

<p><b>Lankan Alliance Finance Limited</b> <i>Audited Financial Statements</i> <b>For the year ended 31 December 2020</b></p>
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# Hoda Vasi Chowdhury & Co

## Chartered Accountants

### Independent Auditor's Report to the Shareholders of Lankan Alliance Finance Limited Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Lankan Alliance Finance Limited (the "Company"), which comprise balance sheet as at 31 December 2020, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 2.

#### 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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Securities and Exchange Commission (BSEC) and Dajgladcsli Dank, 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 is sufficient and appropriate to provide a basis for our opinion.

#### Other matters

The financial statements of the Company for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2020.

#### 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 of the Company in accordance with IFRSs as explained 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.

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

Those charged with governance are responsible for overseeing the Company'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.
- 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 Company'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 Company 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.

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.

#### **Report on other Legal and Regulatory Requirements**

In accordance with the Companies Act, 1994, the Securities and Exchange Rules 1987, the Financial Institutions Act, 1993 and the rules and regulations issued by Bangladesh Bank, 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 our audit and made due verification thereof;
- (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- (iii) the balance sheet and profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- (iv) the expenditures incurred were for the purpose of the Company's business for the year;
- (v) the financial statements of the Company have been drawn up in conformity with the Financial Institutions Act, 1993 and in accordance with the accounting rules and regulations which were issued by Bangladesh Bank to the extent applicable to the Company;
- (vi) adequate provisions have been made for loans, advances, leases, investment and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;

- (vii) the financial statements of the Company conform to the prescribed standards set in the accounting regulations which were issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (viii) the records and statements which were submitted by the branches have been properly maintained and recorded in the financial statements;
- (ix) statements sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;
- (x) taxes and other duties were collect to be and deposited in the Government treasury by the Company as per Government instructions found satisfactory based on test checking;
- (xi) nothing has come to our attention that the Company has adopted any unethical means i.e. 'window dressing' to inflate the profit and mismatch between the maturity of assets and liabilities;
- (xii) proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions which were issued by Bangladesh Bank and other regulatory authorities have been complied properly as disclosed to us by management;
- (xiii) based on our work as mentioned above under the auditor's responsibility section, the internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible material fraud, forgery and internal policies are being followed appropriately;
- (xiv) the Company has complied with relevant laws pertaining to capital, reserve and net worth, cash and liquid assets and procedure for sanctioning and disbursing loans/leases found satisfactory;
- (xv) we have reviewed over 80% of the risk weighted assets of the Company and we have spent around 1,000 person hours for the audit of the books and accounts of the Company;
- (xvi) the Company has complied with relevant instructions which were issued by Bangladesh Bank relevant to classification, provisioning and calculation of interest suspense;
- (xvii) the Company has complied with the 'First Schedule' of the Financial Institutions Act, 1993 in preparing these financial statements; and
- (xviii) all other issues which in our opinion are important for the stakeholders of the Company have been adequately disclosed in the audit report.

Dhaka, 31 March 2021

DVC: 2104011512AS848390



Shaikh Hasibur Rahman, FCA

Enrolment no 1512

Hoda Vasi Chowdhury & Co

Chartered Accountants

**Lankan Alliance Finance Limited  
Balance Sheet  
As at 31 December 2020**

	Note	Amounts in BDT	
		31 Dec 2020	31 Dec 2019
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>	3		
In hand (including foreign currencies)	3.01	35,465	6,048
Balance with Bangladesh Bank and its agent (including foreign currencies)	3.02	16,817,945	20,918,784
		<b>16,853,410</b>	<b>20,924,832</b>
<b>Balance with other banks and financial institutions</b>	4		
Inside Bangladesh	4.01	293,347,974	322,544,671
Outside Bangladesh	4.02	-	-
		<b>293,347,974</b>	<b>322,544,671</b>
<b>Money at call and short notice</b>	5	100,000,000	200,000,000
<b>Investments</b>	6		
Government	6.01	-	-
Others	6.02	295,000,000	300,653,634
		<b>295,000,000</b>	<b>300,653,634</b>
<b>Loans and advances</b>	7		
Loans, cash credit, overdraft etc.		1,675,422,612	1,269,616,671
Bills purchased and discounted		-	-
		<b>1,675,422,612</b>	<b>1,269,616,671</b>
<b>Fixed assets including land, building, furniture and fixtures</b>	8	62,591,721	83,661,295
<b>Other assets</b>	9	62,729,291	47,045,107
<b>Non-banking assets</b>		-	-
<b>Total Assets</b>		<b>2,505,945,008</b>	<b>2,244,446,210</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
Borrowings from other banks, financial institutions and agents	10	4,750,000	140,000,000
<b>Deposits and other accounts</b>			
Current accounts and other accounts etc.	11	-	-
Bills payable		-	-
Savings bank deposits		-	-
Term deposits		1,121,523,192	769,750,713
Bearer certificate of deposits		-	-
Other deposits		2,316,440	32,241
		<b>1,123,839,632</b>	<b>769,782,954</b>
<b>Other liabilities</b>	12	156,500,645	169,253,917
<b>Total Liabilities</b>		<b>1,285,090,277</b>	<b>1,079,036,871</b>
<b>Capital/Shareholders' equity</b>			
Paid-up capital	13	1,000,000,000	1,000,000,000
Share premium		172,200,000	172,200,000
Statutory reserves	14	24,732,433	13,376,020
General reserves		-	-
Retained earnings	15	23,922,298	(20,166,681)
		<b>1,220,854,731</b>	<b>1,165,409,339</b>
<b>Total Equity</b>		<b>1,220,854,731</b>	<b>1,165,409,339</b>
<b>Total Liabilities and Shareholders' equity</b>		<b>2,505,945,008</b>	<b>2,244,446,210</b>
<b>Net asset value per share- (NAV)</b>		<b>12.21</b>	<b>11.65</b>

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**Lankan Alliance Finance Limited  
Balance Sheet  
As at 31 December 2020**

**Amounts in BDT**  
**31 Dec 2020      31 Dec 2019**

**OFF-BALANCE SHEET ITEMS**

**Contingent liabilities**

Acceptances and endorsements  
Letters of guarantee  
Irrevocable letters of credit  
Bills for collection  
Indemnity bond  
Corporate guarantee

-	-
-	-
-	-
-	-
-	-
-	-
-	-

**Other commitments**


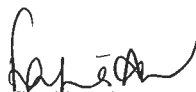
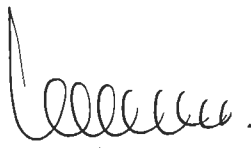
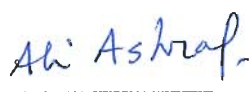
Documentary credits and short term trade related transactions  
Forward assets purchased and forward deposits placed  
Un-drawn note issuance and revolving underwriting facilities  
Un-drawn formal standby facilities, credit lines  
Un-disbursed contracted loans and leases

-	-
-	-
-	-
-	-
-	-
-	-
-	-

**Total Off-Balance Sheet items including contingent liabilities**

-	-
-	-


The annexed notes form an integral part of these financial statements.

			
Director	Director	Chief Executive Officer	Head of Accounts

Signed in terms of our separate report of even date annexed.

Dhaka, 31 March 2021

DVC: 2104011512AS848390

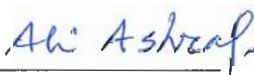
  
Shaikh Hasibur Rahman FCA  
Enrolment no 1512  
Hoda Vasi Chowdhury & Co  
Chartered Accountants

**Lankan Alliance Finance Limited  
Profit and Loss Account  
For the year ended 31 December 2020**

	Note	Amounts in BDT	
		31 Dec 2020	31 Dec 2019
Interest income	16	204,945,091	215,395,289
Less : Interest on deposits and borrowings etc.	17	78,052,933	78,706,218
<b>Net interest income</b>		<b>126,892,158</b>	<b>136,689,071</b>
Investment income	18	34,365,808	11,298,487
Commission, exchange and brokerage		-	-
Other operating income	19	6,641,747	3,792,725
<b>Total operating income</b>		<b>167,899,713</b>	<b>151,780,283</b>
Salaries, allowances and benefits	20	39,647,565	38,666,017
Rent, taxes, insurance, electricity etc.		4,188,846	2,204,928
Legal & Professional fees		1,344,095	420,420
Postage, stamp, telecommunication etc.		420,391	669,306
Stationery, printing, advertisements etc.		1,155,200	2,524,076
CEO's salary and benefits	21	9,299,262	16,246,383
Directors' fees	22	448,000	248,000
Auditors' fees		437,288	437,288
Charges on loan losses		-	-
Depreciation and repair of Company's assets		13,721,821	14,654,427
Other administration and maintenance	23	4,634,257	6,885,258
<b>Total operating expenses</b>		<b>75,296,724</b>	<b>82,956,103</b>
<b>Profit before provisions</b>		<b>92,602,988</b>	<b>68,824,180</b>
<b>Provision for loans and investments</b>			
General provision		3,730,524	980,734
Specific provision		-	-
Provision for diminution in value of investments		-	-
Other provision		-	-
<b>Total provision</b>		<b>3,730,524</b>	<b>980,734</b>
<b>Total profit before taxation</b>		<b>88,872,464</b>	<b>67,843,446</b>
<b>Provision for taxation</b>			
Current tax expense		35,108,559	33,128,477
Deferred tax expenses/(income)		(3,018,160)	(2,460,007)
<b>Net profit after taxation</b>		<b>56,782,065</b>	<b>37,174,976</b>
<b>Appropriations to:</b>			
Statutory reserves		11,356,413	7,434,995
General reserves		-	-
Dividend etc.		-	-
<b>Retained surplus</b>		<b>45,425,652</b>	<b>29,739,981</b>
Earnings per share	24	0.57	0.37

The annexed notes form an integral part of these financial statements.

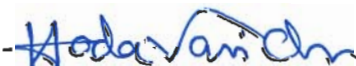
  
 Director
   
 Director
   
 Chief Executive Officer

  
 Head of Accounts

Signed in terms of our separate report of even date annexed.

Dhaka, 31 March 2021



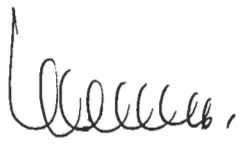

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 Shaikh Hasibur Rahman FCA  
 Enrolment no 1512  
 Hoda Vasi Chowdhury & Co  
 Chartered Accountants

**Lankan Alliance Finance Limited  
Cash Flow Statement  
For the period ended 31 December 2020**

	Amount in BDT	
	31 Dec 2020	31 Dec 2019
<b>A) Cash flows from operating activities</b>		
Interest received	188,392,783	212,483,866
Interest paid	(61,021,052)	(32,264,188)
Dividend received	34,483,633	10,837
Fees and commission received	-	-
Paid to employees and suppliers	(65,337,531)	(84,729,934)
Payment of income tax	(47,390,494)	(3,730,555)
Received from other operating activities	7,768,937	2,665,535
<b>Cash generated from operating activities before changes in operating assets and liabilities</b>	<b>56,896,276</b>	<b>94,435,562</b>
<b>Increase/(decrease) in operating assets and liabilities</b>		
Loans & Advance	(404,617,636)	(182,189,484)
sale of shares	630,090	839,835
Investment in Shares	(5,653,634)	(300,146,861)
Term and other deposits	354,056,677	412,972,214
	(55,584,502)	(68,524,296)
<b>Net cash flows from/(used in) operating activities</b>	<b>1,311,773</b>	<b>25,911,266</b>
<b>B) Cash flows from investing activities</b>		
Purchase of fixed assets	670,108	(896,981)
<b>Net cash used in investing activities</b>	<b>670,108</b>	<b>(896,981)</b>
<b>C) Cash flows from financing activities</b>		
Drawdown of term loans	(135,250,000)	40,000,000
<b>Net cash flow from financing activities</b>	<b>(135,250,000)</b>	<b>40,000,000</b>
<b>D) Net increase / (decrease) in cash and cash equivalents (A+ B + C)</b>	<b>(133,268,119)</b>	<b>65,014,285</b>
<b>E) Effects of exchange rate changes on cash and cash equivalents</b>	<b>-</b>	<b>-</b>
<b>F) Cash and cash equivalents at beginning of the year</b>	<b>543,469,503</b>	<b>478,455,218</b>
<b>G) Cash and cash equivalents at end of the year (D+E+F)</b>	<b>410,201,384</b>	<b>543,469,503</b>
<b>Cash and cash equivalents at end of the year</b>		
Cash in hand (including foreign currencies)	35,465	6,048
Balance with Bangladesh Bank and its agent bank(s)	16,817,945	20,918,784
Balance with other banks and financial institutions	293,347,974	322,544,671
Money at call and short notice	100,000,000	200,000,000
	<b>410,201,384</b>	<b>543,469,503</b>

The annexed notes form an integral part of these financial statements.

 _____ Director	 _____ Director	 _____ Chief Executive Officer	 _____ Head of Accounts
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Lankan Alliance Finance Limited  
Statement of Changes in Equity  
For the year ended 31 December 2020

Amounts in BDT

Particulars	Paid-up capital	Share premium	Statutory reserves	Retained earnings	Total
Balance at 01 January 2020	1,000,000,000	172,200,000	13,376,020	(20,166,681)	1,165,409,339
Net profit for the year 2020	-	-	-	56,782,065	56,782,065
Appropriation to reserve	-	-	11,356,413	(11,356,413)	-
Prior year adjustment	-	-	-	(1,336,673)	(1,336,673)
<b>Balance as at 31 December 2020</b>	<b>1,000,000,000</b>	<b>172,200,000</b>	<b>24,732,433</b>	<b>23,922,298</b>	<b>1,220,854,731</b>

Lankan Alliance Finance Limited  
Statement of Changes in Equity  
For the year ended 31 December 2019

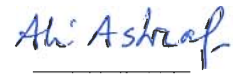
Particulars	Paid-up capital	Share premium	Statutory reserves	Retained earnings	Total
Balance at 01 January 2019	1,000,000,000	172,200,000	5,941,025	(49,906,662)	1,128,234,363
Net profit for the year 2019	-	-	-	37,174,976	37,174,976
Appropriation to reserve	-	-	7,434,995	(7,434,995)	-
<b>Balance at 31 December 2019</b>	<b>1,000,000,000</b>	<b>172,200,000</b>	<b>13,376,020</b>	<b>(20,166,682)</b>	<b>1,165,409,339</b>

The annexed notes form an integral part of these financial statements.

  
Director

  
Director

  
Chief Executive Officer

  
Head of Accounts

**Lankan Alliance Finance Limited**  
Liquidity statement  
As at 31 December 2020

Particulars	Amounts in BDT					
	Not more than 1 month term	1-3 months term	3-12 months term	1-5 years term	Above 5 years term	Total
<b>Assets</b>						
Cash in hand (including balance with Bangladesh Bank)	16,853,410	-	-	-	-	16,853,410
Balance with other banks and financial institutions	60,847,974	50,000,000	182,500,000	-	-	293,347,974
Money at call and short notice	100,000,000	-	-	-	-	100,000,000
Investments	-	-	45,000,000	230,000,000	20,000,000	295,000,000
Loans & advances	32,754,340	336,202,224	376,807,615	927,087,830	12,570,603	1,675,422,612
Fixed assets including land, building, furniture and fixtures	-	-	-	55,857,200	6,734,521	62,591,721
Other assets	135,668	20,714	56,052,631	6,470,278	-	62,729,291
Non-banking assets	-	-	-	-	-	-
<b>Total assets</b>	<b>210,641,392</b>	<b>376,222,938</b>	<b>660,360,246</b>	<b>1,219,415,308</b>	<b>39,305,124</b>	<b>2,505,945,008</b>
<b>Liabilities</b>						
Borrowing from Bangladesh Bank, other banks and financial institutions & its agents	-	-	4,750,000	-	-	4,750,000
Deposits	50,602,858	402,658,725	657,030,734	10,530,875	700,000	1,121,523,192
Other accounts	-	-	-	2,316,440	-	2,316,440
Provision and other liabilities	3,324,946	3,977,525	28,894,234	111,658,272	8,645,668	156,500,645
<b>Total liabilities</b>	<b>53,927,804</b>	<b>406,636,250</b>	<b>690,674,968</b>	<b>124,505,587</b>	<b>9,345,668</b>	<b>1,285,090,277</b>
<b>Net Liquidity Gap</b>	<b>156,713,588</b>	<b>(30,413,312)</b>	<b>(30,314,722)</b>	<b>1,094,909,721</b>	<b>29,959,456</b>	<b>1,220,854,731</b>

The annexed notes form an integral part of these financial statements.

**Lankan Alliance Finance Limited**  
**Notes to the financial statements**  
**As at and for the year ended 31 December 2020**

**1. Company and its activities**

**1.1 Legal status and nature of the Company**

Lankan Alliance Finance Limited (LAFL or the "Company ") was incorporated in Bangladesh as a Public limited Company on 27 September 2003 under the Companies Act 1994, in its earlier name of Alliance Leasing & Finance Company Limited. The Company changed its name in December 2017 as Lankan Alliance Finance Limited . The registered office of the Company is situated at the Alliance Building, 63 Pragati Sarani, Baridhara, Dhaka-1212. The Company is registered as a Financial Institution under the Financial Institutions Act, 1993.

**2. Basis of preparation and significant accounting policies**

**2.1 Statement of compliance**

The financial statements of the Company have been prepared on a going concern basis following accrual basis of accounting except for cash flow statement and investment in marketable securities which are stated at market value in accordance with International Financial Reporting Standards (IFRS) except the circumstances where local regulations differ, and in compliance with the Companies Act, 1994, the Financial Institutions Act, 1993 and other applicable laws and regulations.

The presentation of the financial statements has been made as per the requirements of DFIM Circular No. 11, dated December 23, 2009 issued by the Department of Financial Institutions and Markets (DFIM) of the Bangladesh Bank. The activities and accounting heads mentioned in the prescribed form, which are not applicable for the financial institutions, have been kept blank in the financial statements.

The requirements of accounting standards as per IFRS that have been departed to comply with Bangladesh Bank requirements have been disclosed in detail in **Note-2.3**.

However, this departure with IFRS has been made by following all of the relevant provisions of IAS-1 and the details disclosures are given in **Note-2.3** by following the provision of Para 20 of IAS 1 Presentation of Financial Statements.

**2.2 Basis of measurement**

This financial statements have been prepared based on International Financial Reporting Standards (IFRS) and no adjustment has been made for inflationary factors affecting the financial statements. The accounting policies, unless otherwise stated, have been consistently applied by the Company and are consistent with those of the previous year.

**2.3 Disclosure of deviations from few requirements of IFRS due to mandatory compliance with Bangladesh Bank's requirements**

Bangladesh Bank (the local Central Bank) is the prime regulatory body for Financial Institution in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations contradict with those of financial instruments and general provision standards of IFRS. As such the company has departed from those contradictory requirements of IFRS in order to comply with the rules and regulations of Bangladesh Bank, which are disclosed below along with financial impact where applicable:

SL.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
1	Measurement of provision for leases, loans and advances (financial assets measured at amortized cost)	IFRS 9 "Financial Instruments"	An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired.  If any such evidence exists, expected credit losses are required to be measured through a loss allowance at an amount equal to:  a) 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  b) full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).	As per FID circular No. 08, dated 03 August 2002, FID circular No. 03, dated 03 May 2006 and FID circular No. 03, dated 29 April 2013, a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained irrespective of objective evidence of impairment on leases, loans and advances.  Also provision for sub-standard investments, doubtful investments and bad losses has to be provided at 20%, 50% and 100% respectively for investments depending on the duration of overdue.	In Financial Statements, an amount of Taka 3.7 million has been charged as incremental general provision for leases, loans and advances, on good loan for the year end 31.12.2020. Accumulated provision for leases, loans and advances as at 31.12.2020 stand at Taka 15 54 million.
2	Recognition of interest income for SMA and classified lease, loans and advances	IFRS 9 "Financial Instruments"	Income from financial assets measured at amortized cost is recognized through effective interest rate method over the term of the investment. Once a financial asset is impaired, investment income is recognized in profit and loss account on the same basis based on revised carrying amount.	As per FID circular No. 03 dated 03 May 2006, once an investment in leases, loans and advances is termed as "Special Mention Account (SMA)", interest income from such investments are not allowed to be recognized as income, rather the respective amount needs to be credited as a liability account like: interest suspense account.	During this year there is no impact on the financial statements due to this departure as there were no SMA or classified lease, loans and advances.
3	Presentation of cash and cash	IAS 7 "Statement of	Cash equivalent are short term, highly liquid investments that are readily convertible to known amounts of cash	Bangladesh Bank has issued templates for financial statements v/c DFIM Circular No. 11, dated 23 December	Financial Statements for 2020 and corresponding year 2019 have been prepared as per guideline (DFIM

SL.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
	equivalent	Cash Flows"	and only include those investments which are for a short tenure like: 3 months or less period.  In the light of above, balance with Bangladesh Bank and fixed term deposits should be treated as investment asset rather than cash equivalent as it is illiquid asset and not available for use in day to day operations.	2009 which will strictly be followed by all banks and NBFIs.  The templates of financial statements provided detail presentation for statement of cash flows.	Circular No. 11, dated 23 December 2009) of Bangladesh Bank.
4	Measurement of deferred tax asset	IAS 12 "Income Tax"	A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.	As per DFIM Circular No. 7, dated 31 July 2019, no deferred tax asset can be recognized for any deductible temporary difference against lease, loans and advances.	During this year there is no impact in the financial statements due to this departure as the Company did not consider any deductible temporary difference against leases, loans and advances.
5	Presentation and disclosure of Financial Statements and Financial Instruments	IAS 1 "Presentation of Financial Statements"	Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income statement.  IAS 1 requires separate line item for intangible assets on the face of statement of financial position.	Bangladesh Bank has issued templates for financial statements vide DFIM Circular No. 11 dated 23 December 2009 which will strictly be followed by all banks and NBFIs.  The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) nor are the elements of Other Comprehensive Income allowed to include in a single Comprehensive Income Statement	Financial Statements for the year end 31.12.2020 and corresponding year of 2019 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.
		IFRS 9 "Financial	IFRS 9 and IFRS 7 require specific		

SL.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
		Instruments" and IFRS 7 "Financial Instruments: Disclosure"	presentation and disclosure relating to all financial instruments.	Intangibles assets are not separately presented on the face of statement of financial position; rather it is presented along with the line item of fixed assets.  As per Bangladesh Bank guidelines, financial instruments are categorized, recognized and measured differently from those prescribed in IAS 39. As such some disclosure and presentation requirements of IFRS 7 and IAS 32 have not been made in the accounts.	
6	Preparation of "Statement of Cash Flows"	IAS 7 "Statement of Cash Flows"	The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.	As per DFIM Circular No 11, dated 23 December 2009, Cash flow statement has been guided by the Bangladesh Bank which is the mixture of direct and indirect method.	Financial Statements for the year end 31.12.2020 and corresponding period of 2019 have been prepared as per guideline (DFIM Circular No. 11 dated 23 December 2009) of Bangladesh Bank.
7	Current/Non-current distinction	IAS-1 "Presentation of Financial Statement"	As per Para 60 of IAS-1 "Presentation of Financial statement" An entity shall present current and non-current assets and current and non-current liabilities as separate classification in its statement of financial position.	As per DFIM Circular No. 11, dated 23 December 2009, Bangladesh Bank has issued templates for financial statements which is applicable for all the Financial Institutions. In this templates there is no current and non-current segmentation of assets and liabilities	Financial Statements for the year end 31.12.2020 and corresponding period of 2019 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. Moreover, the liquidity statement shows the aging profile of all financial assets and liabilities from where current/non-current portion of assets and liabilities can be obtained.

SL.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
8	Off-balance sheet items	IAS 1 "Presentation of Financial Statements"	There is no concept of off-balance sheet items in any IFRS; hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.	As per DFIM Circular No. 11, dated 23 December 2009, off-balance sheet items (e.g. letter of credit, letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.	Financial Statements for the year end 31.12.2020 and corresponding period of 2019 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.  There is no financial impact for this departure but there is a disclosure in the financial statements
9	Impairment of Margin Loan (Loans and receivables)	IFRS 9 "Financial Instruments"	Measurement after initial recognition at amortized cost and recording of changes through profit and loss.	As per Bangladesh Securities and Exchange Commission (BSEC) Circular No. SEC/CMRRCD/2009-193/196 dated 28 December 2016, provisions for the year 2016 on impairment of principal portion of margin loan may be kept at 20% on each quarter for the five quarters starting from December 2016.	There is no such impact for this departure.

SL.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
10	Complete set of financial statements	IAS 1 "Presentation of Financial Statements"	As per IAS 1: "Presentation of Financial Statements" complete set of financial statements are i) statement of financial position, ii) statement of profit or loss and other comprehensive income, iii) statement of changes in equity, iv) statement of cash flows, v) notes, comprising significant accounting policies and other explanatory information and vi) statement of financial position at the beginning of preceding period for retrospective restatement.	As per DFIM Circular No. 11, dated 23 December 2009, complete set of financial statements are i) balance sheet, ii) profit and loss account, iii) statement of cash flows, iv) statement of changes in equity, v) statement of liquidity, vi) notes, comprising significant accounting policies and other explanatory information.	Financial Statements for the year end 31.12.2020 and corresponding period of 2019 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.  There is no financial impact for this departure in the financial statements.
11	Intangible asset	IAS 1 "Presentation of Financial Statements"	As per IAS 1: "Presentation of Financial Statements" para 54: the statement of financial position shall include separate line item for intangible assets.	As per DFIM Circular No. 11, dated 23 December 2009, there is no option for separate line item for intangible asset in the balance sheet.  We present intangible asset in the balance sheet as part of fixed assets and provide details in annexure-A as separate line item.	Financial Statements for the year end 31.12.2020 and corresponding period of 2019 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.  There is no financial impact for this departure in the financial statements.
12	Other comprehensive income	IAS 1 "Presentation of Financial Statements"	As per IAS 1: "Presentation of Financial Statements" Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single OCI statement.	Bangladesh Bank has issued templates for financial statements which will strictly be followed by financial institutions. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) nor are the elements of OCI allowed to be included in a	Financial Statements for the year end 31.12.2020 and corresponding period of 2019 have been prepared as per the guideline and templates issued by Bangladesh Bank.  There is no financial impact for this



SL.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
13	Disclosure of presentation of profit	N/A	There is no requirement to show appropriation of profit in the face of statement of comprehensive income.	<p>single OCI statement</p> <p>As such the financial institution does not prepare the other comprehensive income statement. However elements of OCI, if any, are shown in the statements of changes in equity.</p> <p>As per DFIM circular no 11, dated 23 December 2009, an appropriation of profit should be disclosed in the face of profit and loss account.</p>	<p>Financial Statements for the year end 31.12.2020 and corresponding period of 2019 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.</p> <p>There is no financial impact for this departure in the financial statements.</p>

**2.4 Components of the financial statements**

The financial statements comprise of (As per DFIM Circular No. 11, Dated December 23, 2009):

- a) Balance Sheet as at 31 December 2020;
- b) Profit and Loss Account for the year ended 31 December 2020;
- c) Statement of Cash Flows for the year ended 31 December 2020;
- d) Statement of Changes in Equity for the year ended 31 December 2020;
- e) Liquidity Statement for the year ended 31 December 2020;
- f) Notes to the Financial Statements for the year ended 31 December 2020.

**2.5 Directors' responsibility statement**

The Board of Directors' takes the responsibility for the preparation and presentation of these financial statements.

**2.6 Date of authorization**

The Board of directors has authorized this financial statements on 30 March 2021.

**2.7 Presentation and functional currency and level of precision**

The financial statements are presented in Bangladesh Taka (BDT) currency, which is the Company's functional currency. All financial information presented in Taka has been rounded off to the nearest BDT.

**2.8 Use of estimates and judgments**

The preparation of financial statements in conformity with International Accounting Standards (IASs) and International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. It also requires disclosures of contingent assets and liabilities at the date of the financial statements.

The most critical estimates and judgments are applied to the following:

- Provision for impairment of loans, leases, investments, income tax and deferred tax.
- Gratuity  
Useful life of depreciable assets

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

However, the estimates and underlying assumptions are reviewed on an ongoing basis and the revision is recognized in the period in which the estimates are revised. In accordance with the guidelines as prescribed by IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognized in the following situations:

**Provisions**

Provisions are liabilities that are uncertain in timing or amount. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

**Contingent Liability :**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present obligation as a result of past events but is not recognized because it is not likely that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated. Contingent liabilities normally comprise legal claims under arbitration or court process in respect of which a liability is not likely to occur.

**Contingent Assets:**

A contingent asset is possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are never recognized, rather they are disclosed in the financial statements when they arise.

**2.9 Accounting for term finance & other finances**

Books of accounts for term finance operation are maintained based on the accrual method of accounting. Outstanding loans, along with the accrued interest thereon, for short-term finance, and unrealised principal for long-term finance, real estate finance, car loans and other finances are accounted for as term finance assets of the Company. Interest earnings are recognised as operational revenue periodically.

**2.10 Investment in securities**

Investment in marketable ordinary shares has been shown at market price on an aggregate portfolio basis. Investment in non-marketable shares has been valued at cost or intrinsic value whichever is lower. Full provision for diminution in value of shares as on closing of the year on an aggregate portfolio basis is made in the financial statements as required by Bangladesh Bank DFIM circular No. 02 dated 31 January 2012.

**2.11 Property and equipment**

**i) Recognition and measurement**

**Own assets**

Items of own fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the assets to its working condition for its intended use as per International Accounting Standard (IAS) 16, "Property, Plant and Equipment".

**ii) Subsequent expenditure on Fixed assets**

Subsequent expenditure is capitalized only when it increases the future economic benefit from the assets and that cost can be measured reliably. All other expenditures are recognized as an expense as and when they are incurred.

**iii) Depreciation**

Depreciation is charged to amortize the cost of assets, over their estimated useful lives, using the straight-line method in accordance with BAS-16: "Property, Plant and Equipment". Full depreciation is charged on additions irrespective of date when the related assets are put into use and no depreciation is charged from the month of disposal. Asset category wise depreciation rates are as follows:

<u>Particulars of Property, Plant &amp; Equipment</u>	<u>Rates</u>
Furniture and fixtures	20%
Office equipment	20%
Office decoration	10%
ICT Equipment	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the profit and loss account.

Depreciation methods, useful lives and residual values, if any are reviewed at the balance sheet date.

**2.12 Intangible assets and amortization of intangible assets**

**Recognition & Measurement**

Intangible assets comprise the value of computer software. Intangible assets acquired separately are measured on initial recognition at cost and are carried at cost less accumulated amortization and accumulated impairment losses, if any.

**Amortization**

Amortization is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives based on the management best estimates of 3(three) years.

**Subsequent expenditure**

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits in the specifications to which it relates. All other expenditure is expensed as incurred.

**2.13 Revenue recognition**

Revenue is only recognised when it meets the following five steps model framework as per IFRS 15: "Revenue from Contracts with Customers"

- a) identify the contract (s) with a customers;
- b) identify the performance obligations in the contract;
- c) determine the transaction price;
- d) allocate the transaction price to the performance obligations in the contract;
- e) recognise revenue when (or as) the entity satisfies a performance obligation.

Interest income from loans and other sources is recognised on an accrual basis of accounting.

**Interest on term loans and short term finance**

Interest on term loan and short term finance are recognized as revenue on an accrual basis and interest income on term loan is not recognized where any portion of interest is in arrear for more than three months.

**Fee based revenues**

Fees on services rendered by the company are recognized as and when services are rendered.

**Dividend income**

Dividend is recognised as income when the right to receive income is established.

**Profit or loss on sale of securities**

Profit or loss arising from the sale of securities is accounted for only when the securities are sold/offloaded.

**2.14 Interest suspense account**

Lease income earned, interest on term finance overdue beyond three months period and interest on real estate finance overdue beyond nine months period and interest on short term finance overdue beyond permitted credit term plus ninety days period are not recognised as revenue and are credited to the interest suspense account.

**2.15 Accounts receivable**

Accounts receivable at the balance sheet date is stated at amounts which are considered realizable. Specific allowance is made for receivable considered to be doubtful for recovery.

**2.16 Cash flow statements**

The cash flow statement is prepared using the direct method as stipulated in Bangladesh Accounting Standard (IAS) 7 "Cash Flow Statements", and in accordance with the instruction of Bangladesh Bank.

**2.17 Conversion of foreign currency transactions**

Foreign currency transactions are translated into Taka at rates prevailing at the respective dates of transactions, while foreign currency monetary assets at the end of the year are reported at the rates prevailing on the balance sheet date. Exchange gains or losses arising out of the said conversions are recognized as income or expense for the year after netting off.

**2.18 Provision for doubtful accounts and future losses**

Provision has been made at estimated rates on outstanding exposures, based on aging and continuous review of the receivables, as per the Bangladesh Bank Provisioning policy. A general provision has been made by the company to cover unforeseen losses on all leases and loans excluding those for which a specific provision has been kept. The provision is considered adequate to meet any probable future losses.

**2.19 Employees' benefit obligation**

**2.19.1 Defined contribution plan**

The Company has a contributory provident fund scheme for its permanent employees. Provident fund administered by a Board of Trustees, funded by equal contributions both by the employees and the Company at a predetermined rate. The contributions will be managed separately from the Company's asset.

**2.19.2 Defined benefit plan**

The Company also introduced a funded gratuity scheme. Employees are entitled to gratuity benefit after completion of minimum 5 years of service with the Company. The gratuity is calculated on the last basic pay and is payable at the rate of one month's basic pay for every completed year of service.

**2.20 Taxation**

Tax expense comprises current and deferred tax.

**2.20.1 Deferred tax**

The Company accounts for deferred tax as per International Accounting Standard (IAS) 12 Income Taxes. Deferred tax is provided using the balance sheet method for all temporary timing differences arising between the tax base of assets and liabilities and their carrying value for financial reporting purposes. Tax rate prevailing at the balance sheet date is used to determine deferred tax.

Deferred tax may results in a liability or an asset being recognized within the Statement of Financial Position. IAS 12 defines a deferred tax liability as being the amount of income tax payable in future periods. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method.

**2.20.2 Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any, in accordance with provisions of Income Tax Ordinance, 1984. It is measured using tax rates enacted or substantively enacted at the reporting date. Applicable tax rate for the Company for the year 2020 is based on Finance Act 2020. For the purpose of these financial statements, management has assumed that the existing tax rates will be applicable for Income year 2020 as well, which are mentioned below:

<u>Regular business tax rate</u>	<u>Rates</u>
LAFI- Non traded Financial institution	40.00%
<u>Other business tax rate</u>	<u>Rates</u>
Dividend income	20.00%
Capital gain on sale of fixed assets	15.00%
Capital gain on sale of marketable securities	10.00%

The Company's existing accounting policy for uncertain income tax treatments is consistent with the requirements of IFRIC 23 Uncertainty over Income Tax Treatments, which became effective on 1 January 2019.

**2.21 Cash and cash equivalents**

Cash and cash equivalents comprise cash In hand, cash at bank, term deposits and investment in call loan that are readily convertible to a known amount of cash (with less than three months maturity) and that are subject to an insignificant risk of change in value.

**2.22 Bank loans**

Bank loans are recorded at the proceeds received. Interest on bank loans is accounted for on accrual basis and charged to profit and loss account.

**2.23 Related party disclosure**

As per International Accounting Standards (IAS) 24 Related Party Disclosures, parties are considered to be related if one of the party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with its related parties. Related party disclosures have been given in note 26.

**2.24 Statutory reserves**

As per Financial Institutions Regulation 1994, every Non Banking Financial Institution (NBFI) is required to transfer at least 20% of it's current year's profit to the fund until such reserve fund equals to it's paid up share capital and share premium (if any). In conformity with the above requirement, the Company transfers 20% of net profit to statutory reserve before declaration of dividend.

**2.25 Events after the balance sheet date**

All material events occurring after the balance sheet date has been considered and where necessary, adjusted for or disclosed.

**2.26 Contingent liabilities and contingent assets**

The Company does not recognize contingent liability and contingent asset but discloses the existence of contingent liability in the financial statements.

A contingent liability is a probable obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of uncertain future events not within the control of the Company or a present obligation that is not recognized because outflow of resources is not likely or obligation cannot be measured reliably.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

**2.27 Liquidity statement**

The liquidity statement has been prepared in accordance with remaining maturity grouping of Assets and Liabilities as of the close of the year as per following bases:

- a) Balances with other bank and financial institutions are on the basis of their maturity term.
- b) Loans, advances and leases are on the basis of their repayment/maturity schedule
- c) Fixed assets are on the basis of their useful lives.
- d) Other assets are on the basis of their adjustment terms.
- e) Borrowings from other banks and financial institutions as per their maturity/repayment terms.
- f) Deposits and other accounts are on the basis of their maturity term and behavioral past trends.
- g) Other long term liabilities are on the basis of their maturity terms.
- h) Other liabilities are on the basis of their settlement terms.
- i) Investments are on the basis of their expected liquidation & residual maturity term.

**2.28 Status of compliance of International Accounting Standards and International Financial Reporting Standards**

In addition to compliance with local regulatory requirements, in preparing the Financial Statements, LAFL applied following IAS and IFRS:

Name of the IAS	IAS No.	Status
Presentation of Financial Statements	1	Applied *
Inventories	2	N/A
Statements of Cash Flow	7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	8	Applied
Events after the Reporting Period	10	Applied
Income Taxes	12	Applied
Property, Plant and Equipment	16	Applied
Employee Benefits	19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	20	N/A
Borrowing Costs	23	Applied
Related Party Disclosures	24	Applied
Accounting and Reporting by Retirement Benefit Plans	26	N/A
Separate Financial Statements	27	Applied
Investment in Associates and Joint Ventures	28	N/A
Financial Reporting in Hyperinflationary Economies	29	N/A
Interests in Joint Ventures	31	N/A
Earnings per share	33	Applied
Interim Financial Reporting	34	Applied
Impairment of Assets	36	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied
Investment Property	40	N/A
Agriculture	41	N/A

Name of the IFRS	IFRS No.	Status
Share Based payment	2	N/A
Business combination	3	N/A
Insurance Contracts	4	N/A
Non-current assets held for sale and discontinued operation	5	N/A
Exploration for and Evaluation of Mineral Resources	6	N/A
Financial Instruments: Disclosures	7	Applied *
Operating Segments	8	N/A
Consolidated Financial Statements	10	N/A
Joint Arrangement	11	N/A
Disclosure of Interest in Other Entities	12	N/A
Fair Value Measurement	13	Applied *
Revenue from Contract with Customers	15	Applied
Leases	16	Applied

N/A= Not Applicable

- \* As the regulatory requirements differ with the standards, relevant disclosures have been made in accordance with Bangladesh Bank's requirements.

## **2.29 BASEL II & its implementation**

To cope with the international best practices and to make the capital more risks sensitive as well as more shock resilient, guidelines on 'Basel Accord for Financial Institutions (BAFI)' have been introduced from January 01, 2011 on test basis by the Bangladesh Bank. At the end of test run period, Basel Accord regime has started and the guidelines namely "Prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions (CAMD)" have come fully into force from January 01, 2012 with its subsequent supplements/revisions. Instructions regarding Minimum Capital Requirement (MCR), Adequate Capital, and Disclosure requirement as stated in these guidelines have to be followed by all FIs for the purpose of statutory compliance. As per CAMD guidelines, Financial Institutions should maintain a Capital Adequacy Ratio (CAR) of minimum 10%. In line with CAMD guideline's requirement, the company is in the process of introducing necessary initiatives to ensure implementation of BASEL II accord. Latest status of Capital Adequacy Ratio (CAR) has been shown in note - 13.1

## **2.30 Financial risk management**

LAFI always concentrates on delivering high value to its stakeholders through appropriate trade-off between risk and return. A well structured and proactive risk management system is in place within the Company to address risks relating to credit, market, liquidity, operations and anti money laundering. In addition to the industry best practices for assessing, identifying and measuring risks, LAFI also considers guidelines for managing core risks of financial institutions issued by the Country's Central Bank, Bangladesh Bank, vide FID Circular No. 10 dated September 18, 2005 for management of risks and, more recently, DFIM Circular No. 03 dated January 24, 2016.

### **Credit Risk**

To encounter and mitigate credit risk the company employed multilayer approval process, policy for maximum exposure limit of sector or groups, policy for customers' assets maximum exposure limit, mandatory search for credit report from Credit Information Bureau, looking into payment performance of customer before financing, frequent review of clients, taking collateral, seeking external legal opinion, maintaining neutrality in politics and following arm's length approach in related party transactions, regular review of market situation and industry exposure etc.

### **Market Risk**

The Asset Liability Committee (ALCO) of the Company regularly meets to assess the changes in interest rate, market conditions, carry out asset liability maturity gap analysis, re-pricing of products and thereby takes effective measures to monitor and control interest rate risk.

### **Liquidity Risk**

Liquidity requirements are managed on a day-to-day basis by the Treasury Division which is responsible for ensuring that sufficient funds are available to meet short term obligations, even in a crisis scenario, and for maintaining a diversity of funding sources. Treasury Division maintains liquidity based on historical requirements, anticipated funding requirements from operation, current liquidity position, collections from financing, available sources of funds and risks and returns.

### **Operational Risk**

Appropriate internal control measures are in place, at LAFI, to address operational risks. LAFI has also established internal control & compliance department (ICC) to address operational risk and to frame and implement policies to encounter such risks.

### **Compliance Risk**

Compliance risk is defined as the current or prospective risk of legal sanction and/or material financial loss that an organization may suffer as a result of its failure to comply with laws, its own regulations, code of conduct, and standards of the best practice as well as from the possibility of incorrect interpretation of laws or regulations. In general, compliance risk management is embedded in the day to day to business processes and practices of the company.

### **Money Laundering and Terrorist Financing Risk**

In The Company, money laundering and terrorist financing risk takes two broad dimensions:

- a) Business risk i.e. the risk that The Company may be used for money laundering or terrorism financing and
- b) Regulatory risk i.e. the risk that The Company fails to meet regulatory obligations under the Money Laundering Prevention Act 2012 and Anti-Terrorism Act 2009 (amended in 2013).

To mitigate the risks, The Company, while adhering to various guidelines and circulars issued by the Bangladesh Financial Intelligence Unit (BFIU), put in place a strict compliance program consisting of the following components:

- a) Development and implementation of internal policies, procedures and controls to identify and report instances of money laundering and terrorism financing;
- b) Creation of structure and sub-structure within the organization, headed by a Central Compliance Unit (CCU), for AML and CFT compliance;
- c) Appointment of an AML/CFT Compliance Officer, known as the Chief Anti Money Laundering Officer (CAMLCO), to lead the CCU;
- d) Independent audit function including internal and external audit function to test the programs;
- e) Ongoing employee training programs.

## 2.31 Changes in significant accounting policies - IFRS 16 Leases

### 2.31.1 Nature and impact of changes

#### (a) Definition of a lease

Previously, LAFL determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 (if any). Under IFRS 16, LAFL assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note . On transition to IFRS 16, LAFL evaluated all types of contracts to assess whether a contract is or contains, a lease at the date of initial application.

#### As a Lessee

As a lessee, LAFL previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to LAFL. Under IFRS 16, LAFL recognises right-of-use assets and lease liabilities for all leases.

#### (i) Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at LAFL's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments (if any).

#### (ii) Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17 (if any), the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17.

#### As a lessor

LAFL is not required to make any adjustments on transitions to IFRS 16 for leases in which it acts as a lessor.

#### Impacts on financial statements

LAFL has lease contracts related to the rental agreement of various branches. The table below show the impacts arising from IFRS 16 in the beginning of 2019:

#### LAFL Finance

Leases	Liabilities	Right-of-use Asset
Office Rent	78,523,744	78,523,744
Vehicle Rent	5,183,687	5,183,687

#### As at 1 January 2019:

#### Right-of-use assets:

Right-of-use assets of BDT 78,523,744 and BDT 5,183,687 were recognised and presented separately in Annexure A and also included in fixed assets in Lankan Alliance Finance Limited's balance sheet respectively. This includes the Right-of-assets for office rent & vehicle.

#### Lease Liabilities:

Lease liabilities derived from present value of all rental payments amounted to BDT 78,523,744 and BDT 5,183,687 has been incorporated in Lankan Alliance Finance Limited's balance sheet respectively (under other liabilities head).

When measuring lease liabilities, LAFL discounted lease payments using its incremental borrowing rate (12%) at 1 January 2019.



		<u>Amounts in BDT</u>	
		<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
<b>3</b>	<b>Cash</b>		
	Cash in hand (including foreign currencies) (Note 3.01)	35,465	6,048
	Balance with Bangladesh Bank and its agent (including foreign currencies) (Note 3.02)	16,817,945	20,918,784
		<u>16,853,410</u>	<u>20,924,832</u>
<b>3.01</b>	<b>Cash in hand (including foreign currencies):</b>		
	In local currency	35,465	6,048
	In foreign currency	-	-
		<u>35,465</u>	<u>6,048</u>
<b>3.02</b>	<b>Balance with Bangladesh Bank and its agent (including foreign currencies)</b>		
	In local currency	16,817,945	20,918,784
	In foreign currency	-	-
		<u>16,817,945</u>	<u>20,918,784</u>
<b>3.03</b>	<b>Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)</b>		
	Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR) have been calculated and maintained in accordance with Financial Institutions Act, 1993 & Financial Institutions Regulations, 1994 and FID Circular No. 06 dated November 06, 2003, FID Circular No. 02 dated November 10, 2004, FID Circular No. 01 dated January 12, 2017 and DFIM Circular No. 3, June 21, 2020.		
	Cash Reserve Requirement (CRR) has been calculated at the rate of 1.5% on Total Term Deposits which is preserved in current account maintained with Bangladesh Bank. Total Term Deposit means Term or Fixed Deposit, Security Deposit against Lease/Loan and other Term Deposit, received from individuals and institutions (except Bank & financial Institutions).		
	Statutory Liquidity Reserve (SLR) has been calculated at the rate of 5.0% on total liabilities, including CRR of 1.5% on total Term Deposit. SLR maintained in liquid assets in the form of cash in hand (notes & coin in Taka), balance with Bangladesh Bank and other banks and Financial Institutions, unencumbered treasury bill and treasury bond and any other assets approved by Government Circular issued by Government of Bangladesh Bank.		
<b>a)</b>	<b>Cash Reserve Requirement (CRR)</b>		
	Required reserve	15,613,083	17,853,653
	Actual reserve maintained	16,853,410	20,918,784
	Surplus / (deficit)	<u>1,240,327</u>	<u>3,065,131</u>
<b>b)</b>	<b>Statutory Liquidity Reserve (SLR)</b>		
	Required reserve (including CRR)	61,565,632	39,827,669
	Actual reserve maintained (including CRR)	310,201,384	343,469,503
	Surplus / (deficit)	<u>248,635,753</u>	<u>303,641,834</u>
<b>4</b>	<b>Balance with other banks and financial institutions</b>		
<b>4.01</b>	<b>Inside of Bangladesh</b>		
	<b>Local Currency</b>		
	Non interest bearing current account (Note - 4.03)	154,078	170,358
	Interest bearing short term deposit account (Note - 4.04)	10,693,896	33,874,314
	Fixed deposit account (Note - 4.05)	282,500,000	288,500,000
		<u>293,347,974</u>	<u>322,544,671</u>
<b>4.02</b>	<b>Outside Bangladesh</b>	-	-
	<b>Total Balance</b>	<u>293,347,974</u>	<u>322,544,671</u>
<b>4.03</b>	<b>Non interest bearing current account</b>		
	Commercial Bank of Ceylon PLC, Current A/C No. 1818000829, (Gulshan Br.)	407	22,019
	Dhaka Bank Limited, Current A/C No. 2151000010692, ( Gulshan Br.)	79,808	97,673
	Mutual Trust Bank Limited, Current A/C No. 0220210011579 ( Gulshan Br.)	46,900	47,590
	Woori Bank, Current A/C No. 923934781 ( Dhaka Br. )	26,963	3,076
		<u>154,078</u>	<u>170,358</u>
<b>4.04</b>	<b>Interest bearing short term deposit account</b>		
	Midland Bank Limited, SND A/C No. 0011-1090000463 (Gulshan Branch)	10,343,379	33,557,588
	Midland Bank Limited, SND A/C No. 0011-1060000260 (Gulshan Branch)	140,743	316,125
	Mutual Trust Bank Limited, SND A/C No. 0022-0320001649 (Gulshan Branch)	208,806	601
	Bank Asia Limited, SND A/C No. 61536000010 (Gulshan Branch)	968	-
		<u>10,693,896</u>	<u>33,874,314</u>
<b>4.05</b>	<b>Fixed deposit account</b>		
	Commercial Bank of Ceylon PLC	182,500,000	182,500,000
	NRB Commercial Bank Limited	50,000,000	-
	Dhaka Bank Limited	-	56,000,000
	National Housing Finance And Investment Limited	-	50,000,000
	LankaBangla Finance Limited	50,000,000	-
		<u>282,500,000</u>	<u>288,500,000</u>
<b>4.06</b>	<b>Maturity grouping of balance with other banks and financial institutions</b>		
	Up to 1 month	50,000,000	106,000,000
	Over 1 month but not more than 3 months	50,000,000	-
	Over 3 months but not more than 6 months	-	-

		Amounts in BDT	
		31 Dec 2020	31 Dec 2019
	Over 6 months but not more than 1 year	182,500,000	-
	Over 1 year but not more than 5 years	-	182,500,000
	Over 5 years	-	-
		<b>282,500,000</b>	<b>288,500,000</b>
<b>5</b>	<b>Money at Call and short notice</b>		
	Industrial And Infrastructure Development Finance Company Limited	50,000,000	50,000,000
	IPDC Finance Limited	50,000,000	50,000,000
	LankaBangla Finance Limited	-	50,000,000
	Uttara Finance Limited	-	50,000,000
		<b>100,000,000</b>	<b>200,000,000</b>
<b>6</b>	<b>Investments</b>		
<b>6.01</b>	<b>Government</b>	-	-
<b>6.02</b>	<b>Other</b>		
	Investment in Share (Note 6.02.01)	295,000,000	300,653,634
		<b>295,000,000</b>	<b>300,653,634</b>
<b>06.02.01</b>	<b>Investment in Shares</b>		
	<b>Un-Quoted Shares</b>		
	Confidence Power Rangpur Limited	100,000,000	100,000,000
	Kushiera Power Company Limited	95,000,000	100,000,000
	Karnaphuli Power Limited	100,000,000	100,000,000
		<b>295,000,000</b>	<b>300,000,000</b>
	Unrealized gain on Quoted Share	-	378,792
	Cash Advances with Stock Broker	-	1,001
		-	<b>379,793</b>
	The above investments are quoted at cost. Management has conducted impairment assessment test as on 31 December 2020 and satisfied that the investment are not impaired and hence no provision is required.		
<b>7</b>	<b>Leases, loans and advances</b>		
	Loans and advances (Note 7.01)	1,675,422,612	1,269,616,671
	Bills Purchased and Discounted	-	-
		<b>1,675,422,612</b>	<b>1,269,616,671</b>
<b>7.01</b>	<b>Loans and advances</b>		
	Lease receivables- Corporate	11,657,705	13,629,524
	Term loan - Corporate	945,304,166	1,122,116,600
	Auto loan	104,283,386	102,794,379
	SME loan	580,186,229	15,841,200
	Lease receivable - SME	16,370,773	-
	Home Loan	9,530,146	-
	Interest / Installment Receivable	8,090,207	15,234,967
		<b>1,675,422,612</b>	<b>1,269,616,671</b>
<b>7.02</b>	<b>Maturity Wise Grouping</b>		
	On Demand	-	-
	Not more than 3 months	358,956,564	190,728,991
	More than 03 Month to 01 Years	376,807,615	215,793,139
	More than 01 Year to 05 Years	927,087,830	863,094,541
	More than 05 Years	12,570,603	-
		<b>1,675,422,612</b>	<b>1,269,616,671</b>
<b>7.03</b>	<b>Classification wise leases, loans and advances/ investments</b>		
	<b>Unclassified</b>		
	Standard	1,675,422,612	1,269,616,671
	Special Mention Accounts (SMA)	-	-
		<b>1,675,422,612</b>	<b>1,269,616,671</b>
	<b>Classified</b>		
	Sub-standard	-	-
	Doubtful	-	-
	Bad/loss	-	-
		<b>1,675,422,612</b>	<b>1,269,616,671</b>
<b>7.04</b>	<b>Loans, advances and leases on the basis of significant concentration</b>		
	a) Loans, advances and leases to the institutions in which Directors have interest	-	-
	b) Loans, advances and leases to Chief Executive and other senior executives	-	-
	c) Loans, advances and leases to customer groups:		
	i) House finance	9,530,146	-
	ii) Car Loan	105,483,426	102,861,400

	<u>Amounts in BDT</u>	
	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
iii) Personal loan	-	-
iv) Loan Against deposits (LAD)	-	-
v) Small and medium enterprises	596,708,071	14,841,200
vi) Special program loan (BB refinancing scheme)	-	-
vii) Staff loan	-	-
viii) Industrial Loans, advances and leases	963,700,969	1,151,914,071
ix) Other loans and advances	-	-
	<u>1,675,422,612</u>	<u>1,269,616,671</u>
d) Details of Industrial loans, advances and leases	-	-
i) Garments and Knitwear	3,741,389	3,946,520
ii) Textile	-	-
iii) Jute and Jute -products	-	-
iv) Food Production and Processing industry	79,088,540	95,522,250
v) Plastic Industry	-	-
vi) Leather and Leather Goods	-	-
vii) Iron, Steel and Engineering	-	-
viii) Pharmaceuticals and Chemicals	-	193,293,926
ix) Cement and Allied Industry	138,134,308	132,802,699
x) Telecommunication and IT	-	-
xi) Paper, printing and Packaging	-	-
xii) Glass, Glassware and Ceramic Industry	57,116,109	-
xiii) Ship Manufacturing Industry	-	-
xiv) Electronics and Electrical Products	51,093,842	65,193,427
xv) Power, Gas, water and Sanitary Service	5,214,920	6,200,783
xvi) Transport and Aviation	-	-
xvii) Other industries	1,351,043,504	752,851,866
	<u>1,675,422,612</u>	<u>1,269,616,671</u>
<b>7.05 Particulars of lease, loans and advances</b>		
i) Leases and loans considered good in respect of which the Company is fully secured.	760,082,607	65,193,427
ii) Leases and loans considered good in respect of which the Company is partially secured.	-	-
iii) Loans considered good against which the Company holds no security other than the debtors' personal guarantee.	-	-
iv) Loans considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors.	915,340,005	1,204,423,244
v) Classified loans against which no provision has been made	-	-
vi) Loans due from Directors either separately or jointly with any other persons.	-	-
vii) Loans due from Officers either separately or jointly with any other persons.	-	-
viii) Loans due from Companies or firms in which the Directors have interest as Directors, Partners or managing agents Companies, as members.	-	-
ix) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Managers or Officers either separately or jointly with any other person.	-	-
x) Maximum total amount of advances, including temporary advances granted during the year to the Companies or firms in which the Directors have interest as Directors, Partners or Managing agents or in the case of private Companies, as members.	-	-
xi) Due from banking companies and other financial institutions.	-	-
xii) Classified lease, loans and advances		
a) Classified lease, loans and advances on which interest has not been charged.	-	-
b) Increase/(decrease) of specific provision.	-	-
c) Amount of loan written off.	-	-
d) Amount realized against loan previously written off.	-	-
e) Provision kept against loans classified as bad/loss on the date of preparing the balance sheet.	-	-
f) Interest credited to Interest Suspense account.	-	-
	<u>1,675,422,612</u>	<u>1,269,616,671</u>
<b>7.06 Investments allowed to each customer exceeding 15% of FI's total capital</b>		
Total Loans, Advances and Leases	874,117,602	703,728,446
No. of Customers	8	4
Classified amount thereon	-	-
Measures taken for recovery	N/A	N/A

		Amounts in BDT	
		31 Dec 2020	31 Dec 2019
7.07	<b>Geographical Location-wise break-up</b>		
	<b>Inside Bangladesh:</b>		
	Dhaka Division	1,675,422,612	1,269,616,671
		<u>1,675,422,612</u>	<u>1,269,616,671</u>
	<b>Outside Bangladesh:</b>	-	-
		<u>1,675,422,612</u>	<u>1,269,616,671</u>
8	<b>Fixed assets including land, building, furniture and fixtures</b>		
	Freehold assets (Note-8.01)	8,437,866	10,967,436
	Intangible assets (Note-8.02)	155,163	362,609
	Lease assets (Note-8.03)	53,998,692	72,331,250
		<u>62,591,721</u>	<u>83,661,295</u>
	Details are given in Annexure - A		
8.01	<b>Freehold assets</b>		
	<b>A. Cost</b>		
	Opening Balance	18,475,658	17,701,077
	Additions	724,174	774,581
		<u>19,199,832</u>	<u>18,475,658</u>
	<b>B. Accumulated depreciation</b>		
	Opening Balance	(7,508,222)	(4,396,626)
	Charged During the year	(3,253,744)	(3,111,596)
		<u>(10,761,966)</u>	<u>(7,508,222)</u>
	<b>C. Written down value (A-B)</b>	<u>8,437,866</u>	<u>10,967,436</u>
8.02	<b>Intangible assets</b>		
	<b>Software</b>		
	<b>A. Cost</b>		
	Opening Balance	622,400	500,000
	Additions	-	122,400
		<u>622,400</u>	<u>622,400</u>
	<b>B. Accumulated amortization</b>		
	Opening Balance	(259,791)	(93,141)
	Charged During the year	(207,446)	(166,650)
		<u>(467,237)</u>	<u>(259,791)</u>
	<b>C. Written down value (A-B)</b>	<u>155,163</u>	<u>362,609</u>
8.03	<b>Lease assets</b>		
	<b>A. Cost</b>		
	Opening Balance	83,707,431	-
	Additions	-	83,707,431
	Adjustment of prior year	(6,562,810)	-
	Adjustment for lease modification	(1,509,117)	-
		<u>75,635,504</u>	<u>83,707,431</u>
	<b>B. Accumulated depreciation</b>		
	Opening Balance	(11,376,181)	-
	Charged During the year	(10,260,631)	(11,376,181)
		<u>(21,636,812)</u>	<u>(11,376,181)</u>
	<b>C. Written down value (A-B)</b>	<u>53,998,692</u>	<u>72,331,250</u>
	The prior year adjustment represent adjustment of right of use assets due to eliminating VAT expenses from calculating Right of use assets as per IFRIC 21: Levies.		
9	<b>Other assets :</b>		
	Tax deducted at sources	6,013,182	2,692,650
	Security Deposit for Office Rent	-	4,978,000
	Interest receivable on deposits etc.	26,762,891	11,398,889
	Interest paid in advance	1,358,953	12,192,294
	Payment of Tax	13,716,130	825,056
	Overdue Interest Receivable	-	1,127,190
	Dividend Receivable on Preference Share	10,226,436	10,344,261
	Other Advances	185,668	38,725
	Deferred tax ( Note - 9.01)	4,445,317	3,448,042
	Interest Subsidy Receivable from BB	20,714	-
		<u>62,729,291</u>	<u>47,045,107</u>

Amounts in BDT  
31 Dec 2020      31 Dec 2019

**9.01 Deferred Tax**

Particular	Carrying Amount of Accounting Base	Carrying Amount of Tax Base	Taxable/(deductible) Temporary Difference
<b>For the year ended on 2020</b>			
Property, Plant & Equipment	8,593,029	10,770,080	(2,177,051)
Gratuity Provision	(2,391,989)		(2,391,989)
Lease Assets	(6,544,253)	-	(6,544,253)
			<u>(11,113,293)</u>
Applicable tax rate			40%
<b>Deferred Tax (Asset)/ Liability</b>			<u>(4,445,317)</u>
<b>For the year ended on 2019</b>			
Property, Plant & Equipment	11,330,045	12,121,070	(791,025)
Gratuity Provision	(1,347,428)		(1,347,428)
Lease Assets	(6,481,652)	-	(6,481,652)
			<u>(8,620,105)</u>
Applicable tax rate			40%
<b>Deferred Tax (Asset)/ Liability</b>			<u>(3,448,042)</u>
<b>Deferred Tax (income)/expenses</b>			<u>(997,275)</u>
Prior year adjustment			<u>(2,020,885)</u>
<b>Deferred Tax (income)/expenses</b>			<u>(3,018,160)</u>
<b>iii</b>			
<b>Inside Bangladesh</b>			
Short Term Loan from Woori Bank secured by FDR			140,000,000
BB Refinance Scheme - COVID 19 Stimulus Package			4,750,000
<b>Outside Bangladesh</b>			-
			<u>4,750,000</u> <u>140,000,000</u>
<b>10.01 Maturity grouping of borrowings from other banks, financial institutions &amp; agents</b>			
Payable on demand			-
Up to 1 month			-
Over 1 months but within 3 months			-
Over 3 months but within 1 year		4,750,000	140,000,000
Over 1 year but within 5 years			-
Over 5 years			-
			<u>4,750,000</u> <u>140,000,000</u>
<b>11 Deposits and other accounts</b>			
Current deposits			-
Bills payable			-
Savings bank deposits			-
Term deposits		1,121,523,192	769,750,713
Bearer certificates of deposit			-
Other deposits		2,316,440	32,241
			<u>1,123,839,632</u> <u>769,782,954</u>
<b>11.01 Group-wise break-up of deposits and other accounts</b>			
Government			-
Deposit from banks and financial institutions		50,000,000	50,000,000
Other institutions		908,133,055	460,066,312
Individuals		165,706,577	259,716,642
			<u>1,123,839,632</u> <u>769,782,954</u>
<b>11.02 Maturity Analysis</b>			
Repayable on Demand			-
Repayable within 01 Month		50,602,858	191,467,000
Repayable over 01 (one) Month but within 03 (three) Months		402,658,725	109,195,700
Repayable over 03 (three) Months but within 01 (one) Year		657,030,734	459,568,954
Repayable over 01 (one) Year but within 05 (five) Years		12,847,315	8,451,301
Repayable over 05 (five) Years		700,000	1,100,000
			<u>1,123,839,632</u> <u>769,782,955</u>

		<b>Amounts in BDT</b>	
		<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
<b>12</b>	<b>Other Liabilities</b>		
	Payable to People's Leasing & Finance Plc Sri Lanka	17,613,990	17,613,990
	VAT Payable	31,896	251,690
	TDS Payable	71,934	647,589
	TDS Payable on deposits	322,271	590,444
	Excise Duty Payable	79,400	106,900
	Salary Tax Payable	313,773	590,312
	Tax payable ( 12.02)	37,388,571	33,458,899
	Gratuity payable	2,391,989	1,347,428
	General Provision for loans, advances and leases	15,542,224	11,811,700
	Interest Payable on Term Deposit	20,460,071	20,717,198
	Interest Payable on BB Refinance	8,444	-
	Advance Rental for Auto Loan	-	2,432,712
	Other accruals & payables (12.01)	1,733,137	872,151
	Lease liabilities	60,542,945	78,812,902
		<b>156,500,645</b>	<b>169,253,917</b>
<b>12.01</b>	<b>Other accruals &amp; Payables</b>		
	Audit fee payable	389,654	389,654
	Tax consultancy fees payable	161,250	-
	PF Payable	232,258	-
	Directors Fees Payable	299,200	-
	Other accrued expenses	646,879	482,497
	Other Payables	1,800	-
		<b>1,733,137</b>	<b>872,151</b>
<b>12.02</b>	<b>Provision for Income Tax</b>		
	Balance at January 1, 2020	33,458,899	4,829,749
	Add : Provision made during the year	35,108,559	33,257,784
	Less : Adjustment during the year	(31,178,887)	(4,628,634)
	Balance at December 31, 2020	<b>37,388,571</b>	<b>33,458,899</b>

Tax has been calculated @ 40% on business income, @ 10% on Capital gain on sale of shares & @ 20% on Dividend Income.

<b>13</b>	<b>Share Capital</b>		
	<b>Authorised Capital</b>		
	100,000,000 Ordinary shares of Tk 10/= each	<b>1,000,000,000</b>	<b>1,000,000,000</b>
	<b>Issued, subscribed and paid up Capital</b>		
	100,000,000 Ordinary shares of Tk 10/= each	<b>1,000,000,000</b>	<b>1,000,000,000</b>

Details of shares holding as at 31.12.2020 are as under;

Shareholder	Face Value (BDT)	Total Number of Equity Shares	Percentage of Shareholding	Consideration paid (BDT) for all shares (excl. premium)
Summit Holdings Limited	10	10,000,000	10%	100,000,000
Concept Knitting Ltd.	10	4,000,000	4%	40,000,000
Green Delta Insurance Company Ltd.	10	10,000,000	10%	100,000,000
Rabab Fashion Industry Ltd.	10	2,000,000	2%	20,000,000
Mr. Syed Ali J. Rizvi	10	10,000,000	10%	100,000,000
Ms. Sohana Rouf Chowdhury	10	10,000,000	10%	100,000,000
Ms. Fahmida Akter Khatun	10	3,000,000	3%	30,000,000
People's Leasing & Finance PLC - Sri Lanka	10	51,000,000	51%	510,000,000
<b>Grand Total</b>		<b>100,000,000</b>	<b>100%</b>	<b>1,000,000,000</b>

**13.01 Capital adequacy Ratio:**

This disclosure is comply with DFIM Circular 14/2011 under the para 7.4 (a) of "Prudential Guidelines on Capital Adequacy Market Discipline for Financial Institutions."

Capital adequacy ratio has been calculated as per circular issued by Bangladesh Bank.

	Amounts in BDT	
	31 Dec 2020	31 Dec 2019
<b>Tier-1 (Core Capital)</b>	<b>1,220,854,731</b>	<b>1,165,409,339</b>
Paid-up Capital	1,000,000,000	1,000,000,000
Statutory Reserve	24,732,433	13,376,020
General Reserve	-	-
Share Premium	172,200,000	172,200,000
Retained Surplus	23,922,298	(20,166,681)
<b>Tier-2 (Supplementary Capital):</b>	<b>15,542,224</b>	<b>11,811,700</b>
General provision maintained against unclassified loans	15,542,224	11,811,700
Other Reserves	-	-
<b>Total Capital Held (Tier 1 + Tier 2)</b>	<b>1,236,396,955</b>	<b>1,177,221,039</b>
<b>Total Risk Weighted Assets (Note 13.02)</b>	<b>2,140,791,686</b>	<b>1,880,317,609</b>
<b>Required capital</b>	<b>1,000,000,000</b>	<b>1,000,000,000</b>
(10% of risk-weighted assets or Tk. 100.00 Core whichever is higher)		
<b>Total Capital Held</b>	<b>1,236,396,955</b>	<b>1,177,221,039</b>
Capital adequacy ratio	57.75	62.61
Core capital	57.03	61.98
Supplementary capital	0.73	0.63

Minimum Capital Adequacy Ratio requirement as per Bangladesh Bank Guideline is 10% on RWA.

Gross Risk-Weighted Assets (RWA) of 2019 in the various categories of risk weights are detailed below :

<b>13.02 Total Risk Weighted Assets</b>		
(a) Risk Weights for Credit Risk	1,330,308,394	1,065,962,402
(b) Risk Weights for Market Risk	590,000,000	601,305,268
(c) Risk Weights for Operational Risk	220,483,292	213,049,939
<b>Total Risk Weighted Assets (a+b+c)</b>	<b>2,140,791,686</b>	<b>1,880,317,609</b>
<b>14 Statutory Reserve</b>		
Opening Balance	13,376,020	5,911,025.00
Add: Transferred during the year	11,356,413	7,434,995
	<b>24,732,433</b>	<b>13,376,020</b>
<b>15 Retained Earnings</b>		
Opening Balance	(20,166,681)	(49,906,662)
Net profit during the period	56,782,065	37,174,976
Transferred to Statutory Reserve	(11,356,413)	(7,434,995)
Prior year adjustment	(1,336,673)	-
	<b>23,922,298</b>	<b>(20,166,681)</b>
<b>16 Interest income</b>		
Interest Income on Lease, Loan, Advances	177,733,140	180,504,722
Interest on balance with other banks and financial institutions	27,211,951	34,890,566
	<b>204,945,091</b>	<b>215,395,289</b>
<b>17 Interest Expense on Deposits &amp; Borrowings</b>		
Interest on term deposits	68,717,287	61,099,063
Interest expense on borrowings	1,527,927	7,271,702
Interest on call loan & treasury line	183,333	553,958
Interest on BB Refinance	8,444	-
Interest expense on lease liability	7,615,941	9,781,495
	<b>78,052,933</b>	<b>78,706,218</b>
<b>18 Investment income</b>		
Gain on Sale of Share	358,735	564,597
Dividend Income	3,690	10,837
Dividend Income on Preference Share	34,382,175	10,344,261
Unrealized Gain on Financial Asset - Held for Trading	(378,792)	378,792
	<b>34,365,808</b>	<b>11,298,487</b>
<b>19 Other Operating Income</b>		
Documentation Fee & Overdue Int.	3,895,446	3,757,478
Early Settlement Charge	1,578,258	-
Other income	1,168,043	35,247
	<b>6,641,747</b>	<b>3,792,725</b>
<b>20 Salaries, allowances and benefits</b>		

Salaries, allowances and benefits includes contribution to Provident Fund Tk. 1,569,959/- in 2020 and Tk. 1,500,663/- in 2019.

		<u>Amounts in BDT</u>	
		<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
<b>21</b>	<b>CEO's salary and benefits</b>		
	Basic Pay	7,098,387	9,600,000
	Bonus	-	1,600,000
	Allowance and benefits	2,200,875	5,046,383
		<u>9,299,262</u>	<u>16,246,383</u>
<b>22</b>	<b>Directors' fees</b>		
	Honorarium for attending meeting	<u>448,000</u>	<u>248,000</u>
<b>22.01</b>	Bangladesh Bank vide its DFIM Circular No. 13 dated November 30,2015 re-fixed the maximum limit of remuneration to the directors for attending meeting of the Board and its committees at Taka 8,000/- per meeting per director.		
<b>23</b>	<b>Administration and maintenance</b>		
	Bank charge	97,340	399,872
	BLFCA Membership fee	200,000	200,000
	Office Admin & Maintenance	1,846,048	2,075,903
	Travelling and Transport charges	411,081	508,449
	CIB Charges	17,900	17,020
	Directors Traveling and accommodation	306,945	1,092,515
	Training	92,411	183,437
	FIICI Membership Fee	40,000	80,000
	SLBCCI Membership Fee	20,000	-
	CRISL - Rating Agency Fee	188,125	187,250
	Office 365 License & Renewal	233,328	223,193
	Antivirus License & Renewal	122,906	72,579
	DSE Registration Fee/Brokerage Commission/IPO Application Fee	3,587	7,530
	Recruitment expenses	52,448	128,506
	Business Promotion	460,149	869,730
	Initial Cost for NID Verification	-	588,800
	Corporate Social Responsibilities ( CSR)	500,000	-
	Trade License	12,550	12,550
	Miscellaneous expenses	29,438	237,934
		<u>4,634,257</u>	<u>6,885,258</u>
<b>24</b>	<b>Earnings Per Share (EPS)</b>		
	Earnings Per Share as shown in the face of the Profit and Loss Account is calculated in accordance with Bangladesh Accounting Standard 33 : Earnings Per Share".		
	Basic earnings per share has been calculated as follows:		
	Earnings attributable to ordinary shareholders	56,782,065	37,174,976
	Weighted average number of ordinary share outstanding	100,000,000	100,000,000
	<b>Basic Earnings Per Share</b>	<u>0.57</u>	<u>0.37</u>
<b>25</b>	<b>Net Asset Value (NAV) Per Share</b>		
	Net Asset (total assets less total liabilities) (A)	1,220,854,731	1,165,409,339
	Total number of ordinary shares outstanding (B)	100,000,000	100,000,000
	<b>Net Asset Value per share (NAV) (A÷B)</b>	<u>12.21</u>	<u>11.65</u>



**26 Related party disclosure**

Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party in making financial and operational decision and include associated companies with or without common Directors and key management positions. The Company has entered into transaction with other related entities in normal course of business that fall within the definition of related party as per International Accounting Standard 24: " Related Party Disclosures." Transactions with related parties are executed on the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other customers of similar credentials and do not involve more than a normal risk.

Name of related party and relationship	Transaction nature	Balance as at January 1, 2020	Transaction during the year		Balance as at 31 December, 2020
People's Leasing & Finance PLC - Sri Lanka	Shareholder	17,613,990	-	-	17,613,990
Ispahani Summit Alliance Terminals Ltd.	Common Director	250,000,000	-	150,000,000	100,000,000
AHL Employees' Provident Fund	Common Director	1,500,000	592,557	-	2,092,557
Alliance Econiq Technologies Limited	Common Director	-	6,000,000	-	6,000,000
Ms. Fatema Hossain Rizvi	Director's family member	7,500,000	1,591,000	3,500,000	5,591,000
Fountain Garments Manufacturing Ltd.	Common Director	-	213,423,191	-	213,423,191
Mr. Lutfe Mawla Ayub	Director	2,000,000	1,500,000	-	3,500,000
Ms. Mazkura Ayub	Director's family member	-	2,500,000	-	2,500,000
Md. Mamun-Ur-Rashid	Shareholder's family member	-	25,000,000	-	25,000,000
Oriental Oil Company Limited	Common Director	-	50,000,000	-	50,000,000
PEB Steel Alliance Limited Employees Provident Fund	Common Director	-	11,900,000	-	11,900,000
Rabab Fashion Industry Limited	Common Director	-	60,000,000	-	60,000,000
Sabera Ahmed Rizvi Foundation	Director's family member	-	500,000	-	500,000
Mr. Syed Ali Haider Rizvi	Director's family member	17,000,000	1,732,500	-	18,732,500
Mr. Syed Nasser Haider Rizvi	Director's family member	10,000,000	-	5,000,000	5,000,000

**27 Number of employees**

The Company paid an aggregate amount more than BDT 36,000 per annum to 32 employees, who were in employment for full year or part of the year. (2019: 33)

**28 COVID-19**

On 11 March 2020, World Health Organization (WHO) declared a global pandemic due to Corona Virus related respiratory disease commonly called as COVID-19. To contain the spread of this disease, along with many other countries of the world, Government of Bangladesh has also taken a number of measures such, as declaration of general holiday, enforcement of lock down, social distancing etc. As a result of these measures all business and economic activities are adversely affected which also impacted the Company. Although the business operation and profitability of the Company are impacted due to COVID- 19, but as the situation is constantly changing and there is no certainty at present as to how long the situation will prevail, the potential impact of COVID-19 related matters on the Company's operation and financial results cannot be reasonably assessed.

**29 General**

Previous year's figures have been rearranged where necessary to conform to current year's presentation.

Annexure A

Lankan Alliance Finance Limited  
Fixed Asset Schedule  
As at 31 December 2020

Particulars	Cost				Depreciation				Written Down Value as on 31.12.2020
	Balance as on 01.01.2020	Transferred in/Additions	Transferred out/Disposal/Adjustment	Balance as on 31.12.2020	Rate %	Balance as on 01.01.2020	Charged during the year	Adjustment during the year	
<b>Freehold assets</b>									
Office decorations	5,487,212	-	-	5,487,212	10%	1,645,660	543,721.00	-	2,193,381
Furniture	2,873,807	76,394	-	2,950,201	20%	1,495,761	583,012.38	-	2,084,773
ICT Equipment	6,629,198	580,609	-	7,209,807	20%	2,325,656	1,411,824.52	-	3,739,481
Office equipment	3,485,441	67,171	-	3,552,612	20%	2,032,145	707,186.17	-	2,744,331
	<b>18,475,658</b>	<b>724,174</b>	<b>-</b>	<b>19,199,832</b>		<b>7,505,222</b>	<b>3,253,744</b>	<b>-</b>	<b>10,761,966</b>
<b>Intangible asset</b>									
CIB Module & Tally	622,400	-	-	622,400	33%	255,791	207,446.00	-	467,237
	<b>83,707,431</b>	<b>-</b>	<b>(8,071,927)</b>	<b>75,635,504</b>	lease term	<b>11,375,181</b>	<b>10,260,631</b>	<b>-</b>	<b>21,636,812</b>
<b>Balance as on 31 Dec 2020</b>	<b>102,805,489</b>	<b>724,174</b>	<b>(8,071,927)</b>	<b>95,457,736</b>		<b>19,145,194</b>	<b>13,721,822</b>	<b>-</b>	<b>62,591,721</b>