

**Auditor's Report  
&  
Audited Financial Statements  
of  
BRAC EPL Stock Brokerage Limited  
For the year ended 31 December 2018**

**INDEPENDENT AUDITOR'S 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 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 misstatements, 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**

In accordance with the Companies Act, 1994, the Securities and Exchange Commission Act, 1993 and the Securities and Exchange Commission Rules, 1987, we also report the following:

- (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  
10 March 2019

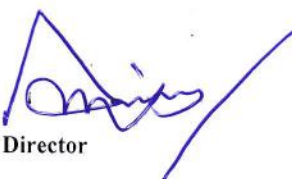
  
A. Qasem & Co.  
Chartered Accountants

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

<b>Assets</b>	<b>Notes</b>	<b>2018 Taka</b>	<b>2017 Taka</b>
<b>Non-current assets</b>			
Property, plant and equipment	5	37,681,920	33,875,497
Intangible assets	6	922,688	327,202
Membership at cost	7	-	11,027,750
Investment in associate company	8	15,224,510	15,081,120
Investment in DSE & CSE	9	96,986,595	46,009,744
<b>Total non-current assets</b>		<b>150,815,713</b>	<b>106,321,313</b>
<b>Current assets</b>			
Investment in shares	10	543,827,302	509,704,480
Account receivables	11	151,190,669	1,617,291,759
Inter-company receivables	12	777,356	22,698,404
Margin loan receivables	13	170,693,561	141,341,986
Advances, deposits and prepayments	14	489,621,906	396,249,856
Other receivables	15	1,050,428	4,458,576
Investment in FDRs	16	62,787,881	128,977,967
Cash and cash equivalents	17	446,355,701	174,475,837
<b>Total current assets</b>		<b>1,866,304,803</b>	<b>2,995,198,865</b>
<b>Total assets</b>		<b>2,017,120,516</b>	<b>3,101,520,178</b>
<b>Equity and liabilities</b>			
<b>Shareholder's equity</b>			
Share capital	18	700,953,800	700,953,800
Retained earnings		256,893,197	232,929,645
Revaluation reserve for TREC license	19	87,688,970	-
<b>Total equity</b>		<b>1,045,535,967</b>	<b>933,883,445</b>
<b>Non-current liabilities</b>			
Defined benefit obligations		-	2,392,592
		-	2,392,592
<b>Current liabilities</b>			
Account payables	20	440,068,033	1,649,696,268
Investment suspense account	21	-	46,009,744
Inter-company payables	22	571,612	2,085,090
Liability for expenses	23	59,854,256	74,110,350
Provision for income tax	24	471,090,647	393,342,689
<b>Total current liabilities</b>		<b>971,584,548</b>	<b>2,165,244,141</b>
<b>Total liabilities</b>		<b>971,584,548</b>	<b>2,167,636,733</b>
<b>Total equity and liabilities</b>		<b>2,017,120,516</b>	<b>3,101,520,178</b>

The annexed notes 1 to 35 form an integral part of these financial statements.


  
**Chief Executive Officer**

  
**Director**

  
**Chairperson**

Dhaka,  
10 March '2019



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

**BRAC EPL Stock Brokerage Limited**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 31 December 2018**

	<u>Notes</u>	<u>2018</u> <u>Taka</u>	<u>2017</u> <u>Taka</u>
<b>Service Revenue</b>	25	494,467,299	564,786,185
Direct expenses	26	(142,597,238)	(138,379,466)
<b>Gross profit</b>		<b>351,870,061</b>	<b>426,406,720</b>
Operating expenses	27	(230,818,822)	(259,974,716)
<b>Operating profit</b>		<b>121,051,239</b>	<b>166,432,004</b>
Other income	28	2,546,214	-
Finance income	29	(15,231,261)	134,369,150
Finance expenses	30	(6,798,071)	(6,192,929)
Share of profit of equity in associate company	8	143,389	150,959
<b>Profit before tax</b>		<b>101,711,509</b>	<b>294,759,183</b>
Income tax expenses	31	(77,747,957)	(90,035,120)
<b>Net profit after tax</b>		<b>23,963,552</b>	<b>204,724,064</b>
<b>Other comprehensive income</b>			
Items that will never be reclassified to profit or loss		-	-
Items that are or may be reclassified to profit or loss		-	-
<b>Other comprehensive income, net of tax</b>		-	-
<b>Total comprehensive income/(loss)</b>		-	-

The annexed notes 1 to 35 form an integral part of these financial statements.

Allocation of income between Brokerage Income and Other than Brokerage Income has been shown in Annexure-I which is also an integral part of these financial statements.


  
**Chief Executive Officer**

  
**Director**

  
**Chairperson**

Dhaka,  
10 March '2019




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

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


	<b>2018</b>	<b>2017</b>
	<b><u>Taka</u></b>	<b><u>Taka</u></b>
<b>A. Cash flows from operating activities:</b>		
Commission, interest and others received	552,255,890	608,670,487
Payments for creditors and other expenses	(379,681,859)	(414,093,134)
Loans and advances	240,611,666	(253,830,651)
<b>Cash generated from operating activities</b>	<b>413,185,697</b>	<b>(59,253,298)</b>
Other income	(3,278,229)	160,678,642
Income tax paid	(84,868,131)	(78,329,493)
<b>Cash generated used in other operating activities</b>	<b>(88,146,359)</b>	<b>82,349,149</b>
<b>Net cash flows from operating activities</b>	<b>325,039,337</b>	<b>23,095,851</b>
<b>B. Cash flows from investing activities:</b>		
Acquisition of fixed assets	(14,838,581)	(21,644,845)
Sale of fixed assets	2,600,000	-
Redemption/investment in zero coupon bond	-	-
Investment in shares	(34,122,822)	(231,312,059)
<b>Net cash flows (used)/from investing activities</b>	<b>(46,361,403)</b>	<b>(252,956,904)</b>
<b>C. Cash flows from financing activities:</b>		
Finance cost	(6,798,071)	(6,192,929)
<b>Net cash used in financing activities</b>	<b>(6,798,071)</b>	<b>(6,192,929)</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>271,879,863</b>	<b>(236,053,982)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>174,475,837</b>	<b>410,529,819</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>446,355,701</b>	<b>174,475,837</b>

  
**Chief Executive Officer**

  
**Director**

  
**Chairperson**

Dhaka,  
10 March '2019

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



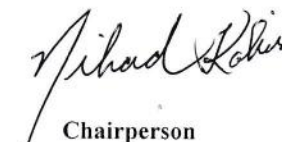


**BRAC EPL Stock Brokerage Limited**  
**Statement of Changes in Equity**  
**For the year ended 31 December 2018**

Particulars	Amount in Taka			
	Share capital	Retained earnings	Revaluation reserve for TREC license	Total
Balance as at 1 January 2017	451,500,000	277,659,381	-	729,159,381
Issue of bonus shares	249,453,800	(249,453,800)	-	-
Net profit for the year ended 2017	-	204,724,064	-	204,724,064
<b>Balance as at 31 December 2017</b>	<b>700,953,800</b>	<b>232,929,645</b>	<b>-</b>	<b>933,883,445</b>
Issue of bonus shares	-	-	-	-
Net profit for the year ended 2018	-	23,963,552	-	23,963,552
Revaluation reserve for TREC license	-	-	87,688,970	87,688,970
<b>Balance as at 31 December 2018</b>	<b>700,953,800</b>	<b>256,893,197</b>	<b>87,688,970</b>	<b>1,045,535,967</b>

  
**Chief Executive Officer**

  
**Director**

  
**Chairperson**





**BRAC EPL Stock Brokerage Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

**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, Dhaka.

**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 2018 to 31 December 2018.

**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 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 2018 is included in the following notes:

Note 5	Depreciation on property and equipment
Note 6	Amortization of intangible asset
Note 23	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 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 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 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:

Name of the assets	<u>2018</u> Rates (%)	<u>2017</u> Rates (%)
Office floor space	2%	2%
Furniture and fixture	12.50%	12.50%
Office decoration	15%	15%
Computers and accessories	25%	25%
Air cooler and ceiling fans	20%	20%
Electrical and office equipment	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.

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. 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.

### **3.3 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 2018. 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.

### **3.4 Financial instruments**

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

#### **(i) Non-derivative financial assets and financial liabilities – recognition and derecognition**

The Company initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

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 in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### **(ii) Non-derivative financial assets – measurement**

##### **Financial assets at fair value through profit or loss**

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in the Statement of Comprehensive Income.



Financial assets classified as held for trading

- (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets classified as held-for-trading comprise investments in quoted shares as these shares are acquired principally for the purpose of selling in the near term to earn short-term profit.

#### **Held-to-maturity financial assets**

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, held to maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets comprise investments in FDR as the Company has the positive intent and ability to hold them to maturity.

#### **Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payment that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, receivable from DSE, receivables from clients, intercompany receivables and other receivables.

#### **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.

#### **Available-for-sale financial assets**

Available-for-sale financial assets are non derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost.

Subsequent to initial recognition, they are measured at fair value, and changes therein other than impairment losses are recognized in other comprehensive income and presented in the fair value reserve in equity. When an available-for-sale financial asset is derecognized, the gains or losses accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise investments in shares.





### **(iii) Non-derivative financial liabilities – measurement**

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

### **(iv) Share capital**

#### **Ordinary shares**

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognized as a deduction from equity.

## **3.5 Impairment**

### **(i) Non-derivative financial assets**

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- observable data indicating that there is measurable decrease in expected cash flows from a company of financial assets.

#### **Financial assets measured at amortized cost**

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.





### **Available-for-sale financial assets**

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through Other Comprehensive Income.

### **(ii) Non-financial assets**

The carrying amount of the non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amounts are estimated. For intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

### **3.6 Investments in associate company**

An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor (IAS-28: Accounting for Investments in Associates"). Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. Investment in associate is accounted for in consolidated financial statements under the "equity method". Under the equity method, the investment is initially recorded at cost and the carrying amount is increased or decreased to recognize the investor's share of the profits or losses of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment.

### **3.7 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.

### **3.8 Taxation**

#### **a) Current tax :**

Current tax has been made on the basis of the Finance Act 2018. 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.



### 3.9 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 comprises of brokerage commission and gain on sale of shares. Details of revenue recognition policy 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) Cash dividend income is recognized on the declaration of dividend and subsequent receipt of such dividend; and
- (iv) 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.
- (v) 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 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.

## **4. Standards issued but not yet effective/adopted**

The Institute of Chartered Accountants of Bangladesh (ICAB) has adopted following new standards and amendments to standards during the year 2015. All previously adopted reporting standards are consistently applied by the Company to the extent relevant for the Company.

### **New or amended standards**

#### **IFRS 14 Regulatory Deferral Accounts**

##### **Summary of the requirements**

IFRS 14 specify the financial reporting requirements for regulatory deferral account balance that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.

IFRS 14 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

##### **Possible impact on financial statements**

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 14.

#### **IFRS 15 Revenue from Contracts with Customers**

##### **Summary of the requirements**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

##### **Possible impact on financial statements**

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.





## **Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)**

### **Summary of the requirements**

These amendments require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture.

The amendments are effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted.

### **Possible impact on financial statements**

None. The Company does not have any bearer plants.



5 Property, plant and equipment

Particulars	Cost				Rate (%)	Depreciation				Written down value as at 31 Dec 2018
	As at 1 January 2018	Additions during the year	Adjustment/ disposal	As at 31 Dec 2018		As at 1 January 2018	Charged during the year	Adjustment/ disposal	As at 30 Dec 2018	
Office floor space	10,472,795	-	-	10,472,795	2	1,519,628	209,460	-	1,729,088	8,743,707
Furniture and fixtures	9,738,475	1,065,224	-	10,803,699	12.5	7,285,348	858,897	-	8,144,245	2,659,454
Office decoration	50,867,316	1,427,527	-	52,294,843	15	41,017,407	3,463,727	-	44,481,133	7,813,709
Computers and accessories	31,896,268	5,432,257	-	37,328,525	25	26,242,847	2,758,199	-	29,001,046	8,327,479
Air coolers and ceiling fans	12,544,055	1,885,170	-	14,429,225	20	9,312,698	1,331,969	-	10,644,667	3,784,558
Electrical and office equipment	17,284,835	900,756	-	18,185,591	20	14,754,897	783,722	-	15,538,619	2,646,972
Vehicles	11,700,020	3,216,000	4,269,000	10,647,020	20	10,495,442	660,751	4,215,214	6,940,979	3,706,041
<b>Total 31 December 2018</b>	<b>144,503,763</b>	<b>13,926,934</b>	<b>4,269,000</b>	<b>154,161,697</b>		<b>110,628,267</b>	<b>10,066,725</b>	<b>4,215,214</b>	<b>116,479,778</b>	<b>37,681,920</b>
<b>Total 31 December 2017</b>	<b>122,858,919</b>	<b>21,644,845</b>	<b>-</b>	<b>144,503,764</b>		<b>99,369,781</b>	<b>11,258,424</b>	<b>-</b>	<b>110,628,267</b>	<b>33,875,497</b>

Amount in Taka



	2018 Taka	2017 Taka
<b>6 Intangible assets</b>		
Cost at the beginning of the year	24,941,679	24,498,695
Add: Addition during the year	911,647	442,984
Cost at the close of the year	<u>25,853,326</u>	<u>24,941,679</u>
Accumulated depreciation at the beginning of the year	24,614,477	24,466,997
Add: Amortization during the year @ 33.33%	316,161	147,480
Accumulated amortization at the end of the year	<u>24,930,638</u>	<u>24,614,477</u>
Carrying amount as at 31 December	<u>922,688</u>	<u>327,202</u>

<b>7 Membership at cost</b>		
Dhaka Stock Exchange Limited (DSE)	-	6,920,500
Chittagong Stock Exchange Limited (CSE)	-	4,107,250
	<u>-</u>	<u>11,027,750</u>

Investments for membership are initially recognized at cost. Pursuant the Exchanges Demutualization Act 2013, Dhaka Stock Exchange and Chittagong Stock Exchange have issued ordinary shares and Trading Right Entitlement Certificate (TREC) license to BRAC EPL Stock Brokerage Limited. The valuation of TREC is determined, and "Membership at cost" is adjusted accordingly against "Revaluation Reserve for TREC License".

<b>8 Investment in associate company</b>		
BRAC Asset Management Company Limited		
Opening balance	15,081,120	14,930,161
Add: Profit for the year	143,389	150,959
	<u>15,224,510</u>	<u>15,081,120</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.

<b>9 Investments in DSE &amp; CSE</b>		
Dhaka Stock Exchange Limited (DSE) (Note-9.1)	54,113,295	28,860,424
Chittagong Stock Exchange Limited (CSE) (Note-9.2)	42,873,300	17,149,320
	<u>96,986,595</u>	<u>46,009,744</u>

<b>9.1 Dhaka Stock Exchange Limited (DSE)</b>		
Floated (40%)	28,860,424	28,860,424
Blocked (35%)	25,252,871	-
	<u>54,113,295</u>	<u>28,860,424</u>

<b>9.2 Chittagong Stock Exchange Limited (CSE)</b>		
Floated (40%)	17,149,320	17,149,320
Blocked (60%)	25,723,980	-
	<u>42,873,300</u>	<u>17,149,320</u>

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	7,215,106
Chittagong Stock Exchange Limited (CSE)	4,287,330	4,287,330
<b>Total</b>	<b>9,698,660</b>	<b>11,502,436</b>

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.

	2018 Taka	2017 Taka
<b>10 Investment in shares</b>		
Investment in shares-IPO	3,634,385	4,273,210
Investment in shares-Strategic fund	5,875,000	-
Investment in shares of listed Companies-Dealer Account	534,317,917	505,431,270
	<u><b>543,827,302</b></u>	<u><b>509,704,480</b></u>
<b>11 Account receivables</b>		
Clients	126,106,419	1,596,555,381
Dhaka Stock Exchange Limited (DSE)	25,028,391	19,942,563
Chittagong Stock Exchange Limited (CSE)	55,859	793,815
	<u><b>151,190,669</b></u>	<u><b>1,617,291,759</b></u>
<b>12 Inter-company receivables</b>		
BRAC Bank Limited	150,000	14,409,371
BRAC EPL Investment Limited	627,356	8,289,033
	<u><b>777,356</b></u>	<u><b>22,698,404</b></u>
<b>13 Margin loan receivables</b>	<u><b>170,693,561</b></u>	<u><b>141,341,986</b></u>
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.		
<b>14 Advances, deposits and prepayments</b>		
Advances (Note-14.1)	487,368,666	393,907,518
Deposits (Note-14.2)	988,981	988,981
Prepayments (Note-14.3)	1,264,259	1,353,357
	<u><b>489,621,906</b></u>	<u><b>396,249,856</b></u>
<b>14.1 Advances</b>		
Income tax (Note-14.1.1)	451,555,234	366,687,104
Office rent	12,227,849	16,269,271
Software system	1,031,539	1,244,994
Salary and allowances	15,523,739	961,621
Other advances	7,030,305	8,744,528
	<u><b>487,368,666</b></u>	<u><b>393,907,518</b></u>



	2018 Taka	2017 Taka
<b>14.1.1 Advance Income Tax</b>		
Balance at beginning of the year	366,687,104	288,357,611
Add: Paid during the year	84,868,131	78,329,493
	451,555,234	366,687,104
Adjustment made for previous years	-	-
Balance at end of the year	<u>451,555,234</u>	<u>366,687,104</u>
<b>14.2 Security deposits</b>		
DSE-floor space	850,024	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
	<u>988,981</u>	<u>988,981</u>
<b>14.3 Prepayments</b>		
Prepaid insurance	469,676	558,774
Prepaid VAT	794,583	794,583
	<u>1,264,259</u>	<u>1,353,357</u>
<b>15 Other receivables</b>		
Other income receivables	1,050,428	4,438,076
Accounts receivable-others	-	20,500
	<u>1,050,428</u>	<u>4,458,576</u>
<b>16 Investment in FDRs</b>		
BRAC Bank Limited	12,065,125	11,538,674
Standard Chartered Bank	27,243,174	26,517,264
Jamuna Bank Limited	8,192,707	7,702,988
NRB Global Bank Limited	-	38,501,553
The Farmers Bank Limited	15,286,875	19,664,028
Phoenix Finance Limited	-	20,053,460
Islamic Finance & Investment Ltd.	-	5,000,000
	<u>62,787,881</u>	<u>128,977,967</u>
<b>17 Cash and cash equivalents</b>		
Cash in hand	<u>1,582,636</u>	<u>1,256,025</u>
Cash at bank		
Current account with:		
Standard Chartered Bank	287,539,850	100,109,308
One Bank Limited	65,643,941	28,392,568
The City Bank Limited	24,172,288	23,443,714
BRAC Bank Limited	43,103,705	17,807,298
Hong Kong and Shanghai Banking Corporation	-	6,009
The City Bank Limited (Islami)	265	610
	<u>420,460,049</u>	<u>169,759,507</u>
Short term deposit with		
BRAC Bank Limited	<u>20,272,509</u>	<u>619,137</u>
BO account with		
BRAC Bank Limited	<u>3,625,778</u>	<u>2,444,351</u>
Dealer account with		
BRAC Bank Limited	<u>414,729</u>	<u>396,817</u>
	<u>446,355,701</u>	<u>174,475,837</u>



		2018 Taka	2017 Taka
<b>18 Share capital</b>			
<b>18.1 Authorized share capital</b>			
10,000,000 ordinary shares of Taka 100 each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
<b>18.2 Issued, subscribed and paid-up share capital</b>			
Balance at the beginning of the year		700,953,800	451,500,000
Add: Bonus shares issued		-	249,453,800
		<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	
		2018	Face value	2018	2017
BRAC Bank Limited	Bangladesh	6,308,541	100	630,854,100	630,854,100
Saiful Islam	Bangladeshi	700,954	100	70,095,400	70,095,400
BRAC	Bangladesh	3	100	300	300
Ms. Nihad Kabir	Bangladesh	10	100	1,000	1,000
Mr. Selim R. F. Hussain	Bangladesh	10	100	1,000	1,000
Mr. Shib Narayan Kairiy	Bangladesh	10	100	1,000	1,000
Ms. Tamara Hasan Abed	Bangladesh	10	100	1,000	1,000
		<u>7,009,538</u>		<u>700,953,800</u>	<u>700,953,800</u>

The Board of Directors in its 69th Board meeting held on 6th March 2016 has proposed 15% stock dividend which subsequently got approved on 16th AGM held on 21st March 2016. The company then increased its paid-up share capital from Taka 451,500,000 to Taka 519,225,000 by issuing 677,250 bonus shares to the shareholder as approved in 16th Annual General Meeting (AGM) held on 21st March 2016 after receiving consent from Bangladesh Securities & Exchange Commission dated 11th April 2017. Furthermore, The Board of Directors in its 75th Board meeting held on 1st March 2017 has proposed 35% stock dividend which subsequently got approved on 17th AGM held on 23rd March 2017. The company then increased its paid-up share capital from Taka 519,225,000 to Taka 700,953,800 by issuing 1,817,288 bonus shares to the shareholder as approved in 17th Annual General Meeting (AGM) held on 23rd March 2017 after receiving consent from Bangladesh Securities & Exchange Commission dated 27th December 2017.

#### 19 Revaluation reserve for TREC license

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

#### 20 Account payables

Clients	429,026,979	460,321,251
Dhaka Stock Exchange Limited (DSE)	10,362,008	1,156,335,846
Chittagong Stock Exchange Limited (CSE)	654,046	3,009,171
Payable to Issuer (IPO)	25,000	30,030,000
	<u>440,068,033</u>	<u>1,649,696,268</u>

#### 21 Investment suspense account

Dhaka Stock Exchange Limited (DSE)	-	28,860,424
Chittagong Stock Exchange Limited (CSE)	-	17,149,320
	<u>-</u>	<u>46,009,744</u>

Membership cost was adjusted to Revaluation Reserve after de-recognizing the suspense account.





	2018 Taka	2017 Taka
<b>22 Inter-company payables</b>		
BRAC Bank Limited	-	-
BRAC EPL Investment Limited	21,022	34,500
BRAC IT Services Limited	550,590	2,050,590
	<u>571,612</u>	<u>2,085,090</u>
<b>23 Liability for expenses</b>		
Performance bonus	21,841,615	36,583,558
Provision for bad debts	13,079,802	20,373,284
CDBL BO maintenance fees	7,230,300	4,514,620
Withholdings tax and VAT	1,000,738	1,395,121
Bank guarantee commission	-	-
Business development expenses	275,000	678,603
Legal and professional fees	440,501	440,501
Computer expenses	-	626,633
Office rent	162,150	157,309
Audit fee	224,215	205,081
Electricity bills	512,716	666,708
Entertainment expense	103,190	137,720
CDBL charges	629,328	1,152,275
Repair and office maintenance	634,054	673,054
Telephone and mobile bills	259,269	425,159
Utilities and outsources	853,346	882,179
Salary and allowance	-	494,733
Travelling expense	-	5,471
Trading expenses payable	11,143,054	2,654,972
Other payables	1,464,977	2,043,370
	<u>59,854,256</u>	<u>74,110,350</u>
<b>24 Provision for income tax</b>		
Balance at the beginning of the year	393,342,689	303,307,569
Add: Provision made during the year (Note-30)	77,747,958	90,035,120
Adjustment of tax provision for previous year	-	-
	<u>471,090,647</u>	<u>393,342,689</u>
<b>25 Service Revenue</b>		
Dhaka Stock Exchange (DSE)	410,452,693	496,571,927
Chittagong Stock Exchange (CSE)	41,565,270	7,576,846
Income from margin loan	19,725,457	17,928,242
Annual account maintenance fees	4,192,750	5,000,750
BO account maintenance fees	10,358,900	10,656,000
Advisory income	3,711,475	23,368,154
IPO Service Charge	539,585	305,630
BO account opening fees	1,093,650	868,800
Sale of BO form	257,100	217,300
Others	2,570,420	2,292,536
	<u>494,467,299</u>	<u>564,786,185</u>
<b>26 Direct expenses</b>		
Howla-DSE	2,200	1,450
Howla-CSE	33,070	91,476
Laga-DSE	25,035,968	30,770,070
Laga-CSE	638,225	373,935
CDBL Maintenance Charge	4,552,091	8,297,799
Trading expense	112,335,684	98,844,736
	<u>142,597,238</u>	<u>138,379,466</u>

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.



	2018 Taka	2017 Taka
<b>27 Operating expenses</b>		
Administrative expenses (Note-27.1)	192,962,338	205,440,997
Other operating expenses (Note-27.2)	37,856,484	54,533,719
	<b>230,818,822</b>	<b>259,974,716</b>
<b>27.1 Administrative expenses</b>		
Salary and allowances (Note-27.1.1)	130,025,958	138,267,079
Office rent and service charges	28,336,989	27,208,172
Depreciation (Note-5)	10,066,725	11,258,424
Internet bills	3,824,716	5,142,825
Outsourcing expenses	8,200,733	9,112,715
CDBL charges	8,465,335	10,435,141
Amortization of intangible assets (Note-6)	316,161	147,480
Insurance	1,828,953	1,538,054
Networking expenses	634,507	1,433,151
DSE, CSE and BSEC charges	1,262,260	897,956
	<b>192,962,338</b>	<b>205,440,997</b>
<b>27.1.1 Salary and allowances</b>		
Salary and allowances	121,464,798	133,673,948
Provident fund contribution	4,537,391	2,200,539
Gratuity	4,023,769	2,392,592
	<b>130,025,958</b>	<b>138,267,079</b>
<b>27.2 Other operating expenses</b>		
Utility expenses	3,512,292	3,673,491
Entertainment	3,603,715	4,168,888
Office maintenance	3,246,793	4,714,856
Telephone and mobile bills	2,092,859	2,329,873
Printing and stationery	1,378,804	1,787,762
Business promotional expenses	4,345,543	8,242,670
Advertisement	1,028,760	2,859,794
Fuel and lubricants	2,116,160	3,589,926
Service charge-BRAC Bank Limited	-	2,312
Board meeting fees	195,000	285,000
Travel and conveyance	3,570,838	6,757,090
Postage and courier	324,199	301,512
Professional fees	1,385,863	1,720,109
Training and development	770,678	2,663,651
Repair and maintenance	2,314,220	4,789,304
Fees and subscriptions	2,595,633	2,283,569
News paper, books and periodicals	152,061	133,288
Audit fee	210,465	191,331
Photocopy and photograph	5,238	9,571
Reward and recognition	3,984,891	2,941,455
Other expenses	1,022,471	1,088,267
	<b>37,856,484</b>	<b>54,533,719</b>
<b>28 Other income</b>		
Gain/(loss) on sale of fixed assets	2,546,214	-
	<b>2,546,214</b>	<b>-</b>
<b>29 Finance income</b>		
Income from bank interest	14,322,385	19,878,473
Realized gain on share	67,390,049	59,354,013
Unrealized gain/(loss) on share	(118,839,582)	29,775,026
Dividend income	21,895,887	25,361,637
	<b>(15,231,261)</b>	<b>134,369,150</b>



	2018 Taka	2017 Taka
<b>30 Finance Cost</b>		
Bank guarantee commission	4,216,661	4,792,883
Bank interest, charges and commission	2,581,410	1,400,046
	<u>6,798,071</u>	<u>6,192,929</u>
<b>31 Income tax expenses</b>		
Provision for tax on brokerage commission	59,690,902	66,128,816
Provision for tax other than brokerage commission	18,057,055	23,906,304
<b>Provision for 2018</b>	<u>77,747,958</u>	<u>90,035,120</u>
Adjustment for previous year	-	-
	<u>77,747,958</u>	<u>90,035,120</u>
<b>32 Contingent liabilities and capital expenditure commitments</b>		
i) Claims against the company not acknowledged as debt	-	-
ii) Capital expenditure commitments	-	-
a. Contracted but not provided for	-	-
b. Approved but not contracted for	-	-
<b>33 Number of employees engaged for drawing remuneration</b>		
i) Up to Taka 3000 per month	-	-
ii) Above Taka 3000 per month	126	148
	<u>126</u>	<u>148</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

##### 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 2018.

#### 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 BAS 24: Related party disclosure, these are detailed below:

Name of party	Relationship with BESL	Nature of transactions	2018 Taka	2017 Taka
BRAC EPL Investments Limited	Common Parent	Expenses receivable	627,356	8,289,033
BRAC Bank Limited	Parent Company	Commission receivable	150,000	14,409,371
BRAC Bank Limited	Parent Company	IT services	-	-
BRAC EPL Investment Limited	Common Parent	Expenses payable	21,022	34,500
BRAC IT Services Limited	Common Parent	IT services	550,590	2,050,590

  
Chief Executive Officer

  
Director

  
Chairperson

**BRAC EPL Stock Brokerage Limited**  
**Allocation of profit and loss**  
**For the year ended 31 Dec 2018**

	<b>Brokerage Income</b>	<b>Other than Brokerage Income</b>	<b>Total</b>
Brokerage commission	452,017,963	-	452,017,963
Interest from margin loan	-	19,725,457	19,725,457
BO Account maintenance fees	-	10,358,900	10,358,900
Advisory fees	-	3,711,475	3,711,475
BO Account opening fees	-	1,093,650	1,093,650
Sale of BO form	-	257,100	257,100
Annual account maintenance fees	-	4,192,750	4,192,750
IPO service charges	-	539,585	539,585
Others	-	2,570,420	2,570,420
<b>Gross revenue</b>	<b>452,017,963</b>	<b>42,449,336</b>	<b>494,467,299</b>
Direct expenses	(138,045,147)	(4,552,091)	(142,597,238)
	313,972,816	37,897,245	351,870,061
Operating expenses *	(210,045,128)	(20,773,694)	(230,818,822)
	103,927,687	17,123,551	121,051,239
Financial expenses		(6,798,071)	(6,798,071)
Impairment loss	-	-	-
	-	(6,798,071)	(6,798,071)
<b>Operating Profit</b>	<b>103,927,687</b>	<b>10,325,480</b>	<b>114,253,168</b>
<b>Non-operating income:</b>			
Realized gain on shares	-	31,240,857	31,240,857
Unrealized gain/(Loss) on shares	-	(118,839,582)	(118,839,582)
Sale Proceeds of 25% DSE Shares	36,149,192	-	36,149,192
Bank interest	-	14,322,385	14,322,385
Share of profit of equity in associate company	-	143,389	143,389
Dividend income	-	21,895,887	21,895,887
Gain/(loss) on sale of fixed assets	-	2,546,214	2,546,214
	36,149,192	(48,690,850)	(12,541,658)
<b>Net profit before tax</b>	<b>140,076,879</b>	<b>(38,365,370)</b>	<b>101,711,509</b>

\* 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 91% and 9% respectively


  
**Chief Executive Officer**

  
**Director**

  
**Chairperson**

Dhaka,  
 10 March '2019



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