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**Auditor's Report  
and  
Audited Financial Statements  
of  
BRAC EPL Investments Limited**

**For the period ended 31 December 2018**

***A. QASEM & Co.***

**Chartered Accountants**

**Since 1953**

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Ernst & Young Global Limited**



## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of BRAC EPL Investments Limited**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of BRAC EPL Investments Limited (the Company), which comprise the statement of financial position as at 31 December 2018, 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 2018, 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 auditor's report thereon. The Annual Report of its parent-BRAC Bank Limited 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 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.

## **Auditor's 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 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 consolidated and separate 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 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.
- 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.

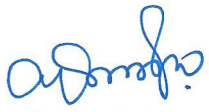
### **Report on Other Legal and Regulatory Requirements**

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 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.

Dated, Dhaka  
31 January 2019


  
**A. Qasem & Co.**  
Chartered Accountants




**BRAC EPL Investments Limited**  
**Statement of Financial Position**  
**As at 31 December 2018**

	Notes	2018 Taka	2017 Taka
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	8,872,028	7,203,370
Investment in associate company	6	15,676,040	15,526,676
Deferred tax assets	7	282,156,146	282,647,551
		<b>306,704,215</b>	<b>305,377,597</b>
<b>Current assets</b>			
Account receivables	8	27,928,847	16,528,035
Inter-company receivables	9	21,022	2,101,350
Other receivables		10,376,907	3,246,315
Investment in quoted securities	10	1,142,452,451	1,356,164,306
Advance income tax	11	18,608,816	14,748,510
Loans and advances to customers	12	1,703,219,146	1,722,386,221
Accrued interest and management fees receivable	13	332,702,889	313,417,017
Advances, deposits and prepayments	14	5,688,435	7,180,295
Cash and cash equivalents	15	14,054,573	40,721,893
		<b>3,255,053,087</b>	<b>3,476,493,943</b>
<b>Total assets</b>		<b>3,561,757,301</b>	<b>3,781,871,540</b>
<b>Equity and Liabilities</b>			
<b>Shareholders' equity</b>			
Share capital	16	2,585,000,000	2,585,000,000
Share premium		436,825,951	436,825,951
Retained earnings		(1,907,652,764)	(1,689,313,634)
Shareholders' equity		<b>1,114,173,187</b>	<b>1,332,512,317</b>
<b>Current liabilities</b>			
Customer deposits	17	94,838,032	343,191,760
Bank overdrafts	18	799,265,809	772,117,975
Short term loan	19	470,000,000	220,000,000
Account payables	20	9,716,578	31,934,404
Other liabilities	21	1,069,765,583	1,079,046,889
Provision for taxation	22	2,970,757	2,072,644
Inter-company payable	23	1,027,356	995,551
		<b>2,447,584,114</b>	<b>2,449,359,223</b>
<b>Total equity and liabilities</b>		<b>3,561,757,301</b>	<b>3,781,871,540</b>

These financial statements should be read in conjunction with annexed notes 1 to 34

  
**Chief Executive Officer**

  
**Director**

  
**Chairman**



**A. Qasem & Co.**

**Chartered Accountants**

Dated, Dhaka  
31 January 2019



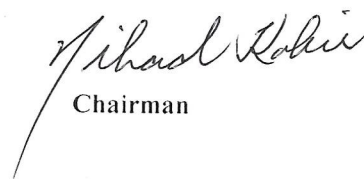
**BRAC EPL Investments Limited**  
**Statement of Profit or Loss & Other Comprehensive Income**  
**For the year ended 31 December 2018**

	Notes	2018 Taka	2017 Taka
<b>Revenue</b>			
Interest income from margin loan		73,782,773	156,836,025
Interest expenses	24	(115,227,974)	(75,887,801)
<b>Net interest income (A)</b>		<b>(41,445,201)</b>	<b>80,948,224</b>
Fee and commission income	25	39,261,163	71,649,270
Fee and commission expenses	26	(8,406,656)	(23,011,291)
<b>Net fee and commission income (B)</b>		<b>30,854,507</b>	<b>48,637,979</b>
(Loss)/gain from investment in securities	27	(173,099,069)	158,311,818
Other operating income/(loss)	28	27,083,036	(939,551,130)
<b>Net (loss)/gain from investment in securities (C)</b>		<b>(146,016,033)</b>	<b>(781,239,312)</b>
<b>Total operating income/(loss) (A+B+C)</b>		<b>(156,606,727)</b>	<b>(651,653,109)</b>
Operating expenses	29	(56,637,885)	(95,569,702)
Depreciation & amortization	5	(2,413,190)	(2,230,477)
<b>Operating profit/(loss) (D)</b>		<b>(215,657,802)</b>	<b>(749,453,289)</b>
Finance income		113,116	151,748
Financial expenses	30	(547,790)	(665,248)
<b>Net finance income (E)</b>		<b>(434,674)</b>	<b>(513,500)</b>
Share of profit of equity in associate company (F)		149,364	157,249
Impairment loss on investment in unquoted securities (G)			
<b>Profit/(loss) before provisions (D+E+F+G)</b>		<b>(215,943,112)</b>	<b>(749,809,540)</b>
Provision for loans and advances	21.1		
<b>Loss before tax</b>		<b>(215,943,112)</b>	<b>(749,809,540)</b>
Tax expenses	31	2,396,018	(259,947,464)
<b>Loss after tax</b>		<b>(218,339,130)</b>	<b>(489,862,076)</b>
Other comprehensive Income			
<b>Total loss</b>		<b>(218,339,130)</b>	<b>(489,862,076)</b>


These financial statements should be read in conjunction with annexed notes 1 to 34

  
**Chief Executive Officer**

  
**Director**

  
**Chairman**

Dated, Dhaka  
31 January 2019


  
**A. Qasem & Co.**  
**Chartered Accountants**




**BRAC EPL Investments Limited**  
**Statement of Changes in Equity**  
**For the year ended 31 December 2018**

*Amount in Taka*


Particulars	Share capital	Share premium	Retained earnings	Total
Balance as on 1 January 2017	2,585,000,000	436,825,951	(1,199,451,558)	1,822,374,393
Total comprehensive income for the year 2017	-	-	(489,862,076)	(489,862,076)
<b>Balance as on 31 December 2017</b>	<b>2,585,000,000</b>	<b>436,825,951</b>	<b>(1,689,313,634)</b>	<b>1,332,512,317</b>
Total comprehensive income for the year 2018	-	-	(218,339,130)	(218,339,130)
<b>Balance as on 31 December 2018</b>	<b>2,585,000,000</b>	<b>436,825,951</b>	<b>(1,907,652,764)</b>	<b>1,114,173,187</b>

  
**Chief Executive Officer**

  
**Director**

  
**Chairman**

Dated, Dhaka  
31 January 2019

  
**A. Qasem & Co.**  
**Chartered Accountants**



**BRAC EPL Investments Limited**  
**Statement of Cash Flows**  
**For the year ended 31 December 2018**

**A. Operating activities**

	2018 Taka	2017 Taka
Net profit before tax	(215,943,112)	(749,809,540)
<i>Add: Items not involving in movement of cash:</i>		
Depreciation on property, plant and equipment	2,295,885	2,178,341
Amortization of intangible asset	117,305	52,136
Gain on disposal of property, plant and equipment	(2,842,200)	
Bad debt expenses		18,884,606
Fair value adjustments for fall in values of investment in securities	192,772,006	(58,596,125)
Share of profit of equity in associate company	(149,364)	(157,249)
	<b>192,193,632</b>	<b>(37,638,291)</b>
Income tax paid	(4,866,806)	(10,167,876)
<b>Operating (loss)/profit before changes in working capital</b>	<b>(28,616,285)</b>	<b>(797,615,707)</b>
Changes in working capital :		
(Increase)/decrease in loan and advances to customers	19,167,075	1,894,001,998
(Increase)/decrease in accrued interest and mgt. fees receivable	(19,285,872)	415,189,619
(Increase)/decrease in account receivables	(11,400,812)	(5,853,422)
(Increase)/decrease in advance, deposits and prepayments	1,491,860	(3,924,044)
(Increase)/decrease in inter-company receivable	2,080,328	(837,109)
(Increase)/decrease in other receivables	(7,130,592)	(3,246,315)
Increase/(decrease) in customer deposits	(248,353,728)	276,558,077
Increase/(decrease) in account payables	(22,217,826)	(14,776,561)
Increase/(decrease) in inter-company payable	31,805	84,085
Increase/(decrease) in other liabilities	(9,281,306)	860,728
	<b>(294,899,068)</b>	<b>2,558,057,055</b>
<b>Net cash (used)/from operating activities (A)</b>	<b>(323,515,353)</b>	<b>1,760,441,348</b>

**B. Cash flows from Investing activities:**

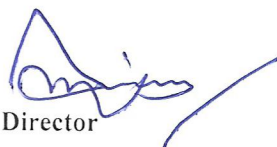
Acquisition of property, plant and equipment	(4,081,850)	(438,328)
Disposal of property, plant and equipment	2,842,200	-
Sale/(purchase) of investment securities	20,939,849	(1,183,285,188)
<b>Net cash used in investing activities (B)</b>	<b>19,700,199</b>	<b>(1,183,723,517)</b>

**C. Cash flows from Financing activities**

Receipt/(repayment) of bank overdraft	27,147,834	(164,239,593)
Receipt/(repayment) of short term loans	250,000,000	(559,211,617)
Receipt/(repayment) of revolving time loan		-
Capital lease obligation paid		-
Share Capital Increased		-
<b>Net cash from/(used) in financing activities (C)</b>	<b>277,147,834</b>	<b>(723,451,210)</b>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<b>(26,667,321)</b>	<b>(146,733,378)</b>
Cash and cash equivalents at the beginning of the year	40,721,893	187,455,271
<b>Cash and cash equivalents at the end of the year</b>	<b>14,054,573</b>	<b>40,721,893</b>



Chief Executive Officer



Director



Chairman





**BRAC EPL Investments Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

**1.0 Background and legal status**

BRAC EPL Investments Limited (hereinafter referred to as "the Company" or BEIL ) was incorporated in Bangladesh on 18 April 2000 as a private limited company under the Companies Act 1994 initially in the name of Equity Partners Limited, the name of which was changed to BRAC EPL Investments Limited on 4 October 2009. BRAC Bank Limited acquired 51% of its equity in August 2009 and a further 25% in May 2011. In 30 June 2016 BRAC Bank Limited subscribed 200 million shares further to increase BEIL's paid up capital. BRAC Bank Limited currently holding 99.85% of shares of BEIL's total subscribed shares. On 11 February 2010 a new Merchant Banker Registration Certificate was issued in favour of BRAC EPL Investments Limited which allows the organization to perform the various activities including issue management, underwriting and portfolio management. The company was converted to a public limited company on 4 November 2012. The registered office of the Company is located at Concord Baksh Tower, 8 th floor, Plot 11/A, Road-48, Kamal Atartuk Avenue, Gulshan-2. Dhaka-1212

**1.1 Nature of business**

BEIL delivers a whole range of investment banking services including traditional merchant banking activities such as issue management, underwriting and portfolio management. The Company also delivers value-added services such as wealth management, corporate advisory and corporate finance.

**2.0 Basis of preparation of financial statements**

**2.1 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 (IFRSs), the Companies Act 1994, Securities & Exchange Commission Ordinance-1969, Securities & Exchange Commission Act 1993, Depository (User) Regulation-2003 and other applicable laws and regulations.

**2.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis except for investments in quoted shares which have been measured at "Marked to Market" in accordance with IFRS 9: *Financial Instruments*.

**2.3 Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS 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.

**3.0 Summary of significant accounting policies**

**3.1 Financial assets and liabilities**

***Recognition***

The Company initially recognizes loans and advances and deposits on the date that they are originated. All other financial assets and liabilities are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.



### ***Derecognition***

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

### ***Identification and measurement of impairment***

At each financial position date the Company assesses whether there is an objective evidence that financial assets not carried at fair value through profit and loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower and a significant downturn in the active market for a security.

Impairment losses on financial assets are measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows of that asset. Losses are recognized in statement of comprehensive income and reflected as an allowances against loans and advances.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through statement of comprehensive income.

## **3.2 Recognition of property, plant and equipment (PPE)**

The cost of an item of property, plant and equipment is recognized as an assets if and only if is probable that future economic benefits associated with the item will flow to the entity, and the cost of the item can be measured reliably.

Property, plant and equipment have been accounted for at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs of enhancement of an existing assets are recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to statement of comprehensive income during the financial period in which they are incurred.

## **3.3 Depreciation of property, plant and equipment (PPE)**

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

<b><u>Name of the assets</u></b>	<b><u>Rates</u></b>
Furniture and fixtures	10%-33.33%
Office floor space	5%-20%
Motor vehicles	20%
Leasehold improvement	15%-33.33%
IT equipment	10%-50%
Office equipment	10%-50%
Software	33.33%





### 3.4 Investments

The Company holds investment securities which are both actively traded in a quoted market and those which are unquoted.

#### (a) Fair value through profit or loss

Investments in shares which are actively traded on a quoted market are designated at fair value through statement of comprehensive income. Gains or losses arising from a change in the fair value of such financial assets are recognized in the statement of comprehensive income.

#### (b) Fair value through other comprehensive income

Investments in shares which are not actively traded on a quoted market are designated as fair value through OCI. Since their fair values cannot be reliably measured, these are held at cost.

### 3.5 Taxation

The Company current tax has been calculated on the basis of the Finance Act 2018.

### 3.6 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value and subsequently measured at amortized cost.

### 3.7 Customer deposits

Customer deposits consist of funds provided by customers which have not yet been used to invest in securities. These are initially measured at fair value and subsequently measured at amortized cost.

### 3.8 Provision

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### 3.8.1 Income in suspense

Income from loans and advances is moved to suspense account when reasonable doubt is established over its recoverability.

### 3.9 Revenue recognition

#### 3.9.1 Interest income

Interest income is recognized in the statement of comprehensive income using the effective interest method. Interest is accrued on a daily basis and applied to customer's account every quarter.

Interest income on negative equity accounts is recognised on the basis of expected recovery in the normal course of business.

#### 3.9.2 Fee and commission income

Fees and commission income are recognized at the later of when the corresponding service is provided and when management feel that all necessary procedures in connection with such activity is completed.

#### 3.9.3 Investment in associates

Investment in associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 25% to 50% of the voting power of another entity.

#### 3.9.4 Dividend income

Dividend income is recognized when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities.



### **3.9.5 Finance income**

Finance income comprises of interest income on fixed deposits and savings accounts. Interest income is recognized as it accrues, using the effective interest method.

## **4.0 Financial Risk Management**

The Company has exposure to the following risks from its use of financial instruments:

- \*\* Credit risk
- \*\* Liquidity risk
- \*\* Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors (BOD) has overall responsibility for the establishment and oversight of the Company's risk management framework.

### **4.1 Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's loans and advances to customers and investment securities. These loans and advances are fully backed by the securities held by the customer as the average margin loan to customer deposit ratio stood at 0.9/1.0.

With respect to credit risk arising from the other financial assets of the Company, the maximum exposure is equal to the carrying amounts of the financial assets.

### **4.2 Settlement Risk**

The Company's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of losses due to failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For such transactions the Company only allows the purchase of tradable securities if the customer has adequate cash/purchase power beforehand.

### **4.3 Liquidity Risk**

The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities.

Under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Board.

### **4.4 Market Risk**

A key market risk for the Company is the volatility in price movements of traded securities. The objectives of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

The Company is subject to various market risks, including risks from interest and currency exchange rates.





#### **4.4.1 Interest Rate Risk**

The Company relies heavily on borrowed funds from the money markets to fund its margin loans. Any hikes in interest rates in the money markets will increase its cost of funds and reduce the interest rate spread that the Company earns on its margin loans.

Interest rate risks are primarily managed through monitoring of interest rate gaps and re-pricing of products in the MANCOM which is the monitoring body for such strategies and is assisted by Treasury on a day-to-day basis.

#### **4.5 Capital Management**

The Company's objective when managing capital is to maintain a capital structure that provides a balance between the risk associated with higher level of borrowings and the advantages and security of a sound capital position.

There were no changes in the BOD's approach to capital management during the year. The Company is not subject to any externally-imposed capital requirements.

#### **4.6 General**

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



5 Property, plant and equipment- at cost less accumulated depreciation

Amount in Taka

Assets	Cost				Rate of depreciation	Depreciation				Written down value at 31 December 2018	Written down value at 31 December 2017
	Balance on 1 January 2018	Additions during the year	Adjustment during the year	Balance on 31 December 2018		Balance on 01 January 2018	Charged during the Period	Adjustment during the year	Balance on 31 December 2018		
Furniture & fittings	4,394,050	-	-	4,394,050	10%-33.33%	4,331,768	7,000	-	4,338,768	55,282	62,282
Office floor space	6,348,797	-	-	6,348,797	5%-20%	2,408,346	314,087	-	2,722,434	3,626,363	3,940,451
Motor vehicles	14,577,281	3,847,240	6,320,181	12,104,340	20%	11,790,961	1,789,967	6,320,181	7,260,747	4,843,593	2,786,320
Leasehold improvement	600,940	-	-	600,940	15%-33.33%	600,940	-	-	600,940	-	-
IT equipment	14,233,271	-	-	14,233,271	10%-50%	14,077,510	134,119	-	14,211,629	21,642	155,761
Office equipment	9,857,480	-	-	9,857,480	10%-50%	9,781,399	50,712	-	9,832,111	25,369	76,081
Total 2018	50,011,819	3,847,240	6,320,181	47,538,878		42,990,924	2,295,885	6,320,181	38,966,629	8,572,250	7,020,895
Total 2017	97,857,754	203,718	48,049,653	50,011,819		88,862,236	2,178,341	48,049,653	42,990,924	7,020,895	

5.1 Intangible assets

Assets	Cost				Rate of depreciation 33.33%	Amortization				Written down value at 31 December 2018	Written down value at 31 December 2017
	Balance on 1 January 2018	Additions during the year	Adjustment during the year	Balance on 31 December 2018		Balance on 01 January 2018	Charged during the Period	Adjustment during the year	Balance on 31 December 2018		
Software	234,610	234,610	-	469,220		52,136	117,305		169,441		
Total 2018	234,610	234,610	-	469,220		52,136	117,305		169,441	299,779	
Total 2017	234,610	-	-	234,610		-	52,136		52,136	182,475	



Balance as at 31 Dec 2018	Balance as at 31 Dec 2017
Taka	Taka

## 6 Investment in associate company

BRAC Asset Management Company Limited	15,526,676	15,369,427
Profit for the period	149,364	157,249
	<b>15,676,040</b>	<b>15,526,676</b>

In 2010, the company along with other BRAC entities, invested Taka 12,500,000 in BRAC Asset Management Company Limited which represents 25% of the paid up capital of the company. BRAC Asset Management did not start operation during the year 2011 to 31 December 2018 due to pending regulatory approval.

## 7 Deferred tax assets

<b>282,156,146</b>	<b>282,647,551</b>
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Deferred tax has been recognized in accordance with the provision of IAS 12 based on temporary differences arising due to difference in the carrying amount of the assets or liabilities and their tax base. Related tax income / expense has been recognised in the Profit and Loss account.

### 7.1 Deferred tax on temporary differences

(i) Deductible temporary differences		
Property, plant and equipment	(2,606,850)	(3,917,263)
(ii) Taxable temporary difference		
Finance lease obligations		
Net taxable temporary differences	(2,606,850)	(3,917,263)
<b>Deferred tax asset</b>	<b>(977,569)</b>	<b>(1,468,974)</b>
Net taxable temporary differences	(2,606,850)	(3,917,263)
Tax rate	37.50%	37.50%
Deferred tax asset as at 31 December	(977,569)	(1,468,974)
Less: opening balance as at 1 January	1,468,974	9,318,000
<b>Deferred tax expense /(income)</b>	<b>491,405</b>	<b>7,849,026</b>

### 7.2 Net Operating loss carry forwards

Operation income/(loss) before provision	-	(749,809,540)
Tax rate	37.50%	37.50%
Deferred tax asset as at 31 December	(281,178,577)	(281,178,577)
Less: opening balance as at 1 January	-	-
<b>Deferred tax expense /(income) from operating loss</b>		<b>(281,178,577)</b>
<b>Total deferred tax expense /(income)</b>	<b>491,405</b>	<b>(273,329,551)</b>

## 8 Account receivables

Portfolio Management Department (PMD) (Note-8.1)	3,528,400	3,656,338
Structured Finance Department (SFD) (Note-8.3)	24,400,447	12,871,697
	<b>27,928,847</b>	<b>16,528,035</b>

### 8.1 Portfolio Management Department (PMD)

Receivable from brokerage for client trading	3,528,400	3,656,338
Receivable from brokerage for own investment		-
	<b>3,528,400</b>	<b>3,656,338</b>

PMD's receivables consist mainly of net receivables from brokers for daily sale and buy transactions of clients. These are cleared every 3 working days.



Balance as at 31 Dec 2018	Balance as at 31 Dec 2017
Taka	Taka

## 8.2 Structured Finance Department (SFD)

Debt arrangement fees	22,096,822	10,568,072
Corporate advisory fees	2,303,625	2,303,625
	<b>24,400,447</b>	<b>12,871,697</b>

## 9 Inter-company receivables

BRAC EPL Stock Brokerage Limited	21,022	34,500
BRAC Asset Management Company Limited	-	966,850
BRAC Impact Ventures Limited	-	1,100,000
	<b>21,022</b>	<b>2,101,350</b>

## 10 Investment in quoted securities

<b>1,142,452,451</b>	<b>1,356,164,306</b>
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The company invests in quoted securities, traded on the secondary capital market in Bangladesh. At the reporting date these are recognized at market value on aggregate basis. As per IFRS 9: Financial Instruments, these have been classified as fair value through profit or loss where gains or losses arising from a change in the fair value of such financial assets are recognized in the statement of comprehensive income.

## 11 Advance income tax

Opening balance	14,748,510	16,514,787
Add: paid during the year	3,860,306	3,469,492
	<b>18,608,816</b>	<b>19,984,279</b>
Less: adjusted during the year	-	5,235,769
	<b>18,608,816</b>	<b>14,748,510</b>

## 12 Loans and advances to customers

Opening balance	1,722,386,221	3,616,388,219
Increase / (decrease) during the year	(19,167,075)	(1,894,001,998)
	<b>1,703,219,146</b>	<b>1,722,386,221</b>

At reporting date, the aggregate market value of stocks held in customer portfolios amounted to Tk.1,801,712,947 which exceeded the total margin loans of Tk.1,703,219,146 resulting in an overall surplus of Tk.98,493,801. Management has successfully taken efforts to attract fresh deposits from accountholders and realized outstanding charges.

## 13 Accrued interest and management fees receivable

Accrued interest receivable	317,373,625	290,386,010
Accrued management fees receivable	15,329,265	23,031,008
	<b>332,702,889</b>	<b>313,417,017</b>

Accrued interest receivable and accrued portfolio management fee is deducted from client's account on every calendar quarter and adjusted with client's purchase power accordingly.

## 14 Advances, deposits and prepayments

<b>Advances</b>		
Staff loans		28,423
General suppliers	206,258	318,823
	<b>206,258</b>	<b>347,246</b>
<b>Deposits</b>		
Regulators	314,500	314,500
Pre- IPO	3,529,965	4,713,400
	<b>3,844,465</b>	<b>5,027,900</b>
<b>Prepayments</b>		
Office rent	1,637,712	1,805,150
	<b>5,688,435</b>	<b>7,180,295</b>





Balance as at 31 Dec 2018	Balance as at 31 Dec 2017
Taka	Taka

## 15 Cash and cash equivalents

Cash in hand	98,868.00	71,882.00
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### Balance with Banks

BRAC Bank Limited	7,659,807	5,801,776
Standard Chartered Bank	5,211,796	32,034,288
NRB Commercial Bank Limited	511,992	509,053
NRB Bank Limited	1,667	603,317
One Bank Limited	468,854	1,597,554
Standard Bank Limited	5,369	6,539
Midland Bank	96,220	97,485
	<b>14,054,573</b>	<b>40,721,893</b>

## 16 Share capital

### 16.1 Authorized share capital

300,000,000 ordinary shares of Taka 10 each	3,000,000,000	3,000,000,000
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### 16.2 Issued, subscribed and paid-up share capital

258,500,000 ordinary shares of Taka 10 each	2,585,000,000	2,585,000,000
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The company's shareholding position as at 31 December was as follows:

Name of shareholders	Nationality/ Incorporated in	No of shares	Face value per share	Amount Taka	Amount Taka
BRAC Bank Ltd.	Bangladesh	258,100,078	10	2,581,000,780	2,581,000,780
Other individual shareholders	Various	399,922		3,999,220	3,999,220
		<b>258,500,000</b>		<b>2,585,000,000</b>	<b>2,585,000,000</b>

As per Form-117, BRAC Bank Limited (hereinafter called the "said Transferee") acquired shares from the minority shareholders on 19th November 2017. Now BRAC Bank Limited currently holding 99.85% of shares of BEIL's total subscribed shares.

## 17 Customer deposits

Opening balance	343,191,760	66,633,683
Change during the year	(248,353,728)	276,558,077
	<b>94,838,032</b>	<b>343,191,760</b>

Customer deposits represent un invested funds lying in the company's account at the reporting date.



Balance as at 31 Dec 2018	Balance as at 31 Dec 2017
Taka	Taka

# 18 Bank overdrafts

BRAC Bank Limited	799,265,809	772,117,975
IFIC Bank Limited		
One Bank Limited		
Standard Bank Limited		-
United Commercial Bank Limited		
NRB Commercial Bank Limited		
	<u>799,265,809</u>	<u>772,117,975</u>

*The terms and conditions of the bank overdraft are as follows:*

## BRAC Bank Limited

Type of facility	: Overdraft 1- renewal
Facility limit	: BDT 800,000,000 (BDT eight hundred million) only.
Repayment procedures	: From operational cash flow/or own sources of borrower.
Maximum tenor	: On demand
Purpose	: To meet day to day operational activities.
Expiry	: 29 March 2019

# 19 Short term loan

	<u>470,000,000</u>	<u>220,000,000</u>
Opening balance	220,000,000	680,000,000
19.1 Add: received during the year	970,000,000	690,000,000
	<u>1,190,000,000</u>	<u>1,370,000,000</u>
Less: payment	720,000,000	1,150,000,000
	<u>470,000,000</u>	<u>220,000,000</u>

*The terms and conditions of the loan taken from BRAC Bank Limited are as follows:*

Loan limit	: BDT 700,000,000 (BDT seven 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 funding requirement for margin lending.
Expiry	: 29 March 2019

# 20 Account payables

Broker for client trading	3,269,339	3,408,549
VAT on fee income	5,791,736	4,287,986
Payable for other PMD activities	883	6,061
Broker for Own Investment		23,393,695
Tax deducted at source from salaries and allowances	219,146	337,451
Tax deducted at source from suppliers	84,093	83,126
Withholding VAT on office rent	-	-
Withholding VAT on suppliers' payments	310,534	378,728
Tax deducted at source from office rent	40,848	38,808
	<u>9,716,578</u>	<u>31,934,404</u>



Balance as at 31 Dec 2018	Balance as at 31 Dec 2017
Taka	Taka

## 21 Other liabilities

Provision for loans and advances (Note 21.1)	1,059,064,609	1,059,064,609
Sales receivable in transit	4,905,854	7,403,908
Salaries & Other payable	-	6,500,000
CDBL charges	19,970	59,414
Office maintenance	5,068,921	5,357,730
Audit fees	198,000	198,000
IT expenses	211,386	211,386
Telephone and mobile expenses	21,099	21,099
Rent	55,813	55,813
Security services	(4,644)	(4,644)
Legal and professional fees	215,574	170,574
Repair and maintenance	-	-
Printing- Postage & Stationery	9,001	9,001
Advertisement	-	-
Other payable	-	-
	<b>1,069,765,583</b>	<b>1,079,046,889</b>

### 21.1 Provision for loans and advances

Opening balance	1,059,064,609	1,059,064,609
Provision made during the year	-	-
Provision released during the year	-	-
Closing balance	<b>1,059,064,609</b>	<b>1,059,064,609</b>

A provision has been made of BDT 1,059,064,609 which represents 52% of the total shortfall between the aggregate value of the portfolio and the loans extended on these accounts. BSEC circular SEC/CMRRCD/2009-193/196 dated 28 December 2016 requires a 20% provision on such shortfall at 31 December 2016.

## 22 Provision for taxation

Opening balance	2,072,644	624,709
Add : provision made during the year	898,113	2,072,644
	<b>2,970,757</b>	<b>2,697,353</b>
Less: paid/adjusted during the year	-	624,709
	<b>2,970,757</b>	<b>2,072,644</b>

## 23 Inter-company payable

BRAC Asset Management Company Limited	400,000	-
BRAC EPL Stock Brokerage Ltd.	627,356	995,551
	<b>1,027,356</b>	<b>995,551</b>

## 24 Interest expenses

BRAC Bank Limited	115,227,974	74,717,324
Standard Bank Limited	-	1,170,477
	<b>115,227,974</b>	<b>75,887,801</b>

## 25 Fee and commission income

Portfolio Management Department (PMD) (note-25.1)	25,791,163	69,349,270
Structured Finance Department (SFD) (note-25.2)	13,470,000	2,300,000
	<b>39,261,163</b>	<b>71,649,270</b>

### 25.1 Portfolio Management Department (PMD)

Settlement fees	15,574,432	45,877,571
Management fees	9,944,911	23,013,659
BO maintenance fees	231,050	407,900
Documentation fees	16,300	39,200
Commission income from IPO	24,470	10,940
	<b>25,791,163</b>	<b>69,349,270</b>



Balance as at 31 Dec 2018	Balance as at 31 Dec 2017
Taka	Taka

## 25.2 Structured Finance Department (SFD)

Debt arrangement fees	11,625,000	500,000
Corporate advisory fees	1,845,000	1,800,000
	<b>13,470,000</b>	<b>2,300,000</b>

## 26 Fee and commission expenses

Brokerage commission cost	8,406,656	23,011,291
	<b>8,406,656</b>	<b>23,011,291</b>

## 27 (Loss)/Income from investment in securities

Realized (loss)/ gain during the year	19,672,937	99,715,693
Fair value adjustment at reporting date	(192,772,006)	58,596,125
	<b>(173,099,069)</b>	<b>158,311,818</b>

## 28 Other operating income/(loss)

Dividend income	24,240,836	19,218,830
Interest income on staff loan	-	7,817
Gain on disposal of property, plant and equipment	2,842,200	-
Unrealized Interest and fees from negative equities customers written-off during the year	-	(958,781,777)
Others	-	4,000
	<b>27,083,036</b>	<b>(939,551,130)</b>

## 29 Operating expenses

Salaries and allowances	31,895,367	35,655,955
Other personnel expenses	1,939,633	11,315,735
Rental expenses	9,446,816	8,984,540
Utilities, maintenance and running expenses	7,165,781	6,105,168
CDBL expenses	537,164	1,823,915
Legal and professional fees	1,578,100	1,896,700
Telephone, communication and IT expenses	1,400,862	2,201,216
Bad debt expenses		18,884,606
Printing and stationery	318,137	373,834
Travelling and conveyance	168,844	279,653
Vehicle maintenance expenses	298,544	1,171,040
Entertainment expenses	359,928	4,783,628
Training and development expenses	-	92,950
Meeting expenses	308,334	359,667
License and renewal fees	242,392	257,572
Audit fees	253,000	253,000
Regulatory fees	200,000	157,500
Insurance	524,983	973,023
	<b>56,637,885</b>	<b>95,569,702</b>

## 30 Financial expenses

Bank charges and commission	547,790	665,248
	<b>547,790</b>	<b>665,248</b>





Balance as at 31 Dec 2018	Balance as at 31 Dec 2017
Taka	Taka

### 31 Tax expenses

Prior year taxes	1,006,500	11,309,444
Current year taxes	898,113	2,072,644
Deferred tax (income)/expense	491,405	(273,329,551)
	<b>2,396,018</b>	<b>(259,947,464)</b>

### 32 Number of employees

During the period 29 permanent employees were in the employment with the company whose earning was Taka 36,000 or more per annum.

### 33 Related party transactions

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

Name of party	Nature of transactions	2018 Taka	2017 Taka
BRAC Bank Limited	Loans and borrowings	1,269,265,809	992,117,975.00
BRAC EPL Stock Brokerage Limited	Expenses payable	627,356	995,551
BRAC EPL Stock Brokerage Limited	Receivable	21,022	34,500
BRAC Asset Management Company Ltd.	Reimbursable expenses		966,850
BRAC Asset Management Company Ltd.	Expense payable	400,000	-
BRAC IT Services Limited	Internet exp payable	-	23,800

### 34 Events after the reporting date

No subsequent events were noted for which adjustments or disclosures are required in accordance with IAS 10.

