

The Dhaka Mercantile Co-operative Bank Limited
19, Indira Road, Farmgate
Tejgaon, Dhaka, 1215

The Dhaka Mercantile Co-operative Bank Limited

Auditor's report and financial statements
For the year ended 30 June 2023

S. F. AHMED & CO.

Chartered Accountants | Since: 1958

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**Independent Auditor's Report
To the Shareholders/ Members of The Dhaka Mercantile Co-operative Bank Limited**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Dhaka Mercantile Co-operative Bank Limited (the Bank/Society), which comprise the statement of financial position (balance sheet) as at 30 June 2023, and the statement of profit or loss and other comprehensive income (profit and loss account), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 30 June 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank 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 Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the Co-operative Society Act and Rules and other applicable laws and regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- 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 Bank'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 Bank 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 gives a true and fair view.

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.

Other matter

The DMCB has one hundred and forty two (142) branches out of which we have conducted the audit of the fourteen (14) branches.


Auditor's Signature

Name of Engagement Partner

Enrollment No.

Firm's Name

Firm's Reg No.

: 
: Md. Moktar Hossain, FCA, Senior Partner
: 728
: S. F. AHMED & CO., Chartered Accountants
: 10898 E.P. under Partnership Act 1992



Document Verification Code (DVC)

: **2308140728AS641230.**

Dated, 14 August 2023

The Dhaka Mercantile Co-operative Bank Limited

**Statement of Financial Position (Balance Sheet)
As at 30 June 2023**

	Notes	2023 BDT	2022 BDT
Property and assets			
Cash in hand		64,384,195	227,527,931
Balance with banks and non-banking financial institutions	3	4,221,356,746	4,011,791,436
		<u>4,285,740,941</u>	<u>4,239,319,367</u>
Investments			
Bai - murabaha (micro)	4	29,681,458,789	22,239,790,890
Bai - murabaha (general)	5	2,616,097,427	2,901,554,502
Bai - murabaha (cash credit)	6	3,501,421,921	3,428,333,960
Bai - murabaha (SOD)	7	895,455,035	789,619,347
Bai - muazzal (consumer)	8	9,188,569	8,778,321
Bai - muazzal (staff)	9	783,207,936	588,436,222
Hire purchase under shirkatul meelk	10	7,589,532	8,342,019
Quard - e - hasana	11	10,923,649	12,117,774
Bai - murabaha (seasonal)	12	36,134,274	44,792,271
		<u>37,541,477,132</u>	<u>30,021,765,306</u>
Fixed assets (property, plant and equipment)	13	1,427,537,291	1,398,231,607
Other assets	14	810,139,860	572,666,460
Total assets		<u>44,064,895,224</u>	<u>36,231,982,740</u>
Liabilities and equity			
Liabilities			
Financing (borrowing) from banks	15	2,532,531,533	543,271,786
Deposits			
Al - wadeeah current and other deposits	16	4,187,480,178	3,652,951,489
Mudaraba saving deposits		738,399,566	629,891,123
Mudaraba term deposits	17	16,655,735,529	14,731,075,907
Other mudaraba deposits	18	17,481,620,777	14,925,632,169
		<u>39,063,236,050</u>	<u>33,939,550,688</u>
Other liabilities	19	1,948,364,874	1,401,779,465
Total liabilities		<u>43,544,132,457</u>	<u>35,884,601,939</u>
Equity			
Share capital	20	62,320,190	60,780,440
General reserve	21	264,375,883	209,044,992
Retained earnings	22	194,066,694	77,555,369
Total equity		<u>520,762,767</u>	<u>347,380,801</u>
Total liabilities and equity		<u>44,064,895,224</u>	<u>36,231,982,740</u>

These financial statements should be read in conjunction with the annexed notes

For and on behalf of the board of The Dhaka Mercantile Co-operative Bank Limited


Director


Deputy Managing Director
See annexed report of the date

Dhaka, Bangladesh
Dated, 14 August 2023




S.F. AHMED & CO.
Chartered Accountants
DVC:

2308140728AS641230.

The Dhaka Mercantile Co-operative Bank Limited

Statement of Profit or Loss and Other Comprehensive Income (Profit and Loss Account)
For the year ended 30 June 2023

	Notes	2023 BDT	2022 BDT
Profit on investments	23	8,038,403,500	6,626,454,641
Profit paid on deposits and borrowings	24	(2,895,369,859)	(2,504,591,711)
Net investment income		5,143,033,641	4,121,862,930
Other operating income	25	128,636,103	100,930,248
Total operating income		5,271,669,744	4,222,793,178
Operating expenses			
Salary, remuneration and allowances	26	3,698,442,443	2,990,970,775
Rent, taxes, insurance, electricity, etc.	27	335,022,939	263,495,925
Legal expenses		19,330,024	11,428,556
Postage, stamps, telecommunications, etc.	28	13,888,363	19,490,965
Stationery, printing, advertisement, etc.	29	124,986,536	93,570,963
Audit & professional fees		2,053,000	1,430,000
Depreciation, repair and maintenance of assets	30	163,851,676	158,628,315
Other expenses	31	577,325,114	466,771,299
Total operating expenses		4,934,900,095	4,005,786,798
Profit before provision and tax		336,769,649	217,006,380
Provision against investments	32	78,252,596	67,300,730
Profit before tax		258,517,053	149,705,650
Provision for taxation (current tax)	33	37,193,490	29,819,282
Profit for the year		221,323,563	119,886,368
Appropriation			
General reserve		55,330,891	23,977,274
Provision for co-operative development fund		10,103,089	6,510,191
Staff welfare fund		4,426,471	2,397,727
Recreation and sports fund		6,639,706	3,596,591
Incentive bonus		11,066,178	5,994,318
Reserve for profit payable		11,066,178	5,994,318
Reserve for contingency		-	11,988,636
Dividend (proposed)		30,390,220	27,749,820
Total appropriations	34	129,022,733	88,208,875
Profit after appropriation	22	92,300,830	31,677,493

These financial statements should be read in conjunction with the annexed notes

For and on behalf of the board of The Dhaka Mercantile Co-operative Bank Limited


Director


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Dhaka, Bangladesh
Dated, 14 August 2023




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The Dhaka Mercantile Co-operative Bank Limited

**Statement of Changes in Equity
For the year ended 30 June 2023**

	Share capital BDT	General reserve BDT	Retained earnings BDT	Total BDT
Balance as at 30 June 2021	55,499,640	185,067,718	45,877,964	286,445,322
Addition during the year	5,280,800	-	-	5,280,800
Profit appropriated to general reserve	-	23,977,274	-	23,977,274
Profit after appropriation	-	-	31,677,493	31,677,493
Transfer to dividend payable	-	-	(88)	(88)
Balance as at 30 June 2022	60,780,440	209,044,992	77,555,369	347,380,801
Balance as at 30 June 2022	60,780,440	209,044,992	77,555,369	347,380,801
Addition during the year	1,539,750	-	-	1,539,750
Profit appropriated to general reserve	-	55,330,891	-	55,330,891
Profit after appropriation	-	-	92,300,830	92,300,830
Transferred from dividend payable	-	-	24,210,495	24,210,495
Balance as at 30 June 2023	62,320,190	264,375,883	194,066,694	520,762,767

For and on behalf of the board of The Dhaka Mercantile Co-operative Bank Limited


Director


Deputy Managing Director

Dhaka, Bangladesh
Dated, 14 August 2023



The Dhaka Mercantile Co-operative Bank Limited

Statement of cash flows
For the year ended 30 June 2023

	2023 BDT	2022 BDT
A. Cash flows from operating activities		
Profit before tax	258,517,053	149,705,650
Adjustment for non-cash items:		
Depreciation	150,057,889	144,343,262
Gain on sale of fixed assets	(6,236,045)	(6,558,671)
Operating profit before working capital	402,338,897	287,490,241
(Increase)/decrease in current assets:		
Investments	(7,519,711,826)	(8,525,537,075)
Other assets	(234,842,414)	110,308,564
Increase/(decrease) in current liabilities:		
Deposits	5,123,685,362	6,614,509,829
Other liabilities	489,729,854	45,734,116
Cash generated from/(used in) operating activities	(2,141,139,024)	(1,754,984,566)
Income tax paid	(32,450,268)	(37,876,009)
Net cash from/(used in) operating activities	(1,771,250,395)	(1,505,370,334)
B. Cash flows from investing activities		
Acquisition of fixed assets	(188,178,513)	(605,968,072)
Receipts from disposal of fixed assets	15,050,985	20,633,028
Net cash from/(used in) investing activities	(173,127,528)	(585,335,044)
C. Cash flows from financing activities		
Increase in share capital	1,539,750	5,280,800
Financing (borrowing) from banks	1,989,259,747	311,000,455
Net cash from/(used in) financing activities	1,990,799,497	316,281,255
D. Net changes in cash and cash equivalents (A+B+C)	46,421,574	(1,774,424,123)
E. Opening cash and cash equivalents	4,239,319,367	6,013,743,490
F. Closing cash and cash equivalents (D+E)	4,285,740,941	4,239,319,367
Cash and cash equivalents:		
Cash in hand	64,384,195	227,527,931
Balance with banks and non-banking financial institutions	4,221,356,746	4,011,791,436
	4,285,740,941	4,239,319,367

For and on behalf of the board of The Dhaka Mercantile Co-operative Bank Limited


Director


Deputy Managing Director

Dhaka, Bangladesh
Dated, 14 August 2023



The Dhaka Mercantile Co-operative Bank Limited

**Notes to the financial statements
For the year ended 30 June 2023**

1. Background of the bank/ society

1.1 Legal status of the bank/ society

The Dhaka Mercantile Co-operative Bank Limited (the Bank/Society) was registered with the Government under the "The Bengal Co-operative Society Act, 1940 (Bengal Act XXI of 1940)" dated 6 January 1973. After registration, its Bye Laws were prepared for operating the activities of the Bank. In the 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 Limited, 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 and medium enterprises, trades, agriculture etc.
- ii) To reduce unemployment by investing and augmenting economic activities which leads to the creation of jobs and steady income.
- iii) Encouraging and motivating the new entrepreneurs to establish industries and businesses in line with the development of the national economy.
- iv) Enhancing savings tendency of the peoples by offering attractive and lucrative new savings schemes.
- 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 society.
- 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 bank/society 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 the Co-operative Society Act. The bank/society has given proper importance to the compliance of all the rules, regulations and guidelines of Co-operative Society and other regulatory bodies.

Corporate Governance refers to the structure and process for the direction and control of the Bank. 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 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 of corporate governance, the members of the Board and the Management are encouraged to join seminars, workshops and other programs.



The Dhaka Mercantile Co-operative Bank Limited

Notes to the financial statements
For the year ended 30 June 2023

1.5 Structure of the board

The board is elected according to the Co-operative Society Act, Rules and By-laws. The Board of Directors of DMCB is a professionally run forum having members from various backgrounds and professions.

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.

2. Significant accounting policies

2.1 Basis of measurement

The financial statements have been prepared on a going concern basis under the historical cost convention.

2.2 Functional and presentation currency

The financial statements are presented in Bangladeshi Taka (BDT), which is also the functional currency of the Bank.

2.3 Reporting period

The financial statements are prepared for a period from 1 July 2022 to 30 June 2023.

2.4 Components of the financial statements

Following are the components of the financial statements:

- (i) Statement of financial position (balance sheet);
- (ii) Statement of profit or loss and other comprehensive income (profit and loss account);
- (iii) Statement of changes in equity;
- (iv) Statement of cash flows;
- (v) Explanatory notes to the financial statements which also describe accounting policies adopted and followed by the Bank.

2.5 Revenue recognition

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

- i) Profit on Bai - murabaha (micro) investments is recognized on a cash basis.
- ii) Profit on other investments is recognized on an accrual basis.
- iii) Fees and other income on services provided by the co-operative bank/society are recognized as and when the services are rendered.

2.6 Profit paid on deposits and borrowings

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

2.7 Other operating expenses

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

2.8 Reconciliation of books of accounts

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



The Dhaka Mercantile Co-operative Bank Limited

Notes to the financial statements
For the year ended 30 June 2023

2.9 Fixed assets and depreciation

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

<u>Category of asset</u>	<u>Rate of depreciation</u>
Land	Nil
Building	5%
Furniture and fixtures	10%
Office equipments	20%
Electrical appliances	20%
Computer equipments	20%
Motor vehicles	20%
Others	10%

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

2.10 Cash in hand and balance with banks and non-banking financial institutions

Cash in hand and balance with banks and non-banking financial institutions include notes and coins in hand and balances held with other banks and non-banking financial institutions that are readily available amounts of cash and which are subject to an insignificant risk of changes in value.

2.11 Investments

Investments are stated at the net receivable amount of profit on 30 June 2023 except Quard - e - hasana investments are stated at the gross amount on 30 June 2023.

2.12 Deposits

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.

2.13 Financing (borrowing) from other banks

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

2.14 Provision against investment

Provisions against investments are made on the basis of year-end review by the managing committee.

2.15 Provision for taxation

As per the Income Tax Act 2023 provision for income tax has been made by applying applicable @ 15% after considering adjustments of income and expenditure as per income tax laws.

2.16 General reserve

Provision for general reserve has been made @ 25% on profit in compliance with minimum 15% requirement as prescribed in the Co-operative Society Act.

2.17 Co-operative development fund

Provision for co-operative development fund has been made @ 3% on profit before provision and tax as prescribed in the Co-operative Society Act.

2.18 Staff welfare fund

The Dhaka Mercantile Co-operative Bank Limited has established a staff welfare fund for regular and confirmed employees. The fund is subscribed by the monthly contribution of the employees and also a percentage of net profit earned by the bank of 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 scholarships to the meritorious students among the children of DMCB's employees. Disbursement from the fund is done as per rules for employees' welfare fund. Provision for staff welfare fund has been made @ 2% on profit as per Co-operative Society Act.



The Dhaka Mercantile Co-operative Bank Limited

**Notes to the financial statements
For the year ended 30 June 2023**

2.19 Recreation and sports fund

The Dhaka Mercantile Co-operative Bank Limited has created a recreation and sports fund for its staff. The fund is subscribed at a percentage of net profit earned by the bank/society each financial year. Provision for recreation and sports fund has been made @ 3% on profit as per Co-operative Society Act.

2.20 Incentive bonus

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

2.21 Dividend

Dividend has been proposed @ 50% on share capital for the year ended 30 June 2022, which comes to BDT 30,390,220.

2.22 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 36% of the full year's investment income is distributed to the different types of Mudaraba depositors according to the weightage and the remaining investment income is retained by the bank/society to meet administrative expenses and various reserves and provisions.

Provisional rate of its being applied to the different types of depositors at the rates decided by the bank/society from time to time taking into consideration of the business trend and of the rates of other institutions 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.

2.23 Provident fund

Provident Fund benefits are given to the permanent employees of the DMCB in accordance with DMCB's service rules. All confirmed employees of the bank/society are contributing 10% of their basic salary as a subscription to the fund. The bank/society also contributes an equal amount to the employee's contribution.

2.24 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 at the bank/ society are entitled to get a gratuity equivalent to 1 (one) month's basic pay and those were served for 20 (twenty) years are entitled to get 1.5 (one and half) months' basic pay for each completed years of service and fraction thereof.

2.25 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 the organisations' balance sheets, increasing the visibility of it's assets and liabilities. It further mostly removes the classification of leases as either operating leases or finance leases. therefore, eliminating the requirement for a lease classification test.

Applying IFRS 16 leases, except for short term leases (lease term of a year or less) and leases of low value assets, are recognized as the right of use assets and recognized lease liabilities in the statement of financial position, initially measured as the present value of future lease rental 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, and some of the leases have an escalation and renewal clause. There are no directions imposed by the guidelines of the co-operative department for co-operative bank/ society to follow lease standards. For the co-operative bank/society has not given any effect for such.



The Dhaka Mercantile Co-operative Bank Limited

**Notes to the financial statements
For the year ended 30 June 2023**

2.26 Reason for departures from IFRS

Sl no.	Area	IAS/IFRS	DMCB
i)	Provision on loans/ investments	As per IFRS 9, an entity shall recognise an impairment allowance on loans/investments based on expected credit losses. Expected credit losses are required to be measured through a loss allowance at an amount equal to: (i) the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or (ii) full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). For loans investments whose credit risk increased significantly since initial recognition, a loss allowance for full lifetime expected credit losses is required. For loans investments whose credit risk didn't increased significantly, a loss allowance equal to the 12-month expected credit losses is required.	To maintain provision the Bank follows 1% provisional rate regarding good and irregular loan/investments and 20% provisional rate regarding doubtful and bad loss loan investments. As per the directives issued by management vide letter no MCB/01/CAD/276/2022 dated 20 July 2022 provision have been maintained on Bai - murabaha (micro) investments at the rate of 75% based on outstanding month end value of investments. However, it is important to note that the above mentioned cases are more conservative/ prudent than the Co-operative Society Act and rules prescribed provisional and write-off guidelines regarding loan investment.
ii)	Leases	As per IFRS 16, except for short term leases (lease term of a year or less) and leases of low value assets, are recognized as the right of use assets and recognized lease liabilities in the statement of financial position, initially measured as the present value of future lease rental payment on its initial application.	The Bank has entered into rental agreements for its office spaces. In all cases, the lease term is for more than one year, and some of the leases have an escalation and renewal clause. There are no directions imposed by the guidelines of the co-operative department for co-operative bank/ society to follow lease standards and hence this has not been adopted.



The Dhaka Mercantile Co-operative Bank Limited

**Notes to the financial statements
For the year ended 30 June 2023**

	2023 BDT	2022 BDT
3. Balance with banks and non-banking financial institutions		
Current account	266,638,361	232,573,835
Short term deposit account	49,404,465	34,217,601
Other deposits account (TDR/FDR)	3,905,313,920	3,745,000,000
	<u>4,221,356,746</u>	<u>4,011,791,436</u>
4. Bai - murabaha (micro)		
Bai - murabaha (micro)	33,744,541,841	25,142,462,712
<u>Less: Profit receivable on bai - murabaha (micro)</u>	<u>4,063,083,052</u>	<u>2,902,671,822</u>
	<u>29,681,458,789</u>	<u>22,239,790,890</u>
5. Bai - murabaha (general)		
Bai - murabaha (general)	2,701,072,458	2,996,341,314
<u>Less: Profit receivable on bai - murabaha (general)</u>	<u>84,975,031</u>	<u>94,786,812</u>
	<u>2,616,097,427</u>	<u>2,901,554,502</u>
6. Bai - murabaha (cash credit)		
Bai - murabaha (cash credit)	3,531,431,723	3,456,653,997
<u>Less: Profit receivable on bai - murabaha (cash credit)</u>	<u>30,009,802</u>	<u>28,320,037</u>
	<u>3,501,421,921</u>	<u>3,428,333,960</u>
7. Bai - murabaha (SOD)		
Bai - murabaha (SOD)	895,657,250	789,821,562
<u>Less: Profit receivable on bai - murabaha (SOD)</u>	<u>202,215</u>	<u>202,215</u>
	<u>895,455,035</u>	<u>789,619,347</u>
8. Bai - muazzal (consumer)		
Bai - muazzal (consumer)	13,394,620	16,655,729
<u>Less: Profit receivable on bai - muazzal (consumer)</u>	<u>4,206,051</u>	<u>7,877,408</u>
	<u>9,188,569</u>	<u>8,778,321</u>
9. Bai - muazzal (staff)		
Bai - muazzal (staff)	783,588,169	588,816,455
<u>Less: Profit receivable on bai - muazzal (staff)</u>	<u>380,233</u>	<u>380,233</u>
	<u>783,207,936</u>	<u>588,436,222</u>
10. Hire purchase under shirkatul meelk		
Hire purchase under shirkatul meelk	8,710,566	9,569,706
<u>Less: Profit receivable on hire purchase shirkatul meelk</u>	<u>1,121,034</u>	<u>1,227,687</u>
	<u>7,589,532</u>	<u>8,342,019</u>
11. Quard - e - hasana		
Quard - e - hasana (general)	3,015,000	4,748,000
Quard - e - hasana (staff)	7,908,649	7,369,774
	<u>10,923,649</u>	<u>12,117,774</u>
12. Bai - murabaha (seasonal)		
Bai - murabaha (seasonal)	49,093,207	57,696,553
<u>Less: Profit receivable on bai - murabaha (seasonal)</u>	<u>12,958,933</u>	<u>12,904,282</u>
	<u>36,134,274</u>	<u>44,792,271</u>



The Dhaka Mercantile Co-operative Bank Limited

**Notes to the financial statements
For the year ended 30 June 2023**

	2023 BDT	2022 BDT
13. Fixed assets (property, plant and equipment)		
Cost:		
Opening balance	2,086,442,511	1,524,025,801
<u>Add: Addition during the year</u>	188,178,513	605,968,072
	2,274,621,024	2,129,993,873
<u>Less: Disposal during the year</u>	34,637,237	43,551,362
Closing balance (A)	2,239,983,787	2,086,442,511
Accumulated depreciation:		
Opening balance	688,210,904	573,344,647
<u>Add: Charge for the year</u>	150,057,889	144,343,262
	838,268,793	717,687,909
<u>Less: Disposal during the year</u>	25,822,297	29,477,005
Closing balance (B)	812,446,496	688,210,904
Written down value (A-B)	1,427,537,291	1,398,231,607
Details are in Annex A.		
14. Other assets		
Advance office rent	457,207,906	165,754,693
Profit receivable on other investments	133,297,210	110,555,937
Head office general a/c	5,038,948	111,796,439
Advance income tax (14.1)	82,841,548	80,210,562
Suspense account	94,052,489	66,409,246
Advance against VAT	18,641,862	18,641,862
Stock of stationery and printing materials etc.	16,482,159	16,695,303
Advance deposits	2,105,838	2,098,838
Stamps	471,900	503,580
	810,139,860	572,666,460
14.1 Advance income tax		
Opening balance	80,210,562	67,606,854
<u>Add: Tax deducted at source on TDR/FDR profit</u>	29,309,368	34,936,009
Advance tax paid for vehicles	3,102,500	2,940,000
Advance tax paid for house rent	38,400	-
	112,660,830	105,482,863
<u>Less: Adjusted during the year</u>	29,819,282	25,272,301
Closing balance	82,841,548	80,210,562
15. Financing (borrowing) from banks		
Pubali Bank Limited, Khamarbari Branch	943,753,093	412,207,904
National Bank Limited, Gulshan Branch	92,008,073	29,366,750
Southeast Bank Limited, Dhanmondi Branch	276,375,524	34,324,993
Agrani Bank Limited, B.A.F Branch	1,220,394,843	67,372,139
	2,532,531,533	543,271,786
16. AI - wadeeah current and other deposits		
AI - wadeeah current deposits	4,169,099,770	3,637,429,420
Sundry deposits	18,380,408	15,522,069
	4,187,480,178	3,652,951,489
17. Mudaraba term deposits		
Mudaraba term deposits	14,495,753,984	13,001,073,762
<u>Add: Profit payable on mudaraba term deposits</u>	2,159,981,545	1,730,002,145
	16,655,735,529	14,731,075,907



The Dhaka Mercantile Co-operative Bank Limited

Notes to the financial statements
For the year ended 30 June 2023

	2023 BDT	2022 BDT
18. Other mudaraba deposits		
Mudaraba special deposits scheme (note 18.1)	16,847,813,118	14,410,475,360
<u>Add: Profit payable on mudaraba special deposits scheme</u>	<u>607,122,151</u>	<u>494,112,861</u>
	17,454,935,269	14,904,588,221
Mudaraba short notice deposits	<u>26,685,508</u>	<u>21,043,948</u>
	<u>17,481,620,777</u>	<u>14,925,632,169</u>
18.1 Mudaraba special deposits scheme		
Mudaraba daily sanchay prokalpa	9,419,706,394	7,732,408,759
Mudaraba daily education prokalpa	157,394,061	159,203,018
Mudaraba daily marriage prokalpa	9,348,659	8,653,612
Mudaraba daily hajj prokalpa	12,113,241	12,809,703
Mudaraba weekly sanchay prokalpa	42,884,746	39,213,370
Mudaraba monthly sanchay prokalpa	7,002,344,848	6,268,854,964
Mudaraba education sanchay prokalpa	142,082,945	129,194,352
Mudaraba marriage sanchay prokalpa	53,457,388	51,537,085
Mudaraba hajj sanchay prokalpa	<u>8,480,836</u>	<u>8,600,497</u>
	16,847,813,118	14,410,475,360
19. Other liabilities		
Profit payable on borrowings	72,766,336	90,146,712
Payable to co-operative societies (note 19.1)	10,103,089	6,510,191
Staff welfare fund (note 19.2)	95,561,987	85,625,266
Recreation and sports fund (note 19.3)	7,274,903	6,401,371
Incentive bonus (note 19.4)	11,880,728	6,206,060
Dividend payable (note 19.5)	116,292,718	115,307,963
Reserve for profit payable (note 19.6)	17,397,256	11,637,362
Reserve for contingency (note 19.7)	2,262,696	12,262,696
With-holding tax (note 19.8)	40,384,319	11,137,844
With-holding VAT	39,631,099	26,415,550
Provident fund (note 19.9)	-	19,727,825
Special welfare fund (note 19.10)	7,504,996	6,460,077
Provision against investment (note 19.11)	343,231,690	277,681,882
Provision for taxation (note 33)	37,193,490	29,819,282
Risk fund (note 19.12)	342,093,028	208,202,273
Investment loss provision micro (note 19.13)	745,798,974	435,630,996
Other payables (note 19.14)	<u>58,987,565</u>	<u>52,606,115</u>
	<u>1,948,364,874</u>	<u>1,401,779,465</u>
19.1 Payable to co-operative societies		
Opening balance	6,510,191	11,561,870
<u>Add: Provision made during the year</u>	<u>10,103,089</u>	<u>6,510,191</u>
	16,613,280	18,072,061
<u>Less: Amount paid during the year</u>	<u>6,510,191</u>	<u>11,561,870</u>
Closing balance	<u>10,103,089</u>	<u>6,510,191</u>
19.2 Staff welfare fund		
Opening balance	85,625,266	80,403,767
<u>Add: Addition during the year from salary</u>	<u>19,795,941</u>	<u>16,762,731</u>
Provision made during the year	4,426,471	2,397,727
	109,847,678	99,564,225
<u>Less: Amount paid during the year</u>	<u>14,285,691</u>	<u>13,938,959</u>
Closing balance	<u>95,561,987</u>	<u>85,625,266</u>



The Dhaka Mercantile Co-operative Bank Limited

**Notes to the financial statements
For the year ended 30 June 2023**

	2023	2022
	BDT	BDT
19.3 Recreation and sports fund		
Opening balance	6,401,371	2,804,780
Add: Provision made during the year	6,639,706	3,596,591
	<u>13,041,077</u>	<u>6,401,371</u>
Less: Amount paid during the year	5,766,174	-
Closing balance	<u>7,274,903</u>	<u>6,401,371</u>
19.4 Incentive bonus		
Opening balance	6,206,060	4,731,262
Add: Provision made during the year	11,066,178	5,994,318
	<u>17,272,238</u>	<u>10,725,580</u>
Less: Amount paid during the year	5,391,510	4,519,520
Closing balance	<u>11,880,728</u>	<u>6,206,060</u>
19.5 Dividend payable		
Opening balance	115,307,963	96,591,543
Add: Provision made during the year	30,390,220	27,749,820
Transferred from retained earnings	-	88
	<u>145,698,183</u>	<u>124,341,451</u>
Less: Transfer to retained earnings	24,210,495	-
Amount paid during the year	5,194,970	9,033,488
Closing balance	<u>116,292,718</u>	<u>115,307,963</u>
19.6 Reserve for profit payable		
Opening balance	11,637,362	9,981,920
Add: Provision made during the year	11,066,178	5,994,318
	<u>22,703,540</u>	<u>15,976,238</u>
Less: Amount paid during the year	5,306,284	4,338,876
Closing balance	<u>17,397,256</u>	<u>11,637,362</u>
19.7 Reserve for contingency		
Opening balance	12,262,696	9,274,060
Add: Provision made during the year	-	11,988,636
	<u>12,262,696</u>	<u>21,262,696</u>
Less: Amount paid during the year	10,000,000	9,000,000
Closing balance	<u>2,262,696</u>	<u>12,262,696</u>
19.8 With-holding tax		
Tax payable (profit on deposits)	13,896,776	3,939,219
Tax payable (others)	26,487,543	7,198,625
	<u>40,384,319</u>	<u>11,137,844</u>
19.9 Provident fund		
Opening balance	19,727,825	5,259,423
Add: Addition during the year (contribution)	226,119,633	179,128,635
	<u>245,847,458</u>	<u>184,388,058</u>
Less: Transfer to employees' provident fund	245,847,458	164,600,000
Adjustment during the year	-	60,233
Closing balance	<u>-</u>	<u>19,727,825</u>
19.10 Special welfare fund		
Opening balance	6,460,077	5,580,553
Add: Addition during the year	1,044,919	879,524
	<u>7,504,996</u>	<u>6,460,077</u>
Less: Amount paid during the year	-	-
Closing balance	<u>7,504,996</u>	<u>6,460,077</u>



The Dhaka Mercantile Co-operative Bank Limited

Notes to the financial statements
For the year ended 30 June 2023

	2023 BDT	2022 BDT
19.11 Provision against investment		
Opening balance	277,681,882	336,240,911
Add: Provision made during the year (note 32)	78,252,596	67,300,730
	<u>355,934,478</u>	<u>403,541,641</u>
Less: Adjustment during the year	12,702,788	125,859,759
Closing balance	<u>343,231,690</u>	<u>277,681,882</u>
19.12 Risk fund		
Opening balance	208,202,273	117,934,557
Add: Addition during the year	157,828,238	117,456,617
	<u>366,030,511</u>	<u>235,391,174</u>
Less: Amount paid during the year	23,937,483	27,188,901
Closing balance	<u>342,093,028</u>	<u>208,202,273</u>
19.13 Investment loss provision (micro)		
Opening balance	435,630,996	435,348,690
Add: Addition during the year	310,167,978	282,306
Closing balance	<u>745,798,974</u>	<u>435,630,996</u>
19.14 Other payables		
Performance bonus	55,000,000	48,449,160
Electricity	1,834,591	1,830,297
Fuel	550,000	550,000
Sundry expenses	395,895	1,030,365
Service charge	324,725	41,860
Telephone charges	296,759	273,232
Gas	140,985	108,964
Water	133,000	96,420
Postage and courier	116,281	74,375
Internet bill	109,099	127,178
Mobile phone charges	46,230	24,264
Wages	40,000	-
	<u>58,987,565</u>	<u>52,606,115</u>
20. Share capital		
Opening balance	60,780,440	55,499,640
Add: Addition during the year	1,539,750	5,280,800
Closing balance	<u>62,320,190</u>	<u>60,780,440</u>
21. General reserve		
Opening balance	209,044,992	185,067,718
Add: Addition during the year	55,330,891	23,977,274
Closing balance	<u>264,375,883</u>	<u>209,044,992</u>
22. Retained earnings		
Opening balance	77,555,369	45,877,964
Add: Transferred from dividend payable	24,210,495	-
Profit after appropriation	92,300,830	31,677,493
	<u>194,066,694</u>	<u>77,555,457</u>
Less: Transfer to dividend payable	-	88
Closing balance	<u>194,066,694</u>	<u>77,555,369</u>



The Dhaka Mercantile Co-operative Bank Limited

Notes to the financial statements
For the year ended 30 June 2023

	2023	2022
	BDT	BDT
23. Profit on investments		
Profit on investments (note 23.1)	8,038,269,014	6,626,340,248
Profit on other bank accounts	134,486	114,393
	<u>8,038,403,500</u>	<u>6,626,454,641</u>
23.1 Profit on investments		
Profit on bai - murabaha (micro)	6,701,966,848	5,236,788,736
Profit on bai - murabaha (general)	144,440,132	107,898,573
Profit on bai - murabaha (cash credit)	147,130,546	243,510,100
Profit on bai - murabaha (SOD)	125,322,203	117,315,549
Profit on bai - muazzal (consumer)	1,288,790	952,933
Profit on bai - muazzal (staff)	54,479,601	36,780,166
Profit on hire purchase under shirkatul meelk	168,897	208,728
Profit on quard - e - hasana (staff)	753,281	982,539
Profit on bai - murabaha (seasonal)	877,683	1,145,072
Profit on investment (TDR/FDR)	257,802,595	329,472,742
Profit on other investments	604,038,438	551,285,110
	<u>8,038,269,014</u>	<u>6,626,340,248</u>
24. Profit paid on deposits and borrowings		
Profit paid on deposits (note 24.1)	2,796,442,271	2,312,193,373
Profit paid on borrowings	90,459,373	183,151,071
Profit paid on others (note 24.2)	8,468,215	9,247,267
	<u>2,895,369,859</u>	<u>2,504,591,711</u>
24.1 Profit paid on deposits		
Profit paid on al-wadeeah current and mudaraba saving deposits	134,651,540	61,532,025
Profit paid on mudaraba term deposits	1,392,357,942	1,207,538,829
Profit paid on mudaraba special deposits	1,269,432,789	1,043,122,519
	<u>2,796,442,271</u>	<u>2,312,193,373</u>
24.2 Profit paid on others		
Profit paid on provident fund	-	1,410,617
Profit paid on staff welfare fund	8,468,215	7,836,650
	<u>8,468,215</u>	<u>9,247,267</u>
25. Other operating income		
Membership fees	28,610,630	31,377,600
Incidental charges	33,105,072	19,576,512
SMS charges	24,167,737	18,803,571
Account closing fees and bank charges	16,285,410	13,826,350
Refund from PF forfeiture account (as per FRC circular)	9,226,492	-
Gain on sale of assets	6,236,045	6,558,671
Membership card charges	4,956,900	5,420,382
Documentation charges	2,166,720	2,057,450
Cheque book charges	1,376,168	1,383,917
Investment form charges	982,200	972,350
Rental income	768,000	-
Sundry income	247,296	493,488
Pass book charges	305,948	263,040
Remittance charges	201,485	196,917
	<u>128,636,103</u>	<u>100,930,248</u>



The Dhaka Mercantile Co-operative Bank Limited

Notes to the financial statements
For the year ended 30 June 2023

	2023 BDT	2022 BDT
26. Salary, remuneration and allowances		
Salary and remuneration	2,864,315,571	2,241,862,216
Bonus	396,407,759	367,494,694
Allowances	223,573,900	73,017,263
Bank's contribution to provident fund	111,933,698	88,859,766
Gratuity	102,211,515	219,736,836
	<u>3,698,442,443</u>	<u>2,990,970,775</u>
27. Rent, taxes, insurance, electricity and etc.		
Rent, taxes, rates and VAT	286,000,176	218,629,713
Electricity, gas and water	42,750,545	39,009,540
Insurance	5,908,764	5,856,672
Renewal, registration and licence fees	363,454	-
	<u>335,022,939</u>	<u>263,495,925</u>
28. Postage, stamps, telecommunications and etc.		
Internet charges	7,205,724	5,172,248
Postage and courier	4,324,623	4,181,731
Mobile phone & SMS charges	1,844,563	9,572,841
Telephone charges	513,453	564,145
	<u>13,888,363</u>	<u>19,490,965</u>
29. Stationery, printing, advertisement and etc.		
Office stationery and printing	69,015,667	68,345,369
Computer toner and accessories	51,786,856	12,275,271
Publicity and advertisement	2,010,060	11,280,263
Photocopy expenses	1,358,582	1,134,076
Medicine and medical accessories	815,371	535,984
	<u>124,986,536</u>	<u>93,570,963</u>
30. Depreciation, repair and maintenance of assets		
a) Depreciation of fixed assets (Annex A):		
Building	14,017,055	6,265,131
Furniture and fixtures	16,496,910	15,770,479
Office equipments	2,314,210	3,651,397
Electrical appliances	23,622,674	28,593,545
Computer equipments	15,836,748	14,362,210
Motor vehicles	44,365,319	44,332,677
Others	33,404,973	31,367,823
	<u>150,057,889</u>	<u>144,343,262</u>
b) Repairs and maintenance of fixed assets:		
Building	248,409	-
Furniture and fixtures	400,782	516,417
Office equipments	781,942	745,303
Electrical appliances	5,162,802	5,172,315
Computer equipments	411,098	450,967
Motor vehicles	4,466,073	4,301,859
Office premises	1,493,367	2,674,212
Others	829,314	423,980
	<u>13,793,787</u>	<u>14,285,053</u>
	<u>163,851,676</u>	<u>158,628,315</u>



The Dhaka Mercantile Co-operative Bank Limited

Notes to the financial statements
For the year ended 30 June 2023

	2023 BDT	2022 BDT
31. Other expenses		
Investment recovery expenses	310,167,978	248,666,718
Food expenses	94,194,841	83,776,450
Conveyance	73,100,835	56,405,295
Local travel cost	26,628,614	15,213,315
Annual general meeting	13,443,922	7,339,795
Daily allowances	13,281,157	9,429,461
Fuel	10,761,535	9,653,819
Branch opening, renovation and business development	10,128,785	2,557,746
Entertainment	6,369,345	4,759,199
Seminer and workshop	3,793,884	2,801,292
Bank charges	3,715,841	4,258,042
Sundry expenses (*)	2,907,831	7,430,901
Service charges	2,485,921	2,097,407
Staff uniform	2,474,810	7,326,760
Members' meeting and conference	1,450,359	3,603,250
Newspaper, books and periodicals	1,222,399	376,149
Wages	625,775	406,981
Carrying charges	571,282	668,719
	<u>577,325,114</u>	<u>466,771,299</u>
(*) Sundry expenses includes corporate expenses, expenses on managers' conference, business expansion expenses and other expenses.		
32. Provision against investment		
Bai - murabaha (Micro)	62,901,219	43,233,199
Other investments	15,351,377	24,067,531
	<u>78,252,596</u>	<u>67,300,730</u>
33. Provision for taxation		
Opening balance	29,819,282	25,272,301
Add: Provision made during the year	37,193,490	29,819,282
	67,012,772	55,091,583
Less: Adjustment during the year	29,819,282	25,272,301
Closing balance	<u>37,193,490</u>	<u>29,819,282</u>
34. Appropriations:		
General reserve	55,330,891	23,977,274
Provision for co-operative development fund	10,103,089	6,510,191
Staff welfare fund	4,426,471	2,397,727
Recreation and sports fund	6,639,706	3,596,591
Incentive bonus	11,066,178	5,994,318
Reserve for profit payable	11,066,178	5,994,318
Provision for contingent liabilities	-	11,988,636
Dividend (proposed)	30,390,220	27,749,820
	<u>129,022,733</u>	<u>88,208,875</u>



The Dhaka Mercantile Co-operative Bank Limited

Notes to the financial statements
For the year ended 30 June 2023

35. Others

- 35.1** Figures in these notes and in the annexed financial statements have been rounded to the nearest integer.
- 35.2** These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.
- 35.3** Figures relating to the previous period included in this report have been rearranged, wherever considered necessary, without creating any impact on the value of assets and liabilities as reported in the financial statements.

For and on behalf of the board of The Dhaka Mercantile Co-operative Bank Limited


Director


Deputy Managing Director

Dhaka, Bangladesh
Dated, 14 August 2023



The Dhaka Mercantile Co-operative Bank Limited

Annex A

Details of fixed assets
For the year ended 30 June 2023

Assets category	Cost				Rate (%)	Accumulated depreciation				Written Down Value at 30 June 2023
	Balance as on 1 July 2022	Addition during the year	Disposal during the year	Balance at 30 June 2023		Balance as at 1 July 2022	Charge for the year	Disposal during the year	Upto 30 June 2023	
	BDT	BDT	BDT	BDT		BDT	BDT	BDT	BDT	
Land	699,888,204	26,987,720	-	726,875,924	0%	-	-	-	726,875,924	
Building	227,027,355	53,313,750	-	280,341,105	5%	10,556,115	14,017,055	-	24,573,170	
Furniture and fixtures	171,755,962	12,358,412	2,840,134	181,274,240	10%	89,321,697	16,496,910	1,990,304	103,828,303	
Office equipments	22,029,980	473,885	200,516	22,303,349	20%	18,854,105	2,314,210	200,508	20,967,807	
Electrical appliances	273,209,367	24,433,559	3,376,776	294,266,150	20%	229,651,855	23,622,674	3,211,292	250,063,237	
Computer equipments	120,823,909	16,994,004	1,192,841	136,625,072	20%	79,462,617	15,836,748	1,181,676	94,117,689	
Motor vehicles	249,058,255	24,702,202	22,938,581	250,821,876	20%	108,679,313	44,365,319	16,766,735	136,277,897	
Others	322,649,479	28,914,981	4,088,389	347,476,071	10%	151,685,202	33,404,973	2,471,782	182,618,393	
Total 2023	2,086,442,511	188,178,513	34,637,237	2,239,983,787		688,210,904	150,057,889	25,822,297	812,446,496	
Total 2022	1,524,025,801	605,968,072	43,551,362	2,086,442,511		573,344,647	144,343,262	29,477,005	688,210,904	
									1,427,537,291	
									1,398,231,607	

