

# The Dhaka Mercantile Co-operative Bank Limited

## Auditor's Report & Financial Statements as at and for the year ended 30 June 2019



### **S. F. AHMED & CO.**

Chartered Accountants ...since 1958  
*Member Firm of HLB International*

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**INDEPENDENT AUDITORS' REPORT**  
**To**  
**The Shareholders/ Members of**  
**The Dhaka Mercantile Co-operative Bank Limited**

**Opinion**

We have audited the consolidation of accompanying financial statements of The Dhaka Mercantile Co-operative Bank Ltd. (entity), which comprise the Balance Sheet as at 30 June 2019 and the Profit and Loss Account, 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 notes.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of The Dhaka Mercantile Co-operative Bank Ltd. as of 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with the accounting policies summarized in note 2 to the financial statements and comply with applicable laws and regulations.

**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 Consolidated Financial Statements section of our report. We are independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) 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 from our audit of accounts of ten (10) branches is sufficient and appropriate to provide a basis for our opinion

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting policies summarized in note 2, 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. The Co-operative Society Rules, 2004 require the Management to ensure effective internal audit, internal control and risk management functions of the entity.

In preparing the financial statements, management is responsible for assessing the entity'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 entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee



that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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 entity'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 entity 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 entity's or business activities within the entity's to express an opinion on the financial statements.

We communicate with those charged with governance regarding, 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.

We also report that:

- i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of consolidation of accounts of the Branches and Head Office as stated above and made due verification thereof;
- ii. in our opinion, proper books of account as required by law have been kept by the entity so far as it appeared from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us;
- iii. we have been appointed to conduct audit of the ten (10) branches out of total one hundred thirty three (133) branches and three (3) sub-branches of the entity and shall issue separate reports for respective branches on completion of audit;



- iv. the entity's balance sheet and profit and loss account dealt with by the report are in agreement with the respective accounts of the branches and head office of the Co-operative Bank;
- v. the expenditure incurred was for the purpose of the entity's business.



Dated; Dhaka  
07 August 2019

S. F. Ahmed & Co.  
Chartered Accountants



# The Dhaka Mercantile Co-operative Bank Ltd.

## Balance Sheet


As at 30 June 2019

PROPERTY AND ASSETS:	Notes	Amounts in Taka	
		30.06.2019	30.06.2018
Cash in hand		114,262,375	201,263,655
Balance with other banks	3	3,524,237,582	1,773,117,302
<b>Investments:</b>			
Bai - murabaha (Micro)	4	13,243,798,522	11,888,840,127
Bai - murabaha (General)	5	1,692,055,077	1,443,742,681
Bai - murabaha (Cash Credit)	6	1,571,644,643	1,000,375,681
Bai - murabaha (SOD)	7	2,623,537,881	804,572,583
Bai - muazzal (Consumer)	8	23,138,241	31,210,340
Bai - muazzal (Staff)	9	360,815,398	341,014,491
Hire purchase under shirkatul meelk	10	9,538,400	12,428,543
Quard - e - hasana	11	16,626,596	15,794,972
Bai - murabaha (Seasonal)	12	80,569,338	108,126,350
		<u>19,621,724,096</u>	<u>15,646,105,768</u>
Fixed assets	13	600,614,882	553,047,074
Other assets	14	1,242,743,048	1,051,934,002
<b>Total Assets</b>		<b><u>25,103,581,983</u></b>	<b><u>19,225,467,801</u></b>
<b>LIABILITIES AND CAPITAL:</b>			
<b>Liabilities:</b>			
Financing (borrowing) from other banks	15	677,140,327	471,095,350
<b>Deposits and other accounts :</b>			
Al-wadeeah current deposits & other accounts	16	2,119,961,963	1,821,689,690
Mudaraba saving deposits		349,462,208	296,582,765
Mudaraba term deposits	17	10,770,607,790	7,937,770,208
Other mudaraba deposits	18	9,715,256,658	7,649,925,550
		<u>22,955,288,619</u>	<u>17,705,968,213</u>
Other liabilities	19	1,038,694,946	683,362,086
<b>Total Liabilities</b>		<b><u>24,671,123,892</u></b>	<b><u>18,860,425,649</u></b>
<b>Capital/Shareholders' Equity :</b>			
Share capital	20	48,208,440	43,507,840
General reserve	21	166,781,001	145,376,447
Retained earnings	22	217,468,650	176,157,865
<b>Total Capital/Shareholders' Equity</b>		<b><u>432,458,091</u></b>	<b><u>365,042,152</u></b>
<b>Total Liabilities and Shareholders' Equity</b>		<b><u>25,103,581,983</u></b>	<b><u>19,225,467,801</u></b>

The annexed notes are integral part of these accounts and should be read in conjunction therewith.


For The Dhaka Mercantile Co-operative Bank Ltd.

  
Chairman

  
Managing Director



Dated: Dhaka  
07 August 2019

  
S. F. Ahmed & Co.  
Chartered Accountants

# The Dhaka Mercantile Co-operative Bank Ltd.

## Profit and Loss Account

For the year ended 30 June 2019

	Notes	Amounts in Taka	
		2018-2019	2017-2018
<b>Profit on investments</b>	23	4,524,803,196	3,419,783,482
Profit paid on deposits and borrowings	24	(1,757,843,777)	(1,311,125,639)
<b>Net investment income</b>		<b>2,766,959,419</b>	<b>2,108,657,843</b>
<b>Other operating income</b>	25	63,556,884	59,382,948
<b>Total operating income</b>		<b>2,830,516,303</b>	<b>2,168,040,791</b>
<b>Operating Expenses:</b>			
Salary and allowances with remuneration	26	1,599,248,852	1,189,493,623
Rent, taxes, insurance, electricity, etc.	27	346,262,610	300,920,367
Legal expenses		13,274,685	10,555,191
Postage, stamps, telecommunications, etc.	28	16,524,883	14,332,111
Stationery, printing, advertisement, etc.	29	107,325,861	101,868,114
Auditor fees		1,258,825	1,011,125
Depreciation and repairs of bank's assets	30	130,280,242	103,329,729
Other expenses	31	427,802,991	278,024,122
<b>Total operating expenses</b>		<b>2,641,978,949</b>	<b>1,999,534,382</b>
<b>Profit / (loss) before provision and tax</b>		<b>188,537,354</b>	<b>168,506,409</b>
Provision against investments	32	59,450,499	50,146,278
<b>Profit / (loss) before tax</b>		<b>129,086,855</b>	<b>118,360,131</b>
Provision for taxation (current tax)	33	22,064,084	16,446,526
<b>Net profit before appropriation</b>		<b>107,022,771</b>	<b>101,913,605</b>
<b>Appropriation for the year:</b>			
General reserve		21,404,554	20,382,721
Provision for co-operative development fund		3,210,683	3,057,408
Staff welfare fund		2,140,455	2,038,272
Recreation and sports fund		3,210,683	3,057,408
Incentive bonus		5,351,139	5,095,680
Dividend (proposed)		21,753,920	19,438,620
Reserve for profit payable		5,351,139	5,095,680
Provision for contingent liabilities		10,702,277	10,191,360
<b>Total appropriations</b>	34	<b>73,124,850</b>	<b>68,357,149</b>
<b>Retained earnings for the year</b>	22	<b>33,897,921</b>	<b>33,556,456</b>

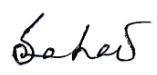
The annexed notes are integral part of these accounts and should be read in conjunction therewith.


For The Dhaka Mercantile Co-operative Bank Ltd.

  
Chairman



Dated: Dhaka  
07 August 2019

  
Managing Director

  
S. F. Ahmed & Co.  
Chartered Accountants



## The Dhaka Mercantile Co-operative Bank Ltd.

### Statement of Changes in Equity

For the year ended 30 June 2019

Particulars	Share Capital Taka	General Reserve Taka	Retained Earnings Taka	Total Taka
Balance as on 01.07.2017	38,877,240	124,993,726	142,601,539	306,472,505
Share capital increase during the year	4,630,600	-	-	4,630,600
Profit appropriated to general reserve	-	20,382,721	-	20,382,721
Profit after appropriation for the period ended 30.06.2017	-	-	33,556,456	33,556,456
Prior year adjustment	-	-	(130)	(130)
<b>Shareholders' equity at the end of the period 30 June 2018</b>	<b>43,507,840</b>	<b>145,376,447</b>	<b>176,157,865</b>	<b>365,042,152</b>
Balance as on 01.07.2018	43,507,840	145,376,447	176,157,865	365,042,152
Share capital increase during the year	4,700,600	-	-	4,700,600
Profit appropriated to general reserve	-	21,404,554	-	21,404,554
Profit after appropriation for the period ended 30.06.2019	-	-	33,897,921	33,897,921
Prior year adjustment	-	-	7,412,864	7,412,864
<b>Shareholders' equity at the end of the period 30 June 2019</b>	<b>48,208,440</b>	<b>166,781,001</b>	<b>217,468,650</b>	<b>432,458,091</b>

For The Dhaka Mercantile Co-operative Bank Ltd.

  
 Chairman



Dated: Dhaka  
 07 August 2019

  
 Managing Director

  
 S. F. Ahmed & Co.  
 Chartered Accountants

# The Dhaka Mercantile Co-operative Bank Ltd.


## Statement of cash flows

For the year ended 30 June 2019

	Amounts in Taka	
	2018-2019	2017-2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit after tax & appropriation	33,897,921	33,556,456
Add: Adjustment for non cash items:		
Depreciation	120,469,686	94,756,679
Depreciation adjustment	(36,931,253)	(40,959,607)
Prior year's adjustment	7,412,864	(130)
	<u>124,849,218</u>	<u>87,353,398</u>
<b>(Increase)/Decrease in Current Assets</b>		
Investments	(3,975,618,328)	(3,119,059,633)
Other assets	(190,809,046)	411,605
	<u>(4,166,427,374)</u>	<u>(3,118,648,028)</u>
<b>Increase/(Decrease) in Current Liabilities</b>		
Deposits & other accounts	5,249,320,406	3,927,308,506
Other liabilities	355,332,860	164,294,910
General reserve	21,404,554	20,382,721
	<u>5,626,057,820</u>	<u>4,111,986,137</u>
<b>Net Cash provided/(used) by Operating Activities</b>	<b><u>1,584,479,664</u></b>	<b><u>1,080,691,507</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of fixed assets	(187,797,869)	(238,418,991)
Disposal/Sale of fixed assets	56,691,628	48,461,743
<b>Net cash used by Investing Activities</b>	<b><u>(131,106,241)</u></b>	<b><u>(189,957,248)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in share capital	4,700,600	4,630,600
Borrowing from other banks	206,044,977	333,528,549
<b>Net cash provided/(used) by Financing Activities</b>	<b><u>210,745,577</u></b>	<b><u>338,159,149</u></b>
<b>Net Cash Increase/(Decrease) in Cash and Bank Balances</b>	<b>1,664,119,000</b>	<b>1,228,893,408</b>
Cash and bank balance at the beginning of the year	<u>1,974,380,957</u>	<u>745,487,549</u>
Cash and bank balance at the end of the year	<u><u>3,638,499,957</u></u>	<u><u>1,974,380,957</u></u>

For The Dhaka Mercantile Co-operative Bank Ltd.

  
Chairman

  
Managing Director





# **The Dhaka Mercantile Co-operative Bank Ltd.**

## **Notes to the financial statements for the year ended 30 June 2019**

### **1. Status of the bank/society**

#### **1.01 Legal form of the bank/society**

**The Dhaka Mercantile Co-operative Bank Limited (DMCB)** was registered with the Government under the then “The Bengal Co-operative Society Act, 1940 (Bengal Act XXI)” on 06 January, 1973. After registration, the Bye-laws of the society were prepared for operating its activities. In these Bye-laws, unless there is anything repugnant in the subject of context:

- (a) Act means the Bengal Co-operative Society Act, 1940.
- (b) Rules mean the Bengal Co-operative Society Rules, 1942.

In the case of The Dhaka Mercantile Co-operative Bank Ltd., the words, 'Society' and the 'Bank' has become synonymous.

#### **1.02 Objectives of DMCB**

- i) To improve the socio-economic condition of the members of the society through the extension of investments for their small business, trades, cottage industries etc.
- ii) To reduce unemployment by investing and augmenting in economic activities which leads to the creation of jobs and steady income.
- iii) Encouraging and motivating the new entrepreneurs to establish industries and business in line with development of national economy.
- iv) Enhancing savings tendency of the people by offering attractive and lucrative new savings scheme.
- v) Promoting the mobilization of savings both from urban and rural areas.
- vi) To procure funds particularly from the small savers for investments.
- vii) To extend security-free investments to attract the less-privileged towards co-operative societies.
- viii) To aid the members of our society in understanding individual and communal goals and moving towards a better future.
- ix) To explore the needs of the common people including businessman and professionals.

#### **1.03 Business philosophy of DMCB**

Part of DMCB's business philosophy is to keep moving and developing with the changing era. What sets DMCB apart from other co-operative banks/societies is its operational accuracy which it has mastered gradually over the years. Through the development of key human resources and excellent service to its members, DMCB aims to be the leader in the Bangladeshi co-operative sector. The other half of our philosophy is to assist in the development of our national economy to its highest potential.

#### **1.04 Corporate Governance**

The Dhaka Mercantile Co-operative Bank Limited is a 100% locally sponsored Private Co-operative Bank (Society) as per Co-operative Societies Act. The Bank has given proper importance to the compliance of all the rules, regulations and guidelines of Co-operative Societies and other regulatory bodies.

Corporate Governance refers to the structure and process for the direction and control of the organization. This is the framework of rules and practices by which a Board of Directors ensures accountability, fairness, and transparency in the institution's relationship with its all stakeholders. The Board reviews the policies and operating procedures of the various segments of businesses in order to establish effective risk management in investment and other key areas of operations. DMCB has continued to practice on good corporate governance at all levels. It enables the bank to establish professionalism combined with trust and confidence among the interested parties, build the capacity necessary to operate the business efficiently, and create a congenial working environment that will inevitably meet the challenges of the present competitive business arena. The bank has established a clear outline for each sector to ensure corporate governance and functionality. To improve awareness on corporate governance, the members of the Board and the Management are encouraged to join seminar, workshops and other programs.



## **The Dhaka Mercantile Co-operative Bank Ltd.**

### **Notes to the financial statements for the year ended 30 June 2019**

#### **1.05 Board Structure**

The DMCB Board of Directors comprises of 07 (seven) members. The board is formed/elected/nominated according to Co-operative Societies Laws and Bye-laws. The Board of Directors of DMCB is a professionally run forum having members from various backgrounds and profession.

The Board is primarily responsible for strategy and policy formulations and for taking decisions on business, operational and financial matters alongside ensuring compliance and risk management of the Bank. The management of the bank operates within the set policies, guidance and limits approved by the Board.

The Board holds meeting regularly and sits at least once in a month.

#### **2. Significant accounting policies**

##### **2.01 Basis of preparation of the financial statements**

The financial statements of the bank, comprising Balance Sheet, Profit and Loss Account, Statement of Changes in Equity, Statement of Cash Flows and relevant Notes and Disclosures have been prepared as at 30 June 2019 under the historical cost convention and other rules and regulations applicable in Bangladesh on a going concern basis.

##### **2.02 Basis of consolidation**

Statement of Affairs and Income & Expenditure of all branches and head office are consolidated together to prepare Financial Statements of the bank. As on 30 June 2019 there were 133 (One hundred thirty three) branches and 03 (three) sub-branches all over the country.

##### **2.03 Revenue recognition**

The revenue is recognized as follows complying with the conditions of revenue recognition as provided :

- i) Profit on micro investments is recognized on cash basis.
- ii) Profit on other investments is recognized on accrual basis.
- iii) Fees and other income on services provided by the bank are recognized as and when the services are rendered.

##### **2.04 Profit paid on deposits and borrowings**

- i) Profit paid to different mudaraba depositors is recognized on accrual basis as per provisional rate.
- ii) Profit paid on borrowings is accounted for on accrual basis.

##### **2.05 Other operating expenses**

All other operating expenses are provided for in the books of the account on accrual basis.

##### **2.06 Reconciliation of books of accounts**

Books of account with regard to inter-branch transactions are reconciled and no material difference was found which may affect the financial statements significantly.

##### **2.07 Fixed assets and depreciation**

All fixed assets are stated at cost less accumulated depreciation which is charged on "straight-line method" applying the following rates:

<b><u>Category of asset</u></b>	<b><u>Rate of depreciation</u></b>
Land	0%
Building	5%
Furniture & fixture	10%
Office equipment	20%
Electric appliances	20%
Computer equipment	20%
Motor vehicles	20%
Others	10%

For addition of an asset depreciation is charged from the date of purchase and for disposal depreciation is charged up to the date of disposal.





## **The Dhaka Mercantile Co-operative Bank Ltd.**

### **Notes to the financial statements for the year ended 30 June 2019**

#### **2.08 Cash and cash equivalents**

Cash and cash equivalents include notes and coins in hand and balances held with other banks that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **2.09 Investments**

Investments are stated at net amount at 30 June 2019 except Quard-e-hasana investment are stated at gross amounts at 30 June 2019.

#### **2.10 Deposits and other accounts**

Deposits are recognized when the bank enters into contractual agreements with the counterparties, which are generally on trade date and initially measured at the amount of consideration received.

#### **2.11 Borrowings**

Borrowed funds include secured overdraft from different commercial banks and non-banking financial institutions. These are stated in the balance sheet at amounts payable. Profit/interest paid/payable on these borrowings is charged to the profit and loss account.

#### **2.12 Provision against investment**

Provision against investments are made on the basis of year-end review by the Management i.e. 1% on good investment and 20% on irregular, doubtful & bad investment.

#### **2.13 Provision for taxation**

As per the Income Tax Ordinance, 1984 provision for income tax has been made by applying applicable rate(s).

#### **2.14 General reserve**

Provision for general reserve has been made @ 20% on net profit after tax earned by the bank as prescribed in the Co-operative Society Act.

#### **2.15 Co-operative development fund**

Provision for co-operative development fund has been made @ 3% on net profit after tax earned by the bank as prescribed in the Co-operative Society Act.

#### **2.16 Staff welfare fund**

The Dhaka Mercantile Co-operative Bank Ltd. has established staff welfare fund for the regular and confirmed employees. The fund is subscribed by monthly contribution of the employees, ambiguous profit and also a percentage on net profit earned by the bank each financial year is contributed by the bank. This fund is mainly used to provide coverage in the event of accidental death, permanent disabilities, clinical treatment, marriage ceremony, etc. and also payment of scholarship to the meritorious students among the children of DMCB's officers and sub-staff. Disbursement from the fund is done as per rules for employees' welfare fund. Provision for staff welfare fund has been made @ 2% on net profit after tax earned by the bank as per Co-operative Society Act.

#### **2.17 Recreation & sports fund**

The Dhaka Mercantile Co-operative Bank Ltd. has created recreation & sports fund for its staffs. The fund is subscribed at a percentage on net profit earned by the bank each financial year. Provision for recreation & sports fund has been made @ 3% on net profit after tax earned by the bank as per Co-operative Society Act.



## **The Dhaka Mercantile Co-operative Bank Ltd.**

### **Notes to the financial statements for the year ended 30 June 2019**

#### **2.18 Incentive bonus**

This fund is used for payment to respective officers and sub-staffs in recognition of their outstanding performance/ contributions to the bank. The fund shall be subscribed at a percentage on net profit earned by the bank each financial year. Provision for incentive bonus has been made @ 5% on net profit after tax earned by the bank as per Co-operative Society Act.

#### **2.19 Dividend**

Dividend has been proposed at 50% on share capital as on 30 June 2018.

#### **2.20 Distribution of profit under islami banking operation**

DMCB operates its activities in complying with the rules of Islamic Shariah, which absolutely prohibits receipts and payments of interest in any form. This year 44% of full year's investments income are distributed to the different types of Mudaraba depositors according to the weightage and the remaining investments income are retained by the bank to meet administrative expenses and various reserves & provisions.

Provisional profit are applied to the different types of depositors at the rates decided by the bank from time to time taking into consideration of the business trend and that of the rates of other institution of Bangladesh. Final rates of profit are declared annually on the basis of income earned from different types of investments and distributed as per weightage of the different types of deposit products.

#### **2.21 Reserve for contingency**

Reserve for contingency has been made @ 10% on net profit after tax earned by the bank to settle the various probable obligation(s).

#### **2.22 Provident fund**

Provident Fund benefits are given to the permanent employees of the DMCB in accordance with DMCB Service Rules. Accordingly a trust deed and provident fund rules were prepared. The Commissioner of Income Tax, Taxes Zone-4, Dhaka has approved the Provident Fund as a recognized provident fund within the meaning of section 2(52), read with the provisions of part-B of the First Schedule of Income Tax Ordinance 1984. The recognition took effect from May 31, 2013. The fund is operated by a board of Trustees consisting five members (03 members from management and other 02 members from the Board of Directors) of the bank/society. All confirmed employees of the Bank/Society are contributing 10% of their basic salary as subscription to the Fund. The bank/society also contributes equal amount of the employees' contribution. Profit earned from the investments is credited to the members' account on yearly basis.

#### **2.23 Gratuity fund**

The Gratuity Fund for the regular and confirmed employees of the Bank was established on 1st July 2016. The employees who served at least 10 (Ten) years and served for 20 (Twenty) years at the Bank are entitled to get gratuity equivalent to 1 (one) month's basic pay and entitled to get 1.5 (one and half) months' basic pay respectively for each completed years of service and fraction thereof.

#### **2.24 General information**

Figures appearing in these financial statements have been rounded off to the nearest Taka.

Figures of previous year have been rearranged whenever necessary to conform to current year's presentation.





## The Dhaka Mercantile Co-operative Bank Ltd.

### Notes to the financial statements

For the year ended 30 June 2019

#### Balance Sheet:

	Amounts in Taka	
	30.06.2019	30.06.2018
<b>3. Balance with other banks</b>		
Current account	102,905,612	54,319,632
Short term deposit	21,331,970	18,797,670
Other deposits account (TDR)	3,400,000,000	1,700,000,000
	<b>3,524,237,582</b>	<b>1,773,117,302</b>
<b>4. Bai - Murabaha (Micro)</b>		
Bai - murabaha (Micro)	15,632,313,244	14,165,926,214
Less: Profit receivable on bai - murabaha (Micro)	2,388,514,722	2,277,086,087
<b>Net Bai - Murabaha (Micro)</b>	<b>13,243,798,522</b>	<b>11,888,840,127</b>
<b>5. Bai - Murabaha (General)</b>		
Bai - murabaha (General)	1,832,714,840	1,779,675,637
Less: Profit receivable on bai - murabaha (General)	140,659,763	335,932,956
<b>Net Bai - Murabaha (General)</b>	<b>1,692,055,077</b>	<b>1,443,742,681</b>
<b>6. Bai - Murabaha (Cash Credit)</b>		
Bai - murabaha (Cash Credit)	1,644,792,257	1,057,798,982
Less: Profit receivable on bai - murabaha (Cash Credit)	73,147,614	57,423,301
<b>Net Bai - Murabaha (Cash Credit)</b>	<b>1,571,644,643</b>	<b>1,000,375,681</b>
<b>7. Bai - Murabaha (SOD)</b>		
Bai - murabaha (SOD)	2,625,459,637	807,114,061
Less: Profit receivable on bai - murabaha (SOD)	1,921,756	2,541,478
<b>Net Bai - Murabaha (SOD)</b>	<b>2,623,537,881</b>	<b>804,572,583</b>
<b>8. Bai - Muazzal (Consumer)</b>		
Bai - muazzal (Consumer)	30,702,868	38,051,980
Less: Profit receivable on bai - muazzal (Consumer)	7,564,627	6,841,640
<b>Net Bai - Muazzal (Consumer)</b>	<b>23,138,241</b>	<b>31,210,340</b>
<b>9. Bai - Muazzal (Staff)</b>		
Bai - muazzal (Staff)	361,207,808	341,554,386
Less: Profit receivable on bai - muazzal (Staff)	392,410	539,895
<b>Net Bai - Muazzal (Staff)</b>	<b>360,815,398</b>	<b>341,014,491</b>
<b>10. Hire Purchase under Shirkatul Meelk</b>		
Hire purchase under shirkatul meelk (CNG/Car)	433,669	600,669
Hire purchase under shirkatul meelk (Rickshaw/Van)	10,707,047	13,818,351
	11,140,716	14,419,020
Less: Profit receivable on hire purchase shirkatul meelk	1,602,316	1,990,477
<b>Net Hire Purchase under Shirkatul Meelk</b>	<b>9,538,400</b>	<b>12,428,543</b>
<b>11. Quard - e - hasana</b>		
Quard - e - hasana (General)	8,100,418	7,131,418
Quard - e - hasana (Staff)	8,526,178	8,663,554
	<b>16,626,596</b>	<b>15,794,972</b>



# The Dhaka Mercantile Co-operative Bank Ltd.

## Notes to the financial statements

For the year ended 30 June 2019

		Amounts in Taka	
		30.06.2019	30.06.2018
<b>12.</b>	<b>Bai - Murabaha (Seasonal)</b>		
	Bai - murabaha (Seasonal)	85,903,427	109,759,438
	Less: Profit receivable on bai - murabaha (Seasonal)	5,334,089	1,633,088
	<b>Net Bai - Murabaha (Seasonal)</b>	<b>80,569,338</b>	<b>108,126,350</b>
<b>13.</b>	<b>Fixed assets</b>		
	<b>A. Cost:</b>		
	Opening balance	821,195,632	631,238,384
	Add: Addition during the year	187,797,869	238,418,991
		1,008,993,501	869,657,375
	Less: Disposal during the year	56,691,628	48,461,743
	<b>Closing balance at cost</b>	<b>952,301,873</b>	<b>821,195,632</b>
	<b>B. Depreciation:</b>		
	Opening balance	268,148,558	214,351,486
	Add: Charged for the year	120,469,686	94,756,679
		388,618,244	309,108,165
	Less: Adjustment on disposal during the year	36,931,253	40,959,607
	<b>Accumulated depreciation</b>	<b>351,686,991</b>	<b>268,148,558</b>
	<b>Net book value at the end of the year</b>	<b>600,614,882</b>	<b>553,047,074</b>
	*For details please refer to Annexure - A		
<b>14.</b>	<b>Other assets</b>		
	Stock of stationery and printing materials etc.	12,123,932	10,231,050
	Stamps	266,945	245,365
	Advance rent	682,685,353	854,217,847
	Advance deposits	1,706,688	1,732,418
	Advance income tax (14.1)	14,219,628	13,330,637
	Advance VAT	9,320,931	-
	Suspense account	33,693,610	52,763,329
	Profit receivable on other investments	99,248,073	8,026,652
	Head office general a/c	389,477,888	111,386,704
		<b>1,242,743,048</b>	<b>1,051,934,002</b>
<b>14.1.</b>	<b>Advance income tax</b>		
	Balance at the beginning of the year	13,330,637	16,412,022
	Add: Tax deduct at source on TDR profit	13,614,628	-
	Add: Advance tax paid for vehicles	605,000	-
	Less: Advance tax paid at source during the year	13,330,637	3,081,385
	<b>Balance at the end of the year</b>	<b>14,219,628</b>	<b>13,330,637</b>
<b>15.</b>	<b>Financing (borrowing) from other banks</b>		
	United Commercial Bank Limited, Gulshan Branch	226,799,802	29,823,481
	Pubali Bank Limited, Khamarbari Branch	67,625,868	22,107,066
	National Bank Limited, Gulshan Branch	126,133,283	18,428,126
	Southeast Bank Limited, Dhanmondi Branch	1,332,781	146,602,999
	Reliance Finance Limited	201,423,593	254,133,678
	IDLC Finance Limited	3,825,000	-
	Phoenix Finance & Investment Limited	50,000,000	-
		<b>677,140,327</b>	<b>471,095,350</b>
<b>16.</b>	<b>Al-wadeeah current deposits &amp; other accounts</b>		
	Al-wadeeah current deposits	2,089,473,348	1,794,086,410
	Sundry deposits	30,488,615	27,603,280
		<b>2,119,961,963</b>	<b>1,821,689,690</b>





# The Dhaka Mercantile Co-operative Bank Ltd.

## Notes to the financial statements

For the year ended 30 June 2019

	Amounts in Taka	
	30.06.2019	30.06.2018
<b>17. Mudaraba term deposits</b>		
Mudaraba term deposits	10,027,724,091	7,443,143,484
Profit payable on mudaraba term deposits	742,883,699	494,626,724
	<b>10,770,607,790</b>	<b>7,937,770,208</b>
<b>18. Other mudaraba deposits</b>		
Mudaraba special deposits scheme (note - 18.1)	9,624,648,758	7,584,883,106
Mudaraba short notice deposits	90,607,900	65,042,444
	<b>9,715,256,658</b>	<b>7,649,925,550</b>
<b>18.1. Mudaraba special deposits scheme</b>		
Mudaraba daily sanchay prokalpa	4,338,133,254	3,250,249,033
Mudaraba daily education prokalpa	203,305,061	164,320,312
Mudaraba daily marriage prokalpa	6,894,669	4,758,417
Mudaraba daily hajj prokalpa	16,876,230	13,368,144
Mudaraba weekly sanchay prokalpa	21,740,833	17,901,721
Mudaraba monthly sanchay prokalpa	4,560,442,117	3,753,686,029
Mudaraba education sanchay prokalpa	93,707,620	77,701,584
Mudaraba marriage sanchay prokalpa	47,133,969	41,966,468
Mudaraba hajj sanchay prokalpa	9,153,184	7,303,532
Profit payable on mudaraba special deposits scheme	327,261,821	253,627,866
	<b>9,624,648,758</b>	<b>7,584,883,106</b>
<b>19. Other liabilities</b>		
Profit payable on borrowings	-	2,150,000
Payable to co-operative societies (note - 19.1)	6,268,091	5,621,222
Staff welfare fund (note - 19.2)	66,121,791	55,832,830
Recreation & sports fund (note - 19.3)	3,217,172	3,104,043
Incentive bonus (note - 19.4)	5,778,783	5,114,170
Dividend payable (note - 19.5)	91,122,432	81,943,596
Reserve for profit payable (note - 19.6)	9,999,417	9,279,987
Reserve for contingency (note - 19.7)	11,618,171	11,086,617
With-holding tax (note - 19.8)	3,433,128	3,527,595
With-holding VAT	5,438,446	68,087
Bills payable	23,189,700	32,031,960
Provident fund (note - 19.9)	23,165,271	9,400,791
Special welfare fund (note - 19.10)	2,915,147	2,893,285
Provision against investment (note - 19.11)	290,729,811	235,257,315
Provision for taxation (note - 33)	22,064,084	16,446,526
Risk fund (note - 19.12)	82,909,536	29,304,641
Investment loss provision micro (note - 19.13)	339,484,035	172,179,744
Other payables (note - 19.14)	51,239,931	8,119,677
	<b>1,038,694,946</b>	<b>683,362,086</b>



## The Dhaka Mercantile Co-operative Bank Ltd.

### Notes to the financial statements

For the year ended 30 June 2019

	Amounts in Taka	
	30.06.2019	30.06.2018
<b>19.1. Payable to co-operative societies</b>		
Balance at the beginning of the year	5,621,222	4,862,824
Less: Amount paid during the year	2,563,814	2,299,010
	3,057,408	2,563,814
Add: Provision made during the year	3,210,683	3,057,408
<b>Balance at the end of the year</b>	<b>6,268,091</b>	<b>5,621,222</b>
<b>19.2. Staff welfare fund</b>		
Balance at the beginning of the year	55,832,830	50,242,090
Add: Addition during the year (from salary)	11,068,542	9,645,476
Add: Provision made during the year	2,140,455	2,038,272
	69,041,827	61,925,838
Less: Amount paid during the year	2,920,036	6,093,008
<b>Balance at the end of the year</b>	<b>66,121,791</b>	<b>55,832,830</b>
<b>19.3. Recreation &amp; sports fund</b>		
Balance at the beginning of the year	3,104,043	3,065,178
Less: Amount paid during the year	3,097,554	3,018,543
	6,489	46,635
Add: Provision made during the year	3,210,683	3,057,408
<b>Balance at the end of the year</b>	<b>3,217,172</b>	<b>3,104,043</b>
<b>19.4. Incentive bonus</b>		
Balance at the beginning of the year	5,114,170	4,378,494
Less: Amount paid during the year	4,686,526	4,360,004
	427,644	18,490
Add: Provision made during the year	5,351,139	5,095,680
<b>Balance at the end of the year</b>	<b>5,778,783</b>	<b>5,114,170</b>
<b>19.5. Dividend payable</b>		
Balance at the beginning of the year	81,943,596	71,030,316
Less: Amount paid during the year	12,575,084	8,525,340
	69,368,512	62,504,976
Add: Provision made during the year	21,753,920	19,438,620
<b>Balance at the end of the year</b>	<b>91,122,432</b>	<b>81,943,596</b>
<b>19.6. Reserve for profit payable</b>		
Balance at the beginning of the year	9,279,987	8,488,654
Less: Amount paid during the year	4,631,709	4,304,347
	4,648,278	4,184,307
Add: Provision made during the year	5,351,139	5,095,680
<b>Balance at the end of the year</b>	<b>9,999,417</b>	<b>9,279,987</b>





# The Dhaka Mercantile Co-operative Bank Ltd.

## Notes to the financial statements

For the year ended 30 June 2019

	Amounts in Taka	
	30.06.2019	30.06.2018
<b>19.7. Reserve for contingency</b>		
Balance at the beginning of the year	11,086,617	9,692,411
Less: Amount paid during the year	10,170,723	8,797,154
	915,894	895,257
Add: Provision made during the year	10,702,277	10,191,360
<b>Balance at the end of the year</b>	<b>11,618,171</b>	<b>11,086,617</b>
<b>19.8. With-holding tax</b>		
Tax payable (profit on deposits)	1,253,136	1,365,461
Tax payable (others)	2,179,992	2,162,134
	<b>3,433,128</b>	<b>3,527,595</b>
<b>19.9. Provident fund</b>		
Balance at the beginning of the year	9,400,791	13,390,727
Add: Addition during the year (contribution & profit)	108,711,641	86,360,064
	<b>118,112,432</b>	<b>99,750,791</b>
Less: Paid during the year	947,161	-
Less: Transfer to employees' provident fund A/C	94,000,000	90,350,000
	<b>94,947,161</b>	<b>90,350,000</b>
<b>Balance at the end of the year</b>	<b>23,165,271</b>	<b>9,400,791</b>
<b>19.10. Special welfare fund</b>		
Balance at the beginning of the year	2,893,285	2,414,155
Add: Addition during the year	631,138	1,481,695
	<b>3,524,423</b>	<b>3,895,850</b>
Less: Paid during the year	609,276	1,002,565
<b>Balance at the end of the year</b>	<b>2,915,147</b>	<b>2,893,285</b>
<b>19.11. Provision against investment</b>		
Balance at the beginning of the year	235,257,315	188,025,544
Less: Adjustment during the year	3,978,003	2,914,507
	231,279,312	185,111,037
Add: Provision made during the year (note - 32)	59,450,499	50,146,278
<b>Balance at the end of the year</b>	<b>290,729,811</b>	<b>235,257,315</b>
<b>19.12. Risk fund</b>		
Balance at the beginning of the year	29,304,641	21,383,695
Add: Addition during the year	70,938,897	25,856,955
	100,243,538	47,240,650
Less: Paid during the year	17,334,002	17,936,009
<b>Balance at the end of the year</b>	<b>82,909,536</b>	<b>29,304,641</b>



## The Dhaka Mercantile Co-operative Bank Ltd.

### Notes to the financial statements

For the year ended 30 June 2019

	Amounts in Taka	
	30.06.2019	30.06.2018
<b>19.13. Investment loss provision (micro)</b>		
Balance at the beginning of the year	172,179,744	74,510,111
Add: Addition during the year	167,304,291	97,669,633
	339,484,035	172,179,744
Less: Adjustment during the year	-	-
<b>Balance at the end of the year</b>	<b>339,484,035</b>	<b>172,179,744</b>
<b>19.14. Other payables</b>		
Electricity	1,902,823	1,876,599
Telephone charges	306,314	268,686
Mobile phone charges	268,055	288,193
Internet bill	32,073	26,435
Postage & courier	80,779	52,179
Water	58,393	58,682
Gas	98,770	79,630
Advertisement	-	10,500
News paper	2,274	3,392
Wages	-	160,969
Service charge	6,000	6,000
Fuel	286,500	240,747
Incentive Bonus	28,509,530	-
Sundry expenses	19,688,420	5,047,665
	<b>51,239,931</b>	<b>8,119,677</b>
<b>20. Share capital</b>		
Balance at the beginning of the year	43,507,840	38,877,240
Add: Addition during the year	4,700,600	4,630,600
<b>Balance at the end of the year</b>	<b>48,208,440</b>	<b>43,507,840</b>
<b>21. General reserve</b>		
Balance at the beginning of the year	145,376,447	124,993,726
Add: Provision made during the year	21,404,554	20,382,721
<b>Balance at the end of the year</b>	<b>166,781,001</b>	<b>145,376,447</b>
<b>22. Retained earnings</b>		
Balance at the beginning of the year	176,157,865	142,601,539
Add: Prior year adjustment	7,412,864	(130)
Add: Addition during the year (P/L Account)	33,897,921	33,556,456
<b>Balance at the end of the year</b>	<b>217,468,650</b>	<b>176,157,865</b>





## The Dhaka Mercantile Co-operative Bank Ltd.

### Notes to the financial statements

For the year ended 30 June 2019

#### Profit and Loss Account:

	Amounts in Taka	
	2018-2019	2017-2018
<b>23. Profit on investments</b>		
Profit on investments (note - 23.1)	4,524,544,908	3,419,561,440
Profit on other bank accounts	258,288	222,042
	<b>4,524,803,196</b>	<b>3,419,783,482</b>
<b>23.1. Profit on investments</b>		
Profit on bai - murabaha (Micro)	3,550,642,276	2,837,931,143
Profit on bai - murabaha (General)	40,239,761	32,142,354
Profit on bai - murabaha (Cash Credit)	100,590,286	29,495,729
Profit on bai - murabaha (SOD)	225,558,279	80,759,178
Profit on bai - muazzal (Consumer)	3,863,428	4,501,519
Profit on bai - muazzal (Staff)	35,014,576	27,693,534
Profit on hire purchase under shirkatul meelk	897,508	2,112,974
Profit on quard - e - hasana	1,136,604	1,290,519
Profit on bai - murabaha (Seasonal)	12,953,578	16,784,600
Profit on investment (TDR)	227,371,212	117,305,318
Profit on other investment	326,277,400	269,544,572
	<b>4,524,544,908</b>	<b>3,419,561,440</b>
<b>24. Profit paid on deposits and borrowings</b>		
Profit paid on deposits (note - 24.1)	1,701,236,237	1,280,770,876
Profit paid on borrowings	49,665,297	23,920,838
Profit paid on others (note - 24.2)	6,942,243	6,433,925
	<b>1,757,843,777</b>	<b>1,311,125,639</b>
<b>24.1. Profit paid on deposits</b>		
Profit paid on mudaraba saving deposits	12,586,463	11,849,716
Profit paid on mudaraba term deposits	986,266,818	724,489,122
Profit paid on mudaraba special deposits scheme	702,382,956	544,432,038
	<b>1,701,236,237</b>	<b>1,280,770,876</b>
<b>24.2. Profit paid on others</b>		
Profit paid on provident fund	1,265,007	1,087,749
Profit paid on staff welfare fund	5,677,236	5,346,176
	<b>6,942,243</b>	<b>6,433,925</b>
<b>25. Other operating income</b>		
Membership fees	28,421,500	28,557,100
Membership card charges	5,808,900	5,966,197
Incidental charges	6,860,420	6,036,259
Documentation charges	1,787,200	1,549,730
Investment form charges	948,520	850,830
Pass book charges	136,262	109,315
Remittance charges	177,674	199,991
SMS charges	12,899,340	9,667,445
Cheque book charges	473,282	386,679
Profit on sale of assets	-	348,124
Account closing fees	5,432,987	4,825,933
Other income	610,800	885,345
	<b>63,556,884</b>	<b>59,382,948</b>



# The Dhaka Mercantile Co-operative Bank Ltd.

## Notes to the financial statements

For the year ended 30 June 2019

	Amounts in Taka	
	2018-2019	2017-2018
<b>26. Salary and allowances with remuneration</b>		
Salary and remuneration	1,265,850,688	959,661,260
Bonus	189,954,515	129,390,167
Allowances	89,772,971	57,761,996
Bank's contribution to provident fund	53,670,678	42,680,200
	<b>1,599,248,852</b>	<b>1,189,493,623</b>
<b>27. Rent, taxes, insurance, electricity, etc.</b>		
Rent, rates & taxes	309,202,692	271,300,343
Insurance	3,353,481	2,487,376
Electricity, gas & water	33,706,437	27,132,648
	<b>346,262,610</b>	<b>300,920,367</b>
<b>28. Postage, stamps, telecommunications, etc.</b>		
Postage & courier	3,322,844	2,659,199
Telephone charges	798,190	839,793
Mobile phone charges	11,038,039	9,391,774
Internet charges	1,365,810	1,441,345
	<b>16,524,883</b>	<b>14,332,111</b>
<b>29. Stationery, printing, advertisement, etc.</b>		
Office stationery and printing	93,400,679	90,159,458
Photostat	1,038,080	827,068
Computer consumable stationery	10,322,838	7,865,314
Publicity and advertisement	2,564,264	3,016,274
	<b>107,325,861</b>	<b>101,868,114</b>
<b>30. Depreciation and repairs &amp; maintenance of bank's assets</b>		
<b>a) Depreciation of bank's assets (Annexure - A):</b>		
Building	397,054	-
Furniture & fixture	15,206,393	13,340,451
Office equipment	3,617,766	1,771,092
Electrical appliances	42,080,273	34,626,799
Computers	10,479,496	8,484,556
Vehicles	21,375,903	17,066,733
Others	27,312,801	19,467,048
	<b>120,469,686</b>	<b>94,756,679</b>
<b>b) Repairs and maintenance of bank's assets:</b>		
Furniture & fixture	284,670	284,428
Office equipment	390,668	440,789
Electrical appliances	4,510,561	3,665,025
Computers	420,928	277,401
Vehicles	2,896,114	2,267,997
Office premises	721,093	1,205,833
Others	586,522	431,577
	<b>9,810,556</b>	<b>8,573,050</b>
	<b>130,280,242</b>	<b>103,329,729</b>







**The Dhaka Mercantile Co-operative Bank Ltd.**

**Schedule of fixed assets**

As at 30 June 2019

**Annexure - A**

Assets Category	Cost				Rate (%)	Depreciation				Net book value at 30.06.2019	Net book value at 30.06.2018
	Balance on 30.06.2018	Additions during the year	Disposals during the year	Balance at 30.06.2019		Balance on 30.06.2018	Charged during the year	Disposals during the year	Balance at 30.06.2019		
Land	14,684,400	9,092,070	5,878,918	17,897,552	0%	-	-	-	-	17,897,552	14,684,400
Building	-	18,251,848	-	18,251,848	5%	-	397,054	-	397,054	17,854,794	-
Furniture & Fixture	150,306,609	19,666,106	12,680,172	157,292,543	10%	44,437,520	15,206,393	9,564,977	50,078,936	107,213,607	105,869,089
Office Equipment	21,641,547	2,309,794	2,508,877	21,442,464	20%	7,454,333	3,617,766	2,500,589	8,571,510	12,870,954	14,187,214
Electric Appliances	229,119,680	36,334,958	14,676,796	250,777,842	20%	109,536,853	42,080,273	13,995,473	137,621,653	113,156,189	119,582,827
Computers	64,211,041	13,846,307	2,439,529	75,617,819	20%	34,872,294	10,479,496	2,439,415	42,912,375	32,705,444	29,338,747
Motor Vehicles	95,251,806	37,135,670	11,105,737	121,281,739	20%	28,579,318	21,375,903	2,314,874	47,640,347	73,641,392	66,672,488
Others	245,980,549	51,161,116	7,401,599	289,740,066	10%	43,268,240	27,312,801	6,115,925	64,465,116	225,274,950	202,712,309
<b>Total</b>	<b>821,195,632</b>	<b>187,797,869</b>	<b>56,691,628</b>	<b>952,301,873</b>		<b>268,148,558</b>	<b>120,469,686</b>	<b>36,931,253</b>	<b>351,686,991</b>	<b>600,614,882</b>	<b>553,047,074</b>





# The Dhaka Mercantile Co-operative Bank Ltd.

## Ratio Analysis

For the year ended 30 June, 2019

### Performance Indicators:

	2018-2019	2017-2018
Return on share capital	391%	387%
Return on assets	0.75%	0.88%
Yield on earning assets	0.96%	1.08%
Net profit to total income	4.11%	4.84%
Asset utilization	18.28%	18.10%
Operating cost	11.51%	11.29%
Cost of fund	7.41%	7.18%

### Asset Quality

#### Indicators:

Earning power	78.16%	84.98%
Earning assets to Profit payable liabilities	91.21%	101.56%

For The Dhaka Mercantile Co-operative Bank Ltd.

  
Chairman

  
Managing Director

