

The Dhaka Mercantile Co-operative Bank Limited

Auditors' Report and Financial Statements

as at and for the year ended 30 June 2020



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 comprises the Balance Sheet as at 30 June 2020 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 at 30 June 2020, 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.

Other Information

Management is responsible for the other information. The other information comprises the director/chairman report & annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of consolidation of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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
20 August 2020

S. F. Ahmed & Co.
Chartered Accountants

The Dhaka Mercantile Co-operative Bank Ltd.

Balance Sheet

As at 30 June 2020

PROPERTY AND ASSETS:	Notes	Amounts in Taka	
		30.06.2020	30.06.2019
Cash in hand		113,037,302	114,262,375
Balance with other banks	3	6,391,337,650	3,524,237,582
Investments:			
Bai - murabaha (Micro)	4	13,317,299,277	13,243,798,522
Bai - murabaha (General)	5	2,766,134,383	1,692,055,077
Bai - murabaha (Cash Credit)	6	2,102,746,827	1,571,644,643
Bai - murabaha (SOD)	7	1,213,877,886	2,623,537,881
Bai - muazzal (Consumer)	8	16,970,847	23,138,241
Bai - muazzal (Staff)	9	375,603,457	360,815,398
Hire purchase under shirkatul meelk	10	11,676,845	9,538,400
Quard - e - hasana	11	10,500,115	16,626,596
Bai - murabaha (Seasonal)	12	59,138,339	80,569,338
		<u>19,873,947,976</u>	<u>19,621,724,096</u>
Fixed assets	13	581,896,710	600,614,882
Other assets	14	733,383,646	1,242,743,048
Total Assets		<u><u>27,693,603,284</u></u>	<u><u>25,103,581,983</u></u>
LIABILITIES AND CAPITAL:			
Liabilities:			
Financing (borrowing) from other banks	15	1,591,603,302	677,140,327
Deposits and other accounts :			
Al-wadeeah current deposits & other accounts	16	1,949,836,190	2,119,961,963
Mudaraba saving deposits		364,902,408	349,462,208
Mudaraba term deposits	17	11,332,261,693	10,770,607,790
Other mudaraba deposits	18	11,047,850,812	9,715,256,658
		<u>24,694,851,103</u>	<u>22,955,288,619</u>
Other liabilities	19	1,172,549,231	1,038,694,946
Total Liabilities		<u>27,459,003,636</u>	<u>24,671,123,892</u>
Capital/Shareholders' Equity :			
Share capital	20	51,441,440	48,208,440
General reserve	21	166,781,001	166,781,001
Retained earnings	22	16,377,207	217,468,650
Total Capital/Shareholders' Equity		<u>234,599,648</u>	<u>432,458,091</u>
Total Liabilities and Shareholders' Equity		<u><u>27,693,603,284</u></u>	<u><u>25,103,581,983</u></u>

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


Deputy Managing Director

Dated: Dhaka
20 August 2020




S. F. Ahmed & Co.
Chartered Accountants

The Dhaka Mercantile Co-operative Bank Ltd.

Profit and Loss Account

For the year ended 30 June 2020

	Notes	Amounts in Taka	
		2019-2020	2018-2019
Profit on investments	23	4,565,495,791	4,524,803,196
Profit paid on deposits and borrowings	24	(2,136,934,508)	(1,757,843,777)
Net investment income		2,428,561,283	2,766,959,419
Other operating income	25	56,993,639	63,556,884
Total operating income		2,485,554,922	2,830,516,303
Operating Expenses:			
Salary and allowances with remuneration	26	1,717,631,807	1,599,248,852
Rent, taxes, insurance, electricity, etc.	27	276,791,446	346,262,610
Legal expenses		14,306,895	13,274,685
Postage, stamps, telecommunications, etc.	28	17,298,592	16,524,883
Stationery, printing, advertisement, etc.	29	88,428,965	107,325,861
Auditor fees		1,060,125	1,258,825
Depreciation and repairs of bank's assets	30	140,642,486	130,280,242
Other expenses	31	423,530,433	427,802,991
Total operating expenses		2,679,690,749	2,641,978,949
Profit/(loss) before provision and tax		(194,135,827)	188,537,354
Provision against investments	32	-	59,450,499
Profit/(loss) before tax		(194,135,827)	129,086,855
Provision for taxation (current tax)	33	12,800,740	22,064,084
Net profit/(loss) before appropriation		(206,936,567)	107,022,771
Appropriation for the year:			
General reserve		-	21,404,554
Provision for co-operative development fund		-	3,210,683
Staff welfare fund		-	2,140,455
Recreation and sports fund		-	3,210,683
Incentive bonus		-	5,351,139
Reserve for profit payable		-	5,351,139
Provision for contingent liabilities		-	10,702,277
Total appropriations	34	-	51,370,930
Retained earnings for the year	22	(206,936,567)	55,651,841

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


Deputy Managing Director

Dated: Dhaka
20 August 2020




S. F. Ahmed & Co.
Chartered Accountants

The Dhaka Mercantile Co-operative Bank Ltd.

Statement of Changes in Equity

For the year ended 30 June 2020

Particulars	Share Capital Taka	General Reserve Taka	Retained Earnings Taka	Total Taka
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 year ended 30.06.2019	-	-	55,651,841	55,651,841
Prior year adjustment	-	-	7,412,864	7,412,864
Dividend (proposed)	-	-	(21,753,920)	(21,753,920)
Shareholders' equity as on 30.06.2019	48,208,440	166,781,001	217,468,650	432,458,091
Balance as on 01.07.2019	48,208,440	166,781,001	217,468,650	432,458,091
Share capital increase during the year	3,233,000	-	-	3,233,000
Profit appropriated to general reserve	-	-	-	-
Profit after appropriation for the year ended 30.06.2020	-	-	(206,936,567)	(206,936,567)
Prior year adjustment	-	-	15,486,812	15,486,812
Dividend (proposed)	-	-	(9,641,688)	(9,641,688)
Shareholders' equity as on 30.06.2020	51,441,440	166,781,001	16,377,207	234,599,648

For The Dhaka Mercantile Co-operative Bank Ltd.


Chairman


Deputy Managing Director



Dated: Dhaka
20 August 2020


S. F. Ahmed & Co.
Chartered Accountants

The Dhaka Mercantile Co-operative Bank Ltd.

Statement of cash flows

For the year ended 30 June 2020

	Amount in Taka	
	2019-2020	2018-2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/(loss) after tax & appropriation	(206,936,567)	55,651,841
Add: Adjustment for non cash items:		
Depreciation	133,812,227	120,469,686
Depreciation adjustment	(21,833,793)	(36,931,253)
Dividend (proposed)	(9,641,688)	(21,753,920)
Prior year's adjustment	15,486,812	7,412,864
	<u>(89,113,009)</u>	<u>124,849,218</u>
(Increase)/Decrease in Current Assets		
Investments	(252,223,880)	(3,975,618,328)
Other assets	509,359,402	(190,809,046)
	<u>257,135,522</u>	<u>(4,166,427,374)</u>
Increase/(Decrease) in Current Liabilities		
Deposits & other accounts	1,739,562,484	5,249,320,406
Other liabilities	133,854,285	355,332,860
General reserve	-	21,404,554
	<u>1,873,416,769</u>	<u>5,626,057,820</u>
Net Cash provided/(used) by Operating Activities	<u>2,041,439,282</u>	<u>1,584,479,664</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(119,292,730)	(187,797,869)
Disposal/Sale of fixed assets	26,032,468	56,691,628
Net cash used by Investing Activities	<u>(93,260,262)</u>	<u>(131,106,241)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in share capital	3,233,000	4,700,600
Borrowing from other banks	914,462,975	206,044,977
Net cash provided/(used) by Financing Activities	<u>917,695,975</u>	<u>210,745,577</u>
Net Cash Increase/(Decrease) in Cash and Bank Balances	2,865,874,995	1,664,119,000
Cash and bank balance at the beginning of the year	3,638,499,957	1,974,380,957
Cash and bank balance at the end of the year	<u>6,504,374,952</u>	<u>3,638,499,957</u>

For The Dhaka Mercantile Co-operative Bank Ltd.


Chairman


Deputy Managing Director



The Dhaka Mercantile Co-operative Bank Ltd.

Notes to the financial statements for the year ended 30 June 2020

1. Status of the bank/society

1.1 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.

1.2 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.

1.3 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.

1.4 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/society 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/society 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/society 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 2020

1.5 Board Structure

The DMCB Board of Directors comprises of 09 (nine) 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/society. The management of the bank/society 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

2.1 Basis of preparation of the financial statements

The financial statements of the co-operative bank/societies, 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 2020 under the historical cost convention and other rules and regulations applicable for the co-operative bank/societies in Bangladesh on a going concern basis.

2.2 Basis of consolidation

Statement of Affairs and Income & Expenditure of all branches and head office are consolidated together to prepare Financial Statements of the co-operative bank/societies. As on 30 June 2020 there were 133 (one hundred thirty three) branches and 03 (three) sub-branches all over the country.

2.3 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 co-operative bank/societies are recognized as and when the services are rendered.

2.4 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.

2.5 Other operating expenses

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

2.6 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.

2.7 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:

<u>Category of asset</u>	<u>Rate of depreciation</u>
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 2020

2.8 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.

2.9 Investments

Investments are stated at net amount at 30 June 2020 except Quard-e-hasana investment are stated at gross amounts at 30 June 2020.

2.10 Deposits and other accounts

Deposits are recognized when the bank/society 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 has not been made for the year since the bank/society incurred loss.

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 not been made for the year since the bank/society incurred loss.

2.15 Co-operative development fund

Provision for co-operative development fund has not been made for the year since the bank/society incurred loss.

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/society each financial year is contributed by the bank/society. 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 not been made for the year since the bank/society incurred loss.

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/society each financial year. Provision for recreation & sports fund has not been made for the year since the bank/society incurred loss.



The Dhaka Mercantile Co-operative Bank Ltd.

Notes to the financial statements for the year ended 30 June 2020

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/society. The fund shall be subscribed at a percentage on net profit earned by the bank/society each financial year. Provision for incentive bonus has not been made for the year since the bank/society incurred loss.

2.19 Dividend

Dividend has been proposed at 20% on share capital as on 30 June 2019.

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/society 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/societies 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 not been made for the year since the bank/societies incurred loss.

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/society was established on 1st July 2016. The employees who served at least 10 (ten) years and served for 20 (twenty) years at the bank/society 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 Leases

IFRS 16 is effective for annual periods beginning on or after 1 January 2020 which replaces the previous guidance in IAS 17 Leases. Under this revised guidance, leases will be brought on to companies' balance sheets, increasing the visibility of their assets and liabilities. It further mostly removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for a lease classification test.

Impact on lessee accounting

Applying IFRS 16, for all leases, except for short term leases (lease term of 1 year or less) and leases of low value assets, are recognised as right of use assets and lease liabilities in the statement of financial position, initially measured as present value of future lease payment on its initial application.

The bank/society has entered into rental agreements for its office spaces. In all cases, the lease term is for more than one year, some of the leases have escalation and renewal clause. There are no direction imposed by the guidelines of Co-operative Department for co-operative bank/society to follow lease standard. For this the co-operative bank/society has not given any effect for such.

2.25 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 2020

Balance Sheet:

	Amounts in Taka	
	30.06.2020	30.06.2019
3. Balance with other banks		
Current account	97,788,670	102,905,612
Short term deposit	24,914,858	21,331,970
Other deposits account (TDR)	6,268,634,122	3,400,000,000
	6,391,337,650	3,524,237,582
4. Bai - Murabaha (Micro)		
Bai - murabaha (Micro)	15,671,285,871	15,632,313,244
Less: Profit receivable on bai - murabaha (Micro)	2,353,986,594	2,388,514,722
Net Bai - Murabaha (Micro)	13,317,299,277	13,243,798,522
5. Bai - Murabaha (General)		
Bai - murabaha (General)	2,924,984,632	1,832,714,840
Less: Profit receivable on bai - murabaha (General)	158,850,249	140,659,763
Net Bai - Murabaha (General)	2,766,134,383	1,692,055,077
6. Bai - Murabaha (Cash Credit)		
Bai - murabaha (Cash Credit)	2,184,095,894	1,644,792,257
Less: Profit receivable on bai - murabaha (Cash Credit)	81,349,067	73,147,614
Net Bai - Murabaha (Cash Credit)	2,102,746,827	1,571,644,643
7. Bai - Murabaha (SOD)		
Bai - murabaha (SOD)	1,215,027,216	2,625,459,637
Less: Profit receivable on bai - murabaha (SOD)	1,149,330	1,921,756
Net Bai - Murabaha (SOD)	1,213,877,886	2,623,537,881
8. Bai - Muazzal (Consumer)		
Bai - muazzal (Consumer)	24,552,854	30,702,868
Less: Profit receivable on bai - muazzal (Consumer)	7,582,007	7,564,627
Net Bai - Muazzal (Consumer)	16,970,847	23,138,241
9. Bai - Muazzal (Staff)		
Bai - muazzal (Staff)	375,983,690	361,207,808
Less: Profit receivable on bai - muazzal (Staff)	380,233	392,410
Net Bai - Muazzal (Staff)	375,603,457	360,815,398
10. Hire Purchase under Shirkatul Meelk		
Hire purchase under shirkatul meelk (CNG/Car)	-	433,669
Hire purchase under shirkatul meelk (Rickshaw/Van)	13,372,713	10,707,047
	13,372,713	11,140,716
Less: Profit receivable on hire purchase shirkatul meelk	1,695,868	1,602,316
Net Hire Purchase under Shirkatul Meelk	11,676,845	9,538,400
11. Quard - e - hasana		
Quard - e - hasana (General)	2,567,000	8,100,418
Quard - e - hasana (Staff)	7,933,115	8,526,178
	10,500,115	16,626,596



The Dhaka Mercantile Co-operative Bank Ltd.

Notes to the financial statements

For the year ended 30 June 2020

		Amounts in Taka	
		30.06.2020	30.06.2019
12.	Bai - Murabaha (Seasonal)		
	Bai - murabaha (Seasonal)	68,307,388	85,903,427
	Less: Profit receivable on bai - murabaha (Seasonal)	9,169,049	5,334,089
	Net Bai - Murabaha (Seasonal)	59,138,339	80,569,338
13.	Fixed assets		
	A. Cost:		
	Opening balance	952,301,873	821,195,632
	Add: Addition during the year	119,292,730	187,797,869
		1,071,594,603	1,008,993,501
	Less: Disposal during the year	26,032,468	56,691,628
	Closing balance at cost	1,045,562,135	952,301,873
	B. Depreciation:		
	Opening balance	351,686,991	268,148,558
	Add: Charged for the year	133,812,227	120,469,686
		485,499,218	388,618,244
	Less: Adjustment on disposal during the year	21,833,793	36,931,253
	Accumulated depreciation	463,665,425	351,686,991
	Net book value at the end of the year	581,896,710	600,614,882
	*For details please refer to Annexure - A		
14.	Other assets		
	Stock of stationery and printing materials etc.	13,228,962	12,123,932
	Stamps	336,895	266,945
	Advance rent	235,928,595	682,685,353
	Advance deposits	1,708,838	1,706,688
	Advance income tax (14.1)	28,233,157	14,219,628
	Advance VAT	9,320,931	9,320,931
	Suspense account	26,038,743	33,693,610
	Profit receivable on other investments	268,677,443	99,248,073
	Head office general a/c	149,910,082	389,477,888
		733,383,646	1,242,743,048
14.1.	Advance income tax		
	Balance at the beginning of the year	14,219,628	13,330,637
	Add: Tax deducted at source on TDR profit	27,628,157	13,614,628
	Add: Advance tax paid for vehicles	605,000	605,000
		42,452,785	27,550,265
	Less: Adjusted against assessment year 2019-2020	14,219,628	13,330,637
	Balance at the end of the year	28,233,157	14,219,628
15.	Financing (borrowing) from other banks		
	United Commercial Bank Limited, Gulshan Branch	(4,559,961)	226,799,802
	Pubali Bank Limited, Khamarbari Branch	567,427,878	67,625,868
	National Bank Limited, Gulshan Branch	271,513,007	126,133,283
	Southeast Bank Limited, Dhanmondi Branch	58,495,809	1,332,781
	Reliance Finance Limited	-	201,423,593
	IDLC Finance Limited	470,086,013	3,825,000
	Agrani Bank Limited, B.A.F Branch	228,640,556	-
	Phoenix Finance & Investment Limited	-	50,000,000
		1,591,603,302	677,140,327



The Dhaka Mercantile Co-operative Bank Ltd.

Notes to the financial statements

For the year ended 30 June 2020

	Amounts in Taka	
	30.06.2020	30.06.2019
16. Al-wadeeah current deposits & other accounts		
Al-wadeeah current deposits	1,918,507,710	2,089,473,348
Sundry deposits	31,328,480	30,488,615
	1,949,836,190	2,119,961,963
17. Mudaraba term deposits		
Mudaraba term deposits	10,323,717,219	10,027,724,091
Profit payable on mudaraba term deposits	1,008,544,474	742,883,699
	11,332,261,693	10,770,607,790
18. Other mudaraba deposits		
Mudaraba special deposits scheme (note - 18.1)	10,931,551,038	9,624,648,758
Mudaraba short notice deposits	116,299,774	90,607,900
	11,047,850,812	9,715,256,658
18.1. Mudaraba special deposits scheme		
Mudaraba daily sanchay prokalpa	4,963,156,729	4,338,133,254
Mudaraba daily education prokalpa	193,467,339	203,305,061
Mudaraba daily marriage prokalpa	8,142,970	6,894,669
Mudaraba daily hajj prokalpa	15,462,534	16,876,230
Mudaraba weekly sanchay prokalpa	25,066,203	21,740,833
Mudaraba monthly sanchay prokalpa	5,177,625,657	4,560,442,117
Mudaraba education sanchay prokalpa	102,121,704	93,707,620
Mudaraba marriage sanchay prokalpa	48,509,537	47,133,969
Mudaraba hajj sanchay prokalpa	9,850,583	9,153,184
Profit payable on mudaraba special deposits scheme	388,147,782	327,261,821
	10,931,551,038	9,624,648,758
19. Other liabilities		
Profit payable on borrowings	72,102,786	-
Profit receivable on TDR	19,342,371	-
Payable to co-operative societies (note - 19.1)	6,268,091	6,268,091
Staff welfare fund (note - 19.2)	73,482,709	66,121,791
Recreation & sports fund (note - 19.3)	61,772	3,217,172
Incentive bonus (note - 19.4)	159,583	5,778,783
Dividend payable (note - 19.5)	85,273,558	91,122,432
Reserve for profit payable (note - 19.6)	5,410,241	9,999,417
Reserve for contingency (note - 19.7)	1,030,701	11,618,171
With-holding tax (note - 19.8)	20,388,901	3,433,128
Bills payable	10,844,403	28,628,146
Provident fund (note - 19.9)	2,626,625	23,165,271
Special welfare fund (note - 19.10)	3,068,934	2,915,147
Provision against investment (note - 19.11)	290,729,811	290,729,811
Provision for taxation (note - 33)	12,800,740	22,064,084
Risk fund (note - 19.12)	129,338,992	82,909,536
Investment loss provision micro (note - 19.13)	435,348,690	339,484,035
Other payables (note - 19.14)	4,270,323	51,239,931
	1,172,549,231	1,038,694,946



The Dhaka Mercantile Co-operative Bank Ltd.

Notes to the financial statements

For the year ended 30 June 2020

	Amounts in Taka	
	30.06.2020	30.06.2019
19.1. Payable to co-operative societies		
Balance at the beginning of the year	6,268,091	5,621,222
Add: Provision made during the year	-	3,210,683
	6,268,091	8,831,905
Less: Amount paid during the year	-	2,563,814
Balance at the end of the year	6,268,091	6,268,091
19.2. Staff welfare fund		
Balance at the beginning of the year	66,121,791	55,832,830
Add: Addition during the year (from salary)	12,460,351	11,068,542
Add: Provision made during the year	-	2,140,455
	78,582,142	69,041,827
Less: Amount paid during the year	5,099,433	2,920,036
Balance at the end of the year	73,482,709	66,121,791
19.3. Recreation & sports fund		
Balance at the beginning of the year	3,217,172	3,104,043
Add: Provision made during the year	-	3,210,683
	3,217,172	6,314,726
Less: Amount paid during the year	3,155,400	3,097,554
Balance at the end of the year	61,772	3,217,172
19.4. Incentive bonus		
Balance at the beginning of the year	5,778,783	5,114,170
Add: Provision made during the year	-	5,351,139
	5,778,783	10,465,309
Less: Amount paid during the year	5,619,200	4,686,526
Balance at the end of the year	159,583	5,778,783
19.5. Dividend payable		
Balance at the beginning of the year	91,122,432	81,943,596
Add: Provision made during the year	9,641,688	21,753,920
	100,764,120	103,697,516
Less: Prior year adjustment	15,486,812	7,413,564
Less: Amount paid during the year	3,750	5,161,520
Balance at the end of the year	85,273,558	91,122,432
19.6. Reserve for profit payable		
Balance at the beginning of the year	9,999,417	9,279,987
Add: Provision made during the year	-	5,351,139
	9,999,417	14,631,126
Less: Amount paid during the year	4,589,176	4,631,709
Balance at the end of the year	5,410,241	9,999,417



The Dhaka Mercantile Co-operative Bank Ltd.

Notes to the financial statements

For the year ended 30 June 2020

	Amounts in Taka	
	30.06.2020	30.06.2019
19.7. Reserve for contingency		
Balance at the beginning of the year	11,618,171	11,086,617
Add: Provision made during the year	-	10,702,277
	11,618,171	21,788,894
Less: Amount paid during the year	10,587,470	10,170,723
Balance at the end of the year	1,030,701	11,618,171
19.8. With-holding tax		
Tax payable (profit on deposits)	20,060,386	1,253,136
Tax payable (others)	328,515	2,179,992
	20,388,901	3,433,128
19.9. Provident fund		
Balance at the beginning of the year	23,165,271	9,400,791
Add: Addition during the year (contribution & profit)	118,058,935	108,711,641
	141,224,206	118,112,432
Less: Paid during the year	197,581	947,161
Less: Transfer to employees' provident fund A/C	138,400,000	94,000,000
	138,597,581	94,947,161
Balance at the end of the year	2,626,625	23,165,271
19.10. Special welfare fund		
Balance at the beginning of the year	2,915,147	2,893,285
Add: Addition during the year	386,377	631,138
	3,301,524	3,524,423
Less: Paid during the year	232,590	609,276
Balance at the end of the year	3,068,934	2,915,147
19.11. Provision against investment		
Balance at the beginning of the year	290,729,811	235,257,315
Add: Provision made during the year (note - 32)	-	59,450,499
	290,729,811	294,707,814
Less: Adjustment during the year	-	3,978,003
Balance at the end of the year	290,729,811	290,729,811
19.12. Risk fund		
Balance at the beginning of the year	82,909,536	29,304,641
Add: Addition during the year	59,114,821	70,938,897
	142,024,357	100,243,538
Less: Paid during the year	12,685,365	17,334,002
Balance at the end of the year	129,338,992	82,909,536



The Dhaka Mercantile Co-operative Bank Ltd.

Notes to the financial statements

For the year ended 30 June 2020

	Amounts in Taka	
	30.06.2020	30.06.2019
19.13. Investment loss provision (micro)		
Balance at the beginning of the year	339,484,035	172,179,744
Add: Addition during the year	148,366,446	167,304,291
	487,850,481	339,484,035
Less: Adjustment during the year	52,501,791	-
Balance at the end of the year	435,348,690	339,484,035
19.14. Other payables		
Electricity	1,973,677	1,902,823
Telephone charges	403,718	306,314
Mobile phone charges	450,136	268,055
Internet bill	50,223	32,073
Postage & courier	67,244	80,779
Water	157,301	58,393
Gas	94,455	98,770
News paper	2,777	2,274
Wages	274,223	-
Service charge	18,000	6,000
Fuel	184,607	286,500
Incentive bonus	-	28,509,530
Sundry expenses	593,962	19,688,420
	4,270,323	51,239,931
20. Share capital		
Balance at the beginning of the year	48,208,440	43,507,840
Add: Addition during the year	3,233,000	4,700,600
Balance at the end of the year	51,441,440	48,208,440
21. General reserve		
Balance at the beginning of the year	166,781,001	145,376,447
Add: Provision made during the year	-	21,404,554
Balance at the end of the year	166,781,001	166,781,001
22. Retained earnings		
Balance at the beginning of the year	217,468,650	176,157,865
Add: Prior year adjustment	15,486,812	7,412,864
Add/Less: Profit/(loss) after appropriation for the year	(206,936,567)	55,651,841
	26,018,895	239,222,570
Less: Dividend (proposed)	9,641,688	21,753,920
Balance at the end of the year	16,377,207	217,468,650



The Dhaka Mercantile Co-operative Bank Ltd.

Notes to the financial statements

For the year ended 30 June 2020

Profit and Loss Account:

	Amounts in Taka	
	2019-2020	2018-2019
23. Profit on investments		
Profit on investments (note - 23.1)	4,565,272,539	4,524,544,908
Profit on other bank accounts	223,252	258,288
	4,565,495,791	4,524,803,196
23.1. Profit on investments		
Profit on bai - murabaha (Micro)	3,249,395,115	3,550,642,276
Profit on bai - murabaha (General)	241,212,402	40,239,761
Profit on bai - murabaha (Cash Credit)	106,081,035	100,590,286
Profit on bai - murabaha (SOD)	207,561,359	225,558,279
Profit on bai - muazzal (Consumer)	2,844,166	3,863,428
Profit on bai - muazzal (Staff)	32,397,851	35,014,576
Profit on hire purchase under shirkatul meelk	497,219	897,508
Profit on quard - e - hasana	1,007,926	1,136,604
Profit on bai - murabaha (Seasonal)	5,639,931	12,953,578
Profit on investment (TDR)	426,368,681	227,371,212
Profit on other investment	292,266,854	326,277,400
	4,565,272,539	4,524,544,908
24. Profit paid on deposits and borrowings		
Profit paid on deposits (note - 24.1)	2,003,476,998	1,701,236,237
Profit paid on borrowings	124,661,677	49,665,297
Profit paid on others (note - 24.2)	8,795,833	6,942,243
	2,136,934,508	1,757,843,777
24.1. Profit paid on deposits		
Profit paid on mudaraba saving deposits	15,512,258	12,586,463
Profit paid on mudaraba term deposits	1,141,715,963	986,266,818
Profit paid on mudaraba special deposits scheme	846,248,777	702,382,956
	2,003,476,998	1,701,236,237
24.2. Profit paid on others		
Profit paid on provident fund	2,154,235	1,265,007
Profit paid on staff welfare fund	6,641,598	5,677,236
	8,795,833	6,942,243
25. Other operating income		
Membership fees	20,536,900	28,421,500
Membership card charges	3,511,350	5,808,900
Incidental charges	8,887,994	6,860,420
Documentation charges	1,827,860	1,787,200
Investment form charges	930,775	948,520
Pass book charges	136,982	136,262
Remittance charges	171,049	177,674
SMS charges	12,359,947	12,899,340
Cheque book charges	533,968	473,282
Profit on sale of assets	928,791	-
Account closing fees	6,816,293	5,432,987
Sundry income	351,730	610,800
	56,993,639	63,556,884



The Dhaka Mercantile Co-operative Bank Ltd.

Notes to the financial statements

For the year ended 30 June 2020

	Amounts in Taka	
	2019-2020	2018-2019
26. Salary and allowances with remuneration		
Salary and remuneration	1,477,596,154	1,265,850,688
Bonus	126,551,346	189,954,515
Allowances	55,572,421	89,772,971
Bank's contribution to provident fund	57,911,886	53,670,678
	1,717,631,807	1,599,248,852
27. Rent, taxes, insurance, electricity, etc.		
Rent, rates & taxes	240,726,144	309,202,692
Insurance	3,320,578	3,353,481
Electricity, gas & water	32,744,724	33,706,437
	276,791,446	346,262,610
28. Postage, stamps, telecommunications, etc.		
Postage & courier	3,012,111	3,322,844
Telephone charges	646,557	798,190
Mobile phone charges	11,710,973	11,038,039
Internet charges	1,928,951	1,365,810
	17,298,592	16,524,883
29. Stationery, printing, advertisement, etc.		
Office stationery and printing	73,783,381	93,400,679
Photostat	936,990	1,038,080
Computer consumable stationery	9,433,988	10,322,838
Publicity and advertisement	4,274,606	2,564,264
	88,428,965	107,325,861
30. Depreciation and repairs & maintenance of bank's assets		
a) Depreciation of bank's assets (Annexure - A):		
Building	1,679,834	397,054
Furniture & fixture	15,530,872	15,206,393
Office equipment	3,662,973	3,617,766
Electrical appliances	42,575,860	42,080,273
Computer	13,320,554	10,479,496
Vehicles	27,246,156	21,375,903
Others	29,795,978	27,312,801
	133,812,227	120,469,686
b) Repairs and maintenance of bank's assets:		
Furniture & fixture	219,356	284,670
Office equipment	278,298	390,668
Electrical appliances	2,789,650	4,510,561
Computer	415,319	420,928
Vehicles	2,229,478	2,896,114
Office premises	675,031	721,093
Others	223,127	586,522
	6,830,259	9,810,556
	140,642,486	130,280,242



The Dhaka Mercantile Co-operative Bank Ltd.
Schedule of Fixed Assets

As at 30 June 2020

Annexure - A

Assets Category	Cost			Rate (%)	Depreciation			Net book value at 30.06.2020	Net book value at 30.06.2019
	Balance on 01.07.2019	Addition during the year	Disposal during the year		Balance at 30.06.2020	Balance on 01.07.2019	Charge during the year		
Land	17,897,552	4,000,000	-	0%	-	-	-	21,897,552	17,897,552
Building	18,251,848	22,033,500	-	5%	397,054	1,679,834	-	38,208,460	17,854,794
Furniture & Fixture	157,292,543	9,331,514	4,813,501	10%	50,078,936	15,530,872	3,229,304	99,430,052	107,213,607
Office Equipment	21,442,464	388,310	312,465	20%	8,571,510	3,662,973	282,626	9,566,452	12,870,954
Electric Appliances	250,777,842	16,001,807	5,523,326	20%	137,621,653	42,575,860	5,066,254	86,125,064	113,156,189
Computers	75,617,819	20,698,402	2,372,145	20%	42,912,375	13,320,554	2,357,593	40,068,740	32,705,444
Motor Vehicles	121,281,739	27,761,269	9,533,046	20%	47,640,347	27,246,156	8,838,044	73,461,503	73,641,392
Others	289,740,066	19,077,928	3,477,985	10%	64,465,116	29,795,978	2,059,972	213,138,887	225,274,950
Total	952,301,873	119,292,730	26,032,468		351,686,991	133,812,227	21,833,793	581,896,710	600,614,882



The Dhaka Mercantile Co-operative Bank Ltd.

Ratio Analysis

For the year ended 30 June, 2020

Performance Indicators:

	2019-2020	2018-2019
Return on share capital	-377	391
Return on assets	-0.70%	0.75%
Yield on earning assets	-0.98%	0.96%
Net profit to total income	-4.20%	4.11%
Asset utilization	16.69%	18.28%
Operating cost	10.85%	11.51%
Cost of fund	8.10%	7.41%

Asset Quality Indicators:

Earning power	71.76%	78.16%
Earning assets to profit payable liabilities	81.66%	91.21%

For The Dhaka Mercantile Co-operative Bank Ltd.


Chairman


Deputy Managing Director

