

**Unaudited Financial Statements
of
BRAC EPL Investments Limited**

For the period ended 30 September, 2017



BRAC EPL Investments Limited
Statement of Financial Position
As at 30 September 2017

| | Notes | 30 September 2017 Taka | 2016 Taka |
|---|--------------|-----------------------------------|----------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 7,605,273 | 8,995,518 |
| Intangible assets | 5.1 | 202,026 | - |
| Investment in associate company | 6 | 15,567,355 | 15,369,427 |
| Deferred tax assets | 7 & 30 | 220,305,786 | 9,318,000 |
| | | 243,680,440 | 33,682,945 |
| Current assets | | | |
| Account receivables | 8 | 22,509,299 | 29,559,219 |
| Inter-company receivables | 9 | 1,001,350 | 1,264,241 |
| Other receivables | | 1,450,785 | - |
| Investment in quoted securities | 10 | 1,272,811,973 | 84,282,993 |
| Investment in Share-IPO | | 1,629,610 | 30,000,000 |
| Advance income tax | 11 | 12,820,660 | 16,514,787 |
| Loans and advances to customers | 12 | 2,614,286,516 | 3,616,388,219 |
| Accrued interest and management fees receivable | 13 | 421,345,977 | 728,606,636 |
| Advances, deposits and prepayments | 14 | 2,805,881 | 3,256,251 |
| Cash and cash equivalents | 15 | 75,154,303 | 187,455,271 |
| | | 4,425,816,354 | 4,697,327,617 |
| Total assets | | 4,669,496,794 | 4,731,010,562 |
| Equity and Liabilities | | | |
| Shareholders' equity | | | |
| Share capital | 16 | 2,585,000,000 | 2,585,000,000 |
| Share premium | | 436,825,951 | 436,825,951 |
| Retained earnings | | (1,563,317,705) | (1,199,451,558) |
| Shareholders' equity | | 1,458,508,246 | 1,822,374,393 |
| Current liabilities | | | |
| Customer deposits | 17 | 271,090,089 | 66,633,683 |
| Bank overdrafts | 18 | 776,909,197 | 936,357,568 |
| Short term loan | 19 | 370,000,000 | 779,211,617 |
| Account payables | 20 | 10,135,798 | 46,710,966 |
| Other liabilities | 21 | 1,780,273,558 | 1,078,186,162 |
| Provision for taxation | 22 | 1,535,101 | 624,709 |
| Inter-company payable to BRAC EPL Stock Brokerage Limited | | 1,044,806 | 911,466 |
| | | 3,210,988,549 | 2,908,636,170 |
| Total equity and liabilities | | 4,669,496,794 | 4,731,010,562 |

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


Chief Financial Officer


Chief Executive Officer

BRAC EPL Investments Limited
Statement of Profit or Loss & Other Comprehensive Income
For the period ended 30 September 2017

| | Notes | 30 September | |
|--|---------|----------------------|----------------------|
| | | 2017 | 2016 |
| Revenue | | | |
| Interest income from margin loan | | (572,066,084) | 83,650,520 |
| Interest expenses | 23 | (56,291,524) | (212,544,150) |
| Net interest income (A) | | (628,357,609) | (128,893,630) |
| Fee and commission income | 24 | 24,116,325 | 44,914,221 |
| Fee and commission expenses | 25 | (19,276,878) | (7,884,533) |
| Net fee and commission income (B) | | 4,839,447 | 37,029,688 |
| (Loss)/gain from investment in securities | 26 | 116,021,500 | 6,785,118 |
| Other operating income | 27 | 3,546,338 | 1,730,636 |
| Net (loss)/gain from investment in securities (C) | | 119,567,838 | 8,515,754 |
| Total operating income/(loss) (A+B+C) | | (503,950,324) | (83,348,188) |
| Operating expenses | 28 | (56,900,802) | (58,053,014) |
| Depreciation & Amortization | 5 & 5.1 | (1,626,548) | (5,443,934) |
| Operating profit/(loss) (D) | | (562,477,674) | (146,845,136) |
| Finance income | | 76,256 | 336,078 |
| Financial expenses | 29 | (430,609) | (363,654) |
| Net finance income (E) | | (354,353) | (27,576) |
| Share of profit of equity in associate company (F) | | 197,928 | 107,811 |
| Impairment loss on investment in unquoted securities (G) | | - | - |
| Profit/(loss) before provisions (D+E+F+G) | | (562,634,098) | (146,764,900) |
| Provision for loans and advances | 21.1 | - | (503,590,930) |
| Total Profit/(loss) before tax | | (562,634,098) | (650,355,831) |
| Tax expenses | 30 | (198,767,951) | 1,502,808 |
| Total Profit/(loss) after tax | | (363,866,147) | (651,858,639) |
| Other comprehensive Income | | - | - |
| Total Profit/(loss) | | (363,866,147) | (651,858,639) |

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



Chief Financial officer



Chief Executive Officer

BRAC EPL Investments Limited
Statement of Changes in Equity
For the period ended 30 September 2017

| Particulars | Amount in Taka | | | |
|--|----------------------|--------------------|------------------------|----------------------|
| | Share capital | Share premium | Retained earnings | Total |
| Balance as on 1 January 2016 | 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 |
| Total comprehensive income for the period | - | - | (363,866,147) | (363,866,147) |
| Balance as on 30 September 2017 | 2,585,000,000 | 436,825,951 | (1,563,317,705) | 1,458,508,246 |



Chief Executive Officer



Chief Executive Officer

BRAC EPL Investments Limited
Statement of Cash Flows
For the period ended 30 September 2017

| | June 30 | |
|---|------------------------|----------------------|
| | 2017 | 2016 |
| A. Operating activities | | |
| Net profit before tax | (562,634,098) | (651,858,639) |
| <i>Add: Items not involving in movement of cash:</i> | | |
| Depreciation on property, plant and equipment | 1,593,963 | 5,443,934 |
| Amortization of intangible asset | 32,585 | - |
| Gain on disposal of property, plant and equipment | | (75,000) |
| Finance charge - lease | | - |
| Bad debt expenses | | - |
| Fair value adjustments for fall in values of investment in securities | (22,397,218) | (999,986) |
| Share of profit of equity in associate company | (197,928) | (107,811) |
| Impairment loss on investment in unquoted securities | | - |
| | (20,968,598) | 4,261,137 |
| Income tax paid | (916,933) | (6,942,593) |
| Operating (loss)/profit before changes in working capital | (584,519,629) | (654,540,095) |
| <i>Changes in working capital :</i> | | |
| (Increase)/decrease in loan and advances to customers | 1,002,101,703 | 69,077,989 |
| (Increase)/decrease in accrued interest and mgt. fees receivable | 307,260,659 | (39,795,821) |
| (Increase)/decrease in account receivables | 7,049,920 | 58,286,551 |
| (Increase)/decrease in advance, deposits and prepayments | 450,371 | 713,484 |
| (Increase)/decrease in inter-company receivable | 262,891 | (692,902) |
| (Increase)/decrease in other receivables | (1,450,785) | (216,033) |
| Increase/(decrease) in customer deposits | 204,456,406 | (18,987,025) |
| Increase/(decrease) in account payables | (36,575,167) | (4,588,443) |
| Increase/(decrease) in inter-company payable | 133,340 | (1,537,171) |
| Increase/(decrease) in other liabilities | 702,087,397 | 475,395,880 |
| | 2,185,776,734 | 537,656,508 |
| Net cash (used)/from operating activities (A) | 1,601,257,105 | (116,883,587) |
| B. Cash flows from Investing activities: | | |
| Acquisition of property, plant and equipment | (438,328) | (103,900) |
| Disposal of property, plant and equipment | - | 75,000 |
| Sale/(purchase) of investment securities | (1,144,459,757) | (8,198,705.00) |
| Net cash used in investing activities (B) | (1,144,898,086) | (8,227,605) |
| C. Cash flows from Financing activities | | |
| Receipt/(repayment) of bank overdraft | (159,448,371) | (1,458,334,136) |
| Receipt/(repayment) of short term loans | (409,211,617) | (151,256,207) |
| Receipt/(repayment) of revolving time loan | | (250,000,000) |
| Capital lease obligation paid | | - |
| Share Capital Increased | - | 2,000,000,000 |
| Net cash from/(used) in financing activities (C) | (568,659,988) | 140,409,657 |
| Net decrease in cash and cash equivalents (A+B+C) | (568,659,988) | 140,409,657 |
| Cash and cash equivalents at the beginning of the year | 187,455,271 | 60,062,868 |
| Cash and cash equivalents at the end of the period | 75,154,303 | 75,361,333 |


Chief Financial Officer


Chief Executive Officer

BRAC EPL Investments Limited
Notes to the financial statements
For the period ended 30 September 2017

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 Bakh Tower, 8th floor, Plot 11/A, Road 48, Kamal Attertub 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

Amount in laka

| Assets | Cost | | | Rate of depreciati on | Depreciation | | | | Written down value at 31 December 2016 |
|------------------------|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|---------------------------|----------------------------|------------------------------|--|
| | Balance on 1 January 2017 | Additions during the year | Adjustment during the year | Balance on 30 September 2017 | Balance on 01 January 2017 | Charged during the Period | Adjustment during the year | Balance on 30 September 2017 | |
| Furniture & fittings | 4,394,050 | | - | 4,394,050 | 4,322,423 | 7,594 | | 4,330,018 | 71,627 |
| Office floor space | 6,348,797 | | - | 6,348,797 | 2,060,736 | 230,537 | | 2,291,273 | 4,288,061 |
| Motor vehicles | 14,577,281 | | - | 14,577,281 | 10,139,541 | 1,238,565 | | 11,378,106 | 4,437,740 |
| Leasehold improvement | 48,650,593 | | 48,049,653 | 600,940 | 48,640,693 | 9,900 | 48,049,653 | 600,940 | 9,900 |
| IT equipment | 14,132,553 | 46,958 | - | 14,179,511 | 13,951,011 | 79,757 | | 14,030,768 | 181,542 |
| Office equipment | 9,754,480 | 156,760 | | 9,911,240 | 9,747,830 | 27,610 | | 9,775,440 | 6,650 |
| Total 2017 (Q3) | 97,857,754 | 203,718 | 48,049,653 | 50,011,819 | 88,862,236 | 1,593,963 | 48,049,653 | 42,406,546 | 8,995,518 |
| Total 2016(Sept ended) | 100,459,770 | 103,900 | 2,747,916 | 97,815,754 | 85,639,930 | 5,443,934 | 2,747,916 | 88,335,948 | 9,479,806 |

5.1 Intangible assets

| Assets | Cost | | | Rate of depreciati on | Depreciation | | | | Written down value at 31 December 2016 |
|------------------------|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|---------------------------|----------------------------|------------------------------|--|
| | Balance on 1 January 2017 | Additions during the year | Adjustment during the year | Balance on 30 September 2017 | Balance on 01 January 2017 | Charged during the Period | Adjustment during the year | Balance on 30 September 2017 | |
| Software | - | 234,610 | - | 234,610 | - | 32,585 | - | 32,585 | - |
| Total 2017 (Q3) | - | 234,610 | - | 234,610 | - | 32,585 | - | 32,585 | - |

| Balance as at 30 September 2017 Taka | Balance as at 31 Dec 2016 Taka |
|--|--------------------------------------|
|--|--------------------------------------|

6 Investment in associate company

| | | |
|---------------------------------------|-------------------|-------------------|
| BRAC Asset Management Company Limited | 15,369,427 | 15,369,427 |
| Profit for the period | 197,928 | - |
| | <u>15,567,355</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) | (24,847,999) |
| (ii) Taxable temporary difference | | |
| Finance lease obligations | | |
| Net taxable temporary differences | <u>(24,847,999)</u> | <u>(24,847,999)</u> |
| Deferred tax asset | (9,318,000) | (9,318,000) |
| Net taxable temporary differences | (24,847,999) | (24,847,999) |
| Tax rate | 37.50% | 37.50% |
| Deferred tax asset as at 31 December | <u>(9,318,000)</u> | <u>(9,318,000)</u> |
| Less: opening balance as at 1 January | 9,755,465 | 9,755,465 |
| Deferred tax expense /(income) | <u>437,465</u> | <u>437,465</u> |

8 Account receivables

| | | |
|--|-------------------|-------------------|
| Portfolio Management Department (PMD) (Note-8.1) | 7,912,602 | 9,253,639 |
| Investment Banking Department (IBD) (Note-8.2) | - | 4,425,133 |
| Structured Finance Department (SFD) (Note-8.3) | 14,596,697 | 15,880,447 |
| | <u>22,509,299</u> | <u>29,559,219</u> |

8.1 Portfolio Management Department (PMD)

| | | |
|--|------------------|------------------|
| Receivable from brokerage for client trading | 6,729,024 | 9,253,639 |
| Receivable from brokerage for own investment | 1,183,578 | - |
| | <u>7,912,602</u> | <u>9,253,639</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 | - | 4,425,133 |
| | - | <u>4,425,133</u> |

8.3 Structured Finance Department (SFD)

| | | |
|-------------------------|-------------------|-------------------|
| Debt arrangement fees | 12,293,072 | 13,576,822 |
| Corporate advisory fees | 2,303,625 | 2,303,625 |
| | <u>14,596,697</u> | <u>15,880,447</u> |

9 Inter-company receivables

| | | |
|---------------------------------------|------------------|------------------|
| BRAC EPL Stock Brokerage Limited | 34,500 | 297,391 |
| BRAC Asset Management Company Limited | 966,850 | 966,850 |
| | <u>1,001,350</u> | <u>1,264,241</u> |

10 Investment in quoted securities

| | |
|----------------------|-------------------|
| <u>1,272,811,973</u> | <u>84,282,993</u> |
|----------------------|-------------------|

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.

11 Advance income tax

| | | |
|--------------------------------|-------------------|-------------------|
| Opening balance | 16,514,787 | 4,632,937 |
| Add: paid during the year | 916,933 | 11,881,851 |
| | <u>17,431,720</u> | <u>16,514,787</u> |
| Less: adjusted during the year | 4,611,060 | - |
| | <u>12,820,660</u> | <u>16,514,787</u> |

12 Loans and advances to customers

| | | |
|--------------------------|----------------------|----------------------|
| Opening balance | 3,616,388,219 | 3,824,643,861 |
| Realized during the year | 1,002,101,703 | 208,255,642 |
| | <u>2,614,286,516</u> | <u>3,616,388,219</u> |

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 | 378,839,764 | 710,475,612 |
| Accrued management fees receivable | 42,506,213 | 18,131,024 |
| | <u>421,345,977</u> | <u>728,606,636</u> |

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 | 7,278 | 260,595 |
| General suppliers | 213,258 | 206,258 |
| | <u>220,536</u> | <u>466,853</u> |
| Deposits | | |
| Regulators | 314,500 | 314,500 |
| Others | 298,258 | |
| Prepayments | | |
| Office rent | 1,972,587 | 2,474,899 |
| | <u>2,805,881</u> | <u>3,256,251</u> |

15 Cash and cash equivalents

| | | |
|--------------------------------|-------------------|--------------------|
| Cash in hand | 74,332 | 64,954 |
| Balance with Banks | | |
| BRAC Bank Limited | 10,755,742 | 27,507,846 |
| Standard Chartered Bank | 61,962,538 | 156,007,174 |
| NRB Commercial Bank Limited | 507,824 | 506,140 |
| NRB Bank Limited | 604,392 | 619,967 |
| One Bank Limited | 1,118,586 | 2,567,310 |
| United Commercial Bank Limited | 495 | 77,310 |
| Standard Bank Limited | 32,334 | 5,935 |
| IFIC Bank Limited | - | - |
| Midland Bank | 98,060 | 98,635 |
| | 75,154,303 | 187,455,271 |

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 |
|---|---------------|---------------|

16.2 Issued, subscribed and paid-up share capital

| | | |
|---|---------------|---------------|
| 258,500,000 ordinary shares of Taka 10 each | 2,585,000,000 | 2,585,000,000 |
|---|---------------|---------------|

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 | Amount |
|-------------------------------|------------------------------------|--------------------|----------------------------|----------------------|----------------------|
| | | | | Taka | Taka |
| BRAC Bank Ltd. | Bangladesh | 244,459,832 | 10 | 2,444,598,320 | 2,444,598,320 |
| Other individual shareholders | Various | 14,040,168 | | 140,401,680 | 140,401,680 |
| | | 258,500,000 | | 2,585,000,000 | 2,585,000,000 |

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 Customer deposits

| | | |
|------------------------|--------------------|-------------------|
| Opening balance | 66,633,683 | 83,432,920 |
| Change during the year | 204,456,406 | (16,799,237) |
| | 271,090,089 | 66,633,683 |

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

18 Bank overdrafts

| | | |
|--------------------------------|--------------------|--------------------|
| BRAC Bank Limited | 776,909,197 | 851,255,019 |
| IFIC Bank Limited | - | - |
| One Bank Limited | - | - |
| Standard Bank Limited | - | 85,102,549 |
| United Commercial Bank Limited | - | - |
| NRB Commercial Bank Limited | - | - |
| | <u>776,909,197</u> | <u>936,357,568</u> |

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

BRAC Bank Limited

| | |
|----------------------|--|
| Type of facility | : Overdraft 1- renewal |
| Facility limit | : BDT 800,000,000 (BDT eight hundred million) only. |
| Repayment procedures | : From operational cash flow/or own sources of borrower. |
| Maximum tenor | : On demand |
| Purpose | : To meet day to day operational activities. |
| Expiry | : 29 March 2017 |

BRAC Bank Limited

| | |
|----------------------|--|
| Type of facility | : Overdraft 2- renewal |
| Loan limit | : BDT 50,000,000 (BDT fifty million) only. |
| Repayment procedures | : From operational cash flow/or own sources of borrower. |
| Maximum tenor | : On demand. |
| Purpose | : To meet day to day operational activities. |
| Expiry | : 29 March 2017 |

Standard Bank Limited

| | |
|----------------------|---|
| Type of facility | : Overdraft - renewal |
| Facility limit | : BDT 300,000,000 (BDT three hundred million) only. |
| Repayment procedures | : From operational cash flow/or own sources of borrower. |
| Purpose | : For merchant banking operation of the company as margin loans to clients and day to day activities. |
| Expiry | : 30 September 2017 |

| | | |
|-------------------------------|----------------------|----------------------|
| 19 Short term loan | 370,000,000 | 779,211,617 |
| 19.1 Opening balance | 680,000,000 | 570,000,000 |
| Add: received during the year | 690,000,000 | 1,410,000,000 |
| | 1,370,000,000 | 1,980,000,000 |
| Less: payment during the year | 1,000,000,000 | 1,300,000,000 |
| | 370,000,000 | 680,000,000 |

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 |

| | | |
|-------------------------------|-------------------|--------------------|
| 19.2 Short term loan | | |
| Opening balance | 99,211,617 | 477,059,353 |
| Add: Received during the year | - | - |
| | 99,211,617 | 477,059,353 |
| Less: Payment during the year | 99,211,617 | 377,847,736 |
| | - | 99,211,617 |

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 |

| | | |
|---|-------------------|-------------------|
| 20 Account payables | | |
| Broker for client trading | 3,530,201 | 4,754,037 |
| VAT on fee income | 4,515,086 | 4,437,986 |
| Payable for other PMD activities | 1,853,933 | 31,958,333 |
| Broker for Own Investment | - | 4,529,335 |
| Tax deducted at source from salaries and allowances | 1,440 | 594,089 |
| Tax deducted at source from suppliers | 1,606 | 79,254 |
| Withholding VAT on office rent | 38,500 | 120,555 |
| Withholding VAT on suppliers' payments | 156,224 | 198,570 |
| Tax deducted at source from office rent | 38,808 | 38,808 |
| | 10,135,798 | 46,710,966 |

21 Other liabilities

| | | |
|--|----------------------|----------------------|
| Provision for loans and advances (Note 21.1) | 1,059,064,609 | 1,059,064,609 |
| Income Suspense Account | 719,086,332 | - |
| Sales receivable in transit | 4,092 | 16,619,378 |
| CDBL charges | 69,203 | 199,303 |
| Office maintenance | 1,498,748 | 1,596,926 |
| Audit fees | 148,500 | 198,000 |
| IT expenses | 211,386 | 211,386 |
| Telephone and mobile expenses | 21,099 | 21,099 |
| Rent | 55,813 | 55,813 |
| Security services | (4,644) | (4,644) |
| Legal and professional fees | | 105,871 |
| Repair and maintenance | 37,770 | 37,770 |
| Printing- Postage & Stationery | 9,001 | 9,001 |
| Advertisement | | - |
| Other payable | 71,650 | 71,650 |
| | 1,780,273,558 | 1,078,186,162 |

21.1 Provision for loans and advances

| | | |
|------------------------------------|----------------------|----------------------|
| Opening balance | 1,059,064,609 | 375,271,977 |
| Provision made during the year | 354,000,000 | 683,792,632 |
| Provision released during the year | (354,000,000) | - |
| Closing balance | 1,059,064,609 | 1,059,064,609 |

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/CMRRCD/2009-193/196 dated 28 December 2016 requires a 20% provision on such shortfall at 31 December 2016.

21.2 Income Suspense Account

| | | |
|----------------------------------|--------------------|----------|
| Interest Suspense account | 684,962,752 | - |
| Management fees suspense account | 34,123,580 | - |
| | 719,086,332 | - |

22 Provision for taxation

| | | |
|--------------------------------------|------------------|------------------|
| Opening balance | 624,709 | 1,028,410 |
| Add : provision made during the year | 910,392 | 624,709 |
| | 1,535,101 | 1,653,119 |
| Less: paid/adjusted during the year | - | 1,028,410 |
| | 1,535,101 | 624,709 |

| For the period ended 30 September 2017 | For the period ended 30 September 2016 |
|---|---|
| Taka | Taka |

23 Interest expenses

| | | |
|--------------------------------------|-------------------|--------------------|
| BRAC Bank Limited | 55,121,047 | 70,611,968 |
| United Commercial Bank Limited | - | 42,010,535 |
| IFIC Bank Limited | - | 35,278,185 |
| Standard Bank Limited | 1,170,477 | 10,650,601 |
| ONE Bank Limited | - | 17,673,195 |
| NRB Commercial Bank Limited | - | 234,905 |
| NRB Bank Limited | - | 18,904,976 |
| Investment Corporation of Bangladesh | - | 17,179,785 |
| | 56,291,524 | 212,544,150 |

24 Fee and commission income

| | | |
|---|-------------------|-------------------|
| Portfolio Management Department (PMD) (note-24.1) | 21,816,325 | 25,505,796 |
| Investment Banking Department (IBD) (note-24.2) | - | - |
| Structured Finance Department (SFD) (note-24.3) | 2,300,000 | 19,408,425 |
| | 24,116,325 | 44,914,221 |

24.1 Portfolio Management Department (PMD)

| | | |
|----------------------------|-------------------|-------------------|
| Settlement fees | 38,826,224 | 14,931,735 |
| Management fees | (17,456,269) | 9,924,061 |
| BO maintenance fees | 406,100 | 627,750 |
| Documentation fees | 30,800 | 10,000 |
| Commission income from IPO | 9,470 | 12,250 |
| | 21,816,325 | 25,505,796 |

24.2 Investment Banking Department (IBD)

Corporate advisory fees

| | |
|---|---|
| - | - |
|---|---|

24.3 Structured Finance Department (SFD)

Debt arrangement fees

| | |
|---------|------------|
| 500,000 | 15,500,000 |
|---------|------------|

Corporate advisory fees

| | |
|-----------|-----------|
| 1,800,000 | 3,908,425 |
|-----------|-----------|

| | |
|------------------|-------------------|
| 2,300,000 | 19,408,425 |
|------------------|-------------------|

25 Fee and commission expenses

Brokerage commission cost

| | |
|------------|-----------|
| 19,276,878 | 7,884,533 |
|------------|-----------|

| | |
|-------------------|------------------|
| 19,276,878 | 7,884,533 |
|-------------------|------------------|

26 (Loss)/Income from investment in securities

| | | |
|---|--------------------|------------------|
| Realized (loss)/ gain during the year | 93,624,282 | 5,785,132 |
| Fair value adjustment at reporting date | 22,397,218 | 999,986 |
| | 116,021,500 | 6,785,118 |

27 Other operating income

| | | |
|---|------------------|------------------|
| Dividend income | 3,534,665 | 1,208,955 |
| Rental income | - | 424,291 |
| Interest income on staff loan | 7,673 | 22,390 |
| Gain on disposal of property, plant and equipment | - | 75,000 |
| Others | 4,000 | - |
| | 3,546,338 | 1,730,636 |

28 Operating expenses

| | | |
|---|-------------------|-------------------|
| Salaries and allowances | 26,267,037 | 28,189,039 |
| Other personnel expenses | 4,765,622 | 6,076,880 |
| Rental expenses | 6,737,570 | 10,263,606 |
| Utilities, maintenance and running expenses | 4,597,479 | 5,451,979 |
| CDBL expenses | 1,394,477 | 555,563 |
| Legal and professional fees | 1,324,000 | 1,490,000 |
| Telephone, communication and IT expenses | 1,632,893 | 2,116,184 |
| Bad debt expenses | 6,283,883 | - |
| Printing and stationery | 315,604 | 366,898 |
| Travelling and conveyance | 234,068 | 125,673 |
| Vehicle maintenance expenses | 893,139 | 862,874 |
| Entertainment expenses | 713,576 | 413,072 |
| Training and development expenses | 81,950 | 34,711 |
| Meeting expenses | 296,417 | 267,000 |
| Business development and promotional expenses | - | - |
| License and renewal fees | 100,669 | 30,110 |
| Advertisement expenses | - | 142,520 |
| Audit fees | 189,750 | 115,000 |
| Regulatory fees | 157,500 | 640,000 |
| Insurance | 915,168 | 911,905 |
| | 56,900,802 | 58,053,014 |

29 Financial expenses

| | | |
|-----------------------------|----------------|----------------|
| Bank charges and commission | 430,609 | 363,654 |
| Finance charge - lease | | |
| Loan arrangement fees | | |
| | 430,609 | 363,654 |

30 Tax expenses

| | | |
|-------------------------------|----------------------|------------------|
| Prior year taxes | 11,309,444 | - |
| Current year taxes | 910,392 | 471,212 |
| Deferred tax (income)/expense | (210,987,787) | 1,031,596 |
| | (198,767,951) | 1,502,808 |

31 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.

32 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 | 30 September 2017 Taka | 2016 Taka |
|------------------------------------|------------------------|---------------------------|---------------|
| BRAC Bank Limited | Internet exp payable | - | 984,747 |
| | Interest payable | - | 18,232,497 |
| | Loans and borrowings | 1,146,909,197 | 1,759,086,440 |
| BRAC EPL Stock Brokerage Limited | Expenses payable | 1,044,806 | 3,638,679 |
| BRAC EPL Stock Brokerage Limited | Receivable | 34,500 | 2,589,583 |
| BRAC Asset Management Company Ltd. | Reimbursable expenses | 966,850 | 1,074,661 |
| BRAC IT Services Limited | Internet exp payable | 23,800 | - |

33 Events after the reporting date

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