



# ANNUAL REPORT 2019

## The Year of Greatest Test for stimulating business

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Meridian Finance and Investment Limited is facing challenge like other financial institutions for maintaining normal activities in the catastrophe of COVID-19. The company has been able to maintain its current position even after having been affected due to measures taken against the spread of coronavirus. Departments and branches are temporarily working from home, which is unprecedented event in the history of the financial industry. Many internal and external services are being offered online. The logical consequence is to reduce dependence on the branch by quickly extending the digitally available services. It has become a challenge to the Industry to offer these online services effectively and efficiently to the customers.

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# LETTER OF TRANSMITTAL

All Shareholders  
Bangladesh Bank  
&  
Other Stakeholders

Subject: **Annual Report for the year ended on December 31, 2019**

Dear Sir(s),

We are delighted to enclose a copy of the Annual Report 2019 together with the Audited Financial Statements including Balance Sheet as at December 31, 2019 and Profit and Loss Account, Statement of changes in equity, Cash Flow Statement for the year ended on December 31, 2019 along with notes thereon of Meridian Finance & Investment Limited for your kind information and record.

Thank you.

Yours Sincerely,

Sd/-

**Md. Wahid Murad FCA, FCGA**

Company Secretary

Meridian Finance & Investment Limited

# NOTICE OF AGM

## **6th Annual General Meeting**

Notice is hereby given that the 6th Annual General Meeting of Meridian Finance & Investment Limited to be held on Thursday, June 11, 2020 at 6.30 pm at the corporate head office of the company Silver Tower (Level-6), 52 Gulshan Avenue, Gulshan-1, Dhaka-1212 to transact the following businesses:

- AGMA-06-01 : To confirm the minutes of 5th Annual General Meeting held on April 29, 2019.
- AGMA-06-02 : To receive, consider and adopt the Directors' Report, Auditors' Report and Audited Financial Statements for the year ended December 31, 2019.
- AGMA-06-03 : To approve dividends out of the profits for the year ended December 31, 2019.
- AGMA-06-04 : To elect the directors who are retiring in terms of the relevant provision of the Articles of Association of the Company.
- AGMA-06-05 : To appoint Auditors and to fix their remuneration for the year ended December 31, 2020.
- AGMA-06-06 : To transact any other business with the permission of the Chairman.

Dated, Dhaka  
May 28, 2020

Sd/-

**Md. Wahid Murad FCA, FCGA**  
Company Secretary

## \*CORE FINANCIAL HIGHLIGHTS, 2019\*

Gross  
Profit Ratio  
39.77%

Return on  
Capital Employed  
7.72%

Operating  
Profit Ratio  
16.44%

Capital  
Adequacy Ratio  
39.97%

Loan to  
Fund Ratio  
79.24%

Non-performing  
Loan to Total Loan  
3.52%

Financial Expense  
Coverage Ratio  
1.61 (times)

Cost to  
Income Ratio  
58.68%

Return on  
Equity (ROE)  
4.25%

Current  
Ratio  
1.13 (times)

Debt to  
Equity Ratio  
2.90 (times)

Return on Asset  
(ROA)  
1.09%

## Last Three Years Performance

### 2018

Total Asset = 5,494 mn  
Net Profit After Tax = 124 mn  
ROE = 9.14%  
ROA = 2.71%  
EPS = 1.03  
Dividend = 8% Cash

### 2019

Total Asset = 5,124 mn  
Net Profit After Tax = 56 mn  
ROE = 4.19%  
ROA = 1.09%  
EPS = 0.47  
Dividend = 4% Cash

### 2017

Total Asset = 5,229 mn  
Net Profit After Tax = 111 mn  
ROE = 8.53%  
ROA = 2.43%  
EPS = 0.92  
Dividend = 10% Cash

## MERIDIAN FINANCE at a Glance

Meridian Finance & Investment Limited	
Type of Company	Public Limited Company
Type of Business	Financial Institution
Key Business Segments	Small Medium Enterprise (SME) Financing Corporate Financing Consumer Financing including Home Loan, and Car Loan/Lease Deposit Schemes
Company Incorporation Number	C-113483/14
Date of Incorporation	January 14, 2014
Bangladesh Bank License Number	DFIM (L)/35
Bangladesh Gazette Number	DFIM(L)/1053/BIBIDH/2015-1135
Number of Branch	04
Address of Corporate Head Office	Silver Tower (Level-6), 52, Gulshan Avenue Gulshan-1, Dhaka-1212
Telephone	+88 09613 445566
Fax	+88 02 883 7822
Email Address	info@meridianfinancebd.com
Web Address	www.meridianfinancebd.com
Auditor	Ernst & Young (YE) Member Firm A. Qasem & Co. Chartered Accountants
Key Banking Partners	Standard Chartered Bank Woori Bank Mercantile Bank Limited
Credit Rating Company	Alpha Credit Rating Limited
Income Tax Advisor	Adil & Associates
Legal Advisers	Barrister Chowdhury Mokimuddin K J Ali Barrister Shakhawat Hossain Barrister Tarikul Islam



# NOTE FROM MANAGING DIRECTOR & CEO

## Dear Stakeholders,

Meridian Finance has completed another one year and visible progress is acknowledged towards achieving organizational capabilities and reaching out to the customers with strong commitment of service delivery. In 2019 we saw overall business environment has posed huge challenges that have affected the entire Non-bank industry's performance. 2019 was a significant year in Meridian Finance's lifecycle and the company performed better considering the economic situation while maintaining a quality of portfolio with a firmly embedded "Service First" ethos to make a unique and pleasant experience of its customers.

## Economy & Industry Review

Bangladesh has been ranked 41st among the world's largest economies in 2019, moving up two notches from last year's whilst it 53rd in 2003 and 59th in 2013. The country has become the second biggest economy in South Asia.

Bangladesh has achieved GDP growth of more than 6 percent on an average during the last decade. GDP growth is accelerating gradually. Along with the current FY2018-19, the GDP growth rate of the economy of Bangladesh surpassed the 7% mark for consecutive four times since FY2015-16. The GDP growth stood at 8.2% in FY2018-19, which was 7.86 percent in previous fiscal year.

The inflation rate has been seeing a down trend over the last five years. From 6.4% in FY2014-15 has been decreased to 5.48% in FY2018-19.

High growth of manufacturing sector under broad industry sector has contributed significantly to achieve high GDP growth in this fiscal year. Among the 3 broad sectors, growth of agriculture sector increased to 3.51percent, which was 4.19 percent in previous fiscal year. According to the provisional data, growth of broad industry sector increased to 13.02 percent in FY2018-19; which was 12.06 percent in preceding fiscal year. Growth of broad service sector increased to 6.50 percent in FY2018-19 from 6.39 percent in FY2017-18. According to the data sectorial share of

broad agriculture, industry and service stood at 13.60 percent, 35.14 percent and 51.26 percent respectively; which were 14.23 percent, 33.66 percent and 52.11percent respectively in previous fiscal year. In demand side, the consumption expenditure stood at 76.07 percent in FY2018-19. Gross domestic savings increased to 23.93percent of GDP in FY2018-19, from 22.83 percent a year earlier. However, national savings as percent of GDP increased to 28.41 percent in FY2018-19 from 27.42 percent in FY2017-18. On the other hand, investment-GDP ratio increased to 31.56 percent in FY2018-19, from 31.23 percent in previous fiscal year.

Large and medium-scale manufacturing activities responded the fastest on the supply side, accompanied by broad-based growth in services, led by wholesale and retail trade. Total factor productivity growth and capital accumulation contributed to sustaining the 7 percent potential output growth rate of recent years, as employment transitioned from agriculture to manufacturing and services.

As a middle income country, Bangladesh has made praiseworthy improvements in terms of financial inclusion and regulatory supervision in the banking sector. The banking sector, which dominates the financial sector in Bangladesh, has continued to struggle due to rising NPLs. Banking sector NPL reached at 11.99% as of September 2019 which was 10.30% at the end of 2018, reaching to BDT 1163 billion. Banks' lending growth has increased to 10.04% in FY19 from FY18, due to slowdown in deposit growth and liquidity constraints.

We observed that lack of confidence against NBFIs were subsisted due to closure of a company in 2019 which is also a listed company. With rising trend of NPL ratio and low credit growth NBFIs Net Profit has slumped by indicators. However, there are challenges that the sector is facing now—increase in bad loans, liquidity shortage and the recent financial scams. These need to be addressed immediately to retain the drive of the economy. Amidst all these challenges, only with prudent regulations, good governance and sound risk management, the NBFi sector of Bangladesh can transform itself and hasten journey towards graduation into a developing country.

## Business Performance Review

Meridian Finance maintained strong sustainability across its Business Verticals adhering to highest ethical standards, customer centric approach, service delivery, regulatory compliance, and corporate governance. The company was meticulously focused in all key areas like managing risks, revenue, capital adequacy, quality portfolio growth, and liquidity.

The Total Asset size as on December 31, 2019 reduced and stood at BDT 5.1 billion, showing a negative growth of 0.7% compare to immediate last year. The loans & advances of the company stood at BDT 3.8 billion at the yearend registering a negative growth of 7.6% over last year with 3.52% NPL. Total deposit of the company decreased to BDT 2.9 billion compare to BDT 3.3 billion in 2018, showing a negative growth of 11% during the year. Interest Income has decreased for BDT 56.78 million in 2019 from 2018. Total Operating Income decline by 19.16% in 2019. The company registered a Net Profit of BDT 55.94 million in 2019 which is 54.78% negative growth over 2018. The Net Asset Value (NAV) and Earnings per Share (EPS) of the company stood at BDT 10.96 and BDT 0.47 in 2019 compare to BDT 11.29 and BDT 1.03 respectively in 2018. The ROA & ROE of the company in 2019 was 1.09% and 4.25% respectively compared to 2.25% and 9.13% respectively in last year. The company maintained Capital Adequacy Ratio of 39.97% during 2019 against regulatory requirement of 10%.

## Corporate Finance

We tried financing to a large pool of corporate customers in promising sectors instead of a few big portfolio customers to diversify and minimize concentration risk. Our Corporate loan book grew to BDT 2.4 billion which is 3.38% higher than last year. Corporate loan book now holds 64% of our total loan portfolio, increase from 57% in the previous year. The portfolio comprises of sectorial exposures with Garments & Knitwear (20.32%), Agro Industries (10.92%), Electronics & Electrical Products 10.59%), Trade & Commerce (10.46%), Telecommunication (5.97%), Transport (3.52%), Textile (3.58%), etc.

## SME Finance

We created a growth conducive operating environment to increase business volume by deepening focus on SME market which is considered as the key segment. The main thrust was placed to expand the market bandwidth and to broaden the sector mix. To expand the market bandwidth with in SME segment, the company looked at new products that are geared to support new startups. A range of value enhancement were introduced to broaden the sector mix with in SME segment aimed at mid-level SMEs who wish to take their business in next level. A series of market penetration strategies were initiated to put the services near to the customers. Our SME Book decrease by 37% in 2019 over last year to reach to BDT 0.70 billion, and currently accounts for 18% of total loan book. The loan book is diversified across different sectors with 43.56 % in Trading & 30.29 % in Manufacturing and 26.15 % in Service Sector.

We aim to increase our footsteps in lower ticket size SME business opportunities and reach out to the customers with the help of simplified but risk minimized technology driven process and strong monitoring & follow up team. SME portfolio will be gradually increased to the level of 45% of the Total Loan Portfolio of the company.

## Channel Finance

Meridian Finance has grown its Channel Finance business in 2019 successfully and the portfolio reached to BDT 1.94 million. We want to increase this business onboarding good debtors and suppliers of renowned companies.

## Consumer Finance

Our Consumer Book has slightly decreased compared to previous year. Home Loan portfolio reached to BDT 510 million in 2019 and Car Loan portfolio stands BDT 130 million in 2019. Consumer loan book now holds 17.31% of our total loan portfolio, increase from 16% in the previous year. The total consumer loan book is diversified as 77% in home loan, 19.7% in car loan and 3.28% in loan against deposit (LAD).

## Syndicate Finance

Meridian Finance, as lead arranger, managed one syndicate finance deals since inception. We have also participated in numbers of syndicate finance deals with participating financial institutions during this period. The Syndicate Finance portfolio stood at BDT 264 million at the end of 2019 out of which 15 million was disbursed during 2019.

## Strategic Business Model

Meridian Finance recognizes that the SME & Consumer Finance are the important sectors in its business strategy and intends to increase its focus to maintain a quality portfolio that facilitates & supports good service to customers as well as provides adequate return to stakeholders. In the backdrop of current macroeconomic and financial industry's outlook, the NBFIs have shifted the business focus from corporate bank to SME and Consumer Bank.

## Spreading Touchpoints

We are increasing our branch touchpoint networks in the potential areas of the country to cater the service to our customers. Meridian Finance has opened up branch in Dhaka, Chattogram, Gazipur, and Bogura.

## Management of NPL

The year of 2019 has experienced adverse situation in the financial sectors considering the non-performing loans due to downturn of business; Meridian Finance is not the exception. But the NPL of the company was far better than the industry. The industry average was 10.04% whereas we had 3.52% only. We were unable to increase the portfolio due to slowdown in deposit growth and constraints of liquidity which also did not allow us to reduce the NPL. We prioritize cash flow and goodwill of the borrowing companies when approving loans. Our thrust for diversifying our portfolio as well as strengthening our monitoring has remained very much on. And, in the coming days, "No compromise in quality" would be the guiding principle to manage credit portfolio of the Company.

## Our People, Our Most Important Asset

Many factors contribute to being successful in business. Having a sound strategy, having a marketable product or service, and having efficient processes are all important. But it falls to the people within the organization to actually execute on the strategies, plans, and processes to make a business successful. Meridian Finance recognizes and appreciates that "Our employees are our most important asset". It is our continuous endeavor to create an organization of mutual trust, establish an open and enabling environment where our people could work professionally with self-respect, dignity and freedom of speech. We believe that our investments in People Development are keys to sustainable growth. We invest on our people for their continuous training & development and retention critical resources. Our policy towards the people is "Reward the best and be fair with the rest" is clearly spelled out & well communicated across the company.

## Service First Policy

We value our customers, both internal & external, and are committed to offer best-in-class service experience for them. This is our philosophy to win the heart of our customers. Our focus has always been to understand customers' perspectives and develop service and products accordingly.

## Technology Platform

Technological leadership is an absolute necessity for the delivery of value to all our stakeholders amidst rapidly changing life styles and paradigms. We are committed to place superior technology platform at the forefront of our delivery channels and operations. For core financial solutions, Meridian Finance has implemented "BANKULATOR", a proven technology platform to better serve our processes and purposes. Our endeavor to continuously upgrade our technology platform to bring efficiency to its operations and ensure continuous customer satisfaction.

## Sustainable Business

Business organizations are now regarded as “Corporate Citizen” with obligation and responsibility to the society. We are committed to protect our environment. We are emphasizing on social, ethical and environmentally responsible approaches to business activity. Meridian Finance examines the environmental social & environmental effects of projects before approval. It is well aligned with Bangladesh Bank’s Guidelines on this aspect. We remained responsive to the call of the society like before. The company has distributed school bags to the 100 poor students in Sreepur, Gazipur. It has also operated free medical camp with full free medicine to the 100 poor people in a shanty-town in Mirpur, Dhaka.

## Recognitions

We have been independently rated by Alpha Credit Rating Ltd. (Alpha Rating) for the performance year 2018 and 2019. Our assigned ratings are in Long Term: “A+” and for Short Term: ST-2. This represents Meridian Finance’s adequate capacity to meet financial commitment with satisfactory level of liquidity, internal fund generation and access to alternative sources of funds. Moreover, Financial Institution Department under Ministry of Finance of Bangladesh Government has enlisted & approved Meridian Finance for taking deposits from Government, Semi-Government and Autonomous & Semi-Autonomous Organizations considering our performance ratings.

## Looking Forward

As all you know that the world is facing a serious crisis on the pandemic of COVID-19, a virus which causes more than 450 million of patients and more than 30 million of deaths around the world. The virus is thought to be natural and has an animal origin, through spillover infection. The actual origin is unknown, but the first known cases of infection happened in China. By December 2019, the spread of infection was almost entirely driven by human-to-human transmission. A study of the first 41 cases of confirmed COVID 19, published in January 2020 in The Lancet, revealed the earliest date of onset of symptoms as 1 December 2019. Official publications from the WHO reported the earliest onset of symptoms as

8 December 2019. Human-to-human transmission was confirmed by the WHO and Chinese authorities by 20 January 2020.

The global economy is facing the ‘Great lockdown’ recession caused by the COVID-19 pandemic, the economy of Bangladesh too, has been hit hard. With only 15% of the country’s population making more than USD 6 per day, Bangladesh stands in a vulnerable position to tackle the economic impact of COVID-19. Meridian Finance also falls in a deep crisis during this epidemic and to save the economy and growth of the company, we have taken strategic plans with the support of our Board of Directors and staffs. The main strategy is to save the lives of the colleagues and secondly curtail of fat costs. We have with the joint line of the initiatives taken by the Government of Bangladesh and responded with the stimulus packages of Bangladesh Bank to be on board. Our other strategies is to continue the business that we do well. Better management of our exposure through rigorous monitoring & follow ups and diversification of portfolio are our main focus.

### We also:

- ▶ Concerted marketing efforts to acquire low cost deposits;
- ▶ Exploring opportunities to collaborate with Foreign Equity holders;
- ▶ Improving the Net Interest Margin (NIM);
- ▶ Managing & Controlling NPL & PAR to ensure Asset Quality;
- ▶ Taking benefit of the technology platform and to manage business efficiently;
- ▶ Shifting focus from Corporate to SME & Consumer Finance;
- ▶ Open up more touch points;
- ▶ Hire, develop & retain the critical people.

Our aim is to offer and treat every customer’s experience as unique in all possible ways. We hope to carry forward the values-based product and services to our customers and play pivotal role to shaping their stories in the days to come.

## A Note of Thanks

I express my appreciation and thanks to the Government of the People's Republic of Bangladesh, Governor and other officials of Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC), National Board of Revenue, and Registrar of Joint Stock Companies and Firms for their continuous support and assistance, guidelines and cooperation provided to us from time to time. Thanks to fellow banks & NBFIS for their support and co-operation. We are thankful to our customers for the continued trust they have placed in our products and services. We would also like to express our appreciation to the management and employees for their loyalty, commitment and hard work, enabling us to reach where we are today. Finally, I would extend my gratitude to the Chairman & the Board of Directors for their invaluable guidance & support which greatly assisted us to overcome many challenges.

We are committed to realizing the Meridian Finance's full potential. And I am optimistic about the future and look forward to grow sustainably.

Sd/-

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**Irteza Ahmed Khan**

Managing Director & CEO



## About Meridian Finance

Meridian Finance has emerged as a fast growing multi-product financial institution licensed by Bangladesh Bank and holding a strong and diversified portfolios in Corporate, Consumer, Small & Medium Enterprises (SME) Finance, and Corporate Advisory Services. The company has been maintaining a solid year on year growth adhering to highest ethical standards, corporate governance, sound risk management, liquidity, and regulatory compliance. In quest of sustainable business, the company has been positioning itself to provide enduring value to people, customer, stakeholders and communities.

At Meridian Finance, we always strive to assist our customers to shape and achieve their stories of dream. Be the stories of dream of owning a business or increasing its capacity, giving happiness a new address by owning the home, exploring new landscape with family in your own car, or securing the future of your loved ones through planned investment, we are always with you in your endeavor to bring positive changes in lives.

We constantly think ahead and device our next move in tandem with the changing environment. Meridian Finance learn from the past, operate in the present and continue to plan for the future with the experience and knowledge gained providing precious insight that fuel our sustainable growth. We are expanding our horizon to place our services in the door steps of the customers to empower them to shaping stories.





## CODE OF CONDUCT

*In accordance with the approved  
and agreed Code of Conduct,  
Meridian Finance employees shall:*

Act with integrity, competence, dignity and in an ethical manner when dealing with customers, prospects, colleagues, agencies and the public.

Act and encourage others to behave in a professional and ethical manner that will reflect positively on Meridian Finance employees, their profession and on Meridian Finance at large.

Strive to maintain and improve the competence of all in the business.

Use reasonable care and exercise independent professional judgment.

Not restrain others from performing their professional obligations.

Maintain knowledge of and comply with all applicable laws, rules and regulations.

Disclose all conflicts of interest.

Deliver professional services in accordance with Meridian Finance policies and relevant technical and professional standards.

Respect the confidentiality and privacy of customers and people with whom we do business.

Not engage in any professional conduct involving dishonesty, fraud, deceit or misrepresentation or commit any act that reflects adversely on our honesty, trustworthiness or professional competence.

Meridian Finance employees have an obligation to know and understand not only the guidance contained in the Code of Conduct but also the spirit on which it is based.



# Key Milestones

**July 08, 2019**

Opening of Principal Branch

**May 13, 2018**

3rd branch opening at Chattogram

**July 9, 2018**

Signing with SSD-TECH for financial inclusion

**January 29, 2017**

Signed Syndication Finance Agreement with Eminence Communication

**October 21, 2018**

Commercial Bank & Insurance Institution License by Ministry of Labor and Employment

**March 13, 2017**

Signed Syndication Finance Agreement with Feiya Auto Bricks Limited

**April 21, 2016**

Achieved a milestone by crossing a business portfolio of BDT 1 Billion (Taka 100 crore)

**June 01, 2016**

Three MoU signing with Bangladesh Bank for refinancing micro, cottage, agro processing, small and women entrepreneurs

**March 14, 2017**

1st branch opening at Gazipur

**June 04, 2015**

Licensed as Financial Institution

**July 18, 2016**

MoU signing with Bangladesh Bank for refinancing Brick KIn Efficiency Improvement project

**October 19, 2015**

Bangladesh Bank Governor Dr. Atiur Rahman formally inaugurated the operation

**July 27, 2016**

MoU signing with Election Commission of Bangladesh for verification of Information and national Identity

**July 15, 2017**

2nd branch opening at Bogura

**January 15, 2014**

Certificate of Incorporation from RJSC

**December 02, 2015**

Signing of First Agreement

**October 25, 2016**

Signing of first Term Sheet to raise BDT 100 crore as lead arranger

# OUR EXTENSIVE RANGE OF PRODUCTS AND SERVICES

## Corporate Finance

- ▶ Lease Finance
- ▶ Syndicated Finance
- ▶ Loan for Commercial Space
- ▶ Working Capital Finance

## SME Finance

- ▶ Arjon (Secured)
- ▶ Duranta (Commercial Vehicle)
- ▶ Durjoy (Secured)
- ▶ Agrodut (Unsecured)
- ▶ Agrojata (Agro)
- ▶ Suchana (Women Entrepreneur)
- ▶ Boshoti (Commercial Construction)

## Term Deposit Scheme

- ▶ Regular Term Deposit
- ▶ Double/ Triple Money Deposit

## Consumer Finance

- ▶ Home Loan
- ▶ Car Loan
- ▶ Loan against Deposit

## Regular Earner Scheme

- ▶ Monthly Earner Deposit
- ▶ Quarterly Earner Deposit

## Money Builder Deposit Schemes

- ▶ Deposit Pension Scheme (DPS)
- ▶ Millionaire Scheme (MS)
- ▶ Millionaire Plus Scheme (MPS)
- ▶ Education Saving Scheme
- ▶ Women's Saving Scheme

## Investment

- ▶ Term Deposits
- ▶ Millionaire Schemes
- ▶ Regular Earner Schemes

### Fixed Deposit Scheme

Fixed Term Deposit:  
Plain Vanilla Term Deposit  
Mohorana  
Periodic Income Deposit:  
Periodic Return Term Deposit  
(Monthly/ Quarterly/ Half Yearly/ Annually)  
Cumulative Benefit Plan:  
Cumulative Savings Deposit  
Flexible Fixed Deposit Scheme:  
Flexible Fixed Deposit  
Profit First Deposit  
Easy Home Deposit

### Deposit Pension Scheme

Monthly Savings Plan:  
Monthly Savings Scheme  
Women's Savings Scheme  
Purpose Based Savings  
Scheme:  
Savings for Pension  
Youth Deposit Scheme  
Marriage Savings Scheme  
Home Owning Deposit Scheme  
Retirement Scheme  
Children's Deposit Scheme

### Deposit Products For Trust Funds

Plain Vanilla Term Deposit  
Double Money Deposit  
Multiple Transactions Flexible  
Deposit

### Institutional Deposit Products

Corporate Fixed Deposit Scheme  
Double Money Deposit  
Corporate Fixed DPS  
Multiple Transactions Flexible Deposit  
Employee Provident Fund /Gratuity Fund/  
Benevolent Fund Deposit Scheme  
Group Deposit Scheme

### Wealth Builder Deposit Scheme

Millionaire Deposit Scheme  
Double Money Deposit  
Triple Money Deposit

### Multiple Transactions Deposit Scheme

Multiple Transactions Flexible  
Deposit

# RESPONSIBILITY STATEMENT OF CEO and CFO

**Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have a strategic viewpoint of the company, and both work towards achieving the Company's mission (the fundamental objective). CEO and CFO broadly represent the Management of the Company and have common perspectives on the overall objective, functions, and reporting**

## Responsibilities of the CEO

CEO is the leader of an organization who by his knowledge and wisdom, innovative ideas and charismatic leadership can able to take a Company from the scratch to the market leader. CEO is a visionary leader who can see what is going to happen in near future and can formulate and implement strategies accordingly to reap out the maximum from opportunities. CEO plays the stewardship responsibility by managing the shareholders' funds and is accountable to the board of directors and to the shareholders for effective and efficient uses of their funds.

**More specifically, the responsibilities of the CEO are as follows:**

1. To lead, in conjunction with the Board, the development, implementation, and monitoring of the Company's vision, plans and strategies.
2. Be responsible for the robust implementation of the Internal Control system by which smooth operations, reliable financial reporting, and compliance with regulations and policies are ensured.
3. Periodically review the Internal Control system to ensure minimum risk exposures and maximum resource security (both tangible and intangible).
4. Ensuring that the financial statements present a true and fair view, the form and substance of the transactions of which represents the Company's state of affairs
5. Ensure implementation of proper Corporate Governance practices to balance the interests of the stakeholders.
6. Justify on the Company's participation in Corporate Social Responsibilities (CSR)

## Responsibilities of the CFO

With the ever changing accounting policies and standards to cope up with the versatile business environment, a CFO plays a key role in facilitating the delivery of sustainable value creation and preservation. At Meridian Finance, the CFO is an effective organizational leader and a key member of Senior Management who provides shared leadership and vision to the organization, its employees, and other key stakeholders. A primary responsibility of the CFO is to work as a strategist rather than a tactician to ensure sustainable financial conditions for the company. This is enhanced by facilitation of financial reports.

**More specifically, the responsibilities of the CFO are as follows:**

1. Preparation of financial statements taking into considerations compliance with International Financial Reporting Standards (IFRS), requirements of Companies Act 1994, and compliance with the rules and regulations of Securities and Exchange Commission (SEC), Bangladesh Bank, and other regulatory authorities.
2. Ensuring that the financial statements present a true and fair view, the form and substance of the transactions of which represents the Company's state of affairs.
3. Execute discussions with the External Auditors with matters related to audit and other financial reporting issues.
4. Assess the effectiveness of Internal Control over financial reporting and systems at business process level to ensure effective and efficient utilization of appropriated resources.

The CEO and CFO of the Company have discharged their responsibilities with due care by taking into account the EEE (Economy, Effectiveness and Efficiency).

# Directors' Report to the Shareholders of Meridian Finance

## Dear Shareholders,

The Board of Directors of Meridian Finance & Investment Limited cordially welcomes you in the 6th Annual General Meeting of the Company.

On behalf of the Board of Meridian Finance, I have the pleasure to present the Directors' Report on the operational and financial activities of your Company, audited financial statements for the year ended 31st December 2019; the auditor's report together with company's performance which includes reports on business strategy review, risk management, corporate governance, financial and operational highlights for your consideration, approval and adoption. This report has been prepared in accordance with Section 184 of the Companies Act 1994, Financial Institutions Act 1993 and the guidelines issued by Bangladesh bank and other relevant regulatory authorities. The Financial Statements were reviewed and approved by the Board of Directors on May 28, 2020.

## Economic Outlook

### Global Perspective

Rising trade barriers and associated uncertainties weighed on business sentiment and activity globally. In some cases (advanced economies and China), these uncertainties magnified cyclical and structural slowdowns already under way.

After strong growth in 2017 and early 2018, global economic activity slowed notably in the second half of last year, reflecting a confluence of factors affecting major economies. China's growth declined following a combination of needed regulatory tightening to rein in shadow banking and an increase in trade tensions with the United States. The euro area economy lost more momentum than expected as consumer and business confidence weakened and car production in Germany was disrupted by the introduction of new emission standards; investment dropped in Italy as sovereign spreads widened; and external demand, especially from emerging Asia, softened. Elsewhere, natural disasters hurt activity in Japan. Trade tensions increasingly took a toll on business confidence and, so, financial market sentiment worsened, with financial

conditions tightening for vulnerable emerging markets in the spring of 2018 and then in advanced economies later in the year, weighing on global demand. Conditions have eased in 2019 as the US Federal Reserve signaled a more accommodative monetary policy stance and markets became more optimistic about a US-China trade deal, but they remain slightly more restrictive than in the fall. As a result of these developments, global growth is now projected to slow from 3.6 percent in 2018 to 3.3 percent in 2019. Growth for 2018 was revised down by 0.1 percentage point relative to the October 2018 World Economic Outlook (WEO), reflecting weakness in the second half of the year, and the forecasts for 2019. The current forecast envisages that global growth will level off in the first half of 2019 and firm up after that.

Financial conditions in advanced economies have eased since the start of the year 2019, after tightening sharply in the final months of 2018 on equity price declines and higher risk spreads.

Riskier asset classes have generally benefited from improved sentiment at the start of 2019. Equity markets in the United States and Europe have regained footing after the sharp sell-off at the end of 2018, while high-yield corporate spreads—which had decompressed significantly in December—have narrowed since, but still remain wider than in October.

Emerging market currencies generally strengthened, helped by the pause in interest rate hikes by the Federal Reserve and by the truce in the US-China trade dispute.

Improved market sentiment toward emerging markets was reflected in a stabilization and subsequent recovery in portfolio flows, which had dropped sharply in the second and third quarters of 2018. The recovery was particularly notable in early 2019 as investors increased allocations to emerging market bond and equity funds.

Fiscal policy is assumed to turn contractionary in 2020 as the US stimulus starts going into reverse and global pandemic for COVID-19 started at the end of 2019.

Global growth has slumped sharply during the second half of 2018 and the pace of growth remained slow in the first half of 2019. The slowdown in activity was broad based among the major advanced economies and smaller Asian advanced economies. The weakening in activities was even more evident across emerging market and developing economies. After slowing sharply in the last three quarters of 2018, the pace of global economic activity remains weak. Momentum in manufacturing activity, in particular, has weakened substantially, to levels not seen since the global financial crisis. Rising trade and geopolitical tensions have increased uncertainty about the future of the global trading system and international cooperation more generally, taking a toll on business confidence, investment decisions, and global trade. A notable shift toward increased monetary policy accommodation—through both action and communication—has cushioned the impact of these tensions on financial market sentiment and activity, while a generally resilient service sector has supported employment growth. That said, the outlook remains precarious.

### Domestic Perspective

Globally, no major setback was suffered by Bangladesh economy during 2019 on a sustained basis, inflicting irreparable damage. This may be attributed to the limited degree of globalization effected by Bangladesh economy till now. But some headwind stemmed from slowed-down export and import growth due to shrinking global economic growth. The reverberation of destabilization caused by USA's unilateral trade policy contributed to the turbulence in global economy, affecting Bangladesh exports to some extent. Loss of market to competitors with greater comparative advantage, particularly in garment manufacturing, could also have played its part in whatever decline in exports took place during the year under discussion.

According to Bangladesh Bureau of Statistics (BBS), exports from Bangladesh declined by 7.6 per cent in the first five months of 2019 while imports dropped by 3.20 per cent during the same period. Global growth

during 2019 has receded the weakest pace since the 2008 financial meltdown. Bangladesh exports, including garments have been impacted due to trade tensions arising from USA's tariff impositions on China and Europe contributed to shrinking of global trade. The global context appears to be becoming more relevant to Bangladesh economy's performance at present compared to the past.

Bangladesh has seen export-led growth in recent years driven by the private sector and so the continued rise of GDP (gross domestic product) year-on-year in the backdrop of fall in export during 2019 calls for an explanation. The increase in GDP by 8.15 per cent may have happened because in recent year's growth is being driven by public sector which has undertaken a number of mega projects with huge investments. This is corroborated by an increase in the rate of public investment at 8.03 per cent during 2018-2019 compared to 7.97 per cent during the previous fiscal. Because of massive public borrowing from banks and liquidity crisis due to huge volume of non-performing loans (NPLs) private sector investment, on the other hand, has increased only by 0.38 per cent, from 23.26 per cent in 2017-18 to 23.54 percent during 2018-19. Consistent with this has been the private sector credit growth which reached 1.55 per cent during four months to October, 2019 from 2.73 per cent in 2017-18.

Strong remittance in flow during the period under review has cushioned the fall of export earnings. Inflow of remittance jumped around 23 per cent in the first four months in 2019. Remittance earnings stood at \$20 billion at the end of 2019 being boosted by depreciation of Taka and cash incentives given at the rate of 2.0 per cent of remitted amount.

Because of the preponderance of public sector investments and their long gestation period expenditures contributed to inflationary pressure during 2019, as it did in previous years. This was aggravated by the leap in the remittance by 23 percent most of which were spent by the recipients on consumption goods. The annual average inflation rate was 4.49 per cent in September, 2019 which inched up to 5.56 per cent in November. Point-to-point inflation rose to 6.05 per cent after November compared to 5.3 per cent in November last year. Headline inflation is likely to face

upside risks in the near term due to crop losses during the recent cyclone 'Bulbul' in 2019, according to a report by Bangladesh Bank. For the first time in recent year's inflation as an event in macroeconomics has become a problem to be reckoned with seriously by policy makers.

Though all the multilateral institutions applauded the sound macro-economic management of the government, public debt increased alarmingly towards the end of 2019, crossing the 5.00 per cent benchmark in fiscal deficit. Fiscal deficit of 5.2 per cent, excluding grant, is the highest in eleven years. In a recent report the IMF showed that public debt reached 33.5 per cent of GDP in December, 2019, rising from 33.2 per cent at the end of June the same year. Of the total debt, domestic borrowing accounted for 21.4 per cent, mostly from the banking and non-banking sources.

Public borrowing from banks may have shrunk money available for credit to the private sector. This, along with incidence of NPLs and double-digit interest, may explain the slow rate of increase in private sector investment at the rate of 23.54 per cent during 2019. This is corroborated by the decline in private sector credit growth from 16.9 per cent in 2017-18 to 11.3 per cent in 2018-19.

In the micro-economics area growing volume of non-performing loans (NPLs) of commercial banks was the most serious development during 2019. While the amount of NPLs has gone on increasing, frequent re-scheduling of defaulted loans and write-offs of the same have aggravated the situation. Of all the monetary policies, the decision by Bangladesh Bank to allow re-scheduling of defaulted loans and their write-offs has been the most controversial among analysts. Mishandling of the NPL incidence has detracted from the otherwise sound macro-economic management in respect of the banking sector.

The state of the Bangladesh economy during 2019 judged by the performance with reference to global, macro and micro levels presents a mixed picture. The positive aspects of performance have been buffeted by equally strong factors in the macro and micro economic spheres. This deserves special mention because these are within the remit of intervention by

the government. Even the global context of exports is amenable to change by government policies, however incremental it may be.

Bangladesh achieved a record high GDP growth of 8.15 percent in FY19, which is the highest in the South Asian Region. The robust growth was led by both domestic and external demand reflected in 10.5 percent growth in export and 9.6 percent growth in remittance. Besides, political stability, improved power supply and favorable weather for crops production and higher growth in industrial sector. This robust growth was mainly propelled by the industry and service sectors' growth. As the key sectors, industry, services and agriculture grew by 12.7, 6.8, and 3.9 percent respectively

Both the key FY19 monetary program objectives, viz., bringing down annual average CPI inflation to 5.6 percent by end June 2019, from 5.8 percent of end June 2018, and supporting attainment of government's 7.8 percent real GDP growth target for FY19 stood over-fulfilled; with end June CPI inflation at 5.5 percent and 8.15percent FY19 real GDP growth.

The money market in Bangladesh comprising of banks and financial institutions experienced a moderate volatility in FY19. BB's scrupulous policy measures help banks to maintain liquidity contributing stable weighted average interest rate in the call money market ranging from 2.2 percent to 4.5 percent. During FY19, the volume of interbank call money decreased by BDT 173.53 billion, which was 12.25 percent lower compared to that of FY18.

The weighted average interest rates on deposits followed a downward trend from FY15 to FY17; while it increased to 5.5 percent in FY18 but further marginally decreased to 5.4 percent in FY19. Similarly, weighted average interest rates on lending also followed a downward trend for the above mentioned period, although it marginally increased to 9.95 percent in FY18 but finally decreased to 9.58 percent in FY19. Weighted average interest rates on deposits and lending were in upward trend in FY18 due to increased credit demand following buoyant domestic production and investment activities, elevated inflationary pressure in the domestic economy as well as tightening of financial condition in advanced and



emerging economies. However, downward trend of weighted average interest rates on deposits and lending rate in FY19 was the reflection of favorable domestic inflation outlook. Interest rate spread between the two narrowed to 4.15 percent in FY19 from 4.45 in FY18.

The economic consequences of the Covid-19 outbreak started in December 2019 are tough to handle as the entire of the global supply chain has been interrupted due to worldwide transportation shutdown. Till now, the Bangladesh readymade garments (RMG) industry has received work order cancellations of nearly \$3 billion.

Around 2 million workers in the industries will be affected by this. Around 4 million people are directly engaged with the RMG sector e.g. backward linkage industries, accessories and packaging factories and transportation sector.

The import and export-oriented companies are also at risk. The foreign remittance will come down and thus it will hit the foreign reserves of the country.

Bangladesh will fall into a really difficult situation if the country remains locked down for a longer period. Here, a huge number of people live from hand to mouth. Consistent high growth has been unable to create sufficient jobs in the economy. Due to inequality of income and asset distribution, the advantages of higher GDP growth is not evident in society.

The government has already declared incentive packages to mitigate the losses in the RMG sector. However, if the outbreak prolongs it will be difficult for the government to handle the situation and the result of this will be catastrophic as more than 85 percent of the country's export earnings come through the RMG sector.

Around 34 million people, or 20.5 per cent of the population, live below the poverty line, according to Bangladesh Bureau of Statistics (BBS) data. An analysis by Dhaka-based South Asian Network on Economic Modelling (SANEM) shows that this number would rise by 36 million if the income level for poverty line is raised by 1.25 per cent. These 36 million, not officially categorized as poor, can certainly be viewed as

economically powerless. Many of them are likely to fall into poverty trap because of the pandemic.

Poverty rate in Bangladesh may rise to 40.9 per cent if Covid-19 causes 25 per cent fall in family incomes, according to the SANEM estimate based on the BBS's income and expenditure survey data. Consequently, the successes in alleviating poverty over the past two decades may fizzle out.

## **Meridian Finance's Performance Snapshot**

The year 2019 was a challenging year for Meridian Finance. In the backdrop of low credit appetite, Increasing NPL trend in the financial sector, mounting pressure on constant deposit & increasing trend of financial expenditure, Meridian Finance demonstrated resilience in achieving its key performance indicators. The loan portfolio stood at BDT 3.83 billion with 3.52% percentage classified loan ratio. The loan portfolio decreased by 7.63% and the NPL increased by 3.14% as compared to previous year. On the other hand, Meridian Finance's deposit portfolio consisting of both institutional and individual clients stood at BDT 2.83 billion. The deposit portfolio also experienced a negative growth in the year by 8.65% compared to previous year.

Meridian Finance earned after tax net profit of BDT 55.95 million in 2019, meeting all financial and operational objectives. Return on Equity stands at 4.25% at the end of December 31, 2019 declined from 9.14% in 2018.

## **Business & Operational Activities**

Meridian Finance is a multi-product financial service provider having major focus in SME Financing, Consumer Financing, and Corporate Financing and Deposit products. It provides a high standard of professional and personalized services to its diverse set of client maintaining strict compliance and highest ethical standards. The Company's strategy is to build up a well-diversified credit portfolio across different sectors to manage risk prudently. As of 2019, the credit portfolio represents of 64.36% of corporate loan followed by SME 18.31% and Consumer Finance 17.31%. Corporate loan consists of 65.32% in manufacturing, 9.34% in services and 25.34% in service sectors.



## Performance Highlights

We consider us more than a financial institution that is keeping its strong blueprints in building the nation and taking part in the financial activities for the development. Our objective is to help our clients to shape their success stories as a trusted partner. As our clients focus on realizing their aspirations, we become an integral part in Shaping Stories of their achievement and success. During the year 2019, the Company focused on to create meaningful new relationships with its different segment of clients and successfully pulled clients to its portfolio and positioned itself in the NBFI fraternity. Liquidity shortfall aggravated by increasing NPL put Banks and NBFIs in to extremely challenging situation. Meridian Finance made best effort to maintain the quality of its portfolio as well as fulfilling its commitment towards depositors. The corporate loan has been increased by 3.38% from last year and stood at 2,462.73 million. To expand the market bandwidth within SME segment, Meridian finance targeted and offered various value added services to the mid-level SMEs who wish to take their business in next level. A range of value enhancement were introduced to broaden the sector mix within SME segment aimed at mid-level SMEs who wish to take their business in next level. A series of market penetration strategies were initiated to put the services near to the customers. These efforts were successful & paved the way to increase our exposure to various sub-segments. Consumer Loan business like home loans & car loans is fiercely competitive. To ride in the race we focused to provide value to clients through better service, standard documentation and quick approval & disbursement followed by advisory assistance. Consumer Loan appears to be very competitive as far as the rate is concern. Despite many challenges, we kept our consumer loan portfolio at BDT 662.34 million which was same as previous year.

## Funding

As regard funding is concern in 2019, Meridian Finance faced a challenging situation and failed to avail new credit Line from Commercial Banks due to the lack of confidence of the Banks over NBFI sector which has happened due to the closure of a NBFI in the market. But we initiated a number of steps during the year to create visibility & promote Meridian

Finance as a trusted Financial Institution among the depositors. Our treasury team tried their level best to manage the liquidity and keeping the cost of fund as low as possible. Continued emphasis was placed to onboard available all the refinancing schemes offered by Bangladesh Bank, call money borrowing & lending and to get cheaper sources of deposits from Individual and Institutions. The company was successful in attaining the desired objective, denoted by 82.22% of the borrowing mix was booked through deposit (BDT 2.89 billion). Meanwhile, the company also used Call Money Market, Overdraft Facilities, and Short Term Facilities from Bank & NBFI & limited term loan from commercial bank for further support of its funding requirement. Consequently, the Company could maintain its average cost of fund to the level of 11.04% during the year.

Meridian Finance has started deployment of strong deposit sales team at the end of the year 2019 with a long term vision of reducing dependency on bank institutional borrowing and individual depositors. The team is expected to build a good network in the niche market segment.

## Asset Quality

The lending portfolio was not increased due to liquidity shortfall.

It is the company's trademark to keep good quality asset. But overall business environment did not permit to keep the NPL level like last year and it was deteriorated. The market average NPL of NBFI industry was 10.04%; whereas our NPL was 3.52%.

## Key Financial Performance

Meridian Finance's Net Interest Income and Operating Income witnessed a negative growth during the year and reached to BDT 223 million and BDT 245 million respectively from BDT 278 million and BDT 304 million respectively in 2018 resulting decline of (19.78)% & (19.41)% respectively. Investment income during the year was BDT 18.45 million whereas Fee Income was BDT 4.08 million which also observed significant amount of decline. Cost to income ratio of the Company has increased due to hike of interest rate against deposit and borrowings. It recorded at 58.67% which

was 50.64% in 2018. Profit before provision of the Company was BDT 101.48 million declined by 32.23%.

There were BDT 22.21 million of specific provision during the year and BDT 0.55 million of general provision. Meridian Finance witnessed profit before tax and reserve of BDT 61.55 million and Net Profit of BDT 55.95 million respectively for the year ended 2019 resulting a decline of 54.78% in bottom-line. The EPS stood at BDT 0.47 from 1.03 in 2018.

### **Human Resources Management**

We have been quite successful in attracting talents during the year and made a blended mix of quality human capital with dynamism, agility and experience. Our talents has built up the foundations and confidence for organic growth as we continue to proceed ahead to embark upon new challenges. MFIL strongly believes that its human resources are its most precious assets and recognizes them as building blocks for the Company to perform sustainably. MFIL continues to develop and implement proper human resource policies to motivate its employees and ensures their optimum contribution towards the achievement of common goals. As our resources represent a significant competitive edge, the Company continues its policy of recruiting the best professionals and implementing diverse training and motivational programs to develop and retain high-quality, performance-oriented personnel. Our strategy is to reward the best and be fair to the rest.

### **Meridian Finance's Contribution to the Society**

The Company is strictly committed to contribute for the economic and social development of the country. Besides our core activities, we give utmost priority to increase the standard of living condition of our clients and our employees and directly contribute to the exchequer in the form of various tax, excise duty and VAT during the year. Details are given later in this report in Statement of Contribution to Government Exchequer section.

### **Risk Management & Control Environment**

High quality management of risk is one of Meridian Finance's hallmarks and thus a priority in its activity. It has combined prudence in risk management with use of advanced risk management techniques, which have proven to be decisive in generating recurrent and balanced earnings and creating shareholder value. The activity of risks is governed by the following principles, which are aligned with Meridian Finance's strategy and business model and take into account the recommendations of the supervisory bodies, regulators and the market's best practices.

These are:

- ▶ A culture of risks integrated throughout the organization. It embraces a series of attitudes, values, skills and ways of acting toward risks that are integrated into all processes, including taking decisions on change management and strategic and business planning.
- ▶ Independence of the risk function, covering all risks and providing an adequate separation between the risk generating units and those responsible for its control and supervision, and having the sufficient authority and direct access to the management and governance bodies which are responsible for setting and supervising the risk strategy and policies.
- ▶ Comprehensive approach to all risks as the objective for adequate management and control of them, including risks directly as well as indirectly originated but which can affect it. It is vital to have the capacity to draw up an all comprehensive view of the risks assumed, understand the relations between them and facilitate their overall assessment, without detriment to the differences of nature, degree of evolution and real possibilities of management and control of each type of risk, adapting the organization, processes, reports and tools to the features of each one.

Meridian Finance has different risk management team to manage and control all types of risks (i.e. Credit risk, concentration risk, market risk, operation risk, liquidity risk, market risk, compliance risk, reputation risk, environment and social risk, related party exposure risk, competition risk, Legal risk, ICT risk, Strategic risk etc.) prudently. The committees are as follows:

- Credit Evaluation Committee (CEC);
- Credit Risk Management Committee (CRM),
- Asset & Liability Management Committee (ALCO);
- Central Compliance Unit (CCU)
- Risk Management Forum;
- Internal Control Committee;
- HR & Compensation Committee;
- Corporate Governance Committee;
- Integrity Committee;
- Risk Analysis Unit;
- Meridian Finance's Ladies Forum;
- Anti-Money Laundering & ICT Committee.

We are committed to manage the risks and ensure delivery of service to our stakeholders maintaining effective Risk Management System which pays off between risk and return.

### Statutory Payments

The Board of Directors are satisfied that to the best of their knowledge and belief all statutory payments to all authorities have been paid on a regular basis.

### Capital Expenditure

Meridian Finance incurred BDT 77.19 million as capital expenditure mainly for office decoration and renovation of its branches, furniture & fixtures, office equipment, IT equipment and software. The details of capital expenditure are shown under the head Property, Plant and Equipment Schedule in the Notes to the Financial Statements.

### Going Concern

The Directors after making necessary inquiries and reviews including reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and such other matters

required to be addressed in the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Bangladesh and the Bangladesh Securities and Exchange Commission Meridian Finance has adequate resources to continue operations into the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

### Corporate and Financial Reporting Framework

Financial Statements have been prepared in conformity with the requirements of the Bangladesh Financial Reporting Standards, Companies Act 1994, Financial Institutions Act 1993 and amendments thereto, Bangladesh Bank's Guidelines on Corporate Governance Code.

### Directors Meeting and Remuneration

During the year 13 Board Meetings were held. All meetings fulfilled the quorum. On an average, in each meeting 8 directors were present. The Board has two sub-committees: Executive Committee (1 meetings held in 2019) & Audit Committee (4 meetings held in 2019)

For each meeting a fee of Tk. 6,250 (excluding VAT & Tax) is paid to directors as remuneration which is in line with Bangladesh Bank guideline made in this regard.

### Appointment / Re-appointment of Directors

As per Article no. 79 of Schedule I of Companies Act 1994 and also as per Article No. 92 of Articles of Associations of Meridian Finance & Investment Limited, at the first Ordinary Meeting of the Company, the whole of the Directors shall retire from office and at the ordinary Meeting in every subsequent year, one third of the Directors representing sponsor shareholders inclusive of co-opted directors for the time being and, one third of the Directors from public subscribers, if their number is not three or a multiple of three, then the number nearest to one third shall retire from office. Furthermore, Article 93 of Articles of MFIL also states that the Directors to retire in every year shall be those who have longest in office since their election, but as between persons who become Directors on the same day those to Retire shall (unless they otherwise

agree among themselves) be determined by a lottery. A retiring director shall be eligible for re-election. Ms. Naima Chowdhury, Mrs. Shamima Nargis, Ms. Shahnaj Kamal and Mr. Mizanur Rahman will be retired in 6th Annual General Meeting and they seek re-appointment.

### Statutory Auditors

The Board in its 43rd meeting held on May 28, 2020 recommended the shareholders to appoint K.M Hasan & Co., Chartered Accountants as the Auditors of Meridian Finance for the year ended December 31, 2020 with a fee of BDT 230,000 plus VAT. Meridian Finance has applied to take prior approval from Bangladesh Bank to appoint K.M Hasan & Co., Chartered Accountants, until completion of conclusion of the 7th AGM. As far as the Directors are aware, the Auditors do not have any relationship with or interest with the Company that in their judgments, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Bangladesh, applicable on the date of this report. They come up for appointment at the Annual General Meeting, with the recommendation of the Board Audit Committee and the Board of Directors. In accordance with the Companies Act, a resolution proposing the appointment of .M Hasan & Co., Chartered Accountants as auditors is being proposed at the Annual General Meeting.

### Internal Control System

The Directors of the Company have taken reasonable steps open to them to safeguard the assets of the Company and to prevent and detect frauds and any other irregularities. For this purpose, the Directors have instituted effective and comprehensive systems of internal controls for identifying, recording, evaluating and managing the risks faced by the Company throughout the year and it is being regularly reviewed by the Board of Directors. This comprises internal reviews, internal audit and the whole system of financial and other controls required to carry on the operations in an orderly manner, safeguard the assets, prevent and detect frauds and other irregularities and secure, as far as practicable, the accuracy and reliability of the records.

### Dividend

Considering the overall environment of financial market, current financial strength of the Company and meeting shareholders' expectations, the Directors recommended that dividend of BDT 0.40 per share to be paid for the year ended 31 December 2019. This will be paid by BDT 0.40 per share in cash form. The dividend is subject to approval of the shareholders at the Annual General Meeting. The Board was satisfied that Meridian Finance would meet the solvency test immediately after the proposed dividend, which will be paid in 2020.

### Sustainable Business

Business organizations are now regarded as "Corporate Citizen" with obligation and responsibility to the society. We are committed to protect our environment. We are emphasizing on social, ethical and environmentally responsible approaches to business activity. Meridian Finance examines the environmental social & environmental effects of projects before approval. It is well aligned with Bangladesh Bank's Guidelines on this aspect. We remained responsive to the call of the society like before. The company has distributed school bags to the 100 poor students in Sreepur, Gazipur. It has also operated free medical camp with full free medicine to the 100 poor people in a shanty-town in Mirpur, Dhaka.

### Acknowledgements

The Board of Directors would take this opportunity to express their profound gratitude and extend appreciation to our valued shareholders, clients, bankers, depositors, lenders, business partners, regulators, service providers and other stakeholders for their continued patronage and support and cooperation. The Board offers its sincere thanks to the Bangladesh Bank, Bangladesh Security Exchange Commission, Registrar of Joint Stock Companies and Firms, National Board of Revenue, Ministry of Finance and other Government authorities for their support and cooperation. I would also like to thank to the employees of Meridian Finance for their dedication and commitment to make the year 2019 a successful one and look forward to make the coming years better in every terms.

For and on behalf of the Board of Directors.

Sd/-  
**Naima Chowdhury**  
Chairman

# DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING AND INTERNAL CONTROL

## Responsibility for Financial Reporting

Board of Directors is always committed towards self-controlled environment which is reflected by ensuring proper entries in books of accounts for each financial year that gives a true and fair view of the state of affairs of the company and by accepting responsibility for the integrity and objectivity of the financial statements. In preparing financial statements, the Board of Directors ensures the followings:

- ▶ Select relevant accounting policies and apply them consistently;
- ▶ Make judgments and estimates that are reasonable and prudent;
- ▶ Comply with applicable Financial Reporting Standards;
- ▶ Prepare the financial statements on going concern basis.

The considerations set out above are also required to be addressed by the Directors in preparing the financial statements. The Board of Directors confirms that the International Financial Reporting Standard (IFRS) and International Accounting Standards (IAS) have been followed meticulously subject to any material departure due to compliance with Bangladesh Bank being disclosed and explained in the notes to the financial statements. It ensures that the financial statements comply with the sufficient requirement of Companies Act 1994 and Financial Institution Act 1993 and relevant rules & regulations.

## Responsibility for Corporate Governance and Internal Control

The Board ensures key decision making and execution within a clear governance framework. A primary task is the governance and oversight of business models which sets out consistent delivery of stakeholder value in an uncertain and challenging environment. The Board of Directors is also responsible for proper establishment and maintenance of an effective internal control system that safeguards shareholders' investments and assets of the company through prevention and detection of fraud and irregularities. The Board ensures that statutory and regulatory

requirements are met and responds to changes in the Company's internal and external environment and conditions. The Board is responsible for ensuring that an adequate and effective internal control system exists in the organization and that all executives of the Company are maintaining and monitoring the performance of that system. Moreover, the Audit Committee quarterly reviews the internal control systems and the significant findings. They must ensure that the system operates as intended and is modified appropriately when situations dictate. The Board and management must make sure that the Company's information systems produce pertinent and timely information in a form that enables employees, auditors, regulators, shareholders etc. to get the required data and information.

The Board of Directors, who oversees the internal control system in general, approves and reviews the business strategies and policies that govern the system. They are also responsible for understanding risk limits and setting acceptable ones for the Company's major business activities, establishing organizational control structure, and making sure senior management identities, measures, monitors, and controls risks and monitors internal control activeness. The Board: (1) discusses periodically the internal control system's effectiveness on management and operations; (2) reviews internal control evaluations conducted by management, internal and external auditors, and inspectors in timely manner; (3) monitors actions of management on auditors' and inspectors' recommendations on internal control and their concerns; (4) periodically reviews the Company's strategy and risk limits. Board and management consider whether a control system's methods, records, and procedures are proper in relation to the Company's:

- ▶ Asset size
- ▶ Organization and ownership characteristics
- ▶ Business activities
- ▶ Operational complexity
- ▶ Risk profile
- ▶ Methods of processing data
- ▶ Legal and regulatory requirements



The Board of Directors ensures that management properly considers the risks and control issues of emerging technologies, enhanced information systems, and accounting. These issues include: more users with access to information systems; less segregated duties; a shift from paper to electronic audit trails; a lack of standards and controls for end-user systems; and, more complex contingency planning and recovery planning for information systems. From the above it can be said that: the Board undertakes the overall responsibility of setting acceptable level of risk, ensuring that the senior management committee takes necessary steps to identify, measure, monitor and control these risks, establishing broad business strategy, significant policies and understanding significant risks of the Company. Through establishment of an 'Audit Committee' of the Board and Internal Control Department, the Board of Directors monitors the effectiveness of internal control system. The internal as well as external audit reports are sent to the Board Audit Committee without any intervention of the management and the Board ensures that the management takes immediate and necessary actions as per the recommendations. The Board holds periodic review meetings with the senior management to discuss the effectiveness of the internal control system of the Company and ensures that the management has taken appropriate actions as per the recommendations of the auditors and/ or inspectors.

### **Responsibility Statement of CEO and CFO**

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have a strategic viewpoint of the company, and both work towards achieving the Company's mission (the fundamental objective). CEO and CFO broadly represent the Management of the Company and have common perspectives on the overall objective, functions, and reporting.

### **Responsibilities of the CEO**

CEO is the leader of an organization who by his knowledge and wisdom, innovative ideas and charismatic leadership can able to take a Company from the scratch to the market leader. CEO is a visionary leader who can see what is going to happen in near future and can formulate and implement strategies accordingly to reap out the maximum from opportunities. CEO plays the stewardship responsibility by managing

the shareholders' funds and is accountable to the board of directors and to the shareholders for effective and efficient uses of their funds. More specifically, the responsibilities of the CEO are as follows:

1. To lead, in conjunction with the Board, the development, implementation, and monitoring of the Company's vision, plans and strategies.
2. Be responsible for the robust implementation of the Internal Control system by which smooth operations, reliable financial reporting, and compliance with regulations and policies are ensured.
3. Periodically review the Internal Control system to ensure minimum risk exposures and maximum resource security (both tangible and intangible).
4. Ensuring that the financial statements present a true and fair view, the form and substance of the transactions of which represents the Company's state of affairs.
5. Ensure implementation of proper Corporate Governance practices to balance the interests of the stakeholders.
6. Justify on the Company's participation in Corporate Social Responsibilities (CSR).

### **Responsibilities of the CFO**

With the ever changing accounting policies and standards to cope up with the versatile business environment, a CFO plays a key role in facilitating the delivery of sustainable value creation and preservation. At Meridian Finance, the CFO is an effective organizational leader and a key member of Senior Management who provides shared leadership and vision to the organization, its employees, and other key stakeholders. A primary responsibility of the CFO is to work as a strategist rather than a tactician to ensure sustainable financial conditions for the company. This is enhanced by facilitation of financial reports. More specifically, the responsibilities of the CFO are as follows:

1. Preparation of financial statements taking into considerations compliance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), requirements of Companies Act 1994, and compliance with the rules and regulations of Securities and Exchange Commission (SEC), Bangladesh Bank, and other regulatory authorities.

2. Ensuring that the financial statements present a true and fair view, the form and substance of the transactions of which represents the Company's state of affairs.
3. Execute discussions with the External Auditors with matters related to audit and other financial reporting issues.
4. Assess the effectiveness of Internal Control over financial reporting and systems at business process level to ensure effective and efficient utilization of appropriated resources. The CEO and CFO of the Company have discharged their responsibilities with due care by taking into account the EEE (Economy, Effectiveness and Efficiency).

# Independent Auditor's Report

## To the Shareholders of Meridian Finance and Investment Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Meridian Finance and Investment Limited (the "Company"), which comprise the balance sheet as at 31 December 2019, 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.

In our opinion, the accompanying financial statements of the of the Company give a true and fair view of the balance sheet of the Company as at 31 December 2019, and of its profit and loss accounts and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note # 2.1 and comply with the Financial Institutions Act, 1993, the Rules and Regulations issued by the Bangladesh Bank, the Companies Act, 1994 and other applicable Laws and Regulations.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's 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 Bank and Bangladesh Securities and Exchange Commission (BSEC), 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.

#### 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. The Financial Institutions Act, 1993 and the Bangladesh Bank guidelines require the management to ensure effective internal audit, internal control and risk management functions of the Company. The Management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

In preparing the 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 judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, 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 purposes 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 and payments made 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) statement sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;
- (x) taxes and duties collected and deposited in the government treasury by the Company as per government instructions were 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, net worth, cash & liquid assets and procedure for sanctioning and disbursing loans/leases were found satisfactory;
- (xv) we have reviewed over 80% of the risk weighted assets of the Company and we have spent around 500 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.

Dated, Dhaka  
28 May 2020

Sd/-  
**A. Qasem & Co.**  
Chartered Accountants

# MERIDIAN FINANCE AND INVESTMENT LIMITED

## BALANCE SHEET As at 31 December 2019

	Notes	Amount in BDT	
		2019	2018
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>	<b>3</b>	<b>31,715,025</b>	<b>30,375,372</b>
In hand (including foreign currencies)	3.01	150,000	130,000
Balance with Bangladesh Bank and its agent (including foreign currencies)	3.02	31,565,025	30,245,372
<b>Balance with other Banks and Financial Institutions</b>	<b>4</b>	<b>486,648,884</b>	<b>314,462,002</b>
Inside Bangladesh		486,648,884	314,462,002
Outside Bangladesh		-	-
Money at call and short notice	5	449,500,000	615,000,000
<b>Investments</b>	<b>6</b>	<b>171,814,346</b>	<b>220,564,049</b>
Government securities		-	-
Others investment		171,814,346	220,564,049
<b>Leases, loans and advances</b>	<b>7</b>	<b>3,826,658,627</b>	<b>4,142,965,669</b>
Loans, cash credit, overdraft and leases etc		3,826,658,627	4,142,965,669
Bills purchased and discounted		-	-
Fixed Assets including Land, Building, Furniture & Fixtures	8	87,286,404	38,504,580
Other assets	9	70,442,568	132,022,581
Non-business assets		-	-
<b>TOTAL PROPERTY AND ASSETS</b>		<b>5,124,065,855</b>	<b>5,493,894,252</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowings from other banks, financial institutions and agents</b>	<b>10</b>	<b>624,778,909</b>	<b>590,713,761</b>
<b>Deposits &amp; other accounts</b>	<b>11</b>	<b>2,889,332,484</b>	<b>3,255,993,507</b>
Current deposits and other accounts etc.		-	-
Bills payable		-	-
Saving bank deposit		-	-
Term deposits	11.01	2,830,640,879	3,174,502,518
Bearer certificate of deposits		-	-
Other deposits	11.02	58,691,605	81,490,990
<b>Other liabilities</b>	<b>12</b>	<b>295,041,262</b>	<b>292,221,290</b>
<b>Total liabilities</b>		<b>3,809,152,656</b>	<b>4,138,928,558</b>
<b>Capital/Shareholders' Equity</b>		<b>1,314,913,199</b>	<b>1,354,965,694</b>
Paid up Capital	13	1,200,000,000	1,200,000,000
Statutory reserve	14	66,182,640	54,993,139
Retained earnings	15	48,730,559	99,972,555
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>5,124,065,855</b>	<b>5,493,894,252</b>

# MERIDIAN FINANCE AND INVESTMENT LIMITED

## BALANCE SHEET As at 31 December 2019

	Notes	Amount in BDT 2019	2018
<b>OFF-BALANCE SHEET ITEMS</b>			
Contingent liabilities		-	-
Acceptances and endorsements		-	-
Letter of guarantee		-	-
Irrevocable letters of credit		-	-
Bill for collection		-	-
Other contingent liabilities		-	-
<b>Other commitments</b>		<b>212,461,484</b>	<b>161,925,878</b>
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines		-	-
Undisbursed contracted loans and leases		212,461,484	161,925,878
<b>Total Off-Balance Sheet Items including Contingent Liabilities</b>		<b>212,461,484</b>	<b>161,925,878</b>
<b>Net Asset Value (NAV) per share</b>		<b>10.96</b>	<b>11.29</b>

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

Sd/-  
Director

Sd/-  
Director

Sd/-  
Managing Director & CEO

Sd/-  
Company Secretary

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

**Dated, Dhaka**  
28 May 2020

Sd/-  
**A. Qasem & Co.**  
Chartered Accountants

# MERIDIAN FINANCE AND INVESTMENT LIMITED

## Profit and loss account For the year ended 31 December 2019

	Notes	Amount in BDT	
		2019	2018
Interest income	16	617,452,377	674,232,945
Interest on deposits and borrowings etc.	17	394,403,825	395,758,443
<b>Net interest income</b>		<b>223,048,553</b>	<b>278,474,501</b>
Income from investment	18	18,452,542	18,501,312
Commission, Exchange and Brokerage	19	-	-
Other operating income	20	4,075,948	6,820,402
<b>Total Operating Income</b>		<b>245,577,042</b>	<b>303,796,215</b>
Salary and allowances	21	75,963,880	75,221,571
Rent, taxes, insurance, electricity etc.	22	3,971,475	23,632,943
Legal and professional fees	23	1,754,489	2,229,083
Postage, stamp, telecommunication etc.	24	1,363,651	1,530,973
Stationery, printing, advertisement etc.	25	3,062,679	2,360,919
Managing director's salary and allowance	26	8,270,000	8,245,000
Directors' fees	27	796,236	646,875
Auditors' fees	28	249,167	191,667
Charges on loan losses		-	7,922,334
Depreciation and repair of Company's assets	29	29,720,298	9,886,248
Other expenses	30	18,940,554	22,192,763
<b>Total Operating Expenses</b>		<b>144,092,429</b>	<b>154,060,376</b>
<b>Profit before provision</b>		<b>101,484,614</b>	<b>149,735,839</b>
<b>Provisions for leases, loans &amp; investments</b>	<b>31</b>	<b>39,932,662</b>	<b>22,942,426</b>
Provision for leases, loans and advances		22,758,674	11,790,804
Provision for diminution in value of investments		16,629,255	11,151,622
Other provisions		544,734	-
<b>Profit before tax and reserve</b>		<b>61,551,952</b>	<b>126,793,413</b>
<b>Provision for taxation</b>	<b>32</b>	<b>5,604,446</b>	<b>3,065,560</b>
Current tax expense/ (income)		4,598,039	5,429,468
Deferred tax expense/ (income)		1,006,407	(2,363,909)
<b>Net Profit/(Loss) after taxation</b>		<b>55,947,506</b>	<b>123,727,853</b>
<b>Appropriations:</b>			
Statutory reserve		11,189,501	24,745,571
Retained earnings		44,758,005	98,982,283
Dividend		-	-
		<b>55,947,506</b>	<b>123,727,853</b>
<b>Earning Per Share (EPS)</b>		<b>0.47</b>	<b>1.03</b>

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

Sd/-  
Director

Sd/-  
Director

Sd/-  
Managing Director & CEO

Sd/-  
Company Secretary

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

Dated, Dhaka  
28 May 2020

Sd/-  
**A. Qasem & Co.**  
Chartered Accountants

# MERIDIAN FINANCE AND INVESTMENT LIMITED

## Statement of changes in equity

For the year ended 31 December 2019

Amount in BDT				
Particulars	Share Capital	Statutory Reserve	Retained Earnings	Total
Balance as on 01 January 2019	1,200,000,000	54,993,139	99,972,555	1,354,965,694
Net profit /(loss) for the year	-	-	55,947,506	55,947,506
Issue of share capital during the year	-	-	-	-
Appropriation to statutory reserve	-	11,189,501	(11,189,501)	-
Cash dividend	-	-	(96,000,000)	(96,000,000)
<b>Balance as on December 31, 2019</b>	<b>1,200,000,000</b>	<b>66,182,640</b>	<b>48,730,559</b>	<b>1,314,913,199</b>

For the year ended 31 December 2018

Amount in BDT				
Particulars	Share Capital	Statutory Reserve	Retained Earnings	Total
Balance as on 01 January 2018	1,200,000,000	530,247,568	120,990,272	1,351,237,841
Net profit /(loss) for the year	-	-	123,727,853	123,727,853
Issue of share capital during the year	-	-	-	-
Appropriation to statutory reserve	-	24,745,571	(24,745,571)	-
Cash dividend	-	-	(120,000,000)	(120,000,000)
<b>Balance as on December 31, 2018</b>	<b>1,200,000,000</b>	<b>54,993,139</b>	<b>99,972,555</b>	<b>1,354,965,694</b>

Sd/-  
Director

Sd/-  
Director

Sd/-  
Managing Director & CEO

Sd/-  
Company Secretary

Dated, Dhaka  
28 May 2020

Sd/-  
A. Qasem & Co.  
Chartered Accountants

# MERIDIAN FINANCE AND INVESTMENT LIMITED

## Cash Flow Statement For the Year ended 31 December 2019

	Amount in BDT	
	2019	2018
<b>A) Cash flows from operating activities</b>		
Interest received	620,135,509	666,859,889
Interest paid	(388,676,212)	(373,925,577)
Dividend received	16,085,446	19,224,393
Fees and commission received	4,075,948	6,820,402
Income from investment	3,313,239	150,870
Cash paid to employees (including directors)	(87,773,207)	(82,417,459)
Cash paid to suppliers & Others (including office rent)	(29,265,738)	(24,185,759)
Income taxes paid	(5,484,072)	(31,088,970)
Received from other operating activities	-	-
Paid for other operating activities	(18,940,554)	(22,192,763)
<b>Cash generated from operating activities before changes in operating assets and liabilities</b>	<b>113,470,358</b>	<b>159,245,027</b>
<b>Increase/ (decrease) in operating assets &amp; liabilities</b>		
Loans and advances to customers	272,051,738	446,556,863
Other assets	5,626,958	4,557,123
Deposits from customers	(366,661,023)	107,175,620
Other liabilities	-	-
	<b>(88,982,327)</b>	<b>558,289,606</b>
<b>Net Cash from Operating Activities</b>	<b>24,488,031</b>	<b>717,534,633</b>
<b>B) Cash flows from investing activities</b>		
Changes in investment in securities	48,749,702	74,552,513
Money at call and short notice	165,500,000	(585,000,000)
Purchase of property, plant and equipment	(3,276,345)	(8,409,227)
Sales proceeds of fixed assets	-	-
<b>Net Cash used in Investing Activities</b>	<b>210,973,357</b>	<b>(518,856,714)</b>
<b>C) Cash flows from financing activities</b>		
Drawdown of Term Loan, OD and REPO	34,065,148	88,010,146
Dividend paid	(96,000,000)	(120,000,000)
<b>Net Cash used in Financing Activities</b>	<b>(61,934,852)</b>	<b>(31,989,854)</b>
<b>D) Net Increase/ (Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>173,526,536</b>	<b>166,688,064</b>
<b>E) Opening cash and cash-equivalents</b>	<b>344,837,374</b>	<b>178,149,310</b>
<b>F) Closing cash and cash-equivalents (D+E)*</b>	<b>518,363,910</b>	<b>344,837,374</b>
<b>* Closing cash and cash-equivalents</b>		
Cash in hand	150,000	130,000
Balance with Bangladesh Bank and its agent bank(s)	31,565,025	30,245,372
Balance with other Banks and Financial Institutions	486,648,884	314,462,002
	<b>518,363,910</b>	<b>344,837,374</b>

Sd/-  
Director

Sd/-  
Director

Sd/-  
Managing Director & CEO

Sd/-  
Company Secretary

Dated, Dhaka  
28 May 2020

Sd/-  
A. Qasem & Co.  
Chartered Accountants

# Meridian Finance and Investment Limited

## Liquidity Statement

For the Year ended 31 December 2019

Particulars	Amount in BDT				
	Not more than 1 month term	1-3 months term	3-12 months term	1-5 years term	above 5 years term
<b>Assets</b>					
Cash in hand (including foreign currencies)	150,000	-	-	-	150,000
Balance with Bangladesh Bank and its agent (including foreign currencies)	-	-	-	-	31,565,025
Balance with banks and financial institutions	505,202	318,643,683	167,500,000	-	-
Money at call and short notice	300,000,000	149,500,000	-	-	-
Investments	3,118,527	15,934,024	57,157,651.50	95,604,144	-
Leases, Loans and advances	61,031,867	235,782,059	846,563,071	1,934,631,022	748,650,608
Fixed assets including land, building, furniture and fixtures	2,164,368	4,328,736.23	19,479,313.02	61,286,892	27,095
Other assets	3,259,731	4,648,278	7,518,421	55,016,137	-
Non-banking assets	-	-	-	-	-
<b>Total Assets</b>	<b>370,229,695</b>	<b>728,836,779</b>	<b>1,098,218,457</b>	<b>2,146,538,196</b>	<b>780,242,728</b>
<b>Liabilities</b>					
Borrowing from other banks, financial institutions and agents	232,386,635	2,478,540	76,931,895	254,880,136	58,101,704
Deposits	163,947,436	739,833,665	1,109,677,084	773,290,744	43,891,950
Other accounts	-	2,842,904	17,586,078	38,262,623	-
Provision and other liabilities	23,390,566	65,843,515	53,809,435	130,098,093	21,899,653
<b>Total Liabilities</b>	<b>419,724,636</b>	<b>810,998,623</b>	<b>1,258,004,492</b>	<b>1,196,531,597</b>	<b>123,893,308</b>
<b>Net Liquidity Surplus/(Gap)</b>	<b>(49,494,941)</b>	<b>(82,161,844)</b>	<b>(159,786,035)</b>	<b>950,006,599</b>	<b>656,349,421</b>
					<b>1,314,913,199</b>

Sd/-  
Director

Sd/-  
Director

Sd/-  
Managing Director & CEO

Sd/-  
Company Secretary



# MERIDIAN FINANCE AND INVESTMENT LIMITED

## Notes to the Financial Statements For the Year ended 31 December 2019

### 1. Legal status and nature of the company

#### 1.1 Domicile, legal form and country of operation

Meridian Finance and Investment Limited (hereinafter referred to as “Meridian Finance” or “MFIL” or “the Company”), a new generation non-banking financial institution, was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-113483/14 dated 15 January 2014 as a Public Limited Company under the Companies Act, 1994 in the name of Meridian Finance and Investment Limited. It started commercial operations in 2015 after obtaining license from Bangladesh Bank under the Financial Institutions Act, 1993. The registered address of the company is situated at Silver Tower (Level-6), 52 Gulshan Avenue, Gulshan-1, Dhaka-1212, Bangladesh.

Consequently the company has acquired the following Licenses and legal approvals:

Sl. No.	Name of License	Registration No.	Date of License	Renewed Up to
1	Certificate of Incorporation	C-113483/14	15-Jan-14	N/A
2	Certificate for Commencement of Business	20470-76	15-Jan-14	N/A
3	Tax Identification Number (TIN)	716572753037	21-Jan-14	N/A
4	Bangladesh Bank License	DFIM(L)/35	4-Jun-15	N/A
5	Trade License	03-066080	2-Sep-15	2019-2020
6	Business Identification Number (BIN)	001909089-0101	24-Aug-19	N/A

#### 1.2 Company's activities

The activities of the Company include services broadly classified as fee based and fund based services:

Fund based services include lease finance, term finance, home loan, hire purchase, SME loan, car lease, persona loan, factoring, syndication finance, loan against deposit, etc.

### 2 Basis for 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) as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh, except the circumstances where local regulations differ, and 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 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 Company has consistently applied the accounting policies to all periods presented in these financial statements. The various amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2019 have been considered. As per the Company's assessment, only material impact of new standards adopted in 2019 is relating to calculation of impairment provision as per IFRS 9. However, in absence of any revised guideline from Bangladesh Bank, the Company continued previously used impairment, classification and measurement policies for its loans and advances. Accordingly, these amendments have no material impact on the financial statements of the Company.

In December 2017, ICAB vide letter I/I/ICAB-2017 decided to adopt IFRS replacing BFRS effective for annual periods beginning on or after 1 January 2018. However, since issued BFRS have been adopted from IFRS without any major modification, such changes would not have any material impact on 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, these departures with IFRSs have been made by following all of the relevant provisions of IAS 1 and detail disclosures are given in note 2.3 by following the provision of Para 20 of IAS 1.

## 2.2 Presentation of financial statements

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 of Bangladesh Bank. The activities and accounting heads mentioned in the prescribed form, which are not applicable for the financial institutions, have been excluded in preparing the financial statements.

## 2.3 Disclosure of departure from few requirements of IFRS due to mandatory compliance of Bangladesh Bank's requirements

Sl. No.	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)	IAS 39 "Financial Instruments: Recognition and Measurement"	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 lease, 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, as at 31 December 2019, accumulated provision for leases, loans and advances stand at Taka 101.71 million.

Sl. No.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
2	Valuation of Investments in quoted and unquoted shares	IFRS 9 "Financial Instruments"	Investment in shares falls either under at "fair value through profit/loss (FVTPL)" or "fair value through other comprehensive income (FVTOCI)" where any change in the fair value in case of FVTPL at the year-end is taken to profit or loss, and any change in fair value in case of FVTOCI is taken to other comprehensive income.	As per FID circular No.08, dated 03 August 2002 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment; however in case of any unrealized gain, no such gain can be recognized and investments are recognized at cost only.	During this year total market value of all shares are less than the cost price of all shares. In Financial Statement, as at 31 December 2019, Provision for diminution in value of investments stands Taka 27.78 million.
3	Recognition of interest income for SMA and classified lease, loans and advances	IAS 39 "Financial Instruments: Recognition and Measurement"	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 on 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.	As at 31 December 2019, in Financial Statements interest suspense account was Taka 29.50 million whereas last year was Taka 13.66. This amount has been shown in other liabilities in note 12.

Sl. No.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
4	Presentation of cash and cash equivalent	IAS 7 "Statement of Cash Flows"	Cash equivalent are short term, highly liquid investments that are readily convertible to known amounts of cash 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."	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 provided detail presentation for statement of cash flows.	Financial Statements for 2019 and corresponding year 2018 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.
5	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 2011, no deferred tax asset can be recognized for any deductible temporary difference against lease, loans and advances.	During this year 2019, 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.

Sl. No.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
6	Presentation and disclosure of Financial Statements and Financial Instruments	IAS 1 "Presentation of Financial Statements"  IFRS 9 "Financial Instruments" & IFRS 7 "Financial Instruments: Disclosure"	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.  IFRS 9 and IFRS 7 require specific presentation and disclosure relating to all financial instruments.	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.  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 IFRS 9. As such some disclosure and presentation requirements of IFRS 7 and IFRS 9 have not been made in the accounts.	Financial Statements for 2019 and corresponding year 2018 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.

Sl. No.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
7	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 2019 and corresponding year 2018 have been prepared as per guideline (DFIM Circular No. 11 dated 23 December 2009) of Bangladesh Bank.
8	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 2019 and corresponding year 2018 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.
9	Off-balance sheet items	IAS 1 "Presentation of Financial Statements"	There is no concept of off-balance sheet items in any BFRS; 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 2019 and corresponding year 2018 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.

Sl. No.	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 2019 and corresponding year 2018 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 2019 and corresponding year 2018 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.

Sl. No.	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
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 single OCI statement. 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.	Financial Statements for 2019 and corresponding year 2018 have been prepared as per the guideline and templates issued by Bangladesh Bank.  There is no financial impact for this departure in the financial statements.
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.	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	Financial Statements for 2019 and corresponding year 2018 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.



## 2.4 Components of the financial statements

The financial statements comprise of (as per DFIM Circular-11, Dated 23 December 2009):

- a) Balance sheet as at 31 December 2019;
- b) Profit and loss account for the year ended 31 December 2019;
- c) Statement of changes in equity for the year ended 31 December 2019;
- d) Cash flow statement for the year ended 31 December 2019;
- e) Liquidity statement for the year ended 31 December 2019;
- f) Notes to the financial statements for the year ended 31 December 2019.

## 2.5 Disclosure of departure from few requirements of IFRS due to mandatory compliance of Bangladesh Bank's requirements

Bangladesh Bank is the prime regulatory body for Non-Banking Financial Institutions (NBFI) in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations contradict with those of financial instruments and general provisions of IFRS. As such the company has departed from those contradictory requirements of IFRSs in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below along with financial impact where applicable:

**2.5.1** 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. However such general provision cannot satisfy the conditions of provision as per IAS 39. At the year end the company has recognized an accumulated general provision of Tk. 46.85 million in balance sheet under liabilities.

**2.5.2** Bangladesh Bank has issued templates for financial statements vide DFIM Circular-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. As such the company does not prepare the statement of other comprehensive income. However, the company does not have any elements of OCI to be presented.

**2.5.3** 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.

**2.5.4** As per IAS 7, cash equivalent only include those investments which are for a short tenure like: 3 months. However, as per the aforementioned circular of Bangladesh Bank, Cash equivalent includes all balances kept with other banks and financial institutions irrespective of consideration of tenure. Hence, an investment of FDR for a tenure of 6 months or 1 year is also considered as cash equivalent which is contrary to the requirement of IAS.

## 2.6 Accounting policy for IFRS 16: Leases

At inception of a contract, Meridian Finance assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Meridian Finance assesses whether:

- ▶ the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.

- ▶ Meridian Finance has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
  - ▶ Meridian Finance has the right to direct the use of the asset. Meridian Finance has the right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, Meridian Finance has the right to direct the use of the asset if either:
    - (i) Meridian Finance has the right to operate the asset; or
    - (ii) Meridian Finance designed the asset in a way that predetermines how and for what purpose it will be used.
- The policy is applied to contracts entered into, or changed, on or after 1 January 2019.
- Meridian Finance presents right of use assets in Annexure A and lease liabilities in note-10.01 separately.

## 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 BDT has been rounded off to the nearest BDT.

## 2.8 Use of estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRSs) 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. Provisions and accrued expenses are recognized in the financial statement in line with the International Accounting Standard (IAS)-37: "Provisions, Contingent Liabilities and Contingent Assets" when

- the Company has a legal or constructive obligation as a result of past event.
- it is probable that an outflow of economic benefit will be required to settle the obligation.
- a reliable estimate can be made of the amount of the obligation.

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

- ▶ Provision for impairment of loans, leases and investments
- ▶ 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.

## 2.9 Going concern

The Company has adequate resources to continue in operation for foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the financial statement. The current credit facilities and resources of the Company provide sufficient funds to meet the present requirements of its existing businesses and operations.

## 2.10 Materiality and aggregation

Each material item as considered by management significant has been presented separately in financial statements. No amount has been set off unless the Company has a legal right to set off the amounts and intends to settle on net basis. Income and expenses are presented on a net basis only when permitted by the relevant accounting standards.

## **2.11 Directors' responsibility statement**

The Board of Directors is responsible for the preparation and presentation of these financial statements.

## **2.12 Cash flow Statement**

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

## **2.13 Books of account**

The Company maintains its books of account for main business in Electronic Form through soft automation.

## **2.14 Branch accounting**

The Company has four branches, with no overseas branches as on 31 December 2019. Accounts of the branches are maintained at the head office from which these accounts are drawn up.

## **2.15 Revenue recognition**

Revenue is only recognised when it meets the following five steps model framework.

- 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.

### **2.15.1 Interest income on leases, loans and advances**

Interest income is recognized when interest is accrued. No interest on loan (except mortgage loan) is accounted for as revenue where any portion of capital or interest is in arrears for more than 3 months for the loan tenure of which is within 5 years or in arrears for more than 6 months for the loan tenure of which is more than 5 years. In case of mortgage loan, no interest on loan is accounted for as revenue where any portion of capital or interest is in arrears for more than 9 months. Moreover, the amounts that were previously recognized as revenue in respect of such outstanding loans are also transferred from lease income to interest suspense account. Fees based income and delinquent charges from loan operations are accounted when they arise.

### **2.15.2 Fees and commission based income**

Fees and commission based income arising on services provided by the company are recognized on a cash basis. Commission charged to customers on is credited to income at the time of effecting the transactions.

### **2.15.3 Income from investment**

#### **Capital gain or loss on investment in shares**

Capital gain or loss arising from the sale of investment in shares is accounted on monthly basis.

#### **Dividend income**

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

## **2.16 Operating expenses**

Major component of operating expenses other than salary and allowances are office rent, printing and stationery, postage and stamp, telecommunication, legal and professional fees and other miscellaneous expenses. All expenses are recognized on accrual basis of accounting.

### 2.16.1 Salary and allowances

Salary and allowances comprise basic salary, house rent, conveyance allowance, festival bonus, leave fare assistance etc. All expenses related to salary and allowances are recognized on accrual basis of accounting.

## 2.17 Employees' benefit obligation

### 2.17.1 Provident fund

The Company maintains a contributory employees Provident Fund recognized by National Board of Revenue within the meaning of section 2(52), read with the provisions of part - B of the First Schedule of Income Tax Ordinance 1984 for its permanent employees. The Fund is administered by a Board of Trustees and is funded equally by the employer and the employees @ 10% of their basic salary as contribution of the fund. Provident Funds are invested in Fixed Deposit Receipt and to the Government Shanchaypatra and IPO Share. Interest earned from the investments is credited to the members' account on yearly basis.

### 2.17.2 Gratuity fund

The Company also operates a funded gratuity scheme recognized by National Board of Revenue. Gratuity fund is administered by a Board of Trustees. Employees are entitled to gratuity benefit after completion of minimum years of service with the Company. The gratuity is calculated on the last basic pay and is payable at the rate of below table:

Completed years of Service	Payment of Gratuity
4 years and above, up to 5 years	1 month of basic for each year of service
5.6 years and above, up to 7 years	1.2 month of basic for each year of service
7.6 years and above, up to 10 years	1.4 month of basic for each year of service
10.6 years and above, up to 15 years	1.5 month of basic for each year of service
15.6 years and above	2 month of basic for each year of service

## 2.18 Recognition of fixed assets

### 2.18.1 Assets acquired under own finance

These are recognized initially at cost and subsequently at cost less accumulated depreciation in compliance with the IAS-16, "Property, Plant and Equipment". The cost of acquisition of an asset comprises its purchase price and any direct cost attributable to bringing the assets to its working condition for its intended use. Expenditure incurred after the assets have been put into use, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the assets, the expenditure is capitalized as an additional cost of the assets.

### 2.18.2 Depreciation on fixed assets

Depreciation on fixed assets is charged using straight-line method at the following rates starting from the date of acquisition of assets:

Name of Assets	Useful Life (Years)	Rate (%)
Furniture & Fixture	6	16.67%
Office Decoration	6	16.67%
Office Equipment	5	20.00%
IT Equipment	5	20.00%
Motor Vehicle	5	20.00%

### **2.18.3 Intangible Assets**

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

### **2.18.4 Amortization**

Amortization is calculated using the straight line method to write down the cost of intangible assets to their estimated useful lives based on the management best estimates of 3 or 5 years.

### **2.19 Other assets**

Other assets include all balance sheet accounts not covered specifically in other areas of the supervisory activity and such accounts may be quite insignificant in the overall financial condition of the company.

### **2.20 Contingent liabilities and contingent assets**

The Company does not recognize any Contingent Asset and Contingent Liability; but discloses the existence of contingent liability in the financial statements. A contingent liability is a probable obligation that arises from the past events and whose existence will be confirmed by the occurrence of uncertain future events beyond the control of the Company or a present obligation that is not recognized because of outflow of resources is not likely or obligation cannot be measured reliably, in accordance with the IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

### **2.21 Consistency**

In accordance with the IFRSs framework for the presentation of financial statements together with IAS 1 and IAS 8, the Company applies the accounting disclosure principles consistently from one period to the next. In case of selecting and applying new accounting policies, changes in accounting policies applied and correction of errors, the amounts involved are accounted for and disclosed retrospectively in accordance with the requirement of IAS-8. We, however, have applied the same accounting and valuation principles in 2019 as in financial statements for 2018.

### **2.22 Liquidity statement**

The Liquidity Statement has been prepared in accordance with remaining maturity grouping of Assets and Liabilities as of the close of the period as per following bases:

- a) Balance with other banks and financial institutions, money at call and short notice etc. are on the basis of their term.
- b) Investments are on the basis of their residual maturity term.
- c) Loans and advances are on the basis of their repayment or maturity schedule.
- d) Fixed assets are on the basis of their useful lives.
- e) Other assets are on the basis of their adjustment.
- f) Borrowings from other banks and financial institutions as per their maturity or repayment term.
- g) Deposits and other accounts are on the basis of their maturity period and behavioural past trend
- h) Other long term liability on the basis of their maturity term.
- i) Provisions and other liabilities are on the basis of their settlement.

### **2.23 Borrowing costs**

Borrowing costs are recognized as expenses in the period in which they incur in accordance with IAS 23 "Borrowing cost".

## 2.24 Written off loans, advances and leases

Write-off describes a reduction in recognised value. It refers to the recognition of the reduced or zero value of an asset. Generally it refers to an investment for which a return on the investment is now impossible or unlikely. The item's potential return is thus cancelled and removed from ("written-off") the Company's balance sheet.

Recovery against debts written-off/provided for is credited to revenue. Income is recognized where amounts are either recovered and/or adjusted against securities/properties or advances there-against or are considered recoverable.

## 2.25 Cash and cash equivalent

Cash and cash equivalents comprise cash in hand and fixed deposits that are readily convertible to a known amount of cash, and that are not subject to significant risk of change in value.

## 2.26 Provision for loans and advances

Generally, provision against classified loans and advances is made on the basis of quarter end review by the management and instruction contained in FID Circular No. 08, dated 03 August 2002, FID Circular No. 11, dated 31 October 2005, FID Circular No. 06, dated 20 August 2006 and FID circular No. 03, dated 29 April 2013. However, at the discretion of management, provision against classified loans and advances may be made on monthly basis. The provisions rates are given below:

Particulars	Rates
<b>General Provision on:</b>	
Unclassified of leases, loans and advances except SME	1%
Unclassified of Small and Medium Enterprise (SME)	0.25%
Special Mention Account of leases, loans and advances	5%
<b>Specific Provision on:</b>	
Sub-standard of leases, loans and advances	20%
Doubtful of leases, loans and advances	50%
Bad/loss of leases, loans and advances	100%

## 2.27 Corporate Tax

### a. Current tax

Provision for current income tax is normally made as prescribed in Finance Act 2019 on the profit made by the Company considering major taxable allowances and disallowances and the same is understated or overstated to that extent. Any shortfall or excess provision will be duly adjusted after final assessment.

### b. Deferred tax

Deferred tax liabilities are the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amount of income taxes recoverable in future periods in respect of deductible temporary differences. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences arising between the carrying values of assets, liabilities, income and expenditure and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted at the statement of financial position date. The impact on the accounts of changes in the deferred tax assets and liabilities has also been recognized in the profit and loss account as per IAS-12 "Income Taxes".

## 2.28 Term deposits and other deposits accounts

### **2.28.1 Term Deposits**

Term Deposits by customers and banks/NBFI are recognized when the Company enters into contractual provisions of the arrangements with the counterparties, which is generally on trade date, and initially measured at the consideration received.

### **2.28.2 Other deposits**

Other deposits include advance rentals/instalments received from assets clients against leases, loans and advances which will be adjusted at the end of termination/settlement of leases, loans and advances in accordance with terms and conditions mentioned in the sanction letter.

### **2.29 Provision for liabilities**

A provision is recognized in profit and loss account when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligations, in accordance with the BAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

### **2.30 Events after the reporting period**

Where necessary, all the material events after the reporting period have been considered and appropriate adjustments / disclosures have been made in the financial statements.

### **2.31 Financial risk management**

Meridian Finance 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, Meridian Finance also considers guidelines for managing core risks of financial instructions 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, adequate insurance coverage for funded assets, vigorous monitoring and follow up by Special Assets Management Team, strong follow up of compliance of credit policies by Internal Control and Compliance Department (ICCD), taking collateral, seeking external legal opinion, maintaining neutrality in politics and following arm's length approach in related party transactions, etc.

The Credit Evaluation Committee (CEC) regularly meets to review the market and credit risk related to lending and recommend and implement appropriate measures to counter associated risks. The CEC critically reviews projects from risk point of view. An independent Credit Risk Management Department is in place, at Meridian Finance, to scrutinize projects from a risk-weighted point of view and assist the management in creating a high quality credit portfolio and maximize returns from risk assets.

#### **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.



### **Market Risk**

Market risk is the risk that changes in market prices, such as interest rates and credit spreads will affect the income or the value of financial instruments.

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. Meridian Finance has also strong access to money market and credit lines at a competitive rate through good reputation, strong earnings, financial strength and credit rating.

### **Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

Meridian Finance objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the reputation with overall cost effectiveness and innovation.

The Board of Directors has delegated responsibility for operational risk to Management Committee which is responsible for the development and implementation of controls to address operational risk.

Meridian Finance has also established an internal control & compliance department (ICCD) to address operational risk and to frame and implement policies to encounter such risks. This department assesses operational risk across the Company as a whole and ensures that an appropriate framework exists to identify, assess and manage operational risk.

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

To mitigate the risks, Meridian Finance, 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) Independent audit function including internal and external audit function to test the programs;
- c) Ongoing employee training programs.

## **2.32 Comparative figures**

Comparative information has been disclosed in respect of the period ended 31 December 2019 for all numerical data in the financial statements and also the narrative and descriptive information when it is relevant for better understanding of the current year's financial statements. Figures of the period 2018 have been restated and rearranged whenever considered necessary to ensure comparability with the current period.

## **2.33 General Notes**

- (i) These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.
- (ii) Figures in these notes and annexed financial statements have been rounded off to the nearest BDT.



### 3.00 Cash in hand

In hand (including foreign currencies) (Note-3.01)

Balance with Bangladesh Bank and its agent  
(including foreign currencies) (Note-3.02)

### 3.01 In hand (including foreign currencies)

Local currency

Foreign currency

### 3.02 Balance with Bangladesh Bank and its agent (including foreign currencies)

Local currency

Foreign currency

Amount in BDT	
2019	2018
150,000	130,000
31,565,025	30,245,372
<b>31,715,025</b>	<b>30,375,372</b>
150,000	130,000
-	-
<b>150,000</b>	<b>130,000</b>
31,565,025	30,245,372
-	-
<b>31,565,025</b>	<b>30,245,372</b>

### 3.03 Cash reserve requirement (CRR) and statutory liquidity reserve (SLR)

Cash reserve requirement (CRR) and statutory liquidity reserve (SLR) have been calculated and maintained in accordance with Financial Institution Act, 1993 & Financial Institution Regulations, 1994 and FID Circular No. 06, dated November 06, 2003, FID Circular No. 02, dated November 10, 2004 and FID Circular No. 01, dated January 12, 2017.

Cash reserve requirement (CRR) has been calculated at the rate of 2.5% 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 2.5% 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 gazette or Bangladesh Bank.

#### a) Cash reserve requirement (CRR)

Required reserve

Actual reserve maintained

**Surplus / (deficit)**

#### b) Statutory liquidity reserve (SLR)

Required reserve (including CRR)

Actual reserve maintained (including CRR)

**Surplus / (deficit)**

Amount in BDT	
2019	2018
29,482,363	30,470,724
31,356,858	31,232,361
<b>1,874,495</b>	<b>761,638</b>
73,303,083	73,556,097
352,400,169	209,132,958
<b>279,097,087</b>	<b>135,576,860</b>

### 4.00 Balance with other Banks and Financial Institutions Inside of Bangladesh Local currency

Non interest bearing current account (Note - 4.01)

Interest bearing short term deposit account (Note - 4.02)

Fixed deposit account (Note - 4.03)

#### 4.01 Non interest bearing current account

BASIC Bank Limited

Mercantile Bank Limited

Mutual Trust Bank Limited

Amount in BDT	
2019	2018
505,202	125,534
318,643,683	146,836,468
167,500,000	167,500,000
<b>486,648,884</b>	<b>314,462,002</b>
44,279	41,039
446,740	28,000
14,183	56,495
<b>505,202</b>	<b>125,534</b>

#### 4.02 Interest bearing short term deposit account

Mercantile Bank Limited  
NRB Bank Limited  
NRB Commercial Bank Limited  
Standard Chartered Bank  
Brac Bank Limited

#### 4.03 Fixed deposit account

NRB Global Bank Limited  
Mercantile Bank Limited

#### 4.04 Maturity grouping of balance with other banks and financial institutions

Up to 1 month  
Over 1 month but not more than 3 months  
Over 3 months but not more than 6 months  
Over 6 months but not more than 1 year  
Over 1 year but not more than 5 years  
Over 5 years

#### 5.00 Money at call and short notice

Short term placement

#### 6.00 Investment

##### Government securities

##### Other investments

Investment in marketable securities (Note-6.01)  
Investment in mutual fund  
Investment in preference shares

Amount in BDT	
2019	2018
35,896,089	1,648,810
170,847,992	142,760,937
107,631,369	908,670
4,143,705	1,518,051
124,528	-
<b>318,643,683</b>	<b>146,836,468</b>
-	167,500,000
167,500,000	-
<b>167,500,000</b>	<b>167,500,000</b>
505,202	125,534
318,643,683	146,836,468
-	-
167,500,000	167,500,000
-	-
-	-
<b>486,648,884</b>	<b>314,462,002</b>
449,500,000	615,000,000
<b>449,500,000</b>	<b>615,000,000</b>
-	-
74,844,651	64,753,976
-	20,052,500
96,969,695	135,757,573
<b>171,814,346</b>	<b>220,564,049</b>

#### 6.01 Investment in marketable securities

Details of marketable securities are given below:

Business segments	No. of Shares	Cost Price	Market Price
IT sector	19,360	572,449	538,557
Engineering	13,594	662,860	629,635
Financial institutions	284,127	18,785,788	10,540,154
Textile	48,263	1,206,005	891,858
Travel & leisure	3,916	37,300	161,731
Pharmaceuticals & chemicals	92,354	12,419,945	8,659,765
Fuel & power	170,600	12,021,420	5,747,020
Bank	204,531	9,526,203	6,715,670
Cement	44,850	7,282,628	4,758,585
Telecommunication	26,000	10,909,587	7,430,800
Food & allied	6,000	1,420,467	990,000
		<b>74,844,651</b>	<b>47,063,774</b>

## 7.00 Leases, loans and advances

### Corporate finance

Lease finance  
Loan finance  
Syndicated loan finance

### Consumer finance

House finance  
Car lease  
Loan against deposit  
Personal loan - employee

### SME finance

Lease finance, SMALL  
Loan finance, SMALL  
Lease finance, MID  
Loan finance, MID

### Channel finance

Factoring

## 7.01 Maturity wise grouping

On demand  
Not more than 3 months  
More than 03 month to 01 year  
More than 01 Year to 05 years  
More than 05 years

## 7.02 Classification wise leases, loans and advances/ investments

### Unclassified

Standard  
Special mention account (SMA)

### Classified

Sub-standard  
Doubtful  
Bad/loss

Amount in BDT	
2019	2018
144,949,273	107,299,407
2,109,018,470	2,037,060,616
263,511,465	224,073,480
<b>2,517,479,208</b>	<b>2,368,433,503</b>
510,054,029	493,422,929
130,590,388	166,659,948
21,431,546	2,508,039
267,029	252,248
<b>662,342,992</b>	<b>662,843,164</b>
122,755,271	140,312,737
207,480,210	315,286,004
62,623,554	80,051,647
252,030,991	576,038,614
<b>644,890,027</b>	<b>1,111,689,002</b>
1,946,400	-
<b>1,946,400</b>	-
<b>3,826,658,627</b>	<b>4,142,965,669</b>
-	-
26,813,926	152,981,222
146,563,071	170,175,122
2,904,631,022	2,994,226,505
748,650,608	825,582,820
<b>3,826,658,627</b>	<b>4,142,965,669</b>
3,554,271,907	3,848,589,154
137,643,891	280,959,382
<b>3,691,915,798</b>	<b>4,129,548,535</b>
92,487,779	3,202,126
16,968,461	10,215,007
25,286,588	-
<b>134,742,829</b>	<b>13,417,134</b>
<b>3,826,658,627</b>	<b>4,142,965,669</b>

### 7.03 Loans, advances and leases on the basis of significant concentration

	Amount in BDT	
	2019	2018
a) Loans, advances and leases to the institutions in which Directors have interest	17,230,054	-
b) Loans, advances and leases to Chief Executive and other senior executives	-	-
c) Loans, advances and leases to customer groups:		
i) House finance	510,054,029	493,422,929
ii) Car loan	130,590,388	166,659,948
iii) Personal loan	-	-
iv) Loan against deposits (LAD)	15,771,443	2,508,039
v) Small and medium enterprises	599,610,033	1,063,577,684
vi) Special program loan (BB refinancing scheme)	45,279,994	48,111,318
vii) Staff loan	267,029	252,248
viii) Industrial loans, advances and leases ((Note-7.03 (d))	2,342,723,831	2,144,360,023
ix) Other loans and advances	165,131,826	224,073,480
	<b>3,826,658,627</b>	<b>4,142,965,669</b>
d) Details of industrial loans, advances and leases		
1) Trade and commerce	461,315,818	224,326,213
2) Industries		
i) Garments and knitwear	415,495,130	435,764,283
ii) Textile	142,465,194	76,820,043
iii) Jute and Jute -products	-	-
iv) Food production and processing industry	119,131,970	115,416,944
v) Plastic industry	-	-
vi) Leather and leather goods	228,830,063	239,291,106
vii) Iron, steel and engineering	-	-
viii) Pharmaceuticals and chemicals	37,234,154	70,176,755
ix) Cement and allied industry	322,568,083	53,860,132
x) Telecommunication and IT	94,255,799	127,985,462
xi) Paper, printing and packaging	-	-
xii) Glass, glassware and ceramic industry	-	-
xiii) Shipbuilding industry	-	-
xiv) Electronics and electrical products	181,652,996	227,040,163
xv) Power, gas, water and sanitary service	-	-
xvi) Transport and aviation	124,338,034	121,889,474
3) Agriculture	176,222,609	234,067,497
4) House finance	19,439,521	60,605,498
5) Others	-	-
Loan to subsidiaries companies	-	-
Others	19,774,460	157,116,453
	<b>2,342,723,831</b>	<b>2,144,360,023</b>

### 7.04 Leases, loans and advances-geographical location wise

Dhaka	2,967,567,292	3,245,332,192
Chattogram	222,471,889	218,506,029
Khulna	243,150,332	215,393,700
Rangpur	204,310,797	293,969,937
Rajshahi	178,564,139	168,757,342
Bogura	10,498,109	-
Sylhet	96,069	1,006,470
	<b>3,826,658,627</b>	<b>4,142,965,669</b>

### 7.05 Particulars of leases, loans and advances

- i) Loans, advances and leases considered good in respect of which the Bank/ FI is fully secured.
- ii) Loans, advances and leases considered good for which the Bank/FI holds no other security than the debtor's personal security.
- iii) Loans, advances and leases considered good and secured by the personal security of one or more parties in addition to the personal security of the debtors.
- iv) Loan adversely classified; for which no provision is created.
- v) Loans, advances and leases due by directors or officers of the Bank/ FI or any of them either jointly or separately with any other persons.
- vi) Loans, advances and leases due by companies and firms in which the directors of the Bank/FI have interests as directors, partners or managing agent or in case of private companies as members.
- vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors and managers or officers of the Bank/ FI or any of them either severally or jointly with any other persons.
- viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Bank/ FI have interests as directors, partners or managing agents or, in case of private companies as members.
- ix) Due from other Bank and Financial Institution companies
- x) Information in respect of classified loans, advances and leases:
  - a) Classified loans, advances and leases for which interest/ profit not credited to income
  - b) Amount of provision kept against loans classified as bad/ loss as at the Balance Sheet date
  - c) Amount of interest credited to the interest suspense account
- xi) Cumulative amount of written off loans, advances and leases:
  - Opening Balance
  - Amount written off during the year
  - Amount received off during the year
  - Balance of written off loans and advances yet to be recovered
  - The amount of written off loans, advances and leases for which law suits have been filed

Amount in BDT	
2019	2018
2,913,823,305	1,848,459,114
-	662,650,264
892,980,817	1,631,604,043
-	-
267,029	252,248
17,230,054	-
-	-
-	-
2,357,421	-
3,826,658,627	4,142,965,669
134,742,829	13,417,134
11,701,630	-
29,495,517	13,660,285
7,922,334	-
-	7,922,334
-	-
7,922,334	7,922,334
7,922,334	7,922,334
7,922,334	-
-	7,922,334
7,922,334	7,922,334
-	-
7,922,334	7,922,334

### 7.06 Written off loans, advances and leases

- Opening balance
- Amount written off during the year
- Amount received during the year
- Closing balance yet to be recovered**

7,922,334	-
-	7,922,334
7,922,334	7,922,334
-	-
7,922,334	7,922,334

## 8.00 Fixed assets including land, building, furniture and fixtures

Freehold assets (Note- 8.01)  
Intangible assets (Note- 8.02)  
Lease hold assets (Note- 8.03)

Details are given in **annexure - A**

### 8.01 Freehold assets

#### A. Cost

Opening balance  
Add : addition during the year  
  
Less: adjustment / disposal during the year

#### B. Accumulated depreciation

Opening balance  
Add : Charged during the year  
  
Less: Adjustment during the year

#### C. Written down value (A-B)

### 8.02 Intangible assets

IT software (note- 8.02.01)  
WIP - software

#### 8.02.01 IT software

#### A. Cost

Opening balance  
Add: Acquisition during the year  
  
Less: Adjustment / disposal during the year

#### B. Accumulated depreciation

Opening balance  
Add: Amortized during the year  
  
Less: Adjustment during the year

#### C. Written down value (A-B)

### 8.03 Lease hold assets

#### Right of use of assets

#### A. Cost

Opening balance  
Add : Addition during the year  
  
Less: Adjustment/disposal during the year

#### B. Accumulated depreciation

Opening balance  
Add : charged during the year  
  
Less: adjustment during the year

#### C. Written down value (A-B)

Amount in BDT	
2019	2018
25,743,696	33,184,720
5,725,308	5,319,860
55,817,400	-
<b>87,286,404</b>	<b>38,504,580</b>
53,783,228	47,036,568
2,614,257	6,746,661
56,397,486	53,783,228
-	-
56,397,486	53,783,228
20,598,509	11,310,702
10,055,281	9,287,806
30,653,789	20,598,509
-	-
30,653,789	20,598,509
<b>25,743,696</b>	<b>33,184,720</b>
501,919	603,159
5,223,389	4,716,701
<b>5,725,308</b>	<b>5,319,860</b>
933,623	641,823
155,400	291,800
1,089,023	933,623
-	-
1,089,023	933,623
330,464	164,742
256,640	165,722
587,104	330,464
-	-
587,104	330,464
<b>501,919</b>	<b>603,159</b>
-	-
73,911,166	-
73,911,166	-
(6,812,103)	-
67,099,063	-
-	-
18,093,766	-
18,093,766	-
(6,812,103)	-
11,281,663	-
<b>55,817,400</b>	<b>-</b>

## 9.00 Other assets

### Non income generating assets

Advances, deposits and prepayments (Note-9.01)  
Deferred tax asset (Note-9.02)

### Income generating assets

Interest and other receivables (Note-9.03)  
Receivable with securities (Note-9.04)

## 9.01 Advances, deposits and prepayments

Advance office rent  
Advance to suppliers & others  
Advance Income Tax (Note-9.01.01)  
Security deposit  
Prepayments against expense  
Prepayment for stamp expense  
Provident fund receivable  
Dividend receivable  
Sundry receivable  
Receivable from client

### 9.01.01 Advance income tax

Opening balance  
Addition during the year

Adjusted during the year

Amount in BDT	
2019	2018
60,631,029	113,570,096
1,632,953	2,639,360
<b>70,442,568</b>	<b>132,022,581</b>
1,784,040	4,317,394
170,000	29,900
48,599,534	100,105,840
4,240,650	4,240,650
1,500	-
93,760	23,850
188,932	-
3,050,491	3,996,633
474,785	279,570
2,027,336	576,259
<b>60,631,029</b>	<b>113,570,096</b>
100,105,840	69,016,870
5,484,072	31,088,970
105,589,912	100,105,840
(56,990,378)	-
<b>48,599,534</b>	<b>100,105,840</b>

\*\*Advance income tax represents the amount of income tax deducted at source (TDS) by different financial institutions on the interest on bank balances & TDR of Meridian Finance & Investment Limited, dividend income and paid to tax office in four equal instalment.

## 9.02 Deferred tax

Deferred tax has been calculated based on deductible/taxable temporary difference arising due to difference in the carrying amount of the assets and its tax base in accordance with the provision of International Accounting Standard (IAS)-12: Income Taxes.

Particulars	Accounting Base Carrying Amount	Tax Base Carrying Amount	(Taxable)/Deductible temporary difference
<b>Deferred tax asset is arrived at as follows:</b>			
Fixed assets net of depreciation as on 31 December 2019			
Furniture and fixture	4,037,384	5,475,255	1,437,871
Office decoration	11,727,727	15,858,131	4,130,405
Office equipment	3,453,604	5,067,013	1,613,410
IT equipments	5,271,264	4,108,966	(1,162,298)
Motor vehicle	1,253,718	2,288,108	1,034,389
Systems & software	501,919	419,276	(82,644)
WIP - software	5,223,389	2,995,759	(2,227,630)
<b>Taxable temporary difference (A)</b>	<b>31,469,004</b>	<b>36,212,508</b>	<b>4,743,504</b>
Gratuity provision			2,257,821
Unearned revenue			411,525
<b>Deductible temporary difference (B)</b>			<b>2,669,346</b>
<b>Deferred tax liability</b>			
Lease liability			59,147,868
Right of use of assets			(55,817,400)
<b>Taxable temporary difference (C)</b>			<b>(3,330,468)</b>
<b>Total (A+B+C)</b>			<b>4,082,382</b>
Deferred tax asset at 31 December 2019 @ 40%			1,632,953
Deferred tax asset at 31 December 2018 @ 40%			2,639,360



### 9.03 Interest and other receivables

Interest receivables - fixed deposit receipt	2,431,076	3,461,667
Interest receivables - short term placement	4,578,847	6,231,389

### 9.04 Receivable with securities

Receivable with IDLC Securities Limited	1,084,128	2,363,205
Receivable with LankaBangla Securities Limited	81,891	82,341
Receivable with NRBC Bank Securities Ltd.	2,644	3,674,523

### 10.00 Borrowings from Bangladesh bank, other banks and financial institutions

Inside Bangladesh (Note-10.01)	624,778,909	590,713,761
Outside Bangladesh	-	-

### 10.01 Inside Bangladesh

#### Secured by FDR

Bank overdraft - Woori Bank	126,983,874	144,600,541
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#### Unsecured

Bank overdraft - BASIC Bank Limited	374,880	357,915
Long term loan (Note-10.01.01)	348,272,288	315,755,305
Call loan (Note-10.01.02)	90,000,000	130,000,000
Lease liability (Note-10.01.03)	59,147,868	-

### 10.01.01 Long term loan

#### From Bangladesh Bank and its agents Bank

Bangladesh Bank (under Re-Finance)- New Entrepreneur	562,500	1,562,500
Bangladesh Bank (under Re-Finance)- Woman	2,087,500	3,687,500
Bangladesh Bank (under Re-Finance)- Agriculture	3,187,500	4,462,500
Bangladesh Bank (under Re-Finance)- Auto Bricks	158,386,020	54,281,212
Bangladesh Bank (under Re-Finance)- SMEDP2	46,658,067	59,661,600

#### From other than Bangladesh Bank and its agents Bank

Midland Bank Limited	47,480,307	67,736,068
BASIC Bank Limited	89,910,394	124,363,924

### 10.01.02 Call Loan

Sonali Bank Limited	90,000,000	100,000,000
Janata Bank Limited	-	30,000,000

### 10.01.03 Lease Liability

Lease liabilities derived from present value of all rental payments for corporate head office and four branches. When measuring lease liabilities, Meridian Finance discounted lease payments using its incremental borrowing rate (11%) at 01 January 2019.

### 10.02 Maturity grouping of borrowings from other banks, financial institutions & agents

Payable on demand	90,000,000	130,000,000
Up to 1 month	142,386,635	156,653,807
Over 1 months but within 3 month	2,478,540	670,833
Over 3 months but within 1 year	76,931,895	57,603,305
Over 1 year but within 5 years	254,880,136	245,785,816
Over 5 years	58,101,704	-



## 11.00 Deposits and other accounts

Term deposits (Note-11.01)

Other deposits (Note-11.02)

### 11.01 Term deposits

Short term deposit (Note-11.01.01)

Long term deposit (Note-11.01.02)

Double money deposit (Note-11.01.03)

Triple money deposit - individual

Monthly earner deposit - individual

Quarterly earner deposit - individual

Millionaire scheme (Note-11.01.04)

Insured millionaire scheme - individual

Deposit pension scheme - individual

Insured deposit pension scheme - individual

#### 11.01.01 Short term deposit

Short term deposit - Bank & NBF

Short term deposit - corporate

Short term deposit - individual

#### 11.01.02 Long term deposit

Long term deposit - corporate

Long term deposit - individual

#### 11.01.03 Double money deposit

Double money deposit - corporate

Double money deposit - individual

#### 11.01.04 Millionaire scheme

Millionaire scheme - corporate

Millionaire scheme - individual

### 11.02 Other deposits

Interest bearing security deposit (Note-11.02.01)

Non-interest bearing security deposit (Note-11.02.02)

#### 11.02.01 Interest Bearing Security Deposit

Lease deposit, SMALL

Loan deposit, SMALL

Loan deposit, MID

Loan deposit, Corporate

#### 11.02.02 Non-interest bearing security deposit

Lease deposit, SMALL

Loan deposit, SMALL

Lease deposit, MID

Loan deposit, MID

Lease deposit, Corporate

Loan deposit, Corporate

House finance deposit

Car lease deposit

Amount in BDT	
2019	2018
2,830,640,879	3,174,502,518
58,691,605	81,490,990
<b>2,889,332,484</b>	<b>3,255,993,507</b>
2,562,673,344	2,966,979,523
70,899,648	69,055,705
73,865,000	51,285,000
20,800,000	20,800,000
59,800,000	37,680,000
22,800,000	19,100,000
13,219,953	6,038,290
441,934	-
5,670,000	3,564,000
471,000	-
<b>2,830,640,879</b>	<b>3,174,502,518</b>
1,659,500,000	2,074,700,000
608,444,734	646,228,762
294,728,611	246,050,761
<b>2,562,673,344</b>	<b>2,966,979,523</b>
58,500,000	67,905,705
12,399,648	1,150,000
<b>70,899,648</b>	<b>69,055,705</b>
25,500,000	25,500,000
48,365,000	25,785,000
<b>73,865,000</b>	<b>51,285,000</b>
179,200	115,200
13,040,753	5,923,090
<b>13,219,953</b>	<b>6,038,290</b>
24,061,932	49,970,924
34,629,673	31,520,066
<b>58,691,605</b>	<b>81,490,990</b>
650,000	650,000
10,674,795	28,220,924
9,700,000	19,600,000
3,037,137	1,500,000
<b>24,061,932</b>	<b>49,970,924</b>
3,040,461	2,761,582
1,471,138	2,731,066
2,816,155	2,281,691
7,034,053	9,879,571
3,294,088	2,331,524
15,878,165	10,886,847
-	244,000
1,095,613	403,785
<b>34,629,673</b>	<b>31,520,066</b>

### 11.03 Group-wise break-up of term deposits

	Amount in BDT	
	2019	2018
Government	27,285,492	10,000,000
Bank	1,659,500,000	2,074,700,000
Insurance	54,718,125	47,114,441
Other institutions	610,620,317	682,635,227
Individuals	478,516,945	360,052,851
	<b>2,830,640,879</b>	<b>3,174,502,518</b>

### 11.04 Maturity analysis of Term deposits

Payable on demand	-	-
Up to 1 month	463,947,436	647,108,471
Over 1 month but within 6 month	2,036,097,942	2,221,218,408
Over 6 months but within 1 year	143,412,806	210,513,158
Over 1 year but within 5 year	143,290,744	57,204,150
Over 5 year but within 10 years	43,891,950	38,458,331
Over 10 years	-	-
	<b>2,830,640,879</b>	<b>3,174,502,518</b>

### 12.00 Other liabilities

Withholding tax payable	3,113,272	2,736,956
Withholding VAT payable	410,625	406,069
Excise duty	264,400	248,622
Interest payable- (Note - 12.01)	107,444,216	101,716,603
Audit fee payable	230,000	172,500
Payable for assignment cheque	2,354,812	430,868
Payable to suppliers	963,571	1,127,235
Payable for insurance-SME	7,451	7,451
Payable for insurance-Deposit	3,000	-
Gratuity fund payable	2,257,821	5,178,735
Welfare fund payable	30,420	30,420
Unearned revenue	411,525	867,935
Sundry creditors	2,437,057	7,927,113
Provision for current tax (12.02)	42,998,431	95,390,771
Salary payable	366,754	-
Interest suspense account (Note-12.03)	29,495,517	13,660,285
Provision for doubtful accounts and future losses (Note-12.04)	102,252,390	62,319,728
	<b>295,041,262</b>	<b>292,221,290</b>

### 12.01 Interest payable

Short term deposit (Note-12.01.01)	66,209,910	76,823,252
Long term deposit (Note-12.01.02)	1,885,545	3,113,304
Double money deposit (Note-12.01.03)	17,612,609	8,851,849
Monthly earner deposit - individual	328,064	222,305
Quarterly earner deposit - individual	323,809	234,146
Triple money deposit - individual	8,569,807	3,682,700
Millionaire scheme (Note-12.01.04)	1,168,903	267,219
Insured millionaire scheme - individual	9,398	-
Deposit pension scheme - individual	420,498	172,146
Insured deposit pension scheme - individual	7,122	-
Interest bearing security deposit (Note-12.01.05)	3,739,189	5,474,684
Unsecured borrowing (Note-12.01.06)	7,169,362	2,755,939
Secured borrowing	-	119,060
	<b>107,444,216</b>	<b>101,716,603</b>

		Amount in BDT	
		2019	2018
<b>12.01.01 Short term deposit</b>			
Short term deposit - Bank & NBFI		28,188,960	47,858,624
Short term deposit - corporate		25,328,655	19,651,573
Short term deposit - individual		12,692,295	9,313,055
		<b>66,209,910</b>	<b>76,823,252</b>
<b>12.01.02 Long term deposit</b>			
Long term deposit - corporate		1,696,194	3,094,254
Long term deposit - individual		189,351	19,050
		<b>1,885,545</b>	<b>3,113,304</b>
<b>12.01.03 Double money deposit</b>			
Double money deposit - corporate		9,749,569	6,180,392
Double money deposit - individual		7,863,040	2,671,457
		<b>17,612,609</b>	<b>8,851,849</b>
<b>12.01.04 Millionaire scheme</b>			
Millionaire scheme - corporate		24,980	4,454
Millionaire scheme - individual		1,143,923	262,765
		<b>1,168,903</b>	<b>267,219</b>
<b>12.01.05 Interest bearing security deposit</b>			
Lease deposit, SMALL		125,125	92,625
Loan deposit, SMALL		1,347,658	2,607,082
Loan deposit, MID		2,044,797	2,651,853
Loan deposit, corporate		221,609	123,125
		<b>3,739,189</b>	<b>5,474,684</b>
<b>12.01.06 Unsecured Borrowing</b>			
Call borrowing		27,500	90,278
Bangladesh Bank refinancing		7,141,862	2,665,661
		<b>7,169,362</b>	<b>2,755,939</b>
<b>12.02 Provision for current tax</b>			
Opening balance		95,390,771	89,961,302
Provision during the year		42,944,953	60,832,537
		138,335,724	150,793,839
Adjusted during the year		(95,337,293)	(55,403,068)
		<b>42,998,431</b>	<b>95,390,771</b>
<b>12.03 Interest suspense account</b>			
Corporate finance		8,802,036	8,346,423
Consumer finance		2,093,213	1,364,580
SME finance		18,600,267	3,949,282
		<b>29,495,517</b>	<b>13,660,285</b>
<b>12.04 Provision for doubtful accounts and future losses</b>			
General provision (Note-12.04(i))		46,847,097	46,298,168
Specific provision		27,079,683	4,869,939
Provision for diminutions in value of investments		27,780,877	11,151,622
		<b>101,707,657</b>	<b>62,319,728</b>
Other provisions		544,734	-
		<b>102,252,390</b>	<b>62,319,728</b>
<b>12.04 (i) Product wise break up of provision</b>			
Corporate finance (12.04.01)		34,819,843	35,090,860
Consumer finance (12.04.02)		6,552,130	7,159,378
SME finance (12.04.03)		5,470,258	4,047,929
		<b>46,842,231</b>	<b>46,298,168</b>

**12.04.01 Corporate finance**

Lease finance

Loan finance

Syndicated loan finance

**12.04.02 Consumer finance**

House finance

Car lease

Loan against deposit

Personal loan - employee

**12.04.03 SME finance**

Lease finance, SMALL

Loan finance, SMALL

Lease finance, MID

Loan finance, MID

**13.00 Share capital****Authorized**

200,000,000 ordinary shares of BDT 10 each

**Issued, subscribed and paid up**

120,000,000 ordinary shares of BDT 10 each

Details of shares holding position are as under:

**Sponsor Shareholders:**

	Percentage (%)	No. of Shares	Amount in BDT 2019	Amount in BDT 2018
<b>A. Individual Sponsors</b>				
Ms. Naima Chowdhury	4.167	5,000,000	50,000,000	50,000,000
Mr. K.M. Aminul Islam	4.167	5,000,000	50,000,000	50,000,000
Ms. Ruba Ahmed	8.333	10,000,000	100,000,000	100,000,000
Mr. Mizanur Rahman	4.167	5,000,000	50,000,000	50,000,000
	<b>20.83</b>	<b>25,000,000</b>	<b>250,000,000</b>	<b>250,000,000</b>
<b>B. Institutional Sponsors</b>				
AG Agro Industries Ltd.	8.333	10,000,000	100,000,000	100,000,000
M Rahman Steel Mills Ltd.	4.167	5,000,000	50,000,000	50,000,000
Siam's Superior Ltd.	8.333	10,000,000	100,000,000	100,000,000
Arunima Apparels Ltd.	8.333	10,000,000	100,000,000	100,000,000
Matrix Sweaters Ltd.	8.333	10,000,000	100,000,000	100,000,000
Diganta Sweaters Ltd.	8.333	10,000,000	100,000,000	100,000,000
Disari Industries (Pvt.) Ltd.	8.333	10,000,000	100,000,000	100,000,000
Toma Construction & Co. Ltd.	8.333	10,000,000	100,000,000	100,000,000
Saima Samira Textile Mills Ltd.	8.333	10,000,000	100,000,000	100,000,000
Omega Sweaters Ltd.	8.333	10,000,000	100,000,000	100,000,000
	<b>79.17</b>	<b>95,000,000</b>	<b>950,000,000</b>	<b>950,000,000</b>
<b>Total Shareholdings</b>	<b>100.00</b>	<b>120,000,000</b>	<b>1,200,000,000</b>	<b>1,200,000,000</b>

### 13.01 Capital adequacy ratio (CAR)

As per section 4(GHA) of the Financial Institution Rule 1994 and subsequently updated vide DFIM Circular No. 5, dated July 24, 2011, the minimum paid up capital of the Financial Institution (FI) shall be Taka 100 crore; Provided that the sum of paid up capital and reserves shall not be less than the minimum capital determined by the Bangladesh Bank under the Risk-Based Assets of the company. The surplus eligible capital of the company at the close of business on 31 December 2019 were Taka 35 crore.

	Amount in BDT	
	2019	2018
<b>Core capital ( Tier-1) / shareholders' equity</b>		
Paid-up capital (Note-13)	1,200,000,000	1,200,000,000
Share premium	-	-
Statutory reserves (Note-14)	66,182,640	54,993,139
General reserves	-	-
Dividend equalization reserves	-	-
Retained earnings (Note-15)	48,730,559	99,972,555
Non-controlling interest	-	-
<b>Sub-Total</b>	<b>1,314,913,199</b>	<b>1,354,965,694</b>
<b>Supplementary capital (Tier -II)</b>		
General provision (Unclassified loans up to specified limit + SMA + Off Balance Sheet exposure)	35,924,132	44,510,162
Assets revaluation reserves up to 50%	-	-
Revaluation reserve for securities up to 45%	-	-
All others preference shares	-	-
Others (if any other item approved by Bangladesh Bank)	-	-
<b>Sub-Total</b>	<b>35,924,132</b>	<b>44,510,162</b>
<b>A) Total capital</b>	<b>1,350,837,332</b>	<b>1,399,475,855</b>
<b>Total assets including off -balance sheet exposures</b>	<b>5,336,527,339</b>	<b>5,655,820,130</b>
<b>B) Total risk weighted assets</b>	3,379,766,895	4,392,836,674
<b>C) Required capital based on risk weighted assets (10% on B)</b>	337,976,690	439,283,667
<b>D) Surplus (A-C)</b>	1,012,860,642	960,192,188
<b>E) Capital adequacy ratio (%)</b>	39.97%	31.86%
<b>F) Core capital to RWA (%)</b>	38.91%	30.84%
<b>G) Supplementary capital to RWA (%)</b>	1.06%	1.01%
<b>14.00 Statutory reserve</b>		
Opening balance	54,993,139	30,247,568
Add: Transferred from profit	11,189,501	24,745,571
<b>Closing balance</b>	<b>66,182,640</b>	<b>54,993,139</b>
<b>15.00 Retained earnings</b>		
Opening balance	99,972,555	120,990,272
Add: profit/(loss) for the period	55,947,506	123,727,853
Less: appropriation to statutory reserve	(11,189,501)	(24,745,571)
Less: cash dividend	(96,000,000)	(120,000,000)
<b>Closing balance</b>	<b>48,730,559</b>	<b>99,972,555</b>

**16.00 Interest income****Corporate Finance**

Lease Finance	18,740,109	17,440,324
Loan Finance	284,802,232	301,806,047
Syndicated Loan Finance	24,563,940	12,445,940

**2019****2018****328,106,282****331,692,311****Consumer Finance**

House Finance	68,989,793	55,271,520
Car lease	20,691,820	25,851,442
Loan against Deposit	1,894,193	4,294,042
Personal Loan - Employee	40,621	39,952

**91,616,427****85,456,956****SME Finance**

Lease Finance, SMALL	18,794,628	20,277,165
Loan Finance, SMALL	32,516,252	58,982,385
Lease Finance, MID	11,459,196	12,003,491
Loan Finance, MID	64,413,520	90,094,904

**127,183,596****181,357,944****Channel Finance**

Factoring	252,998	1,053,029
Distributor Financing	-	25,562
Work Order Financing	-	62,283

**252,998****1,140,874****Treasury**

Fixed deposit accounts	15,770,032	12,131,667
Short notice deposit accounts	5,382,515	1,011,415
Short term placement	49,140,528	61,441,778

**70,293,074****74,584,860****617,452,377****674,232,945****17.00 Interest expenses on deposits and borrowings**

Interest on term deposit (Note-17.01)	353,463,812	336,689,928
Interest bearing security deposit	1,875,049	3,223,440
Secured Bank Overdraft	974,116	2,440,553
Unsecured Borrowing (Note- 17.02)	33,054,893	53,404,522
Interest on Right of Use of Asset	5,035,955	-

**394,403,825****395,758,443****17.01 Interest on term deposit**

Short Term Deposit (Note-17.01.01)	328,196,997	319,497,742
Long Term Deposit (Note-17.01.02)	2,446,676	5,896,952
Monthly Earner Deposit - Individual	5,524,379	2,583,829
Quarterly Earner Deposit - Individual	2,212,595	1,508,123
Double Money Deposit (Note-17.01.03)	8,839,802	4,317,834
Triple Money Deposit - Individual	4,887,107	2,441,048
Millionaire Scheme (Note-17.01.04)	937,120	273,450
Insured Millionaire Scheme - Individual	9,398	-
Multiple Transactions Flexible Deposit - Corporate	10,176	-
Deposit Pension Scheme-Individual	392,440	170,951
Insured Deposit Pension Scheme-Individual	7,122	-

**353,463,812****336,689,928**

		Amount in BDT	
		2019	2018
<b>17.01.01 Short Term Deposit</b>			
Short Term Deposit - Bank & NBF		228,636,656	224,667,661
Short Term Deposit - Corporate		67,339,275	73,688,680
Short Term Deposit - Individual		32,221,066	21,141,402
		<b>328,196,997</b>	<b>319,497,742</b>
<b>17.01.02 Long Term Deposit</b>			
Long Term Deposit - Corporate		2,247,140	3,038,060
Long Term Deposit - Individual		199,536	2,858,893
		<b>2,446,676</b>	<b>5,896,952</b>
<b>17.01.03 Double Money Deposit</b>			
Double Money Deposit - Corporate		3,569,177	2,748,360
Double Money Deposit - Individual		5,270,625	1,569,473
		<b>8,839,802</b>	<b>4,317,834</b>
<b>17.01.04 Millionaire Scheme</b>			
Millionaire Scheme - Corporate		20,526	4,454
Millionaire Scheme - Individual		916,594	268,996
		<b>937,120</b>	<b>273,450</b>
<b>17.02 Unsecured Borrowing</b>			
Call Borrowing		5,255,139	7,457,570
Unsecured Short Term Borrowing		640,278	18,002,931
Bangladesh Bank Refinancing		7,437,303	3,504,363
Long Term Loan		17,474,740	22,374,342
Unsecured Bank Overdraft		2,247,433	2,065,318
		<b>33,054,893</b>	<b>53,404,522</b>
<b>18.00 Income from investment</b>			
Capital gain on sale of marketable securities		3,313,239	150,870
Dividend Income (Note-18.01)		15,139,303	18,350,442
		<b>18,452,542</b>	<b>18,501,312</b>
<b>18.01 Dividend Income</b>			
Dividend Income - Marketable securities		3,632,986	3,159,276
Dividend Income - Preference Share		11,506,318	15,191,166
		<b>15,139,303</b>	<b>18,350,442</b>
<b>19.00 Commission, Exchange and Brokerage Income</b>		-	-
<b>20.00 Other operational income</b>			
Fees and documentations (Note-20.01)		4,075,948	6,820,402
Miscellaneous Income		-	-
		<b>4,075,948</b>	<b>6,820,402</b>
<b>20.01 Fees and documentations</b>			
<b><u>Corporate finance</u></b>			
Lease Finance		298,452	53,099
Loan Finance		219,322	1,334,929
Syndicated Loan Finance		-	2,336,250
		<b>517,774</b>	<b>3,724,278</b>
<b><u>Consumer Finance</u></b>			
House Finance		1,758,663	865,603
Car lease		585,555	230,398
Personal Loan		11,991	5,396
		<b>2,356,208</b>	<b>1,101,398</b>



		Amount in BDT	
		2019	2018
<b><u>SME Finance</u></b>			
Lease Finance, SMALL		106,611	519,192
Loan Finance, SMALL		706,664	1,164,093
Lease Finance, MID		9,957	5,577
Loan Finance, MID		262,626	108,761
		<b>1,085,857</b>	<b>1,797,623</b>
<b><u>Channel Finance</u></b>			
Factoring		116,108	197,104
		<b>116,108</b>	<b>197,104</b>
		<b>4,075,948</b>	<b>6,820,402</b>
<b>21.00 Salary and allowances</b>			
Salary and allowances		69,050,544	65,366,863
Provident fund contribution		2,522,782	2,491,500
Gratuity fund		(826,841)	2,448,649
Festival bonus		5,217,395	4,914,560
		<b>75,963,880</b>	<b>75,221,571</b>
<b>22.00 Rent, taxes, insurance, electricity etc.</b>			
Office rent		-	21,274,655
Insurance		220,977	243,582
Utilities		3,750,498	2,114,706
		<b>3,971,475</b>	<b>23,632,943</b>
<b>23.00 Legal and professional fees</b>			
		<b>1,754,489</b>	<b>2,229,083</b>
<b>24.00 Postage, stamp, telecommunication etc.</b>			
Postage and courier		66,003	70,809
Stamp charges		76,590	200,410
Telephone bill		1,221,058	1,259,754
		<b>1,363,651</b>	<b>1,530,973</b>
<b>25.00 Stationery, printing, advertisement</b>			
Printing and stationery		2,212,604	1,997,125
Advertisement		850,075	363,794
		<b>3,062,679</b>	<b>2,360,919</b>
<b>26.00 Managing director's salary and allowance</b>			
Basic Salary		3,900,000	3,625,000
Allowances		3,570,000	3,570,000
Bonus		500,000	500,000
Provident fund contribution		300,000	300,000
Gratuity fund		-	250,000
		<b>8,270,000</b>	<b>8,245,000</b>
<b>27.00 Directors' fees</b>			
		<b>796,236</b>	<b>646,875</b>
<b>28.00 Auditors' fees</b>			
		<b>249,167</b>	<b>191,667</b>
<b>29.00 Repairs, maintenance and depreciation</b>			
Repairs and maintenance		1,314,611	432,721
Software maintenance		-	-
Depreciation & Amortization		28,405,687	9,453,528
		<b>29,720,298</b>	<b>9,886,248</b>



	Amount in BDT	
	2019	2018
<b>30.00 Other expenses</b>		
Training	156,358	163,457
Renewal & Registration fees	495,943	1,052,572
Employee Engagement Program	186,467	843,360
Conveyance	843,139	908,314
Travelling	1,392,157	816,972
Business Development Expense	1,628,487	852,387
Business Documentation Expense	715,000	4,852,440
Internet and e-mail	495,800	565,865
Computer accessories	131,280	160,747
Fuel expense	665,589	746,915
Vehicle maintenance/Registration	4,184,531	4,002,626
Office maintenance	3,091,675	3,067,487
Entertainment	306,644	272,698
Bank charges	154,460	140,251
CIB Charge	73,170	63,180
CSR expense	150,000	194,290
Excise duty	179,002	179,000
CDBL fee	17,623	21,265
Branding	75,698	-
Security Guard Services	2,765,038	2,617,590
Recruitment Expenses	75,980	72,800
NID Verification fee	2,710	2,813
Marketing Expense	997,431	415,479
Meeting expense	156,372	180,256
	<b>18,940,554</b>	<b>22,192,763</b>
<b>31.00 Provisions for leases, loans &amp; investments</b>		
Provision for leases, loans and advances	<b>22,758,674</b>	<b>11,790,804</b>
General provision	548,930	6,920,865
Specific provision	22,209,744	4,869,939
Provision for diminution in value of investments	16,629,255	11,151,622
Other provisions	544,734	-
	<b>39,932,662</b>	<b>22,942,426</b>
<b>32.00 Provision for taxation</b>		
Current tax expense/ (income) (Note-32.01)	4,598,039	5,429,468
Deferred tax expense/ (income) (Note - 32.02)	1,006,407	(2,363,909)
	<b>5,604,446</b>	<b>3,065,560</b>
<b>32.01 Current tax expense/ (income)</b>		
Current tax expense/ (income) for the year 2019	42,944,953	60,832,537
Revised tax expense/ (income) for the year 2018 (Note - 32.01.01)	(38,346,915)	-
Revised tax expense/ (income) for the year 2017	-	(47,193,673)
Revised tax expense/ (income) for the year 2016	-	(8,209,396)
	<b>4,598,039</b>	<b>5,429,468</b>
<b>32.01.01 Revised tax expense/ (income) for the year 2018</b>		
Tax Provisions made in Accounts	60,832,537	
Assessed Tax	22,485,622	
<b>Revised tax expense/ (income)</b>	<b>(38,346,915)</b>	

During the year 2019, Tax for the year 2018 has been finally assessed by Tax Authority for Taka 22,485,622.

### 32.02 Deferred Tax Expense / (Income)

Particulars	31 December 2019	31 December 2018	Tax Expense/ (Income)
Deferred tax liability	-	-	-
Deferred tax assets	1,632,953	2,639,360	1,006,407
<b>Deferred tax expense/ (income)</b>			<b>1,006,407</b>

### 33.00 Related party transactions

Details of transactions with related parties and balances with them as at 31 December, 2019 were as follows:

SI No.	Name of the Related Party	Transaction nature	Relationship	Balance as at 01 Jan 2019	Addition	Adjustment	Balance as at 31 Dec 2019
1	South Asia Insurance Company Limited	Corporate lease	Director Concern	-	18,904,349	1,674,295	17,230,054
2	AG Agro Industries Ltd.	Term deposit	Shareholder	-	6,400,000	-	6,400,000
3	M Rahman Steel Mills Ltd.	Term deposit	Shareholder	-	3,200,000	-	3,200,000
4	Siams Superior Limited.	Term deposit	Shareholder	-	6,400,000	-	6,400,000
5	Arunima Apparels Ltd.	Term deposit	Shareholder	-	6,400,000	-	6,400,000
6	Matrix Sweaters Ltd.	Term deposit	Shareholder	-	6,400,000	-	6,400,000
7	Disari Industries (Pvt) Ltd.	Term deposit	Shareholder	8,182,000	6,614,778	8,396,778	6,400,000
8	Saima Samira Textile Mills Ltd.	Term deposit	Shareholder	-	6,400,000	-	6,400,000
9	Omega Sweaters Ltd.	Term deposit	Shareholder	-	6,400,000	-	6,400,000
10	Diganta Sweaters Ltd.	Term deposit	Shareholder	108,304,946	17,081,815	-	125,386,761
11	Toma Construction & Co. Ltd.	Term deposit	Shareholder	8,182,000	7,150,407	-	15,332,407
12	Ruba Ahmed	Term deposit	Shareholder	9,205,063	8,010,758	-	17,215,821
13	Md. Mizanur Rahman	Term deposit	Shareholder	-	3,600,000	-	3,600,000
14	Kazi M Aminul Islam	Term deposit	Shareholder	4,601,281	4,030,719	3,000,000	5,632,000
15	Naima Chowdhury	Term deposit	Shareholder	4,601,281	3,998,719	-	8,600,000
16	South Asia Insurance Company Limited	Term deposit	Director Concern	-	24,500,000	-	24,500,000
17	Diganta Packaging & Accessories Ltd.	Term deposit	Director Concern	85,715,917	5,351,476	31,456,792	59,610,601
18	Cosmos Sweaters Ltd.	Term deposit	Director Concern	97,965,770	5,335,412	43,868,757	59,432,425
19	Sweaters Zone Ltd.	Term deposit	Director Concern	93,525,273	5,330,340	39,479,453	59,376,160
20	Meridian Finance & Investment Limited Employees' Provident Fund	Term deposit	PF Fund	8,070,063	7,361,719	194,493	15,237,289
<b>Total</b>				<b>428,353,594</b>	<b>158,870,492</b>	<b>128,070,568</b>	<b>459,153,518</b>

### 34.00 Employees' details

No. of employee received BDT 3,000 per month

No. of employee received more than BDT 3,000 per month

2019	2018
-	-
80	81
<b>80</b>	<b>81</b>

### 35.00 Disclosure of Audit Committee

#### A. Particulars of audit committee

The Audit Committee of the Board was duly constituted by the Board of Directors of the Company in accordance with the Bangladesh Bank's DFIM circular # 13, dated: October 26, 2011.

The Audit Committee of the Board of Directors consisted of the following members of the Board:

Name	Status at the Company	Status at the Committee
Ms. Shahnaj Kamal	Director (Representative of Diganta Sweaters Ltd.)	Chairman
Mr. Mahmud Hasan Khan	Director (Representative of Arunima Apparels Ltd.)	Member
Mr. Golam Mostafa	Director (Representative of Omega Sweaters Ltd.)	Member
Ms. Rashnat Tarin Rahman	Director (Representative of Toma Construction & Co. Ltd.)	Member
Ms. Shamima Nargis	Director (Representative of Saima Samira Textile Mills Ltd.)	Member

#### B. Meeting held by the committee during the year by date

Meeting No.	Held on
13th Meeting	March 24, 2019
14th Meeting	June 30, 2019
15th Meeting	November 11, 2019
16th Meeting	December 23, 2019

### 36.00 Event after the Reporting Period

- A) The board of directors in its meeting held on May 28, 2020 has approved the financial statements and authorized the same for issue.
- B) The board of directors in its 43rd Meeting held on May 28, 2020 has recommended to the shareholders a cash dividend @ 4% i.e., BDT 0.4 per share (amounting to BDT 48,000,000) based on financial performance for the year ended 31 December 2019. This will be considered for approval by the shareholders at the 6th Annual General Meeting (AGM) to be held on June 11, 2020
- C) No other adjusting event had been occurred till date of signing the financial statements which recognize adjustment under **IAS - 10 "Events after Reporting Period"**.

Sd/-	Sd/-	Sd/-	Sd/-
_____ Director	_____ Director	_____ Managing Director & CEO	_____ Company Secretary

**Meridian Finance and Investment Limited**  
**Schedule of Fixed Assets including land, building, furniture and fixtures**  
**As at 31 December 2019**

Amount in BDT

Particulars	COST				DEPRECIATION				Written down value as at 31.12.2019
	Balance as at 01.01.2019	Addition during the year	Adjustment / disposal the year	Balance as at 31.12.2019	Rate (%)	Balance as at 01.01.2019	Charged during the year	Adjustment / disposal the year	Balance as at 31.12.2019
<b>Freehold assets</b>									
Furniture & fixture	7,879,010	94,127	-	7,973,136	16.67	2,621,912	1,313,840	-	3,935,752
Office decoration	22,966,866	68,441	-	23,035,307	16.67	7,471,278	3,836,303	-	11,307,580
Office equipment	7,062,969	61,104	-	7,124,073	20.00	2,254,370	1,416,100	-	3,670,469
IT equipments	8,931,384	2,390,585	-	11,321,969	20.00	3,950,267	2,100,439	-	6,050,705
Motor vehicle	6,943,000	-	-	6,943,000	20.00	4,300,682	1,388,600	-	5,689,282
	<b>53,783,228</b>	<b>2,614,257</b>	-	<b>56,397,486</b>		<b>20,598,509</b>	<b>10,055,281</b>	-	<b>30,653,789</b>
<b>Intangible assets</b>									
Systems & software	933,623	155,400	-	1,089,023	20.00	330,464	256,640	-	587,104
WIP - software	4,716,701	506,688	-	5,223,389	-	-	-	-	-
<b>Lease Hold Assets</b>									
Right of use of assets	-	73,911,166	(6,812,103)	67,099,063	-	-	18,093,766	(6,812,103)	11,281,663
<b>Total as at 31 December 2019</b>	<b>59,433,552</b>	<b>77,187,511</b>	<b>(6,812,103)</b>	<b>129,808,960</b>		<b>20,928,972</b>	<b>28,405,687</b>	<b>(6,812,103)</b>	<b>42,522,556</b>
<b>Total as at 31 December 2018</b>	<b>51,024,325</b>	<b>8,409,227</b>	-	<b>59,433,552</b>		<b>11,475,444</b>	<b>9,453,528</b>	-	<b>20,928,972</b>
									<b>38,504,580</b>

## MERIDIAN FINANCE AND INVESTMENT LIMITED

**Financial highlights**  
**As at 31 December 2019**

SI No.	Key Indicators	Amount in BDT (mn)	
		2019	2018
1	Paid-up capital	1,200.00	1,200.00
2	Total capital	1,314.91	1,354.97
3	Capital surplus	1,012.86	960.19
4	Total assets	5,124.07	5,493.89
5	Total term deposits	2,830.64	3,174.50
6	Total loans, advances and leases	3,826.66	4,142.97
7	Total contingent liabilities and commitments	212.46	161.93
8	Credit deposit ratio	1.35	1.31
9	Percentage of classified loans against total loan & advance	3.52%	0.32%
10	Profit after tax and provision	55.95	123.73
11	Amount of classified loans during current year	134.74	13.42
12	Provisions kept against classified loans	101.71	62.32
13	Provision surplus against classified loan	12.65	2.12
14	Cost of fund	11.04%	10.05%
15	Interest earnings assets	4,762.81	5,072.43
16	Non-interest earnings assets	361.26	421.47
17	Return on investment (ROI)	4.25%	9.13%
18	Return on assets (ROA)	1.09%	2.25%
19	Income from investment	18.45	18.50
20	Earnings Per Share (EPS)	0.47	1.03
21	Net income per share	1.86	2.32
22	Market price per share	-	-
23	Price Earnings (P/E) ratio	-	-

# Meridian Finance and Investment Limited

Silver Tower, Level 6, 52 Gulshan Avenue  
Gulshan 1, Dhaka 1212, Bangladesh

## Proxy Form

Affix revenue  
stamp of  
Tk. 20.00

I ..... of .....  
..... being a member of Meridian Finance & Investment Limited here by appoint Mr. / Ms. .... of .....  
..... failing (him / her) .....  
..... of ..... as my proxy  
to attend and vote for me and on my behalf at the 7<sup>th</sup> Annual General Meeting of the company to be held on Wednesday, June 30, 2020 at 4:00 pm and at any adjournment thereof.

Signed this ..... day of ..... 2020

Detail of proxy	Detail of member
Signature	Signature
Name:	Name:
Folio Number (If any) :	Folio Number :

### Notes:

1. Proxy form duly completed must be deposited at the registered office of the company 48 hours before the time appointed for the meeting.
2. Signature of the member should agree with the specimen signature registered with the company.



## Attendance Slip

Detail of proxy	Detail of member
Signature	Signature
Name:	Name:
Folio Number (If any) :	Folio Number :

I/we hereby record my presence at 7<sup>th</sup> Annual General Meeting of Meridian Finance & Investment Limited on Wednesday, June 30, 2021 at 4:00 pm at 52 Gulshan Avenue, Dhaka, Bangladesh.

Note

Lined area for writing the note.

### **Corporate Head Office**

Address: Silver Tower, (L-6),  
52 Gulshan Avenue  
Gulshan – 1, Dhaka – 1212  
Tel: 16659, +88 09613 445566,  
Fax: +88 02 8837820-21  
Email: [info@meridianfinancebd.com](mailto:info@meridianfinancebd.com)

### **Principal Branch**

Address: Silver Tower, (L-9),  
52 Gulshan Avenue  
Gulshan – 1, Dhaka – 1212  
Tel: 16659, +88 09613 445566,  
Email: [info@meridianfinancebd.com](mailto:info@meridianfinancebd.com)

### **Gazipur Branch**

Address: Mass Square, 3<sup>rd</sup> floor,  
Outpara Chandon Chourasta,  
Gazipur  
Tel: 16659, +88 09613 445566,  
Email: [info@meridianfinancebd.com](mailto:info@meridianfinancebd.com)

### **Bogura Branch**

Address: 739/A, Rabu Tower, 2<sup>nd</sup> floor,  
Borogola, Bogura.  
Tel: 16659, +88 09613 445566,  
Email: [info@meridianfinancebd.com](mailto:info@meridianfinancebd.com)

### **Chattogram Branch**

Address: Suraiya Mansion,  
Holding No. 30, 5th Floor,  
Agrabad C/A, Chattogram.  
Tel: 16659, +88 09613 445566,  
Email: [info@meridianfinancebd.com](mailto:info@meridianfinancebd.com)

**Our  
Branches**



Call Us  
16659



Corporate  
Head Office

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[www.meridianfinancebd.com](http://www.meridianfinancebd.com)