



**Auditors' Report to the Shareholders
of
Bangladesh Industrial Finance Company Limited (BIFC)**

We have audited the accompanying financial statements of Bangladesh Industrial Finance Company Limited ("the Company") which comprise the balance sheet as at 31 December 2015 Profit and loss account, statement of changes in equity and statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements of the company in accordance with Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, the Financial Institutions Act 1993, the Securities and Exchange Rules 1987 along with the rules and regulations issued by Bangladesh Bank and for such internal control as management determines is necessary to enable the preparation of these financial statements of the company that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements of the company based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements of the company are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements of the company. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements of the company, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements of the company in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements of the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

1. Short Provision

Particulars	Amount in Taka
Loan & Advance Provision as per BRPD Circular # 14, Dated:23 September 2012,FID circular No.05 Dated:29 May 2013	6,859,680,746
Interest Suspense as per BRPD Circular # 14, Dated:23 September 2012	350,376,657
Total	7,210,057,403

The management has not made necessary provision in the accompanying financial statements as per BRPD Circular # 14 Dated 23 September 2012 under Financial Institution Act 1993 resulting an overstatement of net profit/(loss) and that would adversely affected the EPS & NAV.

2. Loan & Advance

2.10.

As on 31 December 2015, an amount of Tk. 4,152,025,794 were sanctioned defying the rules and regulation of loan granting policy of the Company and Bangladesh Bank guidelines. They disbursed the loan amount violating the rules and regulation of Bangladesh Bank. It appears from the available record and documents that the parties as mentioned in the list are related to the Ex-Chairman and Directors and their related parties having some unknown accounts holders whose whereabouts could not be evaluated properly. The owning parties also availed of Loan facilities in the name of Banglalion, Dresco Limited, Sunman Spinning, Sunman Pharma, Sunman Industrial Corporation, Towers Builders Chowdhary Apparel, Rahmania Textiles and withdrew the entire loaned amount without complying the existing approval authority of loan and loan sanctioning rules and policy. In the process of withdrawal of the fund, different name and account was engaged. The indiscriminate withdrawal of fund was done as CASHCOW for willful defaulters of the loanee. Ignoring ethical standards as a financial Institutions adding non performing loans added to its credit portfolio which has landed the institutions a huge outstanding debt including Taka 7,234,278,391 as at 31.12.2015 lying in the hands of few selected parties possibilities of recovery is remote. Name wise detailed list has been shown in the management report.

2.20.

The Financial statements shows a total expenditure Taka 82,896,178 as on 31.12.2015 against which we could not examine and vouch the expenditure relating to January to March 2015 amounting to Tk. 24,761,621. As our verifications of expenses to that period was limited to that extent.

As reported by the management, the above papers and documents relating to the accounts were damaged by the fire caused in the office premise.

3. Taxation

Minimum Tax:

Provisions were not made for minimum tax of Tk.23,38,297 under section 16CCC. of Income Tax Ordinance 1984. Subsequently BIFC management has decided to file a Writ Petition before High Court Division to waive minimum tax.

Deferred Tax:

The Company has not calculated the Deferred tax as per para 15 & 20 on revaluation reserve in accordance BAS-12 "Income Taxes". As a result effect on Profit and loss & NAV was either overstated or understated.

Opinion

In our opinion, except for the effect of the matter described in Basis for Qualified Opinion as stated in paragraph (1-3), the financial statements prepared in accordance with Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the company's affairs as at 31 December 2015 and of the results of its operation and its cash flows for the year then ended and comply with the applicable section of the Companies Act 1994, the Financial Institutions Act 1993, the Securities and Exchange Rules 1987 and the rules and regulations issued by Bangladesh Bank and other applicable laws and regulations.

We also report that

a) 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;

- b) in our opinion, proper books of accounts as required by law have been kept by the company so far as it appeared from our examination of those books;
- c) the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of accounts;
- d) the financial statements have been drawn up in conformity with the Financial Institutions Act 1993 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank to the extent applicable to the company;
- e) the financial position of the company as at 31 December 2015 and the profit and loss statement for the company together with annexed notes from 1 to 58 dealt with the report are in agreement with books of account;
- f) the expenditure incurred was for the purpose of the company's business;
- g) adequate provisions have not been made for loans and advances, investments and other assets which are in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have not been followed properly;
- h) the company has complied with the relevant laws pertaining to reserves and maintenance of liquid assets;
- i) the information and explanations required by us have been received and found satisfactory;
- j) taxes and other duties collected and deposited to Government treasury by the company as per Government instruction found satisfactory;
- k) statement sent to Bangladesh Bank has been checked on sample basis and no inaccuracy has come to our attention;
- l) as far as it was revealed from our test checks, the existing rules and regulation for loan/advance and lease sanctioning and disbursements as well as classification, provisioning and suspension of interest has not been followed properly;
- m) adequate capital of the company, as required by law, has been maintained during the year under audit;
- n) it appears from our test checks that the internal control system was not satisfactory and adequate to prevent probable frauds and forgeries;
- o) proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instruction issued by Bangladesh Bank & other regulatory authorities have been found complied;
- p) 80 percent of the risk-weighted assets have been reviewed spending over 1600 person hours;
- q) All other matters which are important for the stakeholders of the company have been adequately disclosed in the audit report.



Ahmed Zaker & Co.
Chartered Accountants

Dated: Dhaka

12 October, 2016