Note-25.1)	365,317,598	373,329,034
Income from margin loan	20,772,472	17,638,860
Annual account maintenance fees	4,833,250	4,784,250
BO account renewal fees	1,555,349	2,230,400
Advisory income	2,148,156	4,860,771
IPO Service Charge	339,515	367,295
BO account opening fees	775,800	548,600
Sale of BO form	176,900	130,020
Others (Note-24.2)	1,508,049	2,067,845
	397,427,090	405,957,075
25.1 Brokerage commission		
Brokerage commission- DSE (broker)	354,773,149	352,743,031
Brokerage commission- DSE (dealer)	448,585	2,518,741
Brokerage commission- CSE (broker)	10,095,865	18,067,262
	365,317,598	373,329,034
25.2 Others		
Cheque dishonour charges	1,390,920	1,612,600
Other charges	117,128	455,245
	1,508,048	2,067,845
26 Direct expenses		
Transaction cost (Note-26.1)	24,337,522	24,093,267
CDBL charges	8,391,803	7,459,837
Trading expense	70,978,867	82,742,482
	103,708,192	114,295,586
26.1 Transaction cost		
Howla-DSE (broker)	13,700	2,750
Laga-DSE (broker)	23,941,181	23,308,911
Laga-DSE (dealer)	73,485	417,487
Laga-CSE (broker)	309,156	364,120
	24,337,522	24,093,267
This represents Howla and Laga charges paid to DSE and CSE for the transactions of traded securities. Howla is paid based on number of transactions and Laga is paid based on turnover at applicable rate prescribed by DSE and CSE.		
27 Operating expenses		
Administrative expenses (Note-27.1)	171,399,081	181,418,475
Other operating expenses (Note-27.2)	23,301,710	32,771,575
	194,700,792	214,190,050



	31 December 2020	31 December 2019
	Taka	Taka
27.1 Administrative expenses		
Salary and allowances (Note-27.1.1)	130,127,815	127,419,610
Depreciation on PPE (Note-5)	9,971,704	10,745,685
Amortization of intangible assets (Note-6)	402,363	505,632
Depreciation on right of use assets (Note-7)	18,164,286	27,905,304
Internet bills	2,466,422	3,070,573
Outsourcing expenses	7,225,640	8,343,376
Insurance	1,717,450	1,609,797
Networking expenses	598,670	498,590
DSE, CSE and BSEC charges	724,731	1,319,909
	171,399,081	181,418,475
27.1.1 Salary and allowances		
Salary and allowances	120,592,766	117,099,049
Provident fund contribution	4,957,351	4,927,121
Gratuity fund contribution	4,577,697	5,393,440
	130,127,815	127,419,610
27.2 Other operating expenses		
Utility expenses	3,763,683	3,978,526
Entertainment	945,787	3,311,184
Office maintenance	2,962,272	3,029,128
Telephone and mobile bills	1,339,441	1,895,328
Printing & stationery and photocopy	524,751	920,354
Business promotional expenses	1,150,842	1,605,102
Advertisement	825,550	1,154,515
Fuel, lubricants and car maintenance	692,738	1,736,544
Board meeting fees	447,008	225,000
Travel and conveyance	954,748	4,527,232
Postage and courier	72,715	308,109
Professional fees	789,300	717,574
Training and development	-	1,989,682
Repair and software maintenance	3,241,153	4,020,500
Fees & subscriptions and license & renewal	965,681	1,253,718
News paper, books and periodicals	49,725	121,959
Audit fee	232,038	207,239
Reward and recognition	565,007	976,813
VAT Expenses on Lease Rental/Office Rent	2,611,879	-
Other expenses	1,167,391	793,069
	23,301,710	32,771,575
28 Investment income		
Realized gain/(loss) (Note 28.1)	(21,360,537)	(25,596,615)
Unrealized gain/(loss) on investment (Note 28.2)	114,303,350	(109,706,142)
Dividend income (Note 28.3)	23,197,035	25,780,414
	116,139,848	(109,522,344)
28.1 Realized gain/(loss)		
Gain/(loss) on proprietary trading (dealer)	(21,515,255)	(27,691,360)
Gain/(loss) on strategic investment	154,718	2,094,744
	(21,360,537)	(25,596,615)
28.2 Unrealized gain/(loss)		
Unrealized gain/(loss) on proprietary trading (dealer)	109,320,068	(99,461,103)
Unrealized gain/(loss) on strategic investment	4,983,282	(10,245,039)
	114,303,350	(109,706,142)
28.3 Dividend income		
Dividend income from investment in exchanges (Note 28.3.1)	4,849,330	4,849,330
Dividend income from proprietary trading (dealer)	16,767,205	19,364,085
Dividend income from strategic investment	1,580,500	1,567,000
	23,197,035	25,780,414
28.3.1 Dividend income from investment in exchanges		
Dhaka Stock Exchange Limited (DSE)	2,705,665	2,705,665
Chittagong Stock Exchange Limited (CSE)	2,143,665	2,143,665
	4,849,330	4,849,330
29 Finance income		
Interest income (Note-29.1)	18,068,818	15,533,472
	18,068,818	15,533,472
29.1 Interest income		
Interest income from FDR investment	3,500,144	3,762,183
Interest income from bank accounts	12,576,649	11,346,241
Interest received from DSE for security deposit & strategic fund	1,498,017	-
Interest on employees' car loan	317,936	425,047
Interest Income on Sub-lease with BEIL	176,072	-
	18,068,818	15,533,472



	31 December 2020	31 December 2019
	Taka	Taka
30 Other income		
Gain/(loss) on sale of fixed assets	(82,515)	1,582,429
	<u>(82,515)</u>	<u>1,582,429</u>
31 Finance expense		
Bank guarantee commission	5,021,672	4,600,000
Bank interest, charges and commission	1,538,415	1,282,964
Finance charge (Interest expense- Lease Rent)	2,606,882	1,082,261
	<u>9,166,970</u>	<u>6,965,225</u>
32 Income tax expenses		
Tax on brokerage commission (Note- 32.1)	51,700,451	52,053,052
Tax other than brokerage commission	10,963,493	12,301,680
Income tax expense for the year	<u>62,663,944</u>	<u>64,354,732</u>
32.1 The amount has been deducted by Dhaka Stock Exchange Limited (DSE) & Chittagong Stock exchange Limited (CSE) from the transaction amount as per section 53BBB of the Income Tax Ordinance 1984.		
Dhaka Stock Exchange (broker)	50,031,955	48,396,786
Dhaka Stock Exchange (dealer)	149,420	839,580
Chittagong Stock Exchange (broker)	1,519,075	2,816,686
	<u>51,700,450</u>	<u>52,053,052</u>
33 Number of employees engaged for drawing remuneration		
i) Up to Taka 3000 per month	-	-
ii) Above Taka 3000 per month	111	117
	<u>111</u>	<u>117</u>

34 Financial risk management

The management has overall responsibility for the establishment and oversight of the Company's risk management framework. 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 Company's activities. The Company has exposure to the following risks from its use of financial instruments.

- credit risk
- liquidity risk
- market risk
- Currency risk
- Interest rate risk

34.1 Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivable from customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, clients are grouped according to their risk profile, i.e, their legal status, financial condition etc. Receivable from clients is the debit balance in the client ledger as a result of buy/sell of shares.

34.2 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 or another financial asset. The Company ensures that it has sufficient cash and bank balances to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, prepared based on timeline of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date.

34.3 Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

34.4 Currency risk

The Company has not entered into any transaction denominated by a currency other than the local currency during the year ended 31 December 2020.



TakaTaka**34.5 Interest rate risk**

The only interest bearing financial instrument for the Company is the short notice deposit (SND) account maintained by the Company with its commercial banks. These are highly liquid and very short term deposits with nominal interest rate. Interest rate fluctuation for such investment have little impact on financial statements. Therefore, interest rate risk for the Company is insignificant.

35 Related party transactions

During the year, the company carried out a number of transactions with related parties. In accordance with the provisions of IAS 24: Related party disclosure, these are detailed below:

Name of party	Relationship with BESL	Transactions during the year	2020 Taka	2019 Taka
BRAC EPL Investments Limited	Common Parent	357,958	735,957	1,093,915
BRAC Bank Limited	Parent Company	-	150,000	150,000
BRAC EPL Investment Limited	Common Parent	131,373	267,439	136,066
BRAC IT Services Limited	Common Parent	-	50,590	50,590

36 Events after the reporting period

The Board of Directors in its 95th Board meeting held on March 21, 2021 has proposed 20% stock dividend subject to the approval of shareholders at the next annual general meeting.



Property, plant and equipment

Annexure-1
Amount in Taka

Particulars	Cost			Rate (%)	Depreciation				Written down value as at 31 Dec 2020
	As at 1 January 2020	Additions during the year	Adjustment/ disposal		As at 31 Dec 2020	Charged during the year	Adjustment/ disposal	As at 31 Dec 2020	
Office floor space	10,472,795	-	-	2	10,472,795	209,460	-	2,148,008	8,324,787
Furniture and fixtures	10,852,089	-	1,022,392	12.5	9,829,697	481,176	1,022,392	8,251,038	1,578,659
Office decoration	52,664,168	1,499,562	11,357,708	15	42,806,022	2,410,188	9,545,519	39,922,773	2,883,249
Computers and accessories	42,631,120	304,498	7,260,814	25	35,674,804	4,305,091	7,260,364	30,405,040	5,269,764
Air coolers and ceiling fans	14,678,600	-	1,662,176	20	13,016,424	1,256,532	1,662,176	11,539,367	1,477,057
Electrical and office equipment	17,289,326	-	2,799,170	20	14,490,156	666,057	2,731,803	12,971,638	1,518,518
Vehicles	7,666,000	-	4,450,000	20	3,216,000	643,200	4,450,000	1,393,600	1,822,400
As at 31 December 2020	156,254,097	1,804,060	28,552,259		129,505,898	9,971,704	26,672,253	106,631,464	22,874,434
As at 31 December 2019	154,161,697	6,323,420	4,231,020		156,254,097	10,745,685	3,893,449	123,332,014	32,922,084

Right of use assets

Amount in Taka

Particulars	Cost			Rate (%)	Depreciation				Written down value as at 31 Dec 2020
	As at 1 January 2020	Additions during the year	Adjustment/ disposal		As at 31 Dec 2020	Charged during the year	Adjustment/ disposal	As at 31 Dec 2020	
Chattagram	5,629,682	-	2,328,075		3,301,607	664,692	-	2,304,588	997,019
Chowmuhani	2,399,952	-	704,700		1,695,252	375,871	-	912,187	783,065
Cumilla	2,085,825	831,600	377,140		2,540,285	614,370	-	1,311,544	1,228,741
Dhanmondi	11,986,468	-	3,936,501		8,049,966	1,124,376	-	3,177,668	4,872,298
DSE Annex	467,014	4,326,975	-		4,793,989	1,128,776	-	1,595,790	3,198,199
Gulshan	41,682,463	863,141	8,658,176		33,887,428	10,151,565	-	24,092,250	9,795,178
Sylhet	4,959,563	-	1,004,058		3,955,505	1,036,387	-	2,400,915	1,554,590
Motijheel (WW Tower)	19,348,534	-	19,348,534		-	3,068,247	10,274,648	-	-
As at 31 December 2020	88,559,501	6,021,716	36,357,185		58,224,032	18,164,286	10,274,648	35,794,942	22,429,090
As at 31 December 2019	-	88,559,501	-		88,559,501	27,905,304	-	27,905,304	60,654,198



Annexure - 2

BRAC EPL Stock Brokerage Limited
Allocation of profit and loss
For the year ended 31 December 2020

	Brokerage Income	Other than Brokerage Income	Total
Brokerage commission	365,317,598	-	365,317,598
Interest from margin loan	-	20,772,472	20,772,472
BO Account maintenance fees	-	4,833,250	4,833,250
Advisory fees	-	1,555,349	1,555,349
BO Account opening fees	-	2,148,156	2,148,156
Sale of BO form	-	339,515	339,515
Annual account maintenance fees	-	775,800	775,800
IPO service charges	-	176,900	176,900
Others	-	1,508,049	1,508,049
Gross revenue	365,317,598	32,109,492	397,427,090
Direct expenses	(95,316,389)	(8,391,803)	(103,708,192)
	270,001,209	23,717,689	293,718,898
Operating expenses *	(178,970,250)	(15,730,542)	(194,700,792)
	91,030,959	7,987,147	99,018,106
Financial expenses	-	(9,166,970)	(9,166,970)
Impairment loss	-	-	-
	-	(9,166,970)	(9,166,970)
Operating Profit	91,030,959	(1,179,823)	89,851,136
Non-operating income:			
Realized gain on shares	-	(21,360,537)	(21,360,537)
Unrealized gain/(Loss) on shares	-	114,303,350	114,303,350
Sale Proceeds of 25% DSE Shares	-	-	-
Bank interest	-	18,068,818	18,068,818
Share of profit of equity in associate company	-	-	-
Dividend income	-	23,197,035	23,197,035
Gain/(loss) on sale of fixed assets	-	(82,515)	(82,515)
	-	134,126,151	134,126,151
Net profit before tax	91,030,959	132,946,328	223,977,287

* Operating expenses have been allocated to Brokerage Income and other than Brokerage Income on the basis of gross revenue, percentage of gross revenue works out at 92% and 8% respectively

