
**Auditors' Report
&
Audited Financial Statements
of
BRAC EPL Investments Limited**

For the year ended 31 December 2016

A. QASEM & Co.

Chartered Accountants

Since 1953

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**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BRAC EPL INVESTMENTS LIMITED**

We have audited the accompanying financial statements of **BRAC EPL Investments Limited**, which comprise the statement of financial position as at 31 December 2016 and the statement of profit or loss & other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory informations.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRSs) 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSAs). Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained sufficient and appropriate to provide a basis for our opinion.


Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of BRAC EPL Investments Limited as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRSs) and comply with the Companies Act 1994 and other applicable laws and regulations.

We also report that:

- a) 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;
- b) 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;
- c) the company's financial statements dealt with by the report are in agreement with the books of account and returns; and
- d) the expenditure incurred were for the purpose of the company's business.

Dated, Dhaka
1 February 2017


A. Qasem & Co.
Chartered Accountants

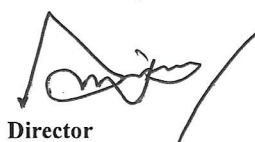
BRAC EPL Investments Limited
Statement of Financial Position
As at 31 December 2016

	Notes	2016 Amount in BDT	2015 Amount in BDT
Assets			
Non-current assets			
Property, plant and equipment	5	8,995,518	14,819,841
Investment in associate company	6	15,369,427	15,369,427
Deferred tax assets	7	9,318,000	9,755,465
		33,682,945	39,944,733
Current assets			
Account receivables	8	29,559,219	86,475,934
Inter-company receivables	9	1,264,241	3,132,142
Other receivables		-	386,978
Investment in quoted securities	10	84,282,993	61,762,282
Investment in Share-IPO		30,000,000	-
Advance income tax	11	16,514,787	4,632,937
Loans and advances to customers	12	3,616,388,219	3,824,643,861
Accrued interest and management fees receivable	13	728,606,636	770,208,684
Advances, deposits and prepayments	14	3,256,251	4,775,780
Cash and cash equivalents	15	187,455,271	60,062,868
		4,697,327,617	4,816,081,465
Total assets		4,731,010,562	4,856,026,198
Equity and Liabilities			
Shareholders' equity			
Share capital	16	2,585,000,000	585,000,000
Share premium		436,825,951	436,825,951
Retained earnings		(1,199,451,558)	(298,688,521)
Shareholders' equity		1,822,374,393	723,137,430
Current liabilities			
Finance lease obligations	17	-	-
Customer deposits	18	66,633,683	83,432,920
Bank overdrafts	19	936,357,568	2,320,943,428
Short term loan	20	779,211,617	1,047,059,353
Revolving time loan	21	-	250,000,000
Account payables	22	46,710,966	15,089,800
Other liabilities	23	1,078,186,162	410,965,940
Provision for taxation	24	624,709	1,028,410
Inter-company payable to BRAC EPL Stock Brokerage Limited		911,466	4,368,917
		2,908,636,170	4,132,888,768
Total equity and liabilities		4,731,010,562	4,856,026,198

These financial statements should be read in conjunction with annexed notes 1 to 35



Chief Executive Officer



Director



Chairman



A. Qasem & Co.
Chartered Accountants


Dated, Dhaka
1 February 2017

BRAC EPL Investments Limited
Statement of Profit or Loss & Other Comprehensive Income
For the year ended 31 December 2016

	Notes	2016 Amount in BDT	2015 Amount in BDT
Revenue			
Interest income from margin loan		48,633,373	324,161,399
Interest expenses	25	(234,259,890)	(447,442,970)
Net interest income (A)		(185,626,517)	(123,281,571)
Fee and commission income	26	45,330,121	99,483,400
Fee and commission expenses	27	(10,455,381)	(16,607,458)
Net fee and commission income (B)		34,874,740	82,875,942
(Loss)/gain from investment in securities	28	13,617,456	(10,991,629)
Other operating income	29	1,905,690	3,035,256
Net (loss)/gain from investment in securities (C)		15,523,146	(7,956,373)
Total operating income/(loss) (A+B+C)		(135,228,632)	(48,362,002)
Operating expenses	30	(74,170,091)	(112,789,421)
Depreciation	5	(5,970,222)	(10,437,075)
Operating profit/(loss) (D)		(215,368,945)	(171,588,498)
Finance income		497,466	1,093,892
Financial expenses	31	(497,401)	(890,927)
Net finance income (E)		65	202,965
Share of profit of equity in associate company (F)		-	489,484
Impairment loss on investment in unquoted securities (G)		-	(954,795)
Profit/(loss) before provisions (D+E+F+G)		(215,368,880)	(171,850,844)
Provision for loans and advances	23.1	(683,792,632)	(142,198,602)
Loss before tax		(899,161,512)	(314,049,446)
Tax expenses	32	1,601,526	22,105,902
Net loss after tax		(900,763,037)	(336,155,348)
Other comprehensive Income		-	-
Total loss		(900,763,037)	(336,155,348)


These financial statements should be read in conjunction with annexed notes 1 to 35


Chief Executive Officer


Director


Chairman

Dated, Dhaka
1 February 2017


A. Qasem & Co.
Chartered Accountants

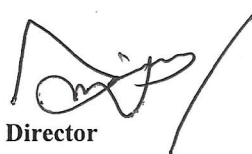
BRAC EPL Investments Limited
Statement of Changes in Equity
For the year ended 31 December 2016

Amount in BDT

Particulars	Share capital	Share premium	Retained earnings	Total
Balance as on 1 January 2015	585,000,000	436,825,951	37,466,827	1,059,292,778
Total comprehensive income for the year 2015	-	-	(336,155,348)	(336,155,348)
Balance as on 31 December 2015	585,000,000	436,825,951	(298,688,521)	723,137,430
Total comprehensive income for the year 2016	-	-	(900,763,037)	(900,763,037)
Increase of share capital	2,000,000,000			2,000,000,000
Balance as on 31 December 2016	2,585,000,000	436,825,951	(1,199,451,558)	1,822,374,393



Chief Executive Officer



Director



Chairman

Dated, Dhaka
1 February 2017



A. Qasem & Co.
Chartered Accountants

BRAC EPL Investments Limited

Statement of Cash Flows


For the year ended 31 December 2016

	2016 Amount in BDT	2015 Amount in BDT
A. Operating activities		
Net profit before tax	(900,763,037)	(314,049,446)
<i>Add: Items not involving in movement of cash:</i>		
Depreciation on property, plant and equipment	5,970,222	10,437,075
Depreciation of intangible asset	-	-
Gain on disposal of property, plant and equipment	(75,000)	(651,387)
Finance charge - lease	-	2,504
Bad debt expenses	-	10,274,104
Fair value adjustments for fall in values of investment in securities	(5,866,002)	(10,173,850)
Share of profit of equity in associate company	-	(489,484)
Impairment loss on investment in unquoted securities	-	954,795
	<u>29,220</u>	<u>10,353,758</u>
Income tax paid	(11,881,851)	(33,845,069)
Operating (loss)/profit before changes in working capital	(912,615,668)	(337,540,758)
Changes in working capital :		
(Increase)/decrease in loan and advances to customers	208,255,642	(54,997,756)
(Increase)/decrease in accrued interest and mgt. fees receivable	41,602,048	92,838,376
(Increase)/decrease in account receivables	56,916,715	(48,892,294)
(Increase)/decrease in advance, deposits and prepayments	1,519,528	269,383
(Increase)/decrease in inter-company receivable	1,867,901	295,411
(Increase)/decrease in other receivables	386,978	30,636
Increase/(decrease) in customer deposits	(16,799,237)	24,013,941
Increase/(decrease) in account payables	31,621,165	(2,528,817)
Increase/(decrease) in inter-company payable	(3,457,451)	1,564,322
Increase/(decrease) in other liabilities	667,220,222	(15,728,522)
	<u>989,133,511</u>	<u>(3,135,320)</u>
Net cash (used)/from operating activities (A)	76,517,843	(340,676,077)
B. Cash flows from Investing activities:		
Acquisition of property, plant and equipment	(110,900)	(4,952,786)
Disposal of property, plant and equipment	75,000	1,631,500
Sale/(purchase) of investment securities	(46,655,943)	141,108,628
Net cash used in investing activities (B)	(46,691,843)	137,787,342
C. Cash flows from Financing activities		
Receipt/(repayment) of bank overdraft	(1,384,585,860)	(123,576,096)
Receipt/(repayment) of short term loans	(267,847,736)	357,059,353
Receipt/(repayment) of revolving time loan	(250,000,000)	10,000,000
Capital lease obligation paid	-	(63,040)
Share Capital Increased	2,000,000,000	-
Net cash from/(used) in financing activities (C)	97,566,404	243,420,217
Net decrease in cash and cash equivalents (A+B+C)	127,392,404	40,531,482
Cash and cash equivalents at the beginning of the year	60,062,868	19,531,386
Cash and cash equivalents at the end of the year	187,455,271	60,062,868


Chief Executive Officer


Director


Chairman


A. Qasem & Co.

Chartered Accountants

Dated, Dhaka
1 February 2017

BRAC EPL Investments Limited
Notes to the financial statements
For the year ended 31 December 2016

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. So that BRAC Bank Limited currently holding 94.57% 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.

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 Bangladesh Financial Reporting Standards (BFRSs) and Bangladesh Accounting Standards (BASs), 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 BAS 39: *Financial Instruments: Recognition and Measurement*.

2.3 Use of estimates and judgments

The preparation of financial statements in conformity with BFRS 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 as under:

<u>Name of the assets</u>	<u>Rates</u>
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%

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) Available for sale

Investments in shares which are not actively traded on a quoted market are designated as Available for Sale (AFS) assets. 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 2016.

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

Assets	Cost				Rate of depreciation	Depreciation				Amount in BDT	
	Balance on 1 January 2016	Additions during the year	Adjustment during the year	Balance on 31 December 2016		Balance on 01 January 2016	Charged during the Period	Adjustment during the year	Balance on 31 December 2016	Written down value at 31 December 2016	Written down value at 31 December 2015
Furniture & fittings	4,359,050	35,000	-	4,394,050	10%-33.33%	4,069,240	253,183		4,322,423	71,627	289,810
Office floor space	6,348,797	-	-	6,348,797	5%-20%	1,713,126	347,610		2,060,736	4,288,061	4,635,671
Motor vehicles	14,577,281	-	-	14,577,281	20%	8,044,788	2,094,753		10,139,541	4,437,740	6,532,493
Leasehold Improvemer	51,366,509	-	2,715,916	48,650,593	15%-33.33%	48,738,137	2,618,472	2,715,916	48,640,693	9,900	2,628,372
IT equipment	14,028,653	103,900	-	14,132,553	10%-50%	13,832,869	118,142		13,951,011	181,542	195,784
Office equipment	9,779,480	7,000	32,000	9,754,480	10%-50%	9,241,769	538,061	32,000	9,747,830	6,650	537,711
Total 2016	100,459,770	145,900	2,747,916	97,857,754		85,639,930	5,970,222	2,747,916	88,862,236	8,995,518	14,819,840
Total 2015	103,578,582	4,952,786	8,071,598	100,459,770		82,294,337	10,437,075	7,091,482	85,639,929	14,819,841	

6 Investment in associate company

	Balance as at 31 Dec 2016 Amount in BDT	Balance as at 31 Dec 2015 Amount in BDT
BRAC Asset Management Company Limited	15,369,427	14,879,943
Profit for the period	-	489,484
	<u>15,369,427</u>	<u>15,369,427</u>

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 2015 due to pending regulatory approval.

In 2012, the company along with other BRAC entities, invested Taka 2,500,000 in BRAC Impact Ventures Limited which represents 12.50% of the paid up capital of the company. BRAC Impact Ventures Limited has since gone into voluntary winding up and therefore the total carrying amount has been written off.

7 Deferred tax

Deferred tax has been recognized in accordance with the provision of BAS 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 disclosed in statement of comprehensive income.

Deferred tax on temporary differences

(i) Deductible temporary differences		
Property, plant and equipment	(24,847,999)	(26,014,572)
(ii) Taxable temporary difference		
Finance lease obligations	-	-
Net taxable temporary differences	<u>(24,847,999)</u>	<u>(26,014,572)</u>
Deferred tax asset	(9,318,000)	(9,755,465)
Net taxable temporary differences	(24,847,999)	(26,014,572)
Tax rate	37.50%	37.50%
Deferred tax asset as at 31 December	<u>(9,318,000)</u>	<u>(9,755,465)</u>
Less: opening balance as at 1 January	9,755,465	12,387,979
Deferred tax expense /(income)	<u>437,465</u>	<u>2,632,515</u>

8 Account receivables

Portfolio Management Department (PMD) (Note-8.1)	9,253,639	8,911,854
Investment Banking Department (IBD) (Note-8.2)	4,425,133	4,425,133
Structured Finance Department (SFD) (Note-8.3)	15,880,447	73,138,947
	<u>29,559,219</u>	<u>86,475,934</u>

8.1 Portfolio Management Department (PMD)

Receivable from brokerage for client trading	9,253,639	4,305,146
Receivable from brokerage for own investment	-	4,606,708
	<u>9,253,639</u>	<u>8,911,854</u>

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. Dividend income receivable represents approved dividends declared by listed entities which have not yet been credited to the company's account through the Central Depository Bangladesh Limited. However, these receivables are considered as good at the reporting date.

8.2 Investment Banking Department (IBD)

Corporate advisory fees

Balance as at 31 Dec 2016 Amount in BDT	Balance as at 31 Dec 2015 Amount in BDT
4,425,133	4,425,133
4,425,133	4,425,133

8.3 Structured Finance Department (SFD)

Debt arrangement fees

Corporate advisory fees

13,576,822	72,111,822
2,303,625	1,027,125
15,880,447	73,138,947

9 Inter-company receivables

BRAC EPL Stock Brokerage Limited

BRAC Asset Management Company Limited

297,391	2,165,292
966,850	966,850
1,264,241	3,132,142

10 Investment in quoted securities

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 BAS 39 Financial Instruments: Recognition and Measurement, 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.

84,282,993	61,762,282
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11 Advance income tax

Opening balance

Add: paid during the year

Less: adjusted during the year

4,632,937	6,432,844
11,881,851	33,845,069
16,514,787	40,277,913
-	35,644,976
16,514,787	4,632,937

12 Loans and advances to customers

Opening balance

Realized during the year

3,824,643,861	3,769,646,105
208,255,642	54,997,756
3,616,388,219	3,824,643,861

At reporting date, the aggregate value of stocks held in customer portfolios was Tk. 3,242,044,344 which exceeded the total margin loans extended of Tk. 3,616,388,219 resulting in an overall shortfall of Tk. 374,343,8752. However, at reporting date, there are certain margin loans against which the aggregate value of that portfolio falls below the loan extended to individuals' margin accounts and such shortfall amounts to Tk.1,767,706,518 against an amount of Tk. 1,876,359,884 in the preceding year. Management has successfully taken efforts to attract fresh deposits from accountholders and realized outstanding charges. In addition, the subsequent position of these amounts have improved due to upward price trend and positive market movements and helped reduce any further deterioration in the portfolio.

13 Accrued interest and management fees receivable

Accrued interest receivable

Accrued management fees receivable

710,475,612	744,550,734
18,131,024	25,657,950
728,606,636	770,208,684

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

Advances

Staff loans	260,595	581,139
General suppliers	206,258	337,832
	466,853	918,971

Deposits

Regulators	314,500	314,500
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Prepayments

Office rent	2,474,899	3,542,309
	3,256,251	4,775,780

15 Cash and cash equivalents

Cash in hand	64,954	130,843
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Balance with Banks

BRAC Bank Limited	27,507,846	11,901,293
Standard Chartered Bank	156,007,174	46,593,306
NRB Commercial Bank Limited	506,140	499,189
NRB Bank Limited	619,967	-
One Bank Limited	2,567,310	851,627
United Commercial Bank Limited	77,310	77,885
Standard Bank Limited	5,935	8,725
IFIC Bank Limited	-	-
Midland Bank	98,635	-
	187,455,271	60,062,868

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	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	244,459,832	10	2,444,598,320	444,599,620
Other individual shareholders	Various	14,040,168		140,401,680	140,400,380
		258,500,000		2,585,000,000	585,000,000

In 30 June 2016 BRAC Bank Limited subscribed 200 million shares 10 Tk each further to increase BEIL's paid up capital with the consent of BSEC, vide approval no BSEC/CI/CPLC-543/2016/372. So that BRAC Bank Limited currently holding 94.57% of shares of BEIL's total subscribed shares.

17 Finance lease obligations

Opening balance	-	61,916
Less: payments made during the year	-	61,916
	-	-
Less: current portion-transferred to current liabilities	-	-
	-	-

Balance as at 31 Dec 2016 Amount in BDT	Balance as at 31 Dec 2015 Amount in BDT
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The repayment of lease obligations and repayable amount after the balance sheet date are as follows:

Finance lease liabilities-minimum lease payments

Payable not later than one year

Payable later than one year but not later than 5 years

-	-
-	-
-	-

18 Customer deposits

Opening balance

Change during the year

83,432,920	59,418,979
(16,799,237)	24,013,941
66,633,683	83,432,920

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

19 Bank overdrafts

BRAC Bank Limited

IFIC Bank Limited

One Bank Limited

Standard Bank Limited

United Commercial Bank Limited

NRB Commercial Bank Limited

851,255,019	845,110,659
-	594,158,570
-	37,792,993
85,102,549	297,335,749
-	538,638,419
-	7,907,038
936,357,568	2,320,943,428

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

BRAC Bank Limited

Type of facility

Facility limit

Repayment procedures

Maximum tenor

Purpose

Expiry

: Overdraft 1- renewal

: BDT 800,000,000 (BDT eight hundred million) only.

: From operational cash flow/or own sources of borrower.

: On demand

: To meet day to day operational activities.

: 29 March 2017

BRAC Bank Limited

Type of facility

Loan limit

Repayment procedures

Maximum tenor

Purpose

Expiry

: Overdraft 2- renewal

: BDT 50,000,000 (BDT fifty million) only.

: From operational cash flow/or own sources of borrower.

: On demand.

: To meet day to day operational activities.

: 29 March 2017

Standard Bank Limited

Type of facility

Facility limit

Repayment procedures

Purpose

Expiry

: Overdraft - renewal

: BDT 300,000,000 (BDT three hundred million) only.

: From operational cash flow/or own sources of borrower.

: For merchant banking operation of the company as margin loans to clients and day to day activities.

: 30 September 2017

	Balance as at 31 Dec 2016 Amount in BDT	Balance as at 31 Dec 2015 Amount in BDT
20 Short term loan	779,211,617	1,047,059,353
20.1 Opening balance	570,000,000	690,000,000
Add: received during the year	1,410,000,000	1,165,000,000
	1,980,000,000	1,855,000,000
Less: payment during the year	1,300,000,000	1,285,000,000
	680,000,000	570,000,000

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 2017

20.2 Short term loan		
Opening balance	477,059,353	-
Add: Received during the year	-	567,605,183
	477,059,353	567,605,183
Less: Payment during the year	377,847,736	90,545,830
	99,211,617	477,059,353

The terms and conditions of the loan taken from Investments Corporation of Bangladesh (ICB) are as follows:

Loan limit	: BDT 56,76,05,183 (BDT fifty six crore seventy six lac five thousand one hundred eighty three) only.
Repayment procedures	: From operational cash flow/or own sources of borrower.
Maximum tenor	: 480 days
Purpose	: To meet funding requirement for margin lending.
Expiry	: 31 December 2016

21 Revolving time loan

Loan received during the year	-	250,000,000
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22 Account payables

Broker for client trading	4,754,037	2,518,288
VAT on fee income	4,437,986	11,949,986
Payable for other PMD activities	31,958,333	4,888
Broker for Own Investment	4,529,335	-
Tax deducted at source from salaries and allowances	594,089	290,793
Tax deducted at source from suppliers	79,254	73,708
Withholding VAT on office rent	120,555	111,307
Withholding VAT on suppliers' payments	198,570	106,009
Tax deducted at source from office rent	38,808	34,821
	46,710,966	15,089,800

23 Other liabilities

	Balance as at 31 Dec 2016 Amount in BDT	Balance as at 31 Dec 2015 Amount in BDT
Provision for loans and advances (Note 23.1)	1,059,064,609	375,271,977
Accrued interest payable	-	28,858,086
Sales receivable in transit	16,619,378	5,025,673
CDBL charges	199,303	70,534
Office maintenance	1,596,926	384,317
Audit fees	198,000	198,000
IT expenses	211,386	761,684
Telephone and mobile expenses	21,099	21,099
Rent	55,813	42,750
Security services	(4,644)	(4,644)
Legal and professional fees	105,871	287,474
Repair and maintenance	37,770	35,865
Printing- Postage & Stationery	9,001	-
Advertisement	-	13,125
Other payable	71,650	-
	1,078,186,162	410,965,940

23.1 Provision for loans and advances

Opening balance	375,271,977	278,572,688
Provision made during the year	683,792,632	142,198,602
Provision released during the year	-	(45,499,313)
Closing balance	1,059,064,609	375,271,977

A provision has been made of BDT 1,059,064,609 which represents 60% of the total shortfall between the aggregate value of the portfolio and the loans extended on these accounts. BSEC circular SEC/CMRRC/2009-193/196 dated 28 December 2016 requires a 20% provision on such shortfall at 31 December 2016.

24 Provision for taxation

Opening balance	1,028,410	17,200,000
Add : provision made during the year	624,709	1,028,410
	1,653,119	18,228,410
Less: paid/adjusted during the year	1,028,410	17,200,000
	624,709	1,028,410

25 Interest expenses

BRAC Bank Limited	89,607,149	151,735,380
United Commercial Bank Limited	36,801,809	97,547,367
IFIC Bank Limited	44,316,307	84,932,520
Standard Bank Limited	20,069,314	43,243,120
ONE Bank Limited	1,239,567	15,384,540
NRB Commercial Bank Limited	234,905	11,923,395
NRB Bank Limited	17,922,892	32,743,557
Investment Corporation of Bangladesh	24,067,948	9,933,091
	234,259,890	447,442,970

26 Fee and commission income

Portfolio Management Department (PMD) (note-26.1)
Investment Banking Department (IBD) (note-26.2)
Structured Finance Department (SFD) (note-26.3)

Balance as at 31 Dec 2016 Amount in BDT	Balance as at 31 Dec 2015 Amount in BDT
25,921,696	44,906,150
-	1,000,000
19,408,425	53,577,250
45,330,121	99,483,400

26.1 Portfolio Management Department (PMD)

Settlement fees
Management fees
BO maintenance fees
Documentation fees
Commission income from IPO

19,803,799	31,791,409
5,441,673	12,638,203
648,399	438,700
13,700	24,861
14,125	12,977
25,921,696	44,906,150

26.2 Investment Banking Department (IBD)

Corporate advisory fees

-	1,000,000
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26.3 Structured Finance Department (SFD)

Debt arrangement fees
Corporate advisory fees

15,500,000	50,900,000
3,908,425	2,677,250
19,408,425	53,577,250

27 Fee and commission expenses

Brokerage commission cost

10,455,381	16,607,458
10,455,381	16,607,458

28 (Loss)/Income from investment in securities

Realized (loss)/ gain during the year
Fair value adjustment at reporting date

7,751,454	(21,165,479)
5,866,002	10,173,850
13,617,456	(10,991,629)

29 Other operating income

Dividend income
Rental income
Interest income on staff loan
Gain on disposal of property, plant and equipment

1,378,955	1,575,714
424,291	726,785
27,444	81,370
75,000	651,387
1,905,690	3,035,256

30 Operating expenses

	Balance as at 31 Dec 2016 Amount in BDT	Balance as at 31 Dec 2015 Amount in BDT
Salaries and allowances	36,889,575	51,270,848
Other personnel expenses	6,115,418	9,141,386
Rental expenses	13,197,313	18,131,291
Utilities, maintenance and running expenses	6,707,618	9,211,994
CDBL expenses	797,607	1,115,171
Legal and professional fees	1,744,200	2,813,883
Telephone, communication and IT expenses	3,698,618	3,666,459
Bad debt expenses	-	10,274,104
Printing and stationery	441,143	665,548
Travelling and conveyance	288,501	1,800,169
Vehicle maintenance expenses	1,134,305	1,521,458
Entertainment expenses	530,296	958,729
Training and development expenses	34,711	172,768
Meeting expenses	267,000	699,499
Business development and promotional expenses	-	-
License and renewal fees	166,987	110,688
Advertisement expenses	151,925	650,839
Audit fees	368,000	253,000
Regulatory fees	640,000	177,370
Insurance	996,874	154,217
	<u>74,170,091</u>	<u>112,789,421</u>

31 Financial expenses

Bank charges and commission	497,401	785,323
Finance charge - lease	-	2,504
Loan arrangement fees	-	103,100
	<u>497,401</u>	<u>890,927</u>

32 Tax expenses

Prior year taxes	539,352	18,444,977
Current year taxes	624,709	1,028,410
Deferred tax (income)/expense	437,465	2,632,515
	<u>1,601,526</u>	<u>22,105,902</u>

33 Number of employees

During the period 37 permanent employees were in the employment with the company whose earning was Taka 36,000 or more per annum.

34 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 BAS 24 : Related party disclosure, these are detailed below.

Name of party	Nature of transactions	2016 Amount in BDT	2015 Amount in BDT
BRAC Bank Limited	Internet exp payable	21,000	760,696
	Interest payable	-	28,120,691
	Loans and borrowings	1,531,255,030	1,415,110,659
BRAC EPL Stock Brokerage Limited	Expenses payable	911,466	4,368,917
BRAC EPL Stock Brokerage Limited	Receivable	297,391	2,165,292
BRAC Asset Management Company Ltd.	Reimbursable expenses	966,850	966,850
BRAC IT Services Limited	Internet exp payable	23,800	-

35 Events after the reporting date

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