



Mercantile Insurance Company Ltd.

Annual Report 2020

# ANNUAL REPORT | 2020



মার্কেটহিল ইনস্যুরেন্স কোম্পানী লিঃ  
MERCANTILE INSURANCE COMPANY LTD.  
SYMBOL OF TRUST AND SECURITY



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## Letter of Transmittal



Mercantile Insurance Company Ltd.

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### Respected Shareholders

Bangladesh Securities and Exchange Commission (BSEC)  
Insurance Development & Regulatory Authority (IDRA)  
Registrar of Joint Stock Companies & Firms (RJSC&F)  
Dhaka Stock Exchange Limited (DSE)  
Chattogram Stock Exchange Limited (CSE)  
Central Depository Bangladesh Limited (CDBL)  
Bangladesh Bank  
Bangladesh Insurance Association  
Department of insurance, ministry of finance

### Sub: Annual Report of Mercantile Insurance Company Ltd. for the year ended December 31, 2020

Dear Sir(s)

We are pleased to enclose copy of annual report for the year ended December 31, 2020, for your kind information.

The report includes audited financial statements i.e Balance sheet, profit or loss account, statement of cash flows, statement of changes in equity and notes to the financial statement of consolidated and separate bases for the year ended 31 December 2020 for your kind information & record.

With best regards  
Your's Faithfully

**Abdur Rahman**  
DMD & Company Secretary



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# Rating AA<sup>-</sup>

*The Company has been rated as  
grade AA<sup>-</sup>  
by the Government approved Credit Rating agency  
Alpha Credit Rating Ltd.*

## RATING : AA-

Date of Surveillance Rating : 31 December 2020  
Surveillance Rating 2020 : Long Term AA<sup>-</sup>  
Short Term ST-2  
Outlook : Stable  
Surveillance Rating 2019 : AA<sup>-</sup>  
Surveillance Rating Validity : September 07, 2021

## RATING: "AA-" DENOTES:

"High Claims paying ability.  
Protection factors are good and there is  
an expectation of variability in risk  
over time due to economic  
and / or underwriting conditions."





## Corporate Information



Mercantile Insurance Company Ltd.

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<b>Name of the Company</b>	<b>Mercantile Insurance Company Ltd.</b>
Legal Form	A Public Limited Company incorporated in Bangladesh on March 19, 1996 under the Insurance Act, 1938 and listed in Dhaka Stock Exchange Limited and Chittogram Stock Exchange Limited.
Commencement of Business	March 19, 1996
Registered with the Department of Insurance	May 13, 1996
Registered & Head Office	Red Crescent House (1 <sup>st</sup> Floor), 61, Motijheel C/A, Dhaka – 1000
Telephone No.	02223387467, 02223387662, 02223387463
Fax No.	88-02-9562301
Website	www.mercantileins.com
E-mail	mercantileins@yahoo.com, mercantileins2017@gmail.com
Chairman	<b>M. Kamal Uddin</b>
Chief Executive Officer	Firoz Ahmed
Company Secretary	Abdur Rahman
CFO	Md. Abdus Salam
Authorised Capital	Tk.100.00 Crore
Paid up Capital	Tk.43.10 Crore
Face Value per share	Tk. 10.00
Market category	'A'
Credit Rating	Long term <b>AA-</b> , Short term <b>ST-2</b> , Outlook <b>Stable</b>
Start of Trading with DSE	7 December 2004
Start of Trading with CSE	21 May 2009
Auditors	<b>Kazi Zahir Khan &amp; Co.</b> Chartered Accountants Shamsunnahar & Wazi Complex, 8th Floor, Suite# 9B, 31/C/1, Topkhana Road, Segun Bagicha, Dhaka- 1000. Tel: 57160824, Fax: +880-2-57160821
Tax Adviser	<b>Talukder &amp; Associates</b> Eastern Mansion, 67/9, Kakrail, (2nd Floor) Room No. 05, Dhaka – 1000. Bangladesh





### *Our Mission*

*To become a leading insurance company of Bangladesh excelling in every aspect of its business and in delivering its obligations as a good corporate citizen to its clients, employees, shareholders, public and to the country.*

### *Our Vision*

*To be an innovative, profitable, best customer service provider in insurance companies than other and to enhance clients' trust on wealth, employers value and rapid growth in Shareholders equity.*

### *Our Services*

*Industrial all risks insurance  
Marine Insurance  
Fire Insurance  
Personal Accident Insurance  
Motor Insurance  
Contractors All Risk Insurance  
Tsunami and Earthquake Insurance  
Business interruption and machinery breakdown Insurance  
Health Insurance including overseas mediclaim Insurance  
Money Insurance Such as Cash in safe cash-in transit, Cash on Counter and ATM Booth  
Riot and Strike Damage Insurance  
Erection All Risk Insurance etc.*

### *Our Motto*

*Committed to cordial Services Trough "Trust and Security"*



## Board of Directors



Mercantile Insurance Company Ltd.

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### CHAIRMAN

M. Kamal Uddin

### VICE-CHAIRMAN

Mohammad Nabi Ullah

### CHAIRMAN, EXECUTIVE COMMITTEE

Al-haj Md. Nurul Amin

### CHAIRMAN, NOMINATION & REMUNERATION COMMITTEE

Muhammod Moniruzzaman Mozumder  
Independent Director

### CHAIRMAN, AUDIT COMMITTEE

Nur Amin  
Independent Director

### DIRECTORS

Abdul Haque  
Al-haj Mohammed Solaiman  
Md. Serajul Islam  
Abdur Rahman  
Dr. Md. Mizanur Rahman  
Mahtabuddin Chowdhury  
Al-haj Abdul Mannan Mazumder  
M. Nasir Uddin  
Wahid Ibn Reza  
Sajjad Mustafa  
Shafique Ahmed  
Nurul Azim Sunny

### CHIEF EXECUTIVE OFFICER

Firoz Ahmed



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# Brief Profile of Directors





## Brief Profile of Director



Mercantile Insurance Company Ltd.

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### **M. Kamal Uddin**

Chairman

Mr. M. Kamal Uddin is a sponsor Director of Mercantile Insurance Co. Ltd. He is the chairman of Board of Directors of Mercantile Insurance Co. Ltd. for consecutive 10 (ten) years and contributed exceptional role for the establishment, development & progress of the company since the inception of the company.

As a prominent business icon he is in the leading part of some business houses and industries.

He is the Managing Director of Chittagong Builders & Machinery Ltd, Merchant Securities Ltd, China Builders & Machineries Ltd., Sifang Machine House Ltd., Merchant Auto Ltd., CBM Parts House and CBM Consortium.

He is a Director of Social Islami Bank Ltd., Mercantile Islami Life Insurance Ltd., ASM Chemical Industries Ltd., Central Hospital Ltd., Sifang Securities Ltd., HURDCO International School, Universal Health Services & Research Ltd.,

His business career is versatile and his association with various types of business and well reputed organizations which makes him a forward looking and progressive businessman which has already reached him in an enviable height.

He is a Trec Holder of Dhaka Stock Exchange Limited.



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## Brief Profile of Director



### **Mohammad Nabi Ullah**

Vice-Chairman

Mr. Mohammad Nabi Ullah is the Vice-Chairman of Mercantile Insurance Co. Ltd. He made himself as an astute and efficient businessman and has achieved remarkable reputation and success in Business and industrial sector.

He is the Managing Director of United Leather Industries (Pvt.) Ltd., United Plastic Wood Industries (Pvt.) Ltd., M. Hossain

Cotton Spinning Mills (Pvt.) Ltd. and M. Hossain Spinning (Pvt.) Ltd. respectively.

It may be mentioned that times and again he visited many countries of the world like Kingdom of Saudi Arabia, China, Singapore, Malaysia, Taiwan, Thailand, USA, Europe, Australia, Indonesia, England in connection with business promotion & expansion.



## Brief Profile of Director



Mercantile Insurance Company Ltd.

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### **Al-haj Md. Nurul Amin**

Chairman, Executive Committee

Al-haj Md. Nurul Amin is Director of Mercantile Insurance Company Ltd. He is the Chairman of Executive Committee. Mr. Nurul Amin is a renowned and successful business personality and involved with a number of business community.

He is the Managing Director of Electro Mart Ltd. & Trade International Industries Ltd.

He is a Director of EXIM Bank Ltd. He is the Proprietor of Sunny Agency, Amin International, Noor Holdings and Amin Electronics.

Mr. Nurul Amin has travelled in many countries for the purpose of business development and expansion. He is actively involved with various socio-cultural organization and educational Institutions for the welfare of the state and of discipline through providing employment in many aspects.

He is a founder of Shamsul Karim College, Shamsul Karim Madrasa, Amin Newaz Girls High School & Shamsul Karim Kallyan Trust, Trustee Feni University etc.



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## Brief Profile of Director



### **Abdul Haque**

Ex-Chairman

Mr. Abdul Haque is a Sponsor Director of Mercantile Insurance Co. Ltd. He has also elected as Chairman for 8 terms as well.

He is involved in versatile business house and earned a notable fame in different kind of businesses and community work for his activities in home and abroad.

He is the Chairman of (Shamol Bangla Media Limited) Bangla Vision 24 hours Satellite TV channel.

Royal Green Products Limited.

ISO 9001:2008 (Concrete Spc Pole Factory)

Royal Green Securities Limited (Member of Dhaka Stock Exchange Limited)

He is also the Managing Director of Evergreen Dyes and Chemicals Industries Ltd. Evergreen Textile Limited.

He was also the President of Dhaka Stock Exchange Limited.

He has achieved spontaneous expertise in Dyes and Chemicals also in SPC Pole Factory Industry.

He is also involved with different kind of Social and Education activities etc.





## Brief Profile of Director



Mercantile Insurance Company Ltd.

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### **Al-haj Mohammed Solaiman**

Ex-Chairman

Al-haj Mohammed Solaiman is a Director of Mercantile Insurance Co. Ltd. He was elected as Chairman of the company for consecutive two years.

He is involved in versatile business houses like Insurance, Trading and Electronics.

He is the Chairman of HURDCO International School.

Managing Director of Paradise Corporation (Pvt.) Ltd.

Director of Central Hospital Ltd., Eden

Multicare Hospital Ltd., Epic Health Care & Proprietor of Paradise Electronics.

His Contribution towards socio-cultural and professional activities are remarkable.

It may be mentioned that he has visited many countries of the world in connection with business development and promotion.



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## Brief Profile of Director



### Md. Mizanur Rahman PhD

Sponsor Director

Dr. Md. Mizanur Rahman, the sponsor director of Mercantile Insurance Company Ltd., was born at Gopalganj town. His father Al-hajj M A Latif was a well-known personality of this town and a reputed headmaster of government high school and a District Education.

Dr. Rahman enjoyed his early life at Bankpara in his home-town Gopalganj. During his school and college life he was an active and enthusiastic boy-scout and senior Rover mate which helped him nourish his leadership qualities. He had his post graduation from the University of Dhaka. He was also a senate life member and registered graduate of Dhaka University. He had his LL.B (NUB), MBA and PhD from USA.

He was the vice-chairman of Mercantile Insurance Company Ltd (2001-02, 2008-09,

2016-18), Chairman Audit Committee (2011-12) and Chairman Executive Committee (2013-15).

He is the Chairman of AL-Mizan Group and director of A P Radiant Knitting Dyeing Ltd. He has also contributed a lot in journalism for a long time and worked in this profession as a publisher and founder-editor of The Daily Prime.

To know the unknown and to see the unseen Dr. Rahman as a passionate tourist widely visited many countries of Asia, Africa, Europe, America and Australia.

He believes that hard work and determination could be the key to success in life.



## Brief Profile of Director



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### Md. Serajul Islam

Sponsor Director

Mr. Md. Serajul Islam is sponsor Director of Mercantile Insurance Co. Ltd.

He is a former Director of Sadharan Bima Corporation. He attended many conferences instituted in Asia, Europe and USA. Moreover, he visited many countries of the world for the purpose of business promotion.

Apart from business carrier he is associated with many socio-cultural activities.



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## Brief Profile of Director



### **Abdur Rahman**

Sponsor Director

Mr. Abdur Rahman is one of the sponsor director of Mercantile Insurance Co. Ltd. He is acquainted with a number of industries and business institutions.

He is the Chairman of Evergreen Textiles Limited. Fraulen Fashion Ltd. (100% Export Oriented Compliance Knit Garments), R.N. Trading Ltd., and the Proprietor of G.N. International.

Mr. Abdur Rahman visited a number of countries for business promotion which includes U.K, U.S.A., Australia, Germany, Switzerland, Korea, Canada, Taiwan etc.





## Brief Profile of Director



Mercantile Insurance Company Ltd.

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### Mahtabuddin Chowdhury

Director

Mr. Mahtabuddin Chowdhury is a Director of Mercantile Insurance Co. Ltd.

He is the Managing Director of Shetu Corporation Ltd., Shetu Agro Industries Ltd., Oroni International Ltd. & C-Maart Securities Ltd.

It may be mentioned that he has visited many countries of the world in connection with the business development and promotion.



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## Brief Profile of Director



### Al-haj Abdul Mannan Mazumder

Director

Al-haj Abdul Mannan Mazumder is a Director of Mercantile Insurance Co. Ltd.

He has earned a notable fame in business community through his integrity and remarkable business activities. His diversified business affiliation includes Electronics, Trading, C&F Agency etc. He is the Chairman of Nexgen Properties and Proprietor of Motaleb Enterprise.

Mr. Mazumder is involved with a number of socio-cultural & welfare organizations.

He travelled in many countries of the world for business purposes in several times.



## Brief Profile of Director



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### M. Nasir Uddin

Director

Mr. M. Nasir Uddin is a Director of Mercantile Insurance Co. Ltd.

He is the Managing Director of Sifang Securities Ltd. He is the Director of Chittagong Builders & Machinery Ltd., China Builders & Machinery Ltd., Merchant Securities Ltd., Mercantile Islami Life Insurance Ltd., HURDCO International School and ASM Chemical Industries Ltd.

Apart from his business he is also involved with many socio-cultural activities with rural and urban areas.

He visited China, Singapore, Saudi Arabia in business and religious purpose.



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## Brief Profile of Director



### Wahid Ibn Reza

Director

Mr. Wahid Ibn Reza is a Director of Mercantile Insurance Co. Ltd. His direct involvement with many cultural organization is remarkable. He is blessed with some responsibilities given by his parents.

Mr. Wahid Ibn Reza is the only son of Professor Mohammad Razaul Karim and Advocate Late Suraya Karim Munny. He obtained B.Sc in Mechanical Engineering from Bangladesh University of Engineering & Technology (BUET) and Bachelor of Fine Arts in Film Production from University of British Colombia.

Mr. Wahid has been successfully working in VFX and animation production in the last seven years in North America. He has worked on Emmy nominated series such as Game of Thrones, rick and morty. Currently, Mr. Wahid is working on an animated series for one of the biggest animated studios in Canada, Atomic Cartoons Inc.

He visited many countries of the World.





## Brief Profile of Director



Mercantile Insurance Company Ltd.

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### Nurul Azim Sunny

Director

Mr. Nurul Azim Sunny is a Director of Mercantile Insurance Company Limited. He is the son of Al-haj Nurul Amin & Mrs. Ifat Akter Alin.

He is also the Director of Electro Mart Ltd., Trade International Industries Ltd., and Proprietor of Azim Enterprise.

He obtained Master of Accounting from Macquarie University of Australia, BBA from North South University.

Mr. Nurul Azim has travelled in many countries for the purpose of business development and expansion. He is actively involved with various socio-cultural organization and educational institutions for the welfare of the state and of discipline through providing employment in many aspects.



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## Brief Profile of CEO



### **Firoz Ahmed**

Chief Executive Officer

Mr. Firoz Ahmed is the Chief Executive Officer of Mercantile Insurance Company Ltd. He obtained his B.Sc (Hon's) M.Sc degree from Dhaka University. Just after completion of Post Graduation he joined in the Central Insurance Co. Ltd.

In 1996 he joined in the Mercantile Insurance Co. Ltd. in continuation with the Company, In 3rd January 2018 Insurance Development & Regulatory Authority (IDRA) accord permission to appoint him as Chief Executive Officer of Mercantile Insurance Company

Ltd. and since then, he is discharging the duties and responsibilities successfully with reputation and satisfaction of all as well as the Regulatory Authorities and Management of the Company.

He is associated with many socio-cultural and welfare organization in rural and urban areas.

He travelled in India, Malaysia, Thailand & Saudi Arabia.



## Head Office Executive



Mercantile Insurance Company Ltd.

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### CHIEF EXECUTIVE OFFICER

Firoz Ahmed

### DEPUTY MANAGING DIRECTOR & COMPANY SECRETARY

Abdur Rahman

### DEPUTY MANAGING DIRECTOR

Md. Azim Uddin

### ASSISTANT MANAGING DIRECTOR

Md. Nazrul Islam

### ASSISTANT MANAGING DIRECTOR & CFO

Md. Abdus Salam

### VICE-PRESIDENT

Sarwar Alam

### DEPUTY VICE-PRESIDENT

Nayan Tara Saha  
Md. Delwar Hossain

### ASSTT. VICE-PRESIDENT

Md. Habibur Rahman Chowdhury  
Farhana Habib

### SENIOR MANAGER, (INVESTOR'S RELATION DEPARTMENT)

Jesmin Akter



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### CHIEF EXECUTIVE OFFICER

Firoz Ahmed

### ADDITIONAL MANAGING DIRECTOR

Md. Abu Obydul Hasan

### DEPUTY MANAGING DIRECTOR & COMPANY SECRETARY

Abdur Rahman

### DEPUTY MANAGING DIRECTOR

Md. Altaf Hossain  
Bazlur Rahman  
Md. Azim Uddin

### ASSISTANT MANAGING DIRECTOR

Md. Nazrul Islam  
Md. Rashedul Islam

### ASSISTANT MANAGING DIRECTOR & CFO

Md. Abdus Salam

### SENIOR EXECUTIVE VICE-PRESIDENT

Md. Rashedur Rahman

### EXECUTIVE VICE-PRESIDENT

Md. Javed Akhter  
Delip Kumar Majumder  
Md. Helal Uddin  
Md. Joynal Abedin Mazumder

### VICE-PRESIDENT

Md. Ismail  
Sarwar Alam  
Abdul Bari Chowdhury

### DEPUTY VICE-PRESIDENT

Hamidul Alam Chowdhury  
Nayan Tara Saha  
Md. Delwar Hossain

### ASST. VICE-PRESIDENT

Md. Habibur Rahman Chowdhury  
Farhana Habib

### SENIOR MANAGER

Md. Asaduzzaman  
Jesmin Akter





## Our Branches



Mercantile Insurance Company Ltd.

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Name of Branch & Address	Branch in-charge	Phone/Mobile
<b>Bogura Branch</b> 2 No Rail Gate, Jhowtola Bogura Town, Bogura.	<b>Md. Abu Obydul Hasan</b> Additional Managing Director	(051) 51244, (M) 01711317116 E-mail:
<b>Khulna Branch</b> 7, Old Jashore Road Nizam Chamber (3rd floor), Khulna.	<b>Md. Altaf Hossain</b> Deputy Managing Director	(02) 477720645 (M) 01716421994, 01558325965, Fax: 041-813546
<b>Gulshan Branch</b> Islam Mansion, House No. 39, Road No. 126 Circle-1, Gulshan, Dhaka-1212	<b>Bazlur Rahman</b> Deputy Managing Director	58815073 (R), 58815075 (Off) (M) 01819174274
<b>Mogh Bazar Branch</b> 17 Mogh Bazar (4th floor) New Eskaton Road. Dhaka-1000	<b>Md. Rashedul Islam</b> Assistant Managing Director	58316926 (M) 01741775544, Fax: 48322361 E-mail: micl.mgb@gmail.com
<b>Rangpur Branch</b> Chayanika Cloth Centre (3rd Floor), Taltala Road, Rangpur	<b>Md. Rashedur Rahman</b> Senior Executive Vice-President	(0521)-55626 (M) 01713224466, 01711780040
<b>Jashore Branch</b> Jess Tower, M.K.Road (3rd Floor), Jashore.	<b>Md. Javed Akhter</b> Executive Vice-President	(0421) 68818, (M) 01711329290 Fax: 0421-68818
<b>Narayangonj Branch</b> 26 (New) S. M. Maleh Road (4th Floor) Tanbazar, Narayangonj.	<b>Delip Kumar Majumder</b> Executive Vice-President	7630440, (M) 01742548508, 01552440142 Fax: 02-7630440
<b>Agrabad Branch</b> 18. Sk. Mujib Road Agrabad, Chattogram.	<b>Md. Helal Uddin</b> Executive Vice-President	(031) 726631, 726632 (M) 01716429627 Fax: 031-726632
<b>Khatungonj Branch</b> 336, Khatungonj (1st Floor) Chattogram.	<b>Md. Joynal Abedin Mazumder</b> Executive Vice-President	(031) 611850, 611851 (M) 01819397222, 017141903003 Fax: 031-611851
<b>Bangshal Branch</b> 121/2, North South Road (4 th floor West), Bangshal, Dhaka.	<b>Md. Ismail</b> Vice-President	(02) 223386895 (M) 01817092043 Fax: 7175729
<b>B.B. Avenue Branch</b> 29, B.B. Avenue Hamid Mansion (3rd Floor), Dhaka	<b>Abdul Bari Chowdhury</b> Vice-President	9550489, 9569224 (M) 01711147488 Fax: 02-95550489
<b>Jubilee Road Branch</b> 573, Jubilee Road Enayet Bazar, Chattogram.	<b>Hamidul Alam Chowdhury</b> Deputy Vice-President	(031) 635167, 624067 (M) 01711903003 Fax: 031-624067
<b>Motijheel Branch</b> 61Motijheel C/A. (10th Floor) Dhaka-1000	<b>Md. Asaduzzaman</b> Senior Manager	9571397, 9571286 (M) 01721308198 Fax: 02-9571286
<b>Hatkhola Branch</b> 33/1 Road Sayed Nazrul Islam Sarak (Hatkhola) Jakaria Bhaban (2nd Floor), Dhaka - 1203	<b>Md. Abdur Rahim</b> Manager	47110861, 9515754 (M) 01712982833
<b>Mirpur Branch</b> Plot-13, Road-01, Section-06, Block-KHA Mirpur,Dhaka-1216	<b>Md. Mijanur Rahman</b> Manager	58052301 (M) 01923-089899





## Notice of The 25th Annual General Meeting

Notice is hereby given that the 25th Annual General Meeting (AGM) of Mercantile Insurance Company Limited will be held Virtually by using Digital Platform on "Zoom" apps on Wednesday 30 June 2021 at 11:00 a.m. to transact the following business:-

1. To receive and adopt the Directors Report, the Auditors' Report and the Audited Financial Statements for the year ended 31 December 2020 and thereon.
2. To declare 10% (Ten percent) cash Dividend only to all shareholders for the year ended 2020 as recommended by the Board of Directors (subject to approval of the forth coming AGM).
3. To elect/ Re-elect Directors as per the relevant legislation.
4. To consider appointment of Auditors for the year 2021 and to fix their remuneration.
5. To appoint Compliance Auditors for the year 2021 and to fix their remuneration.
6. To transact any other business of the Company with the permission of the Chair.

Dated, Dhaka  
23 May 2021

By order of the Board of Directors

(Abdur Rahman)  
DMD & Company Secretary

### Notes:

1. The Record date is 16/06/2021 . The Shareholders whose name will be appeared in the depository register of the company on the record date, will be eligible to participate the 25th Annual General Meeting (AGM) and entitled to receive the dividend, as approved.
2. A member entitled to attend and vote at this virtual AGM may appoint a Proxy to attend and vote in his/her stead. The scanned copy of "Proxy Form" duly filled, signed and stamped at BDT 20/- must be sent through email to mercantileins2017@gmail.com no later than 72 hours before commencement of the AGM.
3. Concerned Depository Participants (DP)/Stock Brokers are requested to provide us with a list of their margin loan holders who hold MICTL shares, as on record date with details of shareholders' name, BO ID, Shareholding position, Cash dividend receivable, Income tax etc. within 30 August 2021, along with the name of the contact person to the Share Department of the Company or at mercantileins2017@gmail.com, otherwise dividend will be paid to bank account of the member whose name would appear on the Record Date.
4. The members will be able to submit their questions/comments and vote electronically 24 hours before commencement of the AGM and during the AGM. For logging into the system the members' need to put their 16-digit BO ID/Folio Number and other credential as proof of their identity through the mentioned E-mail.
5. Shareholders are requested to logging into the system prior to starting of the meeting. The webcast will start at 10:00 am. Full login process to the digital platform on "Zoom" apps meeting will also be available in the Company's website [www.mercantileins.com](http://www.mercantileins.com) . For any technical difficulties in accessing the virtual meeting, the members' are requested to contact at the Head Office 02223387467, 02223387662, 02223387463 within office hours from 10.00 am to 5.00 pm sharp.
6. The soft copy of Annual Report-2020 will be forwarded to the email address of the shareholders available in their BO account maintained with Depository Participant (DP). The Annual Report- 2020 and Proxy Form will be available in the Company's website at [www.mercantileins.com](http://www.mercantileins.com)





## Audit Committee Report for the year 2020



Mercantile Insurance Company Ltd.

The Audit Committee of Mercantile Insurance Co. Ltd. was constituted by the Board of Directors to monitor, analyse and audit the overall activities of the Company and report to the Board and AGM ensuring and certifying that the financial statements reflect in the annual report a true and fair view:

### Audit Committee:

1. Nur Amin	Chairman
2. M. Nasir Uddin	Member
3. Nurul Azim Sunny	Member

### Committee meetings held:

In the year 2020 the Committee Constituted 04 (four) meetings where it reviewed and analysed thoroughly, the matters relating to Branch Control, Internal Audit, Administration Control, Finance and Accounts. Head of Internal Audit and Company Secretary were invited to attend all meetings. Concerned departmental heads and other members of the management were also invited to attend the meetings as and when required. The proceedings of the committee meetings containing suggestions, guidelines, observations to irregularities and solutions arisen problems were regularly placed before to the Board of Directors for information.

### Roles and responsibilities of Audit Committee:

The jurisdiction of the Audit Committee include the following matters:

- i. Oversee the financial reporting process.
- ii. Monitor the accounting policies and principles.
- iii. Monitor Internal Control and Risk Management process.
- iv. Oversee of external auditors and their functions.
- v. Scrutinize the annual financial statements before submission to the board for approval.
- vi. Scrutinize the quarterly and half yearly financial statements before submission to the board for approval.
- vii. Determine the adequacy of internal audit functions.
- viii. Review statements of party transactions submitted by the management.
- ix. Review of appropriateness and or weaknesses in management letters/letters of internal control as detected by statutory auditors.

### The Committee performed the following functions :

- i. Reviewed the existing management policies of the Company and monitored its internal control and business affairs through routine schedule.
- ii. Developed, collated and finalised through a number of meetings, a Audit Manual of the Company and recommended the same for approval of the Board of Directors.
- iii. Approved Annual Audit Planning for the year 2020.
- iv. Reviewed the business reports of Branches and special reports thereof and suggested for ameliorating and corrective measures/actions as & where required.





## Audit Committee Report for the year 2020

- v. Reviewed the Financial Accounts for the year 2020 as compiled and placed by the management and recommended the same for approval of the Board.
- vi. The Committee, uphold the roles and regulations recently imposed by the Insurance Development and regulatory Authority, emphasised & monitored for immediate execution of replacing the FDRs held with different Banks.

Finally, the Audit Committee express its sincere thanks to the Board of Director key management personnel, internal audit, IT, Claim & re-insurance, U/W department and all employees for their utmost dedication for achieving transparency in performance and all sort co-operation extended to the committee in discharging its responsibilities.

*Nur Amin*

**Nur Amin**  
Independent Director  
&  
Chairman  
Audit Committee





## Report on Going Concern



Mercantile Insurance Company Ltd.

Annual Report 2020

Financial statements are normally prepared on the basis that a company is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the company has neither the intention for the need to liquidate or curtail materially the scale of its operations if so, the basis used is disclosed on the other hand listed companies are required by BSEC to report on its ability to continue as going concern.

The Board of Directors of Mercantile Insurance Company Limited has made annual assessment about whether there exist material uncertainties which may cast significant doubt upon the Company's ability to continue as going concern. The Director's assessment of whether the Company is a concern involves making appropriate inquiries including review of budget, forecast, assumptions and future outcome of inherent uncertainties in existence. The Directors are convinced from the following indications, which give reasonable assurance as to company's ability to continue as a going concern for the foreseeable future.

### **Positive Net Current Assets**

- Positive operating cash flows
- Positive key financial ratios
- Consistent payment of dividends
- Credibility in payment of obligations
- Performance growth
- Positive underwriting results and trends

### **Operating indications:**

- No key management turnover
- Good business expansion
- Spread of business across diverse clientele.
- Good market reputation and clients satisfaction
- Good corporate environment and employee satisfaction

### **Other Indications:**

- Maintenance of sufficient capital base as required by law
- Strong equity base
- Strong Claim paying ability (CPA)
- Anticipates no significant in legislation or government policy.



SYMBOL OF TRUST AND SECURITY



## Declaration by CEO & CFO

Date: 23/05/2021  
The Board of Directors  
Mercantile Insurance Company Ltd.  
61 Motiheel C/A, Dhaka-1000

**Subject: Declaration on Financial Statement for the year ended on 31st December 2020.**

Dear Sirs,

Pursuant to the condition No. I(5)(xxvi) imposed vide the Commission's Notification No.BSEC/CMRRC/2006-158/207/Admin/80 Dated 3 June 2018 under section 2CC of the Securities and Exchange Ordinance, 1969, we do hereby declare that:

1. The Financial Statement of Mercantile Insurance Company Ltd. for the year ended on 31st December 2020 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards(IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
2. The estimates and judgements related to the financial statements were made on a prudent and reasonable basis, in order financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
3. The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
4. To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
5. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
6. The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

**In this regard, we also certify that:-**

1. We have reviewed the financial statements for the year ended 31 December 2020 and to the best of our knowledge and belief
2. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
3. These statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
4. There are to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,

**(Firoz Ahmed)**  
Chief Executive Officer

**Md. Abdus Salam**  
Chief Financial Officer





## Report of the Nomination & Remuneration Committee



Mercantile Insurance Company Ltd.

Annual Report 2020

### Report of the Nomination & Remuneration Committee

The company has formed a Nomination & Remuneration Committee (NRC) as a sub-committee of the Board, has been constituted by 2 Independent Director and another members of the Board in line with the newly imposed Corporate Governance Code Md. Shah Alam who represent in the Board as Independent Director is also the Chairman of the Committee. During the year 1 (one) NRC Meeting was held. The name of the members & their attendance of the meeting was accordingly recorded:

### Role of the NRC:

The roles and responsibilities of the NRC have been clearly mentioned in the Terms and References (TOR) of the Committee as approved by the Board of Directors of Mercantile Insurance Company Limited. The Committee discharged its responsibility by holding a meeting and provided the Board its observation considering current situation and suggested what need to be adopt/insert/amend by the company. In the meeting the committee aist/recommended the Board to determine the qualifications attributes, experiences etc of directors and top level executives and determine their remuneration and as well.

### Evaluation Criteria of Directors/Top Level Executive of the Company:

The evaluation/assessment of the Directors and the Top Level Executive of the Company is to be conducted as and when required and to satisfy the requirements of the Corporate Governance Code and as well as company's policy. The following criteria may assist in determining how effective the performances of the Directors/TLE have been:

- i. Leadership & stewardship abilities;
- ii. Contributing to clearly define corporate objectives & plans.
- iii. Communication of expectation & concerns clearly with subordinates:
- iv. Obtain adequate, relevant & timely information from external sources.
- v. Review & approval achievement of strategic and operational plans, objectives, budgets
- vi. Regular monitoring of corporate results against projections
- vii. identify, monitor & mitigate significant corporate risks.
- viii. Assess policies, structures & procedures.
- ix. Direct, monitor & evaluate KMP, senior officials.
- x. Review management's succession plan
- xi. Effective meetings
- xii. Assuring appropriate board size, composition, independence, structure
- xiii. Clearly defining roles & monitoring activities of committees
- xiv. Review of corporation's ethical conduct,

### Activities of NRC during the year:

During the year the NRC accomplished the following activities.

- i. Reviews the status of the Board composition along with their qualification, experience, attributes, independence of board members made recommendation thereof,
- ii. Reviewed the top-level executives of the company and placed at different levels and determine their selection criteria, remuneration based on performance among others etc.
- iii. Putting recommendation on the draft code of conduct of the Chairperson, other Board members & Chief Executive Officer to Board
- iv. Reviews the company's human resources policy and recommended on it
- v. Oversee other issues within the Code of Conduct of the NRC.

### Reporting By The NRC To The Board:

The NRC Committee regularly reports on its work to the Board and the report includes a summary of the matter addressed in the meeting. The NRE expressing its view to the Board that the nomination, retirement, re-election & remuneration of directors & top level executives are adequate for prepping true and fair view of the Administration & HR department and also expressed that the internal control of the company is quite well.

**Muhammad Moniruzzaman Mozumder**  
Independent Director  
Chairman NRC

**Abdur Rahman**  
Company Secretary &  
Member Secretary of NRC





## Company's 5 years Performance at a Glance

## FIGURES IN MILLION (TAKA)

Financial Performance	2020	2019	2018	2017	2016
Gross Premium Income	416.66	377.64	342.66	324.58	302.64
Net Premium Income	227.45	191.01	191.38	185.14	174.33
Underwriting Profit	20.59	9.25	2.09	5.99	12.40
Investment & Others Income	78.43	74.14	64.36	73.56	83.41
Net Profit before Tax	93.38	76.95	59.57	71.40	87.90
Reserve & Fund	383.92	342.60	323.53	309.59	281.08
Investments & FDR	1116.99	1009.17	975.74	997.61	987.29
Paid up Capital	430.95	430.95	430.95	430.95	430.95
Shareholders' Equity	821.18	788.53	774.15	778.44	748.24
Total Assets	2240.48	2164.57	1779.34	1380.26	1345.06
Dividend	43.10	30.17	30.22	43.10	43.10
Dividend Percentage	10%	07%	10%	10%	10%
	Cash	Cash	B. Group Cash	Cash	Cash
No. of Shares (restated)	43,095,360	43,095,360	43,095,360	43,095,360	43,095,360
No. of Branches	15	15	14	14	14
Earnings per Share	1.68	1.43	1.11	1.29	1.40
Net Asset Value (NAV)	19.05	18.27	17.93	18.03	17.32

Credit Rating	2020	2019	2018	2017	2016
Long Term	AA-	AA-	AA-	AA-	A+
Short Term	ST-2	ST-2	AR-2	AR-2	AR-2
Outlook	Stable	Stable	Stable	Stable	Stable





## Performance on Graph



Mercantile Insurance Company Ltd.

Annual Report 2020

### FIGURES IN MILLION (TAKA)

#### GROSS PREMIUM



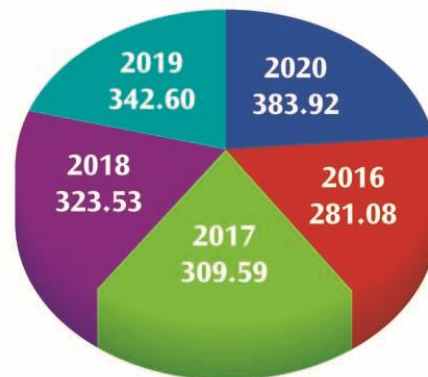
#### INVESTMENT & FDR



#### PAID UP CAPITAL



#### TOTAL RESERVE & FUND

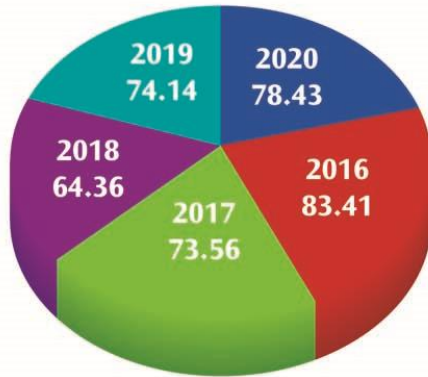


SYMBOL OF TRUST AND SECURITY

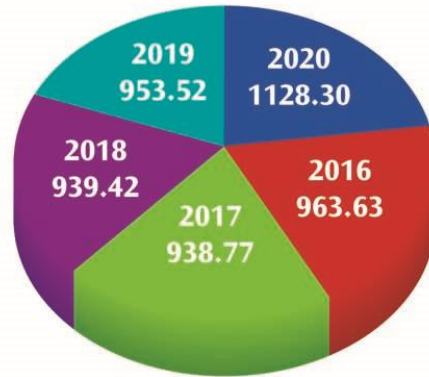


FIGURES IN MILLION (TAKA)

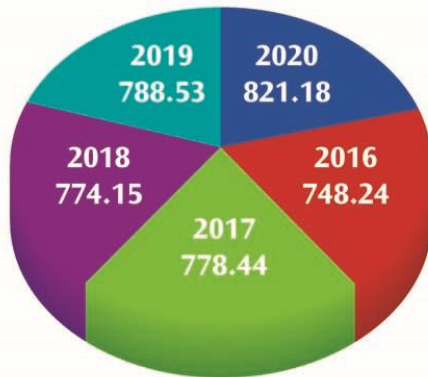
INVESTMENT & OTHER INCOME



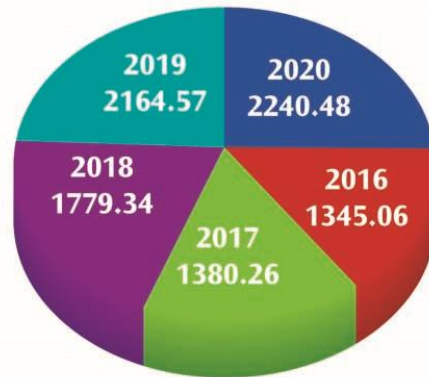
CASH & BANK BALANCES



SHAREHOLDERS EQUITY



TOTAL ASSETS



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# Company's Report to Shareholders'

(Under section 184 of the Companies Act, 1994)



Mercantile Insurance Company Ltd.

Annual Report 2020

## We are pleased to Place report that:

- i. The financial statement prepared by the Management of the Company present fairly its affairs, the result of its operation, cash flows and changes in shareholder equity.
- ii. Proper books of account of the Company have been maintained.
- iii. Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- iv. International Financial Reporting Standard (IFRS), International Accounting Standards (IAS) as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure therefrom has been adequately disclosed.
- v. The system of internal control is sound in design and has been effectively implemented and monitored.
- vi. There are no significant doubts upon the Company's ability to continue as a going concern
- vii. There are no significant deviations from last year in operating result of the Company
- viii. The key operating and financial data of preceding five years have been provided
- ix. During the year ended December 31, 2020 the Board of Directors held 09 meetings and the Directors serving on the Board attended in aggregate 60% of the total number of meetings.

## 1.4 (K) The pattern of shareholding :

As at December 31, 2020 the pattern of shareholding are given below:

- i. Shareholdings of Parent/Subsidiary/Associate Companies and other related parties: NIL
- ii. Shareholding of Directors, sponsor shareholders, Managing Director & CEO, Company Secretary, CFO and other executives are as under:

### (a) Directors/Sponsors

Sl No.	BO Name	Status	No. of Share	% of total no.
01	M. Kamal Uddin	Chairman	862400	2.00%
02	Mohammad Nabi Ullah	Vice-Chairman	862400	2.00%
03	Al-haj Md. Nurul Amin	Chairman, Executive Committee	861907	2.00%
04	Abdul Haque	Sponsor Director	862400	2.00%
05	Al-haj Mohammed Solaiman	Director	861907	2.00%
06	Dr. Md. Mizanur Rahman	Sponsor Director	1034880	2.40%
07	Md. Serajul Islam	Sponsor Director	861907	2.00%
08	Abdur Rahman	Sponsor Director	862400	2.00%
09	Mahtabuddin Chowdhury	Director	898509	2.08%
10	Al-haj Abdul Mannan Mazumder	Director	862400	2.00%
11	M. Nasir Uddin	Director	864689	2.01%
12	Wahid IBN Reza	Director	1035880	2.40%
13	Nurul Azim Sunny	Public Shareholder Director	872277	2.02%
14	South Green Ltd. (Shafique Ahmed)	Nominated Director	863000	2.00%
15	Mahmood Rahman	Sponsor	287302	0.67%
16	Mohammad Ali Asghar	Sponsor	287302	0.67%
17	Syed Noor Alam	Sponsor	123200	0.29%
18	Hasin Sultana	Placement Holder	130592	0.30%
19	Shajjad Mustafa	Public Shareholder Director	863000	2.00%
20	Muhammod Moniruzzaman Mozumder	Independent Director	-	-
21	Nur Amin	Independent Director	-	-
			<b>14158352</b>	<b>32.85%</b>

01	Firoz Ahmed	Chief Executive Officer	Nil	Nil
02	Abdur Rahman	DMD & Company Secretary	Nil	Nil
03	Md. Azim Uddin	Deputy Managing Director	Nil	Nil
04	Md. Nazrul Islam	Assistant Managing Director	Nil	Nil
05	Md. Abdus Salam	Assistant Managing Director & CFO	Nil	Nil







Corporate governance is the system by which companies are directed and controlled by the Management in the best interest of all the stakeholders, thereby ensuring greater transparency and timely financial reporting.

The maintenance of effective corporate governance remains a key priority of the Board of Mercantile Insurance Co. Ltd. To exercise clarity about Directors responsibilities towards the shareholders, corporate governance must be dynamic and remain focused on the business objectives of the Company and create a culture of openness and accountability. Mercantile Insurance Co. Ltd. (MICAL) considers that its corporate governance practices comply with all the aspects of SEC Notification No. SEC/CMMRRCD/2006-158/207/ Admin/80 dated 03 June, 2018. In addition to establishing high standards of corporate governance, MICAL also considers best governance practices in its activities. The independent role of Board of Directors, separate and independent role of Chairman and Chief Executive Officer, distinct role of Company Secretary, Chief Financial Officer, different Board Committees allow MICAL to achieve excellence in best corporate governance practices.

### Board of Directors Composition

The Board of MICAL considers that its membership should comprise of directors with an appropriate mix of skills, experience and personal attributes that allow the Directors, individually and the board, collectively, to discharge their responsibilities and duties, under the law, efficiently and effectively, understand the business of the Company assess the performance of the Management.

The Board of MICAL comprise of twenty Directors who possess a wide range of skills and experience cover a range of professions, business and service. Each of our Directors brings in independent judgment and considerable knowledge to perform their roles effectively. The Board of Directors ensure that the activities of the Company are always conducted with adherence to strict and highest possible ethical standards and in the best interest of the stakeholders.

The Directors are appointed by the shareholders in the Annual General Meeting. Casual vacancies if any are filled by the Board in accordance with the stipulations of the Companies Act, 1994 and Article of the Company. In addition, one third of the Directors retires from the Board every year in the AGM, and re-elected eligible for re-election.

### Role and Responsibilities of the Board

The Board is committed to achieve superior financial performance and long term prosperity, while meeting stakeholders' expectations of sound corporate governance practice. The Board determines the corporate governance arrangements for the Company. As with all its business activities, the Board is proactive in respect of corporate governance and puts in all place those arrangements which it consider are in the best interest of the Company and its shareholders, and consistent with its responsibilities to other stakeholders.

The Board of Directors is in full control of the Company's affairs and is also fully accountable to the shareholders. They firmly believe that the success of the Company largely depends on the credible corporate governance practices adopted by the Company. Taking this into consideration, the Board of Directors of MICAL sets out its strategic focus and oversees the business and related affairs of the Company. The Board also formulates the strategic objectives and policy framework for the Company. In discharging the above responsibilities, the Board carries out, the following functions as per the charter of the Board.



## Report on Corporate Governance



Mercantile Insurance Company Ltd.

Annual Report 2020

- Determine, monitor and evaluate strategies, policy, management performance criteria and business plan.
- Periodic and timely reporting to the shareholders on the affairs, progress and performance of the Company.
- Ensuring proper decision making and accountability structure throughout the Company so that the staff down the line is fully accountable to the corporate management.
- Delegation to Board Committees and Management and approval of transactions in excess of delegated level.
- Approval of major capital expenditure proposals.
- Critical evaluation of all proposals which require Board's approval and/or directives.
- Regular review of financial performance and overdue situation.
- Appointment and evaluation of the performance of the top Management positions.
- Ensuring that the senior management team has the necessary skill and experience to perform their function effectively in the best interest of the Company.
- Monitoring the adequacy, appropriateness and operation of internal controls.

### Conduct for the Board Members

The Board of Directors of MICL is committed to the highest standards of conduct in their relationships with its employees, customers, members, shareholders, regulator and the public. A Director of MICL always seeks to use due care in the performance of his/her duties, be loyal to the Company, act in good faith and in a manner such Director reasonably believes to be not opposed to the best interests of the Company. Endeavour's to avoid having his or her private interest interfere with the interest of the Company. Maintains the confidentiality of information entrusted to them in carrying out their duties and responsibilities, except where disclosure is approved by the Company or legally mandated or if such information is in the public domain.

### Board Meetings

The meetings of the Board of Director of MICL are normally held at the Registered and Corporate Head Office of the Company. Meeting is scheduled well in advance and the notice of each Board Meeting is given in writing to each Director by the Company Secretary.

The Company Secretary prepares the detailed agenda for the meeting. The Board papers comprising the agenda, explanatory notes and proposed regulations are circulated to the Directors in advance for their review. The Members of the Board have completed access of all information of the Company enabling them to work efficiently. Chief Executive Officer, Company Secretary and Chief Financial Officer always attend the Board Meeting and other Senior Management is invited to attend Board Meeting to provide additional inputs to the items being discussed by the Board and make necessary presentations.

### Internal Control

The Board is responsible for ensuring that the Company has an adequate and effective control system in place. The Company's internal control system have been designed by the Audit Committee with reasonable assurance that assets are safeguarded against unauthorized use by the employees/or management and/or third parties, transactions are authorized and properly recorded and material error and irregularities are either prevented or detected with in a reasonable period of time. Properly designed management structure, clearly defined responsibilities, delegation or authorities, establishment of accountability at each level and system of periodic reporting and monitoring performance are the key elements of the internal control framework employed in MICL



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Solution...Begins

Rahman Mostafa Alam & Co.  
Chartered Accountants



ANNEXURE-B

**Report to the Shareholders of  
Mercantile Insurance Company Limited  
On  
Compliance on the Corporate Governance Code  
For the year ended on December 31, 2020**

We have examined the compliance status to the Corporate Governance Code by **Mercantile Insurance Company Limited** for the year ended as on **December 31, 2020**. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated, June-3, 2018 of the Bangladesh Securities and Exchange Commission.

Such compliance with the Corporate Governance Code is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of the Corporate Governance Code.

This is a scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of relevant Bangladesh Secretarial Standards (BSS) as adopted by Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required, and after due scrutiny and verification thereof, we report that, in our opinion:

- (a) The Company has complied with the conditions of the Corporate Governance Code as stipulated in the above mentioned Corporate Governance Code issued by the Commission;
- (b) The Company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;
- (c) Proper books and records have been kept by the Company as required under the Companies Act, 1994, the securities laws and other relevant laws; and
- (d) The Governance of the company is satisfactory.

**Firm's Name** : Rahman Mostafa Alam & Co., Chartered Accountants

**Signature** :

**Auditor's Name** : Md. Anwaruzzaman FCA, Enroll No.: 1268

**Date** : June 09, 2021

**Place** : Dhaka

**DVC** : 21061712680C981033

Principal Office : Paramount Heights (7th Floor, D2 & C1), 65/2/1 Box Culvert Road, Purana Paltan, Dhaka-1000, Phone : +88-02-9553449, 9551128, Mob : 01914284705, 01819225339, E-mail : rmadhaka@gmail.com, Web: www.rmabd.com  
Branch Office (Dhaka) : House # 195 (3rd Floor, C-3), Road # 1, New DOHS, Mohakhali, Dhaka-1206, Phone : +88-02-9834313, Mob : 01920911976, 01819224978, 01819225339, E-mail : rmadhaka@gmail.com, Web: www.rmabd.com  
Branch Office (Chattogram) : Al Madina Tower (6th Floor), 88/89, Agrabad C/A, Chattogram-4100, Phone : +88-031-725314, Mob : 01818127520, 01819225339, E-mail : mactg@gmail.com, Web : www.rmabd.com

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বিস্মিল্লাহির রাহমানির রাহিম  
সম্মানিত শেয়ার হোল্ডার বৃন্দ, আসসালামু আলাইকুম

আমি আপনাদের সকলকে মার্কেটাইল ইন্স্যুরেন্স কোম্পানী লিমিটেডের ২৫তম বার্ষিক সাধারণ সভায় স্বাগত জানাচ্ছি, একই সঙ্গে আমি ৩১শে ডিসেম্বর ২০২০ সমাপ্ত বৎসরে কোম্পানীর বিভিন্ন দিক ও বিষয় সম্পর্কে আপনাদেরকে অবহিত করার জন্য উপস্থিত হতে পেরে আনন্দ অনুভব করছি।

ইতিহাসের পরিক্রমায় ২০২০ সাল আমাদের জন্য একটি স্মরণীয় বছর। জন্মশত বার্ষিকী উদযাপন উপলক্ষে আমরা হাজার বছরের শ্রেষ্ঠ বাঙ্গালী স্বাধীনতা সংগ্রামের মহানায়ক জাতির জনক বঙ্গবন্ধু শেখ মুজিবুর রহমানকে গভীর শ্রদ্ধার সাথে স্মরণ করছি এবং এ বছরই আমরা আমাদের স্বাধীনতার (স্বর্ণ জয়ন্তী) ৫০ বছর পূর্তি উদযাপন করেছি।

প্রিয় শেয়ার হোল্ডারবৃন্দ,

২০২০ সালে সারা বিশ্বে কোভিড-১৯ মহামারির কারণে বৈশ্বিক অর্থনৈতিক প্রবৃদ্ধিতে নেতিবাচক প্রভাব পড়েছে। বিশ্বের প্রায় সকল দেশের সরকারই করোনা ভাইরাসের প্রাদুর্ভাব ঠেকাতে জনযোগাযোগ ও মালামাল পরিবহনের উপর লকডাউন সহ নানারূপ বিধিনিষেধ আরোপ করেছে যা পুনরুদ্ধার করতে শিল্প ও অর্থনৈতিক ক্ষেত্রে প্রবৃদ্ধি আশু প্রয়োজন, যা নির্ভর করছে কৌশলগত পরিকল্পনা গ্রহণ, পর্যবেক্ষণ ও আর্থিক ব্যবস্থাপনার বাস্তবায়ন করত: স্বাভাবিক অর্থনৈতিক কার্যক্রম চালু করে সবকিছু সহজীকরণ পূর্বক পূর্বের ন্যায় স্বাভাবিক অবস্থায় ফিরে আসা।

কোভিড-১৯ মহামারীর প্রতিকূল পরিস্থিতি সত্ত্বেও আমাদের কোম্পানী গত বছরের তুলনায় ২০২০ সালে আশা ব্যঞ্জক ও সন্তোষজনক ব্যবসা আহরণে সক্ষম হয়েছে। এ সাফল্যের সার্বিক সহযোগিতা ও সমর্থনের জন্য আমি কোম্পানীর পরিচালনা পর্ষদের সদস্যবৃন্দকে আন্তরিকভাবে ধন্যবাদ জানাচ্ছি।

আপনারা জেনে আনন্দিত হবেন যে, কোম্পানীর পরিচালনা পর্ষদ ২০২০ সালের অর্জিত মুনাফার বিবেচনায় সকল শেয়ারহোল্ডারদের জন্য ১০% নগদ লভ্যাংশ ঘোষণা করেছেন। আমরা বিশ্বাস করি আগামী দিনগুলিতে প্রবৃদ্ধির এ ধারা অব্যাহত থাকলে ভবিষ্যতে আমরা এর চেয়েও বেশী সুবিধা প্রদানে অবদান রাখতে সক্ষম হবো।

আমি পরিচালনা পর্ষদের পক্ষ থেকে আমাদের সম্মানিত গ্রাহক, শেয়ারহোল্ডারবৃন্দ, শুভানুধ্যায়ী, গণপ্রজাতন্ত্রী বাংলাদেশ সরকারের বীমা উন্নয়ন ও নিয়ন্ত্রণ কর্তৃপক্ষ (আই-ডিআরএ), অর্থ মন্ত্রণালয়, বানিজ্য মন্ত্রণালয়, বাংলাদেশ সিকিউরিটিজ এন্ড এক্সচেঞ্জ কমিশন, জাতীয় রাজস্ব বোর্ড, রেজিস্ট্রার অব জয়েন্ট স্টক কোম্পানীজ এন্ড ফার্মস, সেন্ট্রাল ডিপোজিটরি বাংলাদেশ লিমিটেড, বাংলাদেশ ইন্স্যুরেন্স এসোসিয়েশন, ঢাকা ও চট্টগ্রাম স্টক এক্সচেঞ্জ লিমিটেড সহ নিয়ন্ত্রক সংস্থা সমূহের সঠিক দিক নির্দেশনা আমাদের চলার পথকে সুগম করে বিভিন্নভাবে অনুপ্রাণিত করেছে, যার জন্য আমরা তাদের প্রতি কৃতজ্ঞতা জ্ঞাপন করছি।

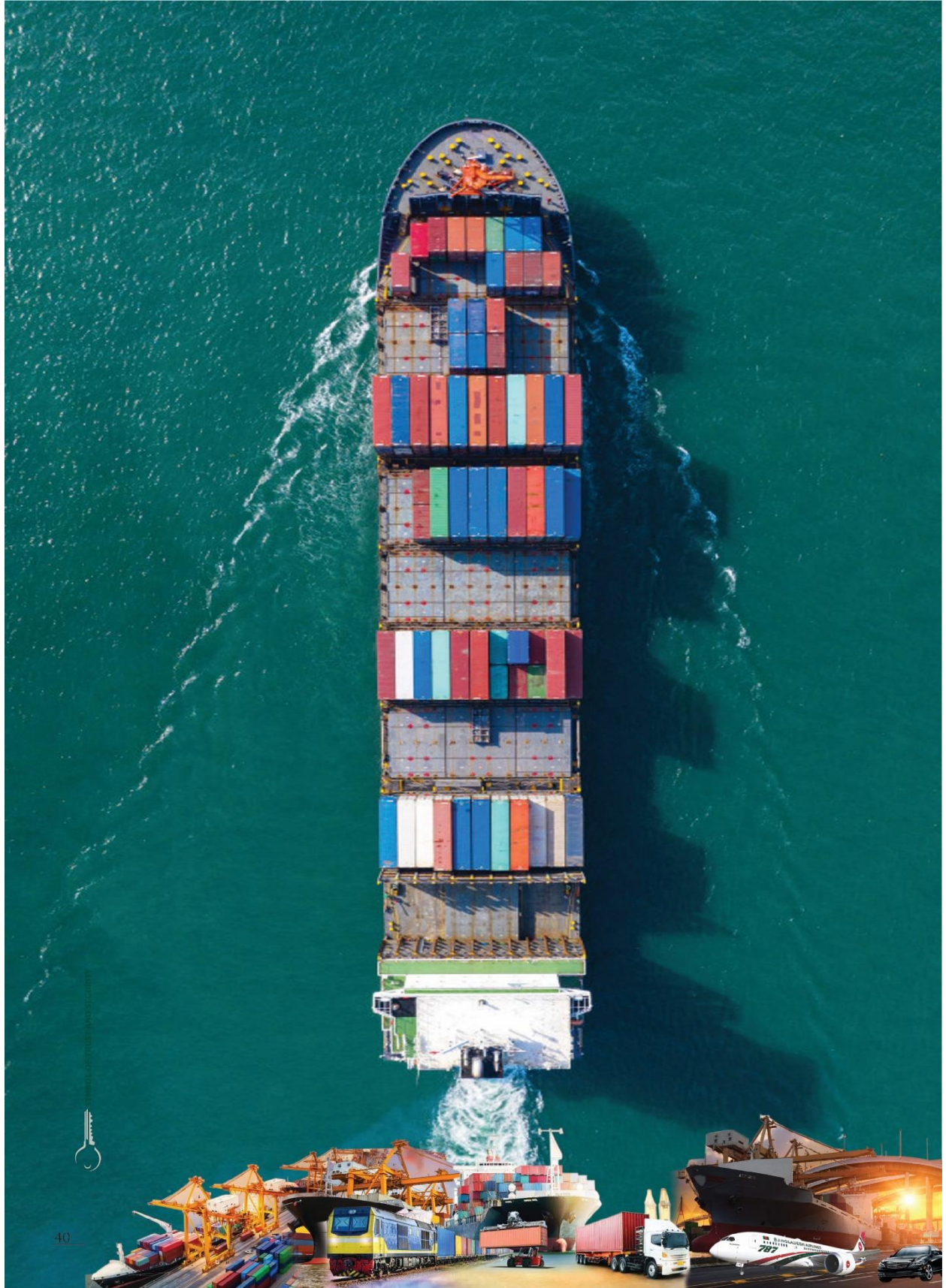
আমি কোম্পানীর মুখ্য নির্বাহী কর্মকর্তা সহ সর্বস্তরে কর্মরত কর্মকর্তা ও কর্মচারীবৃন্দকে তাদের অক্লান্ত পরিশ্রম, কর্তব্য-পরায়ণতা ও নিষ্ঠার সহিত দায়িত্ব পালনের জন্য ধন্যবাদ জানাচ্ছি।

পরিশেষে আমি কোম্পানীর অব্যাহত উন্নতি ও সমৃদ্ধির জন্য পরম করুণাময় সর্বশক্তিমান আল্লাহর নিকট প্রার্থনা করছি। আপনাদের সমর্থন, সহযোগিতা ও শুভকামনা এবং সকলের সুস্বাস্থ্য, দীর্ঘায়ু ও মঙ্গল কামনা করে শেষ করছি।

আল্লাহ হাফেজ

এম. কামাল উদ্দিন  
চেয়ারম্যান







**REPORT OF THE BOARD OF  
DIRECTORS OF  
MERCANTILE INSURANCE COMPANY LIMITED  
FOR  
THE YEAR ENDED 31st DECEMBER 2020**

### DEAR SHAREHOLDERS

The Directors have great pleasures in presenting the 25th Annual Report with the Audited Financial Statements of the company for the year ended 31st December 2020.

### INSURANCE MARKET SCENARIO (Global & Bangladesh Economy)

World Bank review the global economic output is recovering from the collapse triggered by COVID-19, which will remain pre-pandemic trends for a prolonged period. The pandemic has exacerbated the risks associated with a decade-long wave of global debt accumulation. It is also likely to steepen the long-time slowdown in potential growth over the next decade. It will be badly impacted in the world economy. However, In the long run many country of the world particularly entered the crisis with high debt that is set to rise further during the pandemic. As per Asian Development Bank September 2020 review the GDP growth of Bangladesh for the year 2018 was 7.9%, in 2019 it was highest 8.2%, in 2020 affected by pandemic COVID-19 it was 5.2 Bangladesh Insurance Association and Bangladesh Insurance

Forum are playing positive rules to support Insurance Development Regulatory Authority (IDRA). The non-life insurance sector has been facing a problem as it has a huge number of 46 private insurers and 1 state-owned corporation to find tough competition among the insurers. The insured in Bangladesh non-life sector are not ready to accept insurance as a positive tool to safeguard their properties rather most of them were habituated to get rebate from the insurers. Therefore, it is so urgent from all concerned with non-life insurance to take effective measures to make the potential insured understand that insurance is not only cost bearing but it's an important tool and a part and parcel of our daily life.

### CREDIT RATING

Mercantile Insurance Company Limited, as you know, is rated "AA-" by the Alpha Credit Rating reflecting company's very high claim paying ability. The rating helps the company to negotiate better terms with the reinsurers abroad.

### RISKS MANAGEMENT

Mercantile Insurance has always been responsive of the risk factors inherent in the insurance industry. With a view to keeping the risks at a tolerable level it identifies, monitors and reviews the risks inherent in every policy or covernote underwritten, continues updating of data base for information and takes corrective







and or preventive measures to safeguard the stakeholders' interest.

**FIRE INSURANCE BUSINESS**

MERCANTILE INSURANCE COMPANY LIMITED wrote fire insurance business with a total business income of Tk. 159.09 million against Tk. 133.80 million in 2019. After ceding of the re-insurance premium, the net premium of the Fire Department amounted to Tk. 37.30 million. The Company earned an underwriting loss of Tk. 95.61 million from its fire insurance business as against Tk. 9.39 million losses in 2019.

**MARINE INSURANCE BUSINESS**

The gross premium income from marine insurance business increased to Tk. 200.06 million from Tk. 171.38 million in 2019, yielding a net premium of Tk. 156.48 million, after re-insurance cession. The Company earned an underwriting profit of Tk. 93.63 million against Tk. 65.80 million in 2019 after making necessary provision for claims, both paid and intimated.

**MOTOR INSURANCE BUSINESS**

In Motor, the gross premium income decreased to Tk. 10.78 million from Tk. 11.62 million in 2019. The profit from Motor insurance business also rose to Tk. 8.97 million from Tk. 6.92 million in 2019.

**MISCELLANEOUS INSURANCE BUSINESS**

Premium income from miscellaneous insurance business rose to Tk. 46.71

million from Tk. 60.82 million in 2019. We earned a profit of Tk. 13.59million in 2020 against Tk. 15.90 million in 2019.

**INCOME FROM INVESTMENT**

Interest income derived from banks and non-banking financial institutions increased to Tk. 78.25 million from Tk. 73.96million in 2019.The dividend income Tk.0.18 million from Tk. 0.18 million in 2019. In addition to this dividend, we earned a loss of Tk. 9.73 million through trading of shares against Tk. 17.06 million in 2019.

**PROFIT AND LOSS ACCOUNT**

Particulars	BDT 2020	BDT 2019
Gross Premium	416,660,405	377,645,444
Net Premium	227,450,067	191,010,694
Underwrite Profit	20,588,292	9,248,524
Interest Income	73,781,027	71,604,189
Dividend Income	4,466,886	2,355,543
Profit before tax	93,381,569	76,954,871
Provision for tax	20,840,446	15,298,750
Divisible profit	45,458,424	35,757,766

**DIVIDEND**

Subject approval of the Annual General Meeting from the retained earnings/divisible profit of 2020 the Board of Directors of the company recommended a cash dividend of 10% against 07% cash dividend in 2019.



### ASSETS

The assets of the company increased to Tk. 2240.47 million from Tk. 2164.56 million in 2019. The value of the assets was increased by 3.5% from previous year.

### DIRECTORS

Sponsor Directors:

According to the Articles of Association of the company, the following directors retire at the 25th Annual General Meeting and being eligible they offer themselves for re-election:

1. Abdul Haque
2. Al-haj Abdul Mannan Mazumder
3. Md. Serajul Islam
4. AbdurRahman

### DIRECTORS FROM PUBLIC SUBSCRIBERS:

In accordance with the provisions of Insurance Act, 2010 and the Articles of Association of the company half of the total number of sponsor directors shall be the directors from public subscribers. In practice due to imposition of BSEC Notification dated 21 May 2019 "Each director other than independent director of any listed company shall hold minimum 2% (two percent) shares of the paid-up capital, otherwise there shall be casual vacancy of director.

### STATUTORY AUDITORS

Pursuant to Section 210 of the Companies Act 1994 and the BSEC guidelines the

company's statutory auditors M/s. Kazi Zahir Khan & Co, Chartered Accountants, retire and being eligible offer their services for another year as they qualify for reappointment.

### REPORTING & COMPLIANCE AUDITORS

As per Corporate Governance Code 9(2) of BSEC Notification dated 3 June 2018, the compliance auditors of the company M/s. Rahman Mostafa Alam & Co., Chartered Accountants.

### PROSPECTS FOR 2021

Respecting the insurance laws Mercantile Insurance would go forward to establish itself among the insurers to whom the insured may keep faith. Insurance Development & Regulatory Authority (IDRA) has already been in the process to restructuring the existing system of insurance market scenario amidst the unseen but strong negative agents to obstruct the long awaiting development. Through circular No: 75 it is going to convert the development officers to insurance agent effecting huge reduction in the expenses of management of the insurance companies. We hope that IDRA's measures would work positively and MERCANTILE INSURANCE COMPANY LIMITED would find a congenial atmosphere in the non-life insurance sector.

### CORPORATE AND FINANCIAL REPORTING

Mercantile Insurance has complied with all the requirements of Corporate Governance Code as required by the Bangladesh Securities







& Exchange Commission. Accordingly, the Directors are pleased to confirm the following: (a) The financial statements together with notes thereon have been prepared in conformity with the Companies Act, 1994, Insurance Act, 2010 and in some applicable cases Insurance Act, 1938 and Securities & Exchange Commission Rules, 1987. These statements present fairly its state of affairs, the result of its operations, cash flows and changes in equity. (b) Proper books of account of the Company have been maintained. (c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment. (d) International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as applicable in Bangladesh have been followed in preparation of the financial statements. (e) The system of internal control is sound in design and has been effectively implemented and monitored. (f) There are no significant doubts about the company's ability to continue as a going concern. (g) No bonus share or stock dividend has been declared as interim dividend; (h) There are no extraordinary activities in the reported period. (i) The gross premium income of the Company was increased by 10.33% due to the effect of pandemic COVID-19 for which national holidays were declared by the Government of Bangladesh and in

the non-life sector around Tk. 3,500 million gross premium was reduced as reported by IDRA.

### **BOARD MEETING ATTENDANCE**

During the year, seven Board Meetings were held. The attendance of the Directors is shown in Page # 48.

### **PATTERN OF SHAREHOLDING**

Pattern of shareholding as per clause 1.5(xxiii) of BSEC Notification No: the BSEC Notification No: BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 is shown in Page # 49.

### **RELATED PARTY TRANSACTIONS**

Related Party Transactions, as per clause 1.5(vi) of BSEC Notification No: BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018, are shown in Notes to the Financial Statement [Notes: 23].

### **BRIEF RESUME OF THE DIRECTORS**

Brief resume of the Directors, as per clause 1.5(xxiv) of BSEC Notification No: BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018, are shown in Page # 08.

### **BRIEF MANAGEMENT'S DISCUSSION AND ANALYSIS SIGNED BY THE CHIEF EXECUTIVE OFFICER**

The brief management's discussion and detailed analysis of the Company's position and operations along with discussion of changes in the financial statements.





### **CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND THE CHIEF FINANCIAL OFFICER TO THE BOARD OF DIRECTORS**

The Chief Executive Officer and Chief Financial Officer have performed their duties as per the rules, responsibilities and duties as prescribed by the board. The report is placed in Page # 30.

### **INTERNAL CONTROL SYSTEM DISCLOSURE**

The Board of Directors takes the responsibility for the oversight of MERCANTILE INSURANCE COMPANY LIMITED's insurance business and management including risk management and putting up internal controls. The Directors state that the systems of internal control are sound and have been implemented and monitored effectively.

### **REPORT ON THE ACTIVITIES OF THE AUDIT COMMITTEE**

Pursuant to the clause 5(7) of the BSEC Notification No: BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018, the activities of the Audit Committee have been shown in Corporate Governance Chapter Page # 38.

### **NOMINATION AND REMUNERATION COMMITTEE (NRC)**

The Board of Directors constituted a four-member Nomination and Remuneration Committee (NRC) as a sub-committee of the Board to comply with the BSEC notification dated 03 June 2018. The Committee shall

assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of Directors and top-level executives. Pursuant to the clause 6(2) of the BSEC Notification No: BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018, the activities of the Nomination and Remuneration Committee have been shown in Corporate Governance Chapter.

### **CORPORATE GOVERNANCE COMPLIANCE REPORT**

The Board of Directors of Mercantile Insurance Company Limited is committed to adopting the highest governance standards and improving those standards as required protecting the interest of stakeholders and policy holders of the company. The Board continues to provide direction

to the management, approve strategic decision and policies to attain predetermined goals and objectives of the company. Certificate from auditors on compliance with the conditions as per clause 7(1) of the BSEC Notification No: SEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 is shown in Page # 54. Pursuant to the clause 9(3) of BSEC Notification No: BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018, the Company's Corporate Governance Compliance status has been attached in Page # 55.





### ACKNOWLEDGEMENT

The Board of Directors' deeply appreciated the gracious co-operation extended by the Government of the People's Republic of Bangladesh. Particularly, Ministry of Finance, Insurance Development and Regulatory Authority (IDRA), Bangladesh Securities And Exchange Commission, Registrar of Joint Stock Companies and Firms, Dhaka Stock Exchange Ltd, Financial Reporting Council Bangladesh. The Board also like to put on record its appreciation for the services rendered by express its deep gratitude to respected shareholders of the Company for their support and guidance. The Board also would like to thanks Bangladesh Bank, all schedule Banks and Financial Institution, valued clients, patrons and well-wishers who have been extending their continued support, co-operation and encouragement.

We thanked our members of the Board of Directors for their continuous help and advice in all respects, our Chief Executive

Officer, all our officer and stuffs in various aspects of the company for their loyalty, devotion, relentless drive and accelerated skills for the present position.

At the end I pray to almighty Allah for the continuous progress of the company.

For The Board Of Directors

M. Kamal Uddin  
Chairman





# Compliance Report on BSEC Notification



Mercantile Insurance Company Ltd.

Annual Report 2020

## Report on Compliance of Corporate Governance Guidelines of Mercantile Insurance Company Limited BSEC/CMRRCD/2006-158/207/Admin/80, Dated June 03, 2018.

Condition No.	Title	Compliance Status		Remark (if any)
		Complied	Not Complied	

### Status of Compliance with the conditions imposed by the commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated June 03, 2018 issued under section 2CC of the Securities and Exchange ordinance, 1969 is presented below:

1	<b>Board of Directors</b>			
1(1)	Size of the Board of Directors	Complied	-	
1(2)	<b>Independent Directors</b>			
1(2)(a)	1/5th of the total number of Board of Directors	Complied	-	As per section 76 of the Insurance Act, 2010
1(2)(b)(i)	Does not hold any share or less than 1% shares of the total paid-up share of the Company	Complied	-	Not holding any share of the company
1(2)(b)(ii)	Not a Sponsor of the Company	Complied	-	
1(2)(b)(iii)	Who has not been an executive of the company in immediately procedure 2 (Two) financial years	Complied	-	
1(2)(b)(iv)	Who does not have any other relationship, whether pecuniary or otherwise with the company or its subsidiary or associated companies	Complied	-	
1(2)(b)(v)	Who is not a member of TREC (Training Right Entitlement Certificate) holder, director or officer of ant stock exchange.	Complied	-	
1(2)(b)(vi)	Who is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market	Complied	-	
1(2)(b)(vii)	Who is not a partner or an executive or was not a partner or executive during the preceding 3 (Three) years of the concerned companies statutory audit firm of audit firm engaged in internal audit services or conducting special audit or professional certifying compliance of this code	Complied	-	
1(2)(b)(viii)	Who is not independent director in more than 5 (five) listed companies	Complied	-	
1(2)(b)(ix)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan or any advance to a bank or a NBFI (Non-Bank Financial institution)	Complied	-	
1(2)(b)(x)	Who has not been convicted for a criminal offence involving moral turpitude.	Complied	-	
1(2)(c)	Shall be appointed by the board and approved by the shareholders in the Annual General Meeting (AGM)	Complied	-	
1(2)(d)	Post of independent director(s) cannot remain vacant for more than 90 (Ninety) days	Complied	-	
1(2)(e)	Tenure of independent directors' office shall be for a period of 03 (Three) years which may be extended for 1 (one) tenure only.	Complied	-	
1(3)	<b>Qualification of independent director</b>	Complied	-	
1(3)(a)	Shall be a knowledgeable individual with integrity able to ensure compliance with financial laws, regulatory requirements and corporate laws.	Complied	-	







## Compliance Report on BSEC Notification

Condition No.	Title	Compliance Status		Remark (if any)
		Complied	Not Complied	
1(3)(b)(i)	Business leader who is or was a promoter or director of an unlisted company having minimum paid capital of Tk 100.00 million or any listed company or a member of any national or international chamber of commerce or business association	Complied	-	
1(3)(b)(ii)	Should be a Corporate Leader	Complied	-	
1(3)(b)(iii)	Formal official of government or statutory or autonomous or regulatory body in the position not below 5th grade of the national pay scale	Complied	-	
1(3)(b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law	Complied	-	
1(3)(b)(v)	Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a CA/CMA/CFA/CCA/CPA Or Chartered Management Accountant/CS or equivalent qualification	Complied	-	
1(3)(c)	The independent director shall have at least 10(Ten) years of experiences in any field mentioned in clause (b)	Complied	-	
1(3)(d)	Relaxation in special cases subject to prior approval of the commission		-	Not Applicable (No Special Cash arose)
<b>1(4)</b>	<b>Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer</b>			
1(4)(a)	The position of Chairperson of the board and MD and/or CEO of the company shall be filled by different individuals.	Complied	-	
1(4)(b)	MD and/or CEO of a listed Company shall be elected from among the non-executive directors of the company.	Complied	-	
1(4)(c)	The Chairperson of the Board shall be elected from among the non-executive directors of the company.	Complied	-	
1(4)(d)	The board shall clearly define respective roles and responsibilities of the chairperson and the managing director or chief executive officer	Complied	-	
1(4)(e)	In absence of Chairperson of the Board, the remaining members may elect one of themselves from non-executive directors as Chairperson for that particular Boards meeting	Complied	-	
1(5)	The Directors' Report of Shareholders	Complied	-	
1(5)(i)	Industry outlook and possible future developments in the industry	Complied	-	
1(5)(ii)	Segment-wise or product-wise performance	Complied	-	
1(5)(iii)	Risks and concerns including internal and external risk factor, threat to sustainability and negative impact on environment	Complied	-	
1(5)(iv)	Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	Complied	-	
1(5)(v)	Discussion on continuity of any extra ordinary activities and their implications	Complied	-	
1(5)(vi)	Detailed discussion and statement of related party transactions	Complied	-	
1(5)(vii)	Statements of utilization of proceeds from publics issues, rights issues and/or through any others instruments	Complied	-	
1(5)(viii)	An explanation if the financial result deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing etc.		-	
1(5)(ix)	Explanation on any significant variance occurs between Quarterly Financial Performance and Annual Financial Statements	Complied	-	



## Compliance Report on BSEC Notification



Mercantile Insurance Company Ltd.

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Condition No.	Title	Compliance Status		Remark (if any)
		Complied	Not Complied	
1(5)(x) 1(5)(xi)	Remuneration to directors including independent directors The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and change in equity	Complied	-	
1(5)(xii) 1(5)(xiii)	Proper books of account of the issuer company have been maintained Appropriate accounting policies has been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment	Complied Complied	- -	
1(5)(xiv)	international Accounting Standards (IAS) OR International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure therefore has been adequately disclosed.	Complied	-	
1(5)(xv)	The system of internal control is sound in design and has been effectively implemented and monitored	Complied	-	
1(5)(xvi)	A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress		-	Not Applicable
1(5)(xvii)	Statement that there is no significant doubt upon the issuer company's ability to continue as a going concern, if the issuer company is not considered to be a going concern, the fact along with reasons there of shall be disclosed	Complied	-	
1(5)(xviii)	Significant deviation from fast year's operating results of the issuer company shall be highlighted and the reasons there of shall be explained	Complied	-	
1(5)(xix)	Key operating and financial data of at least preceding 5 (Five) years shall be summarized.	Complied	-	
1(5)(xx)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons there of shall be given			10% Cash Dividend for all shareholder
1(5)(xxi)	Boards statement to the effect that no bonus shares or stock dividend has been declared as interim dividend			Not Applicable
1(5)(xxii)	The number of Board meetings held during the year and attendance by each Director shall be disclosed	Complied	-	
1(5)(xxiii)	A report on the patters of Shareholding disclosing the aggregate number of shares (name wise details)	Complied	-	
1(5)(xxiii) (a)	Parent/Subsidiary/Associate Companies and other related parties (name wise details)			Not Applicable
1(5)(xxiii) (b)	Directors, CEO, Company Secretary, CFO, Head of internal Audit and Compliance and their spouses and minor children (name wise details)	Complied	-	
1(5)(xxiii) (c)	Executives	Complied	-	
1(5)(xxiii) (d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details)			Not Applicable
1(5)(xxiv) (a)	A brief resume of the director in case of appointment or reappointment	Complied	-	
1(5)(xxiv) (b)	Nature of his/her expertise in specific functional areas	Complied	-	
1(5)(xxiv) (c)	Names of companies in which the person also holds the directorship and the membership of committees of the Board	Complied	-	







## Compliance Report on BSEC Notification

Condition No.	Title	Compliance Status		Remark (if any)
		Complied	Not Complied	
1 (5) (xxv)	<b>Management discussion and analysis signed by CEO/MD presenting detail analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on</b>			
1 (5) (xxv) (a)	Accounting policies and estimation for preparation of financial statements	Complied	-	
1 (5) (xxv) (b)	Changes in accounting policies and estimation as well as cash flows on absolute figure for such changes	Complied	-	
1 (5) (xxv) (c)	Comparative analysis and financial position as well as cash flow for current financial year with immediate preceding 5 (Five) years explaining reasons thereof	Complied	-	
1 (5) (xxv) (d)	Compare such financial performance of results and financial position as well as cash flows with the peer industry scenario	Complied	-	
1 (5) (xxv) (e)	Briefly explain the financial and economic scenario of the country and the global	Complied	-	
1 (5) (xxv) (f)	Risks and concerns issues related to the financial statements and concerns mitigation plan of the company	Complied	-	
1 (5) (xxv) (g)	Future plan or projection or forecast for company's operation, performance and financial position shall be explained to the shareholders in the next AGM	Complied	-	
1 (5) (xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) disclosed in page-87	Complied	-	
1 (5) (xxvii)	The report as well as certificate regarding compliance of conditions of the Code as requested under condition no. 9 disclosed in page-48 and 54	Complied	-	
1 (6)	<b>Meeting of the Board of Directors</b>			
1 (6)	Compliance under Bangladeshi Secretarial Standards (BSS)	Complied	-	
1 (7)	<b>Code of Conduct for the Chairperson, other Board members and Chief Executive Officer</b>			
1(7) (a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC)	Complied	-	
1(7) (b)	The code of conduct as determined by the NRC shall be posted on the website of the company	Complied	-	
2	<b>Governance of Board of Directors of Subsidiary Company</b>			
2 (a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company	-	-	Not Applicable
2 (b)	At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company	-	-	Not Applicable
2 (c)	The minutes of subsidiary to be placed in the meeting of holding company	-	-	Not Applicable
2 (d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company.	-	-	Not Applicable
2 (e)	The Audit Committee of the holding company shall also review the financial statements in particular the investments made by the subsidiary company	-	-	Not Applicable





## Compliance Report on BSEC Notification



Mercantile Insurance Company Ltd.

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Condition No.	Title	Compliance Status		Remark (if any)
		Complied	Not Complied	
<b>3</b>	<b>Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)</b>			
3(1)	Appointment	Complied	-	
3 (1) (a)	Board shall appoint a MD or CEO, Company Secretary, CFO and HIAC	Complied	-	
3 (1) (b)	The positions of the MD, CEO, CS, CFO and HIAC shall be filled by different individuals.	Complied	-	
3 (1) (c)	The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time	Complied	-	
3 (1) (d)	Clearly defined respective roles, responsibilities and duties of the CFO, the HIAC and the CS	Complied	-	
3 (1) (e)	MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board and be disseminate to the Commission and stock exchange(s)	-	-	Not Applicable
3 (2)	<b>Requirement to attend Board of Directors Meetings</b>			
3 (2)	The MD or CEO and CFO of the company shall attend the meeting of the board	Complied	-	
3 (3)	<b>Duties of Managing Director (MD) OR Chief Executive Officer (CEO) and Chief Financial Officer (CFO)</b>			
3 (3) (a)	The MD or CEO and CFO shall certify to the Board that have reviewed financial statements for the year and that to the best of their knowledge and belief	Complied	-	
3 (3) (a) (i)	The statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	Complied	-	
3 (3) (a) (ii)	The statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws	Complied	-	
3 (3) (b)	The MD or CEO and CFO to certify that there are no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board of its members	Complied	-	
3 (3) (c)	The certification of the MD/CEO and CFO shall be disclosed in the Annual Report	Complied	-	
<b>4</b>	<b>Board of Directors' Committee</b>			
4 (i)	Audit Committee	Complied	-	
4 (ii)	Nomination and remuneration committee	Complied	-	
<b>5</b>	<b>Audit Committee</b>			
5 (1)	<b>Responsibility to the Board of Directors</b>			
5 (1) (a)	The company shall have and audit committee as a sub-committee of the board	Complied	-	
5 (1) (b)	The audit committee shall assist the board in insuring that the financial statements reflect true and fair view of the state of affairs	Complied	-	
5 (1) (c)	The Audit Committee shall be responsible to the Board the duties of the Audit Committee shall be clearly set forth in writing	Complied	-	





## Compliance Report on BSEC Notification

Condition No.	Title	Compliance Status		Remark (if any)
		Complied	Not Complied	
<b>5 (2)</b>	<b>Constitution to the Audit Committee</b>			
5 (2) (a)	The Audit Committee shall be composed of at least 3 (three) members.	Complied	-	
5 (2) (b)	Board shall appoint members of the Audit Committee who shall be non-executive director of the company excepting Chairperson of the Board and shall include at least 1 (One) independent director			
5 (2) (c)	All members of the Audit committee should be "Financially literate" and at least 1 (One) members shall have accounting or related financial management background and 10(Ten) Years of such experience	Complied	-	
5 (2) (d)	When the term of service of any committee member expires or there is any circumstance causing any committee member to be unable to hold office before expiration of the term of service	-	-	No such event occurred
5 (2) (e)	The company secretary shall act as the secretary of the Committee.	Complied	-	
5 (2) (f)	The quorum of the audit committee meeting shall not constitute without at least one independent director			
<b>5 (3)</b>	<b>Chairperson of the Audit Committee</b>			
5 (3) (a)	The Board shall select Chairperson of the Audit Committee who will be independent Director	Complied	-	
5 (3) (b)	Absence of the Chairperson of the Audit Committee members to elect one and the reason of absence of the regular Chairperson shall be duly recorded in the minutes	Complied	-	
5 (3) (c)	Chairperson of the audit committee shall remain present in the AGM	Complied	-	
5 (4)	Meeting of the Audit Committee	Complied	-	
5 (4) (a)	The audit committee shall conduct at least its 4 Meeting in a financial year	Complied	-	
5 (4) (b)	Quorum of Audit Committee, presence of 2 or 2/3 members whichever is higher where presence of an independent director is a must	Complied	-	
<b>5 (5)</b>	<b>Role of Audit Committee</b>	Complied	-	
5 (5) (a)	Oversee the financial reporting process	Complied	-	
5 (5) (b)	Munitor choice of accounting policies and principles	Complied	-	
5 (5) (c)	Monitor internal Audit and Compliance to ensure that it is adequately resourced	Complied	-	
5 (5) (d)	Oversee hiring performance of external auditors	Complied	-	
5 (5) (e)	Hold meeting with the auditors, review the annual financial statements before submission to the Board for approval or adoption	Complied	-	
5 (5) (f)	Review along with the management, the annual financial statements before submission	Complied	-	
5 (5) (g)	Review along with the management, the quarterly and half yearly financial statements before submission	Complied	-	
5 (5) (h)	Review the adequacy of internal audit function	Complied	-	
5 (5) (i)	Review the management's discussion and analysis before disclosing in the Annual Report	Complied	-	
5 (5) (j)	Review statement of all related party transactions submitted by the management	Complied	-	





## Compliance Report on BSEC Notification



Mercantile Insurance Company Ltd.

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Condition No.	Title	Compliance Status		Remark (if any)
		Complied	Not Complied	
5(5)(k)	Review management letters or letter of internal control weakness issued by statutory auditors	Complied	-	
5(5)(l)	Oversee determination of audit fees based on scope and magnitude and evaluate the performance of external auditor	Complied	-	
5(5)(m)	Oversee whether IPO or RPO or RSO proceeds utilized as per the published prospectus	-	-	Not Applicable
<b>5(6)</b>	<b>Reporting of the Audit Committee</b>			
<b>5(6)(a)</b>	<b>Reporting to the Board of Directors</b>			
5(6)(a)(i)	The audit committee shall report on its activities to the board	Complied	-	
5(6)(a)(ii)(a)	Report on conflicts of interests	-	-	No such event occurred
5(6)(a)(ii)(b)	Suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements	-	-	No such event occurred
5(6)(a)(ii)(c)	Suspected infringement of laws, regulatory compliance including securities related laws, rules and regulation	-	-	No such event occurred
5(6)(a)(ii)(d)	Any other matter which shall be disclosed to the board immediately	-	-	No such event occurred
5(6)(b)	Reporting to the Authorities	-	-	No such event occurred
5(7)	Reporting to the Shareholders and General Investors	-	-	No such event occurred
<b>6</b>	<b>Nomination and Remuneration Committee (NRC)</b>			
<b>6(1)</b>	<b>Responsibility to the Board of Directors</b>			
6(1)a	The company shall have an NRC as a Sub-committee of the Board.	Complied	-	
6(1)b	NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications.	Complied	-	
6(1)c	The Terms of Reference of the NRC shall be clearly set forth in writing	Complied	-	
<b>6(2)</b>	<b>Constitution of the NRC</b>	Complied		
6(2)a	The Committee shall comprise of at least three members including an Independent Director	Complied	-	
6(2)b	All members of the Committee shall be non-executive directors	Complied	-	
6(2)c	Members of the Committee shall be nominated and appointed by the Board	Complied	-	
6(2)d	The board shall have removed and appoint any member of the committee	Complied	-	
6(2)e	Board shall fill the vacancy within 180 days of such vacancy in the Committee	Complied	-	
6(2)f	The chairperson of the committee may appoint any external expert	Complied	-	
6(2)g	The company secretary shall act as the secretary of the committee	Complied	-	
6(2)h	The quorum of the NRC meeting shall not constitute without attendance	Complied	-	
6(2)(i)	No member of the NRC Shall receive either directly or indirectly	Complied	-	
<b>6(3)</b>	<b>Chairperson of the NRC</b>	Complied		
6(3)a	The board shall select one member of the NRC to be Chairperson of the Committee who shall be an independent director	Complied	-	
6(3)b	Absence of chairperson, the remaining members may elect one of them; the reason of absence of the regular Chairperson shall be duly recorded in the minutes	-	-	No such event occurred



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## Compliance Report on BSEC Notification

Condition No.	Title	Compliance Status		Remark (if any)
		Complied	Not Complied	
6(3)c	Chairperson of the NRC shall attend the AGM	Complied	-	
<b>6(4)</b>	<b>Meeting of the NRC</b>	Complied	-	
6(4)a	The NRC shall conduct at least one meeting in a financial year	Complied	-	
6(4)b	The chairperson of the NRC may convene any emergency meeting	Complied	-	
6(4)c	Quorum of NRC meeting, presence of 2 or 2/3, members whichever is higher, where presence of an independent director is must	Complied	-	
6(4)d	Proceeding of NRC meeting shall be recorded in the minutes and such minutes shall be confirmed in the next meeting	Complied	-	
<b>6 (5)</b>	<b>Role of NRC</b>	Complied	-	
6(5)a	NRC shall be independent and responsible to the board and to the shareholders	Complied	-	
6(5)(b)(i)(a)	The level of composition of remuneration is reasonable and sufficient	Complied	-	
6(5)(b)(i)(b)	The relationship of remuneration to performance for clear and meets appropriate performance benchmark	Complied	-	
6(5)(b)(i)(c)	Remuneration to director top level executive involves a balance between fixed and incentive pay reflecting short and long term performance	Complied	-	
6(5)(b)(ii)	Consideration age gender experience	Complied	-	
6(5)(b)(iii)	Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down and recommend their appointment and removal to the board	Complied	-	
6(5)(b)(iv)	Formulating criteria for evaluation of performance of independent directors and the Board	Complied	-	
6(5)(b)(v)	Identifying company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria.	Complied	-	
6(5)(b)(vi)	Developing recommending and reviewing annually the company's human resources and training policies	Complied	-	
6(5)(c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC at a glance in its annual report.	Complied	-	
<b>7</b>	<b>External or Statutory Auditors</b>	Complied	-	
<b>7(1)</b>	<b>Issuer company shall not engage its external auditors to perform the following</b>	Complied	-	
7(1)(i)	Appraisal or valuation service opinions	Complied	-	
7(1)(ii)	Financial information systems design and implementation	Complied	-	
7(1)(iii)	Book-keeping and other services related to the accounting records	Complied	-	
7(1)(iv)	Broker-dealer services	Complied	-	
7(1)(v)	Actuarial services	Complied	-	
7(1)(vi)	Internal or special audit services	Complied	-	
7(1)(vii)	Any services that the Audit Committee may determine	Complied	-	
7(1)(viii)	Audit or certification services on compliance of corporate governance	Complied	-	



## Compliance Report on BSEC Notification



Mercantile Insurance Company Ltd.

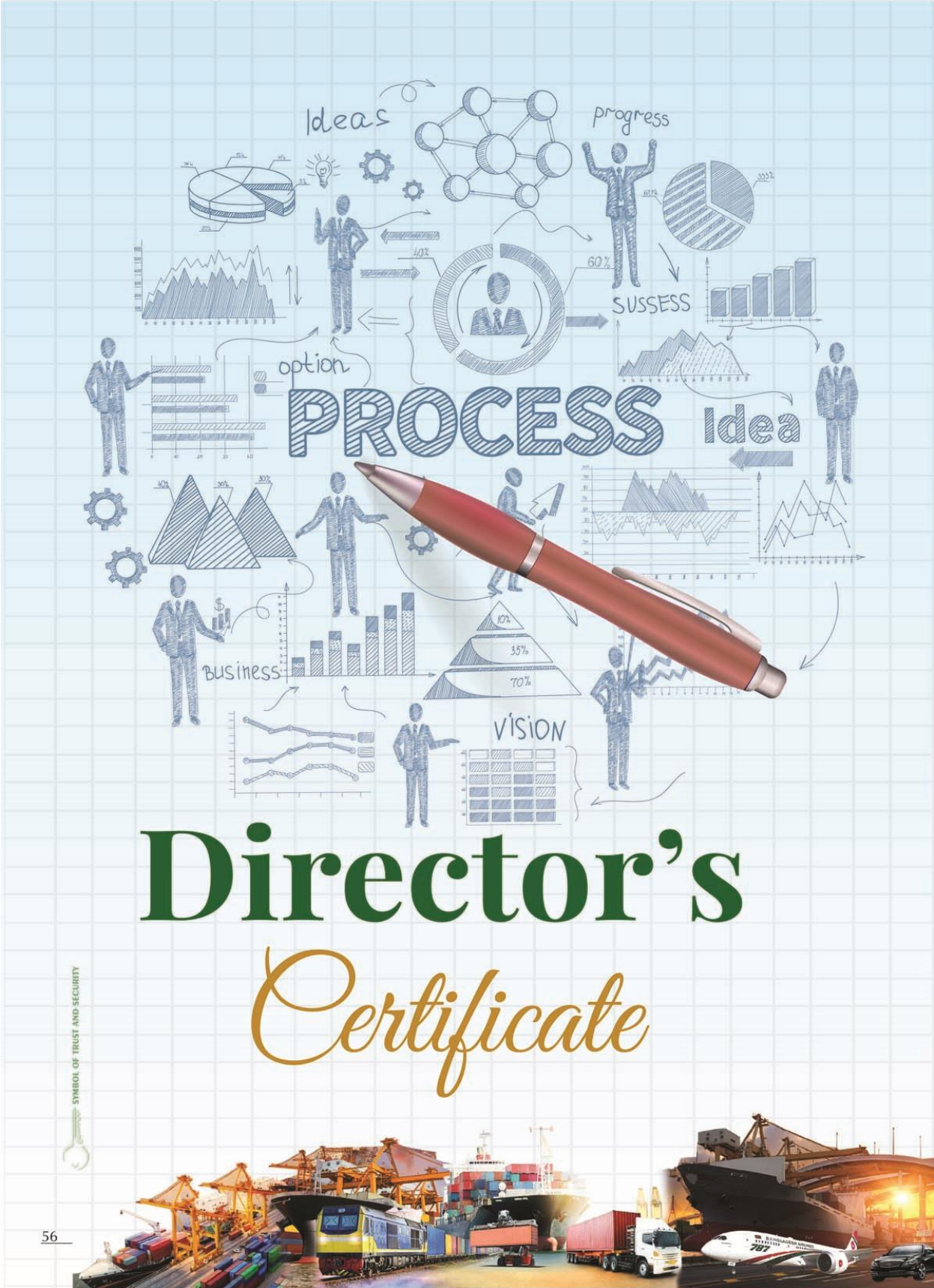
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Condition No.	Title	Compliance Status		Remark (if any)
		Complied	Not Complied	
7(1)(ix)	Any other service that may create conflict of interest	Complied	-	
7(2)	No partner or employees of the external audit firms shall process any share of the company they company at least during the tenure of their audit assignment of that company			
7(3)	Representative of external or statutory auditors in the shareholders meeting (AGM or EGM)	Complied	-	
8	Maintaining a website by the Company			
8(1)	The company shall have official website	Complied	-	
8(2)	The website functional from the date of listing	Complied	-	
8(3)	Available the details discloser on its website as required under the listing regulations	Complied	-	
9	Reporting and compliance of Corporate Governance			
9(1)	The company shall obtain a certificate form a practicing professional Accountant or Secretary on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report.	Complied	-	
9(2)	The professional who will provide the certificate on compliance of Corporate Governance shall be appointed by the shareholders in theAGM	Complied	-	
9(3)	The directors of the company shall state, in accordance with the Annexure-Cattached, in the director's report whether the company has complied with these conditions or not	Complied	-	



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Ideas

progress

option

SUSSESS

Idea

PROCESS

BUSINESS

vision

# Director's Certificate

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## Directors' Certificate



Mercantile Insurance Company Ltd.

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# Directors' Certificate

As per Regulations contained in the First Schedule of the Insurance Act, 1938 and as per Section 63(2) of the Insurance Act, we certify that :

1. The value of investment as shown in the Balance Sheet has been taken at the cost.
2. The value of assets as shown in the Balance Sheet and as classified on Form "AA" annexed have been duly reviewed as at December 31, 2019 and in our belief, the said assets have been setforth in the Balance Sheet at amounts not exceeding their realisable or market value under the several headings as enumerated in the annexed from.
3. All expenses of management, wherever incurred and whether incurred directly or indirectly in respect of Fire, Marine, Motor and Miscellaneous Insurance Business have been duly debited to the related Revenue Accounts and Profit & Loss Account.

**Firoz Ahmed**  
Chief Executive Officer

**M. Nasir Uddin**  
Director

**Abdul Haque**  
Director

**M. Kamal Uddin**  
Chairman

Dated: May 23, 2021  
Place: Dhaka



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## Auditors' Report to the Shareholders

### Opinion

We have audited the accompanying Financial Statements of Mercantile Insurance Company Limited, which comprise the Statement of Financial Position as at December 31, 2020, and the Statement of Profit or Loss and other Comprehensive Income, Profit or Loss Appropriation Account, Consolidated Insurance Revenue Account, Fire Insurance Revenue Account, Marine & Marine Hull Insurance Revenue Account, Motor Insurance Revenue Account, Miscellaneous Insurance Revenue Account, Statement of Changes in Shareholder's Equity, Statement of Cash Flows for the year then ended, Form "AA" as at December 31, 2020 and a summary of significant accounting policies and other explanatory information disclosed in Note 1- 31.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994, the Insurance Act 2010, the Insurance Rules 1958, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

### Basis for Opinion

We conduct 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 Securities and Exchange Commission (BSEC) and Bangladesh Bank, 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 Unqualified opinion.



## Auditors' Report to the Shareholders



Mercantile Insurance Company Ltd.

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### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters were addressed in the context of our audit of the consolidated and separate financial statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk
<p><b>Premium Income:</b> Gross general insurance premiums comprise the total premiums received for the whole period of cover provided by contracts entered into during the accounting period.</p> <p>Given the important nature, connections to other items to the financial statements and sensitivity of the item we believe this area present high level of audit risk.</p> <p>At The Year end of the year 2020, the company reported total gross premium income of BDT 416,660,405 (2019: BDT 377,645,444).</p>	<p>With respect to Premium income in respect of various types of insurance we carried out the following procedures:</p> <ul style="list-style-type: none"> <li>• Carried out analytical procedures and recalculated premium income for the period.</li> <li>• The design and operating effectiveness of key controls around premium income recognition process.</li> <li>• Carried out cut-off testing to ensure unearned premium income has not been included in the premium income.</li> <li>• On a sample basis reviewed policy to ensure appropriate policy stamp was affixed to the contract and the same has been reflected in the premium register.</li> <li>• Ensured on a sample basis that the premium income was being deposited in the designated bank account.</li> <li>• Tested on a sample basis to see that appropriate VAT was being collected and deposited to bank through Treasury Challan.</li> <li>• For a sample of insurance contracts tested to see if appropriate level of reinsurance was done and whether that reinsurance premium was deducted from the gross premium.</li> <li>• Applying specialist judgment ensured if there is any impairment of the reinsurer.</li> <li>• Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards, Insurance Act 1938 (as amended in 2010), Insurance Rules, 1958 and other applicable rules and regulations and regulatory guidelines.</li> </ul>



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## Auditors' Report to the Shareholders

<p>See note #21.00 of the financial statements.</p> <p><b>Fair value reserve on Investment of marketable securities:</b></p> <p>The company makes a number of investments in the listed securities in stock exchange. Income generated from the investments (realized gain and dividend received) is credited to the Profit or Loss Account.</p> <p>This item has significant impact on net asset value of the company and equity balances might be prone to misreporting as large unreported fall in the value of any holding may wipe out the value of the portfolio and hamper the distribution capability of the company.</p> <p>At The Year end of the year 2020, the company reported investments in the listed securities in stock exchange BDT 72,804,326 at Market Value.</p>	<p>We tested the design and operating effectiveness of key controls around monitoring, valuation and updating of prices of the positions held by the company from trusted sources. Additionally, we performed the following:</p> <ul style="list-style-type: none"> <li>• Obtained year-end share holding positions from the company and through directional testing assessed the completeness of the report.</li> <li>• Ascertained the valuation of the holding as per IFRS 13.</li> <li>• Reviewed the assumptions used for the valuation models for any unquoted securities.</li> <li>• Recalculated unrealized gain or loss at the year end.</li> <li>• Carried out cut-off testing to ensure unrealized gain or loss was recognized in correct period.</li> <li>• Obtained the MICTL report and share portfolio and cross checked against each other to confirm unrealized gain or loss.</li> <li>• Check the subsequent positioning of this unrealized amount after the year end.</li> <li>• Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards, Insurance Act 1938 (as amended in 2010), Insurance Rules, 1958 and other applicable rules and regulations and regulatory guidelines.</li> </ul>
<p>See note #12.00 of the financial statements.</p> <p><b>Estimated liability in respect of outstanding claims whether due or intimated and claim payment:</b></p> <p>This account represents the claim due or intimated, and</p>	<p>We tested the design and operating effectiveness of controls around the due and intimated claim recording process.</p> <p>We additionally carried out the following substantive testing around this item</p> <ul style="list-style-type: none"> <li>• Obtained the claim register and tested for completeness of claims recorded in the register on a sample basis.</li> <li>• Obtained a sample of claimed policy copy and crosscheck it with claim.</li> </ul>



## Auditors' Report to the Shareholders



Mercantile Insurance Company Ltd.

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<p>related balance of recoverable from reinsurer, from the insured and involves significant management judgment and risk of understatement. In extreme scenario this item may have going concern implications for the company.</p> <p>At the year end the 2020, the company reported total balance under the head of the estimated liability in respect of outstanding claims whether due or intimated and claim payment of BDT 140,000,000.</p>	<ul style="list-style-type: none"> <li>• Obtained a sample of survey reports cross checked those against respective ledger balances and in case of discrepancy carried out further investigation.</li> <li>• Obtained and discussed with management about their basis for estimation and challenged their assumptions where appropriate.</li> <li>• Reviewed the claim committee meeting minutes about decision about impending claims.</li> <li>• Tested a sample of claims payments with intimation letter, survey report, bank statement, claim payment register and general ledger.</li> <li>• Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards, Insurance Act 1938 (as amended in 2010), Insurance Rules, 1958 and other applicable rules and regulations and regulatory guidelines.</li> </ul>
<p><b>See note #7.00 to the financial statement</b></p>	

### Other Matter

- As per Sec-232, Labor Act 2006 and as amended, if a company comply certain conditions as per said section of the Act then the company should establish a worker's profit participation fund (WPPF). MICL is eligible for establishing a WPPF as per said Act. However, they did not establish WPPF which is a non-compliance of the said Act.



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## Auditors' Report to the Shareholders

We have nothing to report on going concern

We are required to report if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of the financial statements. We have nothing to report in these respects.

### Other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. We have not been provided the Director's report and other information contained within the annual report except the financial statements to the date of our auditor's report. We expect to obtain the remaining reports of the Annual report after the date of our auditor's report. Management is responsible for the other information.

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

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

### Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls:

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the Companies Act 1994, the Insurance Act 2010, the Insurance Rules 1958, the Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.





## Auditors' Report to the Shareholders



Mercantile Insurance Company Ltd.

Annual Report 2020

### 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 judgments and maintain professional skepticism throughout the audit. We also:

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





## Auditors' Report to the Shareholders

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

In accordance with the Companies Act 1994, the Insurance Act 2010, the Insurance Rules 1958, the Securities and Exchange Rules 1987 and relevant notifications issued by Bangladesh Securities and Exchange Commission, 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 purpose of our audit and made due verification thereof;
- b) In our opinion, proper books of accounts, records and other statutory books as required by law have been kept by the Company so far as it appeared from our examinations of those books;
- c) The Company management has followed relevant provisions of laws and rules in managing the affairs of the Company and proper books of accounts, records and other statutory books have been properly maintained and (where applicable) proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- d) As per section 63(2) of the Insurance Act 2010, in our opinion to the best of our knowledge and belief according to the information and explanation given to us, all expenses of management wherever incurred and whether incurred directly or indirectly, in respect of insurance business of the company transacted in Bangladesh during the year under report have been duly debited to the related Revenue Accounts and the Statement of Comprehensive Income of the Company;





## Auditors' Report to the Shareholders



Mercantile Insurance Company Ltd.

Annual Report 2020

- e) We report that to the best of our information and as shown by its books, the company during the year under report has not paid any person any commission in any form, outside Bangladesh in respect of any its business re-insured abroad;
- f) The Balance sheet, Profit & Loss Appropriation Account, Profit & Loss account, related Revenue Accounts, Statement of Changes in Equity and Statement of Cash Flows of the Company together with the annexed notes dealt with by the report are in agreement with the books of account and returns; and
- g) The expenditure was incurred for the purpose of the Company's business;

Place: Dhaka  
Dated: May 23, 2021

  
**Nurul Hossain Khan FCA**  
Membership No.- 240  
DVC: 2105250240AS261087  
**Kazi Zahir Khan & Co.**  
**Chartered Accountants**



SYMBOL OF TRUST AND SECURITY





## Statement of Financial Position

As at December 31, 2020

Particulars	Notes	Amount in Taka	
		2020	2019
<b>Shareholders Equity &amp; Liabilities :</b>			
<b>Share Capital</b>			
Authorised Capital		1,000,000,000	1,000,000,000
Issued, Subscribed & Paid-up capital	3.00	430,953,600	430,953,600
Share Premium (Less issue expense & taxes)		74,814,125	74,814,125
<b>Reserve or Contingency Accounts:</b>	4.00	<b>315,408,743</b>	<b>282,763,078</b>
Reserve for exceptional losses		249,850,319	227,105,313
General Reserve		20,100,000	19,900,000
Profit & Loss Appropriation Account		45,458,424	35,757,765
<b>Balance of Fund &amp; Accounts</b>	5.00	<b>113,973,883</b>	<b>95,593,682</b>
Fire Insurance Business		18,650,078	13,907,938
Marine Insurance Business		78,488,410	65,337,992
Motor Insurance Business		5,043,719	5,288,554
Miscellaneous Insurance Business		11,791,676	11,059,198
<b>Liabilities &amp; Provision</b>		<b>1,305,326,030</b>	<b>1,280,444,760</b>
Premium Deposit	6.00	35,626,137	14,430,957
Estimated liability in respect of outstanding claims whether due or intimated	7.00	140,000,000	157,000,000
Amount due to other person or bodies carrying on insurance business	8.00	1,053,294,810	940,900,154
Sundry Creditors	9.00	76,405,083	168,113,649
<b>Total Shareholders Equity &amp; Liabilities :</b>		<b>2,240,476,381</b>	<b>2,164,569,245</b>
<b>Assets:</b>			
<b>Non-Current Assets:</b>			
Property, Plant & Equipment	10.00	53,981,563	57,233,384
Bangladesh Govt. Treasury Bond		27,981,414	31,089,069
Deferred Tax Assets	11.00	25,000,000	25,000,000
		1,000,149	1,144,315
<b>Current Assets:</b>		<b>2,186,494,818</b>	<b>2,107,335,861</b>
Investment in Shares	12.00	72,804,327	87,192,728
Accrued Interest, Dividend And Rent	13.00	6,870,540	6,229,767
Amount due from other persons or bodies carrying on insurance business	14.00	915,685,850	912,971,540
Sundry Debtors	15.00	6,099,747	6,555,133
Cash and Bank balance	16.00	1,128,298,754	953,521,388
Advance Income Tax	17.00	56,695,350	139,933,176
Stamps in hand		40,250	932,129
<b>Total Assets:</b>		<b>2,240,476,381</b>	<b>2,164,569,245</b>
<b>Net Assets Value Per Share (NAVPS)</b>		<b>19.05</b>	<b>18.27</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

  
Chief Executive Officer


  
Director

  
Director

  
Chairman

Signed as per our separate report on same date.

Place: Dhaka  
Dated: May 23, 2021

  
**KAZI ZAHIR KHAN & CO.**  
Chartered Accountants  
Nurul Hossain Khan FCA  
Membership No.- 240  
DVC: 2105250240AS261687



## Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2020



Mercantile Insurance Company Ltd.

Annual Report 2020

Particulars	Notes	Amount in Taka	
		2020	2019
<b>Operating Profit/(loss) Transferred From:</b>		<b>20,588,293</b>	<b>9,248,525</b>
Fire Insurance Revenue Account		(95,608,432)	(79,385,021)
Marine Insurance Revenue Account		93,634,251	65,808,673
Motor Insurance Revenue Account		8,972,074	6,915,209
Misc. Insurance Revenue Account		13,590,400	15,909,664
<b>Non-Operating Income (Not applicable to any fund or Account):</b>		<b>78,427,913</b>	<b>74,139,732</b>
Interest, Dividend & Rent Income 18.00	18.00	78,247,913	73,959,732
Other Income 19.00	19.00	180,000	180,000
<b>Total Income:</b>		<b>99,016,206</b>	<b>83,388,257</b>
<b>Expenses of Management (Not applicable to any fund or Account):</b>		<b>5,634,637</b>	<b>6,433,386</b>
Registration & Renewal		718,510	930,439
Directors' Fees		818,400	768,000
Audit Fees		125,000	112,500
Depreciation		3,972,727	4,622,447
Net Profit/(Loss) transferred to Profit & Loss Appropriation Account		<b>93,381,569</b>	<b>76,954,871</b>
<b>Total:</b>		<b>99,016,206</b>	<b>83,388,257</b>
<b>Earnings per Share (EPS)</b>		<b>1.68</b>	<b>1.43</b>

## Profit or Loss Appropriation Account

For the year ended December 31, 2020

Particulars	Notes	Amount in Taka	
		2020	2019
Opening Balance of appropriation accounts		35,757,766	40,674,629
Net Profit/(Loss) after tax transferred from		93,381,569	76,954,871
<b>Total profit/(loss) after tax</b>		<b>129,139,335</b>	<b>117,629,500</b>
<b>Appropriation:</b>		<b>83,680,911</b>	<b>81,871,734</b>
Stock Dividend issued/Cash dividend		30,166,752	30,214,781
Prior year Adjustment for deferred tax upto December 31, 2016			
Reserve for exceptional losses		22,745,006	19,101,069
General Reserve		200,000	200,000
Income tax expenses		20,840,446	15,298,750
Unrealized (gain)/loss on investment in share		9,728,707	17,057,134
Undistributed Balance transferred to Balance sheet		<b>45,458,424</b>	<b>35,757,766</b>
<b>Total:</b>		<b>129,139,335</b>	<b>117,629,500</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

  
Chief Executive Officer


  
Director

  
Director

  
Chairman

Signed as per our separate report on same date.

Place: Dhaka  
Dated: May 23, 2021

  
**KAZI ZAHIR KHAN & CO.**  
Chartered Accountants  
**Nurul Hossain Khan FCA**  
Membership No.- 240  
DVC: 2105250240AS261687



**Consolidated Revenue Account**

For the year ended December 31, 2020

Particulars	Notes	Amount in Taka	
		2020	2019
Opening balance of Reserve for unexpired risks		95,593,682	95,829,653
Premium Less Re-insurance		227,450,067	191,010,693
Commission on Re-insurance Ceded		47,556,686	41,145,109
<b>Total:</b>		<b>370,600,435</b>	<b>327,985,455</b>
<b>Claims under policies less Re-insurance</b>		<b>83,888,488</b>	<b>79,589,499</b>
Paid during the year		100,888,488	97,089,499
Claims outstanding at the end of the year		140,000,000	157,000,000
Claims Outstanding at the end of the previous year		(157,000,000)	(174,500,000)
Agency Commission		53,276,273	45,146,757
Expenses of Management		98,873,499	98,406,993
Profit/(Loss) transferred to Profit & Loss Account		<b>20,588,292</b>	<b>9,248,524</b>
Closing balance of Reserve for unexpired risks		113,973,883	95,593,682
<b>Total:</b>		<b>370,600,435</b>	<b>327,985,455</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

  
Director

  
Chairman

Signed as per our separate report on same date.

Place: Dhaka  
Dated: May 23, 2021

  
**KAZI ZAHIR KHAN & CO.**  
Chartered Accountants  
**Nurul Hossain Khan FCA**  
Membership No.- 240  
DVC: 2105250240AS261687





## Fire Insurance Revenue Account

For the year ended December 31, 2020



Mercantile Insurance Company Ltd.

Annual Report 2020

Particulars	Notes	Amount in Taka	
		2020	2019
Opening balance of Reserve for unexpired risks	21.00	13,907,938	32,242,032
Premium Less Re-insurance		37,300,156	27,815,876
Commission on Re-insurance Ceded		33,237,742	24,671,458
<b>Total:</b>		<b>84,445,836</b>	<b>84,729,366</b>
<b>Claims under policies less Re-insurance</b>		<b>100,472,837</b>	<b>93,768,587</b>
Paid during the year		105,472,837	101,768,587
Claims outstanding at the end of the year		75,000,000	80,000,000
Claims Outstanding at the end of the previous year		(80,000,000)	(88,000,000)
Agency Commission		21,918,715	18,184,763
Expenses of Management		39,012,638	38,253,099
Profit/(Loss) transferred to Profit & Loss Account		<b>(95,608,432)</b>	<b>(79,385,021)</b>
Closing balance of Reserve for unexpired risks		18,650,078	13,907,938
<b>Total:</b>		<b>84,445,836</b>	<b>84,729,366</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

  
Director

  
Chairman

Signed as per our separate report on same date.

Place: Dhaka  
Dated: May 23, 2021

  
**KAZI ZAHIR KHAN & CO.**  
Chartered Accountants  
**Nurul Hossain Khan FCA**  
Membership No.- 240  
DVC: 2105250240AS261687



**Marine Insurance Revenue Account**

For the year ended December 31, 2020

Particulars	Notes	Amount in Taka	
		2020	2019
Opening balance of Reserve for unexpired risks	21.00	65,337,992	49,154,107
Premium Less Re-insurance		156,479,120	130,499,313
Commission on Re-insurance Ceded		11,919,681	11,300,993
<b>Total:</b>		<b>233,736,793</b>	<b>190,954,413</b>
<b>Claims under policies less Re-insurance</b>		<b>(16,088,561)</b>	<b>(10,204,694)</b>
Paid during the year		(6,088,561)	(5,204,694)
Claims outstanding at the end of the year		35,000,000	45,000,000
Claims Outstanding at the end of the previous year		(45,000,000)	(50,000,000)
Agency Commission		26,642,733	22,398,375
Expenses of Management		51,059,960	47,614,067
Profit/(Loss) transferred to Profit & Loss Account		<b>93,634,251</b>	<b>65,808,673</b>
Closing balance of Reserve for unexpired risks		78,488,410	65,337,992
<b>Total:</b>		<b>233,736,793</b>	<b>190,954,413</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

  
Director

  
Chairman

Signed as per our separate report on same date.

Place: Dhaka  
Dated: May 23, 2021

  
**KAZI ZAHIR KHAN & CO.**  
Chartered Accountants  
**Nurul Hossain Khan FCA**  
Membership No.- 240  
DVC: 2105250240AS261687



## Motor Insurance Revenue Account

For the year ended December 31, 2020



Mercantile Insurance Company Ltd.

Annual Report 2020

Particulars	Notes	Amount in Taka	
		2020	2019
Opening balance of Reserve for unexpired risks	21.00	5,288,554	4,817,099
Premium Less Re-insurance		10,087,438	10,577,108
Commission on Re-insurance Ceded			
<b>Total:</b>		<b>15,375,992</b>	<b>15,394,207</b>
<b>Claims under policies less Re-insurance</b>		<b>(1,986,230)</b>	<b>(1,120,754)</b>
Paid during the year		1,013,770	379,246
Claims outstanding at the end of the year		11,000,000	14,000,000
Claims Outstanding at the end of the previous year		(14,000,000)	(15,500,000)
Agency Commission		1,190,225	1,347,402
Expenses of Management		2,156,204	2,963,796
Profit/(Loss) transferred to Profit & Loss Account		<b>8,972,074</b>	<b>6,915,209</b>
Closing balance of Reserve for unexpired risks		5,043,719	5,288,554
<b>Total:</b>		<b>15,375,992</b>	<b>15,394,207</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

  
Chief Executive Officer


  
Director

  
Director

  
Chairman

Signed as per our separate report on same date.

Place: Dhaka  
Dated: May 23, 2021

  
**KAZI ZAHIR KHAN & CO.**  
Chartered Accountants  
**Nurul Hossain Khan FCA**  
Membership No.- 240  
DVC: 2105250240AS261687





**Miscellaneous Insurance Revenue Account**

For the year ended December 31, 2020

Particulars	Notes	Amount in Taka	
		2020	2019
Opening balance of Reserve for unexpired risks	21.00	11,059,198	9,616,415
Premium Less Re-insurance		23,583,353	22,118,396
Commission on Re-insurance Ceded		2,399,263	5,172,658
<b>Total:</b>		<b>37,041,814</b>	<b>36,907,469</b>
<b>Claims under policies less Re-insurance</b>		<b>1,490,442</b>	<b>(2,853,641)</b>
Paid during the year		490,442	146,359
Claims outstanding at the end of the year		19,000,000	18,000,000
Claims Outstanding at the end of the previous year		(18,000,000)	(21,000,000)
Agency Commission		3,524,600	3,216,217
Expenses of Management		6,644,696	9,576,031
Profit/(Loss) transferred to Profit & Loss Account		<b>13,590,400</b>	<b>15,909,664</b>
Closing balance of Reserve for unexpired risks		11,791,676	11,059,198
<b>Total:</b>		<b>37,041,814</b>	<b>36,907,469</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

  
Director

  
Chairman

Signed as per our separate report on same date.

Place: Dhaka  
Dated: May 23, 2021

  
**KAZI ZAHIR KHAN & CO.**  
Chartered Accountants  
**Nurul Hossain Khan FCA**  
Membership No.- 240  
DVC: 2105250240AS261687



## Statement of Changes in Equity

For the year ended December 31, 2020



Mercantile Insurance Company Ltd.

Annual Report 2020

Particulars	Share Capital	Share Premium	Reserve for Exceptional Losses	General Reserve	Profit and Loss Appropriation	Total Taka
Opening balance	430,953,600	74,814,125	227,105,314	19,900,000	35,757,766	788,530,805
Profit after Tax during the year	-	-	-	-	72,541,123	72,541,123
Transfer to General reserve	-	-	-	200,000	(200,000)	-
Cash Dividend	-	-	-	-	(30,166,752)	(30,166,752)
Reserve for Exceptional Losses	-	-	22,745,006	-	(22,745,006)	-
Unrealized gain/(Loss) on share	-	-	-	-	(9,728,707)	(9,728,707)
<b>As at December 31, 2020</b>	<b>430,953,600</b>	<b>74,814,125</b>	<b>249,850,320</b>	<b>20,100,000</b>	<b>45,458,424</b>	<b>821,176,469</b>

## Statement of Changes in Equity

For the year ended December 31, 2019

Particulars	Share Capital	Share Premium	Reserve for Exceptional Losses	General Reserve	Profit and Loss Appropriation	Total Taka
Opening balance	430,953,600	74,814,125	208,004,245	19,700,000	40,674,629	774,146,599
Profit after Tax during the year	-	-	-	-	61,656,121	61,656,121
Transfer to General reserve	-	-	-	200,000	(200,000)	-
Cash Dividend	-	-	-	-	(30,214,781)	(30,214,781)
Reserve for Exceptional Losses	-	-	19,101,069	-	(19,101,069)	-
Unrealized gain/(Loss) on share	-	-	-	-	(17,057,134)	(17,057,134)
<b>As at December 31, 2019</b>	<b>430,953,600</b>	<b>74,814,125</b>	<b>227,105,314</b>	<b>19,900,000</b>	<b>35,757,766</b>	<b>788,530,805</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

  
Chief Executive Officer


  
Director

  
Director

  
Chairman

Signed as per our separate report on same date.

Place: Dhaka  
Dated: May 23, 2021

  
**KAZI ZAHIR KHAN & CO.**  
Chartered Accountants  
**Nurul Hossain Khan FCA**  
Membership No.- 240  
DVC: 2105250240AS261687



**Statement Of Cash Flow**

For the year ended December 31, 2020

Particulars	Notes	Amount in Taka	
		2020	2019
<b>Cash Flow from Operating Activities:</b>			
Collection from Premium and Commission		374,629,846	295,622,153
Management Expenses, Commission, Re-Insurance & Claims		(317,032,800)	(238,676,301)
Income tax paid		(10,866,480)	(12,898,057)
<b>Net Cash Provided by Operating Activities: (A)</b>		<b>46,730,566</b>	<b>44,047,795</b>
<b>Cash Flow from Investing Activities:</b>			
Purchase/sale of Share		5,611,340	(1,847,345)
Interest/Dividend Received		2,967,542	2,967,542
Net Fund Adjustment		103,424,543	-
Acquisition of Property, Plant & Equipment		(865,072)	(848,175)
Others Investment Income		47,075,200	-
<b>Net Cash Used by Investing Activities: (B)</b>		<b>158,213,553</b>	<b>272,022</b>
<b>Cash Flow from Financing Activities:</b>			
Dividend Paid		(30,166,752)	(30,214,781)
<b>Net Cash Used by Financing Activities: (C)</b>		<b>(30,166,752)</b>	<b>(30,214,781)</b>
<b>Net Cash inflow/ outflow( A+B+C)</b>		<b>174,777,367</b>	<b>14,105,036</b>
Opening Cash & Bank balance at the year		953,521,387	939,416,351
<b>Cash &amp; Bank balance at the end of the year</b>		<b>1,128,298,754</b>	<b>953,521,387</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

  
Director

  
Chairman

Signed as per our separate report on same date.

Place: Dhaka  
Dated: May 23, 2021

  
**KAZI ZAHIR KHAN & CO.**  
Chartered Accountants  
**Nurul Hossain Khan FCA**  
Membership No.- 240  
DVC: 2105250240AS261687





## Classified Summary of Assets

As at December 31, 2020



Mercantile Insurance Company Ltd.

Annual Report 2020

Sl. No.	Class of Assets	Book Value (Taka)
1	Bangladesh Govt. Treasury Bond	25,000,000
2	Shares	72,804,327
3	Fixed Deposit	1,044,183,289
4	Cash at Bank (STD & CD A/c)	21,167,040
5	Cash in hand	62,948,425
6	Interest Accrued	6,870,540
7	Sundry Debtors (including advance, deposits & pre-payments)	,099,747
8	Advance Income Tax	56,695,350
9	Amount due from other person or bodies carrying on Insurance business	915,685,850
10	Non-Current Assets (at cost less depreciation)	27,981,414
11	Stamps in hand	40,250
	<b>Total Taka</b>	<b>2,239,476,232</b>

Certified that the value of all assets have been reviewed and the said assets have been set forth in the Balance Sheet at amount not exceeding their realizable or Market Value.

The annexed notes 1 to 31 form an integral part of these financial statements.

  
Chief Executive Officer


  
Director

  
Director

  
Chairman

Signed as per our separate report on same date.

Place: Dhaka  
Dated: May 23, 2021

  
**KAZI ZAHIR KHAN & CO.**  
Chartered Accountants  
**Nurul Hossain Khan FCA**  
Membership No.- 240  
DVC: 2105250240AS261687



**Net Asset value per share**

As on December 31, 2020

The Net Asset Value per share stands at Tk.19.05. The calculation of net asset value per share is given below:

Sl. No.	Particulars	Amount in Taka	Net Amount in Taka
<b>ASSETS</b>			
1	Property, Plant & Equipment	28,981,563	
2	Investment	97,804,327	
3	Interest, Dividend & Rent Outstanding Accrued Interest	6,870,540	
4	Amount due from other persons of bodies carrying on insurance business	915,685,850	
5	Sundry Debtors including Advance, deposits & Prepayments	6,099,747	
6	Cash & Cash Equivalent	1,128,298,754	
7	Advance Income Tax	56,695,350	
8	Stamps in hand	40,250	
<b>A.</b>	<b>Total Assets (1 to 8)</b>		<b>2,240,476,381</b>
<b>LIABILITIES</b>			
1	Balance of funds and Accounts	113,973,883	
2	Liabilities and provisions	1,305,326,030	
<b>B.</b>	<b>Total Liabilities (1 to 2)</b>		<b>1,419,299,913</b>
	Net Assets (A-B)		821,176,468
	<b>Number of Shares of Tk.10.00 each</b>		<b>43,095,360</b>
	<b>Net Assets Value per Share</b>		<b>19.05</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

  
Director

  
Chairman

Signed as per our separate report on same date.

Place: Dhaka  
Dated: May 23, 2021

  
**KAZI ZAHIR KHAN & CO.**  
Chartered Accountants  
**Nurul Hossain Khan FCA**  
Membership No.- 240  
DVC: 2105250240AS261687



# Notes to the Financial Statements

For the year ended December 31, 2020



Mercantile Insurance Company Ltd.

Annual Report 2020

## 1. Legal status and nature of the company

### (a) Legal status

MERCANTILE INSURANCE COMPANY LIMITED was incorporated as a public limited company on MARCH 19, 1996 and obtained the certificate of commencement of business as on May 5, 1996 under the Companies Act 1994, RJSC registration Dated March 19, 1996 and IDRA Registration (Insurance Dated January 01, 2020). The company obtained insurance license from the Controller of Insurance, Government of People's Republic of Bangladesh, was obtained with effect from 13th May, 1996. MERCANTILE INSURANCE COMPANY LIMITED went for public issue in 2004 and the shares of the company are listed in both Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.

### (b) Address of Registered Office and Principal Place of Business:

The registered office of the Company is at Red Crescent Bhaban 61, Motijheel C/A, Dhaka-1000, Bangladesh.

### (c) Principal Activities of the Company:

The principal activities of the company are to carry on all kinds of non-life insurance business. There were no significant changes in the nature of the principal activities of the company during the year 2020 under review.

## 2. Significant Accounting Policies & Other Relevant Information

### (a) Basic of Accounting Preparation:

The financial statements of the company under reporting have been prepared under historical cost convention on a going concern concept and on accrual basis in accordance with Generally Accepted Accounting Principles and practice in Bangladesh. Disclosure of financial information as required by Insurance Act 2010 have been complied with while preparing statement of financial position, statement of comprehensive income and revenue accounts for specific classes of insurance business in the form set forth in the first, second and third schedule of the Insurance Act and also in compliance with the Companies Act 1994.

### (b) Management Responsibility:

The management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and existing accounting standards and applicable laws.

### (c) Directors Responsibility Statements:

The Board of Directors are also responsible for the preparation and Presentation of financial statements under section 183 of the Companies Act 1994, the Bangladesh Securities and Exchange Rules 1987, listing regulation of Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd and as per the provision of "The International Accounting Standards Committee" (IASC). Being the general purpose financial statements, the presentation of these financial statements is in accordance with the guidelines provided by per requirement of Insurance Act 1938 and International Accounting Standard 1: Presentation of Financial Statements.







**A complete set of financial statements comprise:**

- i) Statement of Financial Position as at December 31, 2020;
- ii) Statement of Profit or Loss and other Comprehensive Income for the year ended 31 December 2020;
- iii) Statement of Profit and Loss Appropriation Account for the year ended 31 December 2020;
- iv) Consolidated Revenue Account for the year ended December 31, 2020;
- v) Fire Insurance Revenue Account for the year ended December 31, 2020;
- vi) Marine Insurance revenue Account for the year ended December 31, 2020;
- vii) Motor Insurance Revenue Account for the year ended December 31, 2020;
- viii) Miscellaneous Insurance Revenue Account for the year ended December 31, 2020;
- ix) Statement of Changes in Equity for the year ended December 31, 2020;
- X) Statement of cash flows for the year December 31, 2020;
- xi) Notes comprising a summary of significant accounting policies and other explanatory information to the accounts for the year ended December 31, 2020;

**(d) Date of Authorization:**

The Board of Directors has authorized these financial statements on 23 May, 2021.

**(e) Compliance Statements and General Rules & Regulations:**

The financial statements have been prepared and disclosures of information have been made in accordance with the requirements of Insurance Act, 2010, Insurance rules, 1958, the companies Act, 1994, the Securities and Exchange Rules, 1987, the listing Regulations of Dhaka Stock Exchange Ltd and Chittagong Stock Exchange Ltd, and Guidelines, rules and regulations issued from time to time by the Insurance Development and Regulatory Authority (IDRA).

To comply with the International Accounting Standards and International Financial Reporting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) as International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and other applicable laws and regulations.

**(f) Basis of Measurement**

The financial statements have been prepared on the historical cost basis except for investments in stock exchanges which are measured at fair value.

**(g) Functional and Presentational Currency**

These financial statements are prepared in Bangladesh Taka (Taka/Tk.), which is the company's functional currency. All information presented in Taka has been rounded to the nearest Taka (BDT).

**(h) Going Concern Basis**

The company has adequate resources to continue in the operation for the foreseeable future. For this reason, the Directors continue to adopt going concern basis in preparing the financial statements. The current credit facilities and adequate resources for providing sufficient funds to meet the present requirements of its existing business and operations.



## Notes to the Financial Statements

For the year ended December 31, 2020



Mercantile Insurance Company Ltd.

Annual Report 2020

(i) **Reporting Period**

Financial statements of the company consistently cover one calendar year from 1 January 2020 to 31 December 2020.

(j) **Branch Accounting**

The company has 14th branches under its umbrella without having any overseas branch up to the year ended December 31, 2020. The accounts of the branches are maintained at the Head Office level. Only petty cash books are maintained at the branch level for meeting day to day cash expenses.

(k) **Significant Accounting Policies**

i) **Revenue Recognition (IFRS-15):**

Revenue is recognized in accordance with International Financial Reporting Standards (IFRS-15): Revenue from Contracts with Customers, unless otherwise mentioned or otherwise guided by the separate IAS/IFRS or by Directives of the regularity Authority.

ii) **Underwriting Premium Income:**

Premium income is recognized when insurance policies are issued and premium collected. The sum of premium income as appeared in classified Revenue Accounts is net of the refund made, Re-insurance Ceded and Re-insurance premium on PSB.

iii) **Public Sector Business (PSB):**

As per Government Decision effective from April 1990, 100% Public Sector Insurance Business is being underwritten by SadharanBima Corporation (SBC), 50% being retained by SBC and the balance is equally distributed to 47 private sector insurance companies.

The premium in respect of Company's share of Public Sector Insurance Business (PSB) is accounted for in the year in which the relevant statement of accounts from SadharanBima Corporation is received. The statements of accounting period from January 01, 2020 to December 31, 2020 have been received from SBC and the Company's share of PSB for the aforesaid period has been recognized in these financial statements accordingly. Such method of account for the Public Sector Insurance Business (PSB) has been consistently followed.

iv) **Re-insurance Ceded and Accepted:**

- Re-insurance Ceded and Accepted with SadharanBima Corporation  
Necessary adjustment in respect of Re-insurance ceded and accepted in Bangladesh has duly been made in respective Revenue Account as per Treaty between the company and SadharanBima Corporation (SBC).
- Re-Insurance with Foreign Re-insurer  
Fifty percent of the re-insurable non-life insurance business shall be re-insured with SadharanBima Corporation and the remaining fifty percent of such business may be re-insured either with the SBC or with any other insurer whether in or outside Bangladesh.







v) **Cover Notes Converted into Policy (CCP):**

Amounts received against issue of cover notes that have not been converted into policy are not recognized as income. The cover notes which were previously issued are converted into insurance policy at the expiry of nine months as per circular of the then Chief Controller of Insurance.

vi) **Investment Income:**

- Interest on FDRs and 10 year Bangladesh Government Treasury Bond (BGTB) are recognized on accrual basis. Interest on STD/SND/PLS account and other income are recognized as when amount credited to our account.
- Cash Dividend Income and Stock Dividend from Investment

Dividend income on investment in shares, if any, are recognized on cash basis and shown in Profit & Loss account. For stock dividend, received by the company against its investment, number of shares increased effecting decrease in average cost of investment.

vii) **Valuation of Fixed Assets:**

- Property, Plant & Equipment

All fixed assets are stated at cost less accumulated depreciation as per International Accounting Standard (IAS)-16, "Property, Plant & Equipment". The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes.

- Recognition of Fixed Assets

The company recognizes in the carrying amount of an item of Property, Plant & Equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the items can be measured reliably. Normal expenditure incurred after the assets have been put into operation such as repairs and maintenance other than major replacements renewals and or betterment of the assets are charged off as revenue expenditure in the period in which it is incurred.

- Depreciation on Property, Plant & Equipment

Property, Plant & Equipment is depreciated following the reducing balance method on the basis of life expectancy of the assets in accordance with IAS-16. Depreciation on addition of fixed assets has been charged when it is available for use. The Property, Plant & Equipment are depreciated at the following rates:

Items	Rate
Building and floor space	2.5%
Furniture & Fixtures	10%
Electrical office equipment	15%
Office decoration	10%
Air-Cooler	15%
Motor & Other Vehicles	20%
Telephone Installation	20%
Sundry Assets	25%





## Notes to the Financial Statements

For the year ended December 31, 2020



Mercantile Insurance Company Ltd.

Annual Report 2020

The value of all assets as shown in the Balance Sheet and in the annexed Classified Summary of Assets drawn up in accordance with from "AA" of part II of the First Schedule of the Insurance Act 1938, have been reviewed and the balances are in agreement with the Balance Sheet amount and Form AA amount. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and recognized in the statement of comprehensive income.

- **Impairment of Assets**

As per International Accounting Standards (IAS) 36: The carrying amounts of the company's non-current assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of comprehensive income. Considering the present conditions of the assets, management concludes that there is no such indications exist.

- **Sale of fixed assets**

Sale price of fixed assets are determined on the basis of fair value of the assets. Gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between sales proceeds and carrying amount of the asset and is recognized in profit or loss account as per provision of IAS 16.

**viii) Employees Retirement Benefit Scheme:**

Mercantile Insurance Company Ltd offers a number benefit plans for all permanent Employees of the company which include Contributory Provident Fund, Gratuity Fund, Earn Leave Benefit, Festival Bonus and Incentive Bonus on profit which have been accounted for in accordance with the provision of International Accounting Standards (IAS) 19, "Employee's Benefit" basis of enumeration the above benefits schemes operated by the company.

We are currently not maintaining workers profit participation fund which is the requirement of Bangladesh labor law (amendments) 2013 & Dhaka stock exchange limited. We will start maintaining the WPPF @ 5% on net profit after Tax immediately.

**ix) Balance of Funds & Accounts (Un-expired Risk Reserve):**

Surplus/deficit on Revenue Accounts has been arrived at after making necessary provision for un-expired risk @ 50% of net premium income on Fire, Marine Cargo, Motor, Miscellaneous and 100% on Marine Hull business concern.

**x) Allocation of Expenses of Management:**

As per section 40(C-2) of insurance Act 1938 as amended Insurance Law 2010 all relevant Management expenses wherever incurred directly or indirectly have been allocated amongst different Revenue





## Notes to the Financial Statements

For the year ended December 31, 2020

Revenue Accounts in respect of Fire, Marine, Motor and Miscellaneous insurance business on pro-rata basis at their respective gross premium Income.

- xi) Cash Flow Statement:**  
Cash Flow Statement is prepared in accordance with IAS -7' and International Accounting Standard (IAS) -7 Cash Flow Statement' and the cash flow from the operating activities has been presented under direct method as prescribed by the Bangladesh Securities and Exchange Rules -1987. Cash Flow statement is broken down into operating activities, investing activities, and financing activities. The calculation of Net Operating Cash Flow per share(NOCFPS) has been given in Note#30.00
- xii) Foreign Currency Transaction:**  
All Foreign Currency Transactions are converted into equivalent Taka currency at the ruling exchange rates on the respective date of such transaction as per Bangladesh Accounting Standard (BAS) -21: "The effects of Changes in Foreign Exchange Rate".
- xiii) Cash and Bank balance:**  
Cash and Bank balance include cash in hand, cash at banks which are held and available for use by the Company without any restriction.
- xiv) Appropriation during the Year:**  
In accordance with "IAS-1" Presentation of Financial Statements" the appropriations for the year have been reflected in the statement of change in equity.
- xv) Stock of Stationery & Forms:**  
Stock of Stationery & Forms has been valued at cost price or net realizable value whichever is lower.
- xvi) Re-arrangement of Head of Accounts:**  
To comply with the International Accounting Standards and International Financial Reporting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), as Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards, during the year 2013, we have re-arranged some of Heads of Accounts.
- xvii) Recognition of Expenses and Taxes:**  
Expenses are recognized on the basis of a direct association between the cost incurred and the earning of specific heads of income. All expenditure incurred has been charged to the Statement of Comprehensive Income in the running business and in maintaining the Property, Plant and Equipment's in state of efficiency.
- xviii) Borrowing Costs:**  
In accordance with International Accounting Standard (IAS-23) borrowing Costs that are directly attributable to the acquisition and construction of a qualifying asset from part of the cost of that





## Notes to the Financial Statements

For the year ended December 31, 2020



Mercantile Insurance Company Ltd.

Annual Report 2020

asset and therefore, should be capitalized. Other borrowing costs are recognized as an expense.

**xix) Provision for Income Taxes:**

The company has made the income tax provision on the basis of IAS-12 "Income Taxes" and Income Tax Ordinance, 1984 as amended time to time.

• **Current Tax Provision**

A provision @ 37.50% on the profit except dividend income of the company has been provided during the year. However, provision @ 20% is made on dividend income of the company.

• **Deferred Taxes**

Deferred tax is provided for all temporary differences comprising between the tax base of assets and liabilities and their carrying amounts in financial statements in accordance with the provision of IAS-12.

**xx) Reserve or Contingencies Accounts:**

• **Reserve for Exceptional losses**

As per Para 6 of 4th Schedule of Income Tax Ordinance, 1984 to meet the exceptional losses, company sets aside ten percent of the premium income of the year in which it is set aside from the balance of the profit to Reserve for exceptional losses. As per Insurance Act 1938 as amended 2010, 10% statutory reserve is maintained out of profit by the company to meet any possible future claims on net premium income during the year.

• **Investment Fluctuation Fund (Fair Value Reserve)**

The company made investments in the capital market having a large portfolio and income generated from the investment (realized gain and dividend received) is credited to the statement of comprehensive Income. The company has made a provision considering the average movement of market price as the capital market of Bangladesh is volatile and market price of the stocks and shares are changes very frequently and any effect on increase or decrease are transferred to the investment Fluctuation Fund subsequently.

• **General Reserve Fund**

The company creates a General Reserve Fund from the current year profit to avoid future contingency.

**xxi) Segment Reporting:**

A business segment is a distinguishable component of the company that is engaged in providing services that are subject to risks and returns and are different from those of other business segments. The company accounts for segment reporting of operating results of each segment. The Company has four primary business segments for reporting purposes namely Fire, Marine, Motor and Miscellaneous.







**xxii) Earnings Per Share (EPS) :**

The company calculates Earning Per Share (EPS) in accordance with IAS-33: "Earnings Per Share", which has been shown on the Statement of Comprehensive Income (Profit and Loss) in the Financial Statements. The Calculation of Earnings Per Share (EPS) has been given in Note no#28.00

**xxiii) Comparative Information:**

Comparative information has been disclosed in respect of the previous year for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year financial statements. Previous year's figure has been re-arranged whenever considered necessary to ensure comparability with the current year's presentation as per IAS-8: "Accounting Policies, Changes in Accounting Estimates and Errors"

**xxiv) Event after the Reporting Period (Balance Sheet Date):**

The proposed dividend is not recognized as a liability in the balance sheet in accordance with the IAS-10 Events after the reporting period. The board of directors in its 197th Meeting held on May 23, 2021 decided to recommend payment of 10% cash dividend for All Shareholders only for the year 2020.

**xxv) Transactions with Related Parties (IAS-24):**

As per International Accounting Standards: 24 Related Party Disclosures, parties are considered to be related if one of the party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. During the year under review the company has not carried out the transaction with related parties in the normal course of business and no arm's length basis.

**xxvi) Reporting Currency:**

The financial statements are prepared and presented in Bangladesh Taka (BDT), which is the company's financial currency. A sizeable amount have however been received in foreign currency.



# Notes to the Financial Statements

For the year ended December 31, 2020



Mercantile Insurance Company Ltd.

Annual Report 2020

Amount in Taka	
2020	2019

### 3.00 Share Capital: Tk. 430,953,600

#### Authorised Capital:

100,000,000 Ordinary Shares of Tk.10/= each 1,000,000,000    1,000,000,000

#### Issued, Subscribed & Paid-up Capital:

43,095,360 Ordinary Shares of Tk.10/= each 430,953,600    430,953,600  
**Total:** **430,953,600    430,953,600**

This is made up as follows

Category of Shareholders	2020		
	No. of Share	% of holding	Amount (Tk.)
1. Sponsors & Sponsor Directors	14,158,352	32.85%	141,583,520
2. Genral Public	19,743,022	45.81%	197,430,220
3. Institution	9,193,986	21.33%	91,939,860
<b>Total:</b>	<b>43,095,360</b>	<b>100%</b>	<b>430,953,600</b>

Category of Shareholders	2019		
	No. of Share	% of holding	Amount (Tk.)
1. Sponsors & Sponsor Directors	13,231,642	30.70%	132,316,420
2. Genral Public	16,511,528	38.31%	165,115,280
3. Institution	13,352,190	30.98%	133,521,900
<b>Total:</b>	<b>43,095,360</b>	<b>100%</b>	<b>430,953,600</b>

#### Classification of Shareholders as per their share holdings

##### i) Sponsors & Directors

Class Interval	2020			
	No. of Shares	No. of Share Holder	% of holdings	% of Total Paid-up capital
001-500	Nil	Nil	Nil	Nil
501-5000	Nil	Nil	Nil	Nil
5001-10000	Nil	Nil	Nil	Nil
10001-20000	Nil	Nil	Nil	Nil
20001-30000	Nil	Nil	Nil	Nil
30001-40000	Nil	Nil	Nil	Nil
40001-50000	Nil	Nil	Nil	Nil
50001-100000	Nil	Nil	Nil	Nil
100001-1000000	12,087,592	17	85.37	28.05
1000001 and above	2,070,760	2	14.63	4.81
<b>Total of (i)</b>	<b>14,158,352</b>	<b>19</b>	<b>100</b>	<b>32.85</b>

##### ii) General Public & Institutions

Class Interval	2020			
	No. of Shares	No. of Share Holder	% of holdings	% of Total Paid-up capital
001-500	192,163	1158	0.66	0.45
501-5000	3,195,942	1672	11.04	7.42
5001-10000	2,533,339	332	8.75	5.88
10001-20000	2,535,223	174	8.76	5.88
20001-30000	1,453,933	58	5.02	3.37
30001-40000	919,566	26	3.18	2.13
40001-50000	830,043	18	2.87	1.93
50001-100000	2,747,446	37	9.49	6.38
100001-1000000	7,657,960	32	26.46	17.77
1000001 and above	6,871,393	3	23.75	15.94
<b>Total of (i)</b>	<b>28,937,008</b>	<b>3,510</b>	<b>100.00</b>	<b>67.15</b>
<b>Grand Total (i+ii)</b>	<b>43,095,360</b>	<b>3,529</b>	<b>Nil</b>	<b>100.00</b>





## Classification of Shareholders as per their share holdings

2019

## i) Sponsors &amp; Directors

Class Interval	No. of Shares	No. of Share Holder	% of holdings	% of Total Paid-up capital
001-500	Nil	Nil	Nil	Nil
501-5000	5370	2	0.04	0.01
5001-10000	10951	2	0.08	0.03
10001-20000	Nil	Nil	Nil	Nil
20001-30000	Nil	Nil	Nil	Nil
30001-40000	Nil	Nil	Nil	Nil
40001-50000	Nil	Nil	Nil	Nil
50001-100000	Nil	Nil	Nil	Nil
100001-1000000	11,144,561	17	84.23	25.86
1000001 and above	2,070,760	2	15.65	4.81
Total of (i)	13,231,642	23	100	30.70

## ii) General Public &amp; Institutions

Class Interval	No. of Shares	No. of Share Holder	% of holdings	% of Total Paid-up capital
001-500	137,429	947	0.46	0.32
501-5000	1,676,734	1068	5.61	3.89
5001-10000	1,046,767	141	3.51	2.43
10001-20000	1,219,083	79	4.08	2.83
20001-30000	872,917	34	2.92	2.03
30001-40000	939,195	26	3.14	2.18
40001-50000	483,165	9	1.62	1.12
50001-100000	2,001,643	27	6.70	4.64
100001-1000000	21,486,785	32	71.95	49.86
1000001 and above			0.00	0.00
Total of (ii)	29,863,718	2,363	100.00	69.30
Grand Total (i+ii)	43,095,360	2,386	Nil	100.00

## Amount in Taka

2020	2019
------	------

## 4.00 Reserve or Contingency Accounts: Tk. 315,408,742

This is made up as follows

## Particulars

Reserve for exceptional losses  
General reserve  
Profit & Loss appropriation accounts  
Total:

Note: 4.01	249,850,319	227,105,313
Note: 4.02	20,100,000	19,900,000
Note: 4.03	45,458,423	35,757,765
	<b>315,408,742</b>	<b>282,763,078</b>

## 4.01 Reserve for Exceptional Losses: Tk. 249,850,319

This is made up as follows

## Particulars

Opening Balance  
Add: addition during the year  
Closing balance:

227,105,313	208,004,244
22,745,006	19,101,069
<b>249,850,319</b>	<b>227,105,313</b>

## 4.02 General Reserve: Tk. 20,100,000

This is made up as follows

## Particulars

Opening Balance  
Add: addition during the year  
Closing balance:

19,900,000	19,700,000
200,000	200,000
<b>20,100,000</b>	<b>19,900,000</b>





## Notes to the Financial Statements

For the year ended December 31, 2020

### 4.03 Profit & Loss Appropriation Accounts: Tk. 45,458,423

This is made up as follows

**Particulars**

Opening Balance  
 Addition during the year  
 Stock dividend/Cash dividend  
 Reserve for exceptional losses  
 General Reserve  
 Income tax expenses  
 Unrealised gain/(Loss) in share  
**Closing balance:**

Amount in Taka	
2020	2019
35,757,765	40,674,629
93,381,569	76,954,870
(30,166,752)	(30,214,781)
(22,745,006)	(19,101,069)
(200,000)	(200,000)
(20,840,446)	(15,298,750)
(9,728,707)	(17,057,134)
<b>45,458,423</b>	<b>35,757,765</b>

This represents the balance of retained profit after provision of Reserve for exceptional losses, provision for Income Tax & General Reserve

### 5.00 Balance of fund & accounts: Tk. 113,973,883

This is made up as follows

**Particulars**

Fire Insurance Business  
 Marine Insurance Business  
 Motor Insurance Business  
 Miscellaneous Insurance Business  
**Total:**

18,650,078	13,907,938
78,488,410	65,337,992
5,043,719	5,288,554
11,791,676	11,059,198
<b>113,973,883</b>	<b>95,593,682</b>

This is reserve for unexpired risks has been made on net premium income at following rates:

Class of Business	Net Premium	Rate	Balance of Fund & Accounts
Fire Insurance	37,300,156	50%	18,650,078
Marine Cargo Insurance	155,981,420	50%	77,990,710
Marine Hull Insurance	497,700	100%	497,700
Motor Insurance	10,087,438	50%	5,043,719
Miscellaneous Insurance	23,583,353	50%	11,791,676
<b>Total</b>			<b>113,973,883</b>

### 6.00 Premium Deposit: Tk. 35,626,137

This is made up as follows

**Particulars**

Premium Deposit  
**Total:**

35,626,137	14,430,957
<b>35,626,137</b>	<b>14,430,957</b>

The balance represents the amount received against cover-notes but risks have not been intimated within 31st December, 2020 but subsequently converted into Policies by 31 March, 2021





## Notes to the Financial Statements

For the year ended December 31, 2020

Amount in Taka	
2020	2019

### 7.00 Estimated Liability in Respect of Outstanding Claims Whether Due or Intimated: Tk. 140,000,000

This is made up as follows

#### Particulars

Fire Insurance	75,000,000	80,000,000
Marine Insurance	35,000,000	45,000,000
Motor Insurance	11,000,000	14,000,000
Miscellaneous Insurance	19,000,000	18,000,000
<b>Total:</b>	<b>140,000,000</b>	<b>157,000,000</b>

### 8.00 Amount due to other persons or bodies carrying on insurance business: Tk. 1,053,294,810

This is made up as follows

#### Particulars

Sadharan Bima Corporation & others insurance company	1,053,294,810	940,900,154
<b>Total:</b>	<b>1,053,294,810</b>	<b>940,900,154</b>

### 9.00 Sundry Creditors: Tk. 76,405,083

This is made up as follows

#### Particulars

Value added Tax (VAT)		1,829,748	2,655,815
Audit Fees	Note: 9.01	125,000	547,500
Legal Fees		66,190	66,190
Provident Fund		-	254,913
Unclaimed Dividend	Note: 9.02	3,525,438	9,391,699
Salary & Allowances		566,608	3,073,689
Provision for Income Tax	Note: 10.00	53,377,425	142,088,499
Advance against Car Hire Purchase		7,185,967	9,975,344
Office Rent		-	60,000
Share Loss		9,728,707	-
<b>Total:</b>		<b>76,405,083</b>	<b>168,113,649</b>

VAT of Tk. 18,29,748.00, Salary & Allowances Tk. 5,66,608.00 have since been paid off.

### 9.01 Audit Fees: Tk. 125,000

This is made up as follows:

#### Particulars

Audit Fees-2020	125,000	547,500
<b>Total:</b>	<b>125,000</b>	<b>547,500</b>



## Notes to the Financial Statements

For the year ended December 31, 2020

Amount in Taka	
2020	2019

### 9.02 Unclaimed Dividend: Tk. 3,525,438

This is made up as follows:

**Particulars**

Unclaimed Dividend	3,525,438	9,391,699
<b>Total:</b>	<b>3,525,438</b>	<b>9,391,699</b>

Refund & Dividend warrant for the years 2004 to 2020 already issued. As per BSEC rule but no claim have been made by the share holders up to the date of 31st December 2020

### 9.03 Provision for Income Tax: Tk.53,377,425

This is made up as follows:

**Particulars**

Opening Balance	142,088,499	126,789,749
Add: Provision made during the year	20,840,446	15,298,750
Less: Adjustment made during the year closing balance	(109,551,520)	-
<b>Total:</b>	<b>53,377,425</b>	<b>142,088,499</b>

### 10.00 Property, Plant & Equipment: Tk. 27,981,414

This is made up as follows:

**Particulars**

**A. Cost:**

Opening Balance	90,929,167	90,929,167
Addition during the year	865,072	865,072
<b>Closing Balance:</b>	<b>91,794,239</b>	<b>91,794,239</b>

**B. Accumulated depreciation:**

Opening Balance	59,840,098	55,217,655
Depreciation Charged during the year	3,972,727	4,622,443
<b>Closing Balance:</b>	<b>63,812,825</b>	<b>59,840,098</b>

<b>Written down value on cost (A-B)</b>	<b>27,981,414</b>	<b>31,089,069</b>
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The details shown in Annexure-A

### 11.00 Deferred Tax Assets: Tk. 1,000,149

This is made up as follows:

**Particulars**

Opening Balance	1,144,315	1,279,567
Deferred Tax Expenses during the year on Cost	(144,166)	(135,252)
<b>Closing Balance</b>	<b>1,000,149</b>	<b>1,144,315</b>







## Notes to the Financial Statements

For the year ended December 31, 2020

Amount in Taka	
2020	2019

### 11.01 Deferred Tax Calculation: Tk. 144,167

This is made up as follows:

**Particulars**

Written down value as per Accounting base	27,981,414	31,089,069
Written down value as per Tax base	(30,648,474)	(34,140,569)
Taxable Temporary Difference	<b>(2,667,060)</b>	<b>(3,051,500)</b>
Applicable Tax rate	37.50%	37.50%
Deffered Tax Assets	<b>1,000,148</b>	<b>1,144,312.50</b>
Opening Deffered Tax Assets	(1,144,315)	(1,279,567)
<b>Current Year Deffered Tax</b>	<b>144,167</b>	<b>135,255</b>

### 12.00 Investment in Shares: Tk. 72,804,326

This is made up as follows:

Name of the Company	2020		2019	
	Cost Value	Market Value	Cost Value	Market Value
LAFSURCEML	1,403,133	956,000	1,403,133	672,000
Federal Insurance	2,459,800	2,500,000	-	-
EXIM Bank Ltd.	14,774,361	14,514,000	14,774,361	12,423,000
Islami Bank	-	-	34,114,650	31,783,278
Lanka Bangla Finance	82,302	44,211	82,302	24,138
NCC Bank Ltd.	7,092,157	8,843,696	7,092,157	7,882,092
Popular Life	407,764	460,200	407,764	531,000
Prime Bank Ltd.	8,090,190	4,702,500	8,090,190	5,005,000
RAK Ceramic	2,124,503	947,430	2,124,503	1,041,810
Social Islami Bank Ltd.	875,054	743,236	875,054	751,410
Standard Bank Ltd.	29,885,360	23,199,330	29,885,360	23,691,800
Uttara Bank Ltd.	3,400,385	1,505,520	3,400,385	1,387,200
Royal Green Capital Market Ltd	2,000,000	2,000,000	2,000,000	2,000,000
UCBL	9,938,021	12,388,203	-	-
<b>Total:</b>	<b>82,533,030</b>	<b>72,804,326</b>	<b>104,249,859</b>	<b>87,192,728</b>

### 13.00 Accrued Interest, Dividend And Rent: Tk. 6,870,540

This is made up as follows:

**Particulars**

Accrued Interest, Dividend And Rent Outstanding	6,870,540	6,229,767
<b>Total:</b>	<b>6,870,540</b>	<b>6,229,767</b>

The above amount represents interest accrued but not due during the year.

### 14.00 Amount due to other persons or bodies carrying on insurance business: Tk. 915,685,850

This is made up as follows:

**Particulars**

Sadharan Bima Corporation & others insurance company	915,685,850	912,971,540
<b>Total:</b>	<b>915,685,850</b>	<b>912,971,540</b>

This represents amount due from Sadharan Bima Corporation on Public Sector Business and other Insurance Companies on Co-Insurance Scheme.



## Notes to the Financial Statements

For the year ended December 31, 2020

### 15.00 Sundry Debtors: Tk. 6,099,747

This is made up as follows:

**Particulars**

Advance against Office Rent

Security deposit

**Total:**

Amount in Taka	
2020	2019
5,564,044	6,019,430
535,703	535,703
<b>6,099,747</b>	<b>6,555,133</b>

Regular adjustments have been made on advance against office rent.

### 15.01 Security deposit: Tk. 535,703

This is made up as follows:

**Particulars**

CDBL

Bangladesh Red Crescent Society

**Total:**

300,000	300,000
235,703	235,703
<b>535,703</b>	<b>535,703</b>

### 16.00 Cash & Bank balance: Tk. 1,128,298,754

This is made up as follows:

**Particulars**

Cash In hand

Cash with BO Account

Fixed Deposit Receipt

STD & CD Accounts

**Total:**

2,770,915	11,988,756
60,177,510	-
1,044,183,289	896,976,198
21,167,040	44,556,434
<b>1,128,298,754</b>	<b>953,521,388</b>

\*FDR has been produced before the Auditors for their physical verification

### 17.00 Advance Income Tax: Tk. 56,695,350

This is made up as follows:

**Particulars**

Opening balance

Addition during the year

Adjustment during the year

139,933,176	127,035,119
10,866,480	12,898,057
<b>150,799,656</b>	<b>139,933,176</b>
94,104,306	-
<b>56,695,350</b>	<b>139,933,176</b>

The advance tax paid in different years fall adjustable with the assesses tax liabilities subject to disposal of Cases under Tribunal and High Court.





## Notes to the Financial Statements

For the year ended December 31, 2020

Amount in Taka	
2020	2019

**18.00 Interest, Dividend & Rent Income: Tk. 78,247,913**

This is made up as follows:

**Particulars**

Interest on FDR	70,981,581	68,416,092
Interest on STD	12,946	401,597
Interest on Bangladesh Govt. Treasury Bond	2,786,500	2,786,500
Dividend Received	4,466,886	2,355,543
<b>Total:</b>	<b>78,247,913</b>	<b>73,959,732</b>

**19.00 Other Income: Tk. 180,000**

This is made up as follows:

**Particulars**

Rent Income	180,000	180,000
<b>Total:</b>	<b>180,000</b>	<b>180,000</b>

**20.00 Income tax expenses: Tk. 20,840,446**

This is made up as follows:

**Particulars**

Current tax	20,696,280	15,163,497
Deferred tax	144,166	135,253
<b>Total:</b>	<b>20,840,446</b>	<b>15,298,750</b>

**21.00 Premium Less Reinsurance: Tk. 227,450,067**

2020

Class of Business	Direct Business	P.S.B. (S.B.C.)	Total Business	Re-Insurance Ceded	Net Premium
Fire	146,124,765.00	12,973,323.00	159,098,088	121,797,932	37,300,156
Marine	177,314,020.00	22,745,656.00	200,059,676	43,580,556	156,479,120
Motor	7,934,839.00	2,852,599.00	10,787,438	700,000	10,087,438
Misc.	23,497,332.00	23,217,871.00	46,715,203	23,131,850	23,583,353
<b>Total</b>	<b>354,870,956</b>	<b>61,789,449</b>	<b>416,660,405</b>	<b>189,210,338</b>	<b>227,450,067</b>

2019

Class of Business	Direct Business	P.S.B. (S.B.C.)	Total Business	Re-Insurance Ceded	Net Premium
Fire	121,231,754	12,576,881	133,808,635	105,992,759	27,815,876
Marine	149,322,500	22,065,836	171,388,336	40,889,023	130,499,313
Motor	8,982,681	2,643,048	11,625,729	1,048,621	10,577,108
Misc.	21,441,446	39,381,298	60,822,744	38,704,347	22,118,397
<b>Total</b>	<b>300,978,381</b>	<b>76,667,063</b>	<b>377,645,444</b>	<b>186,634,750</b>	<b>191,010,694</b>

**22.00 Un-Realize Gain/(Loss) on Investment: Tk. 9,728,707**

This is made up as follows:

**Particulars**

Un-Realize Gain/(Loss) on Investment	9,728,707	17,057,134
<b>Total:</b>	<b>9,728,707</b>	<b>17,057,134</b>





## Notes to the Financial Statements

For the year ended December 31, 2020

Amount in Taka	
2020	2019

**23.00 Transactions with related parties:**

The Company has entered into transactions with other entities in normal course of business that fall within the definition of related party as per International Accounting standard-24 "Related Party Disclosure". The terms of related party transaction are not significantly different from those that could have been obtained from their parties. The significant related party transaction are as follows:

Name of the related party	Relationship Nature	Nature of transaction	2020
Mr. Abdul Haque	Common Director	Insurance	8,356,336
Al- Haj Md. Nurul Amin	Common Director	Insurance	6,743,394
Mr. Mahtabuddin Chowdhury	Common Director	Insurance	1,259,192
Mr. Md. Nabiullah	Common Director	Insurance	16,128,629
<b>Total</b>			<b>32,487,551</b>

**24.00 Managing Directors Salary and Fees: Tk. 250,000**

**Particulars**

Salary	1,320,000	1,320,000
Other Allowance	1,680,000	1,680,000
<b>Total:</b>	<b>3,000,000</b>	<b>3,000,000</b>

As per the paragraph 17 of IAS 24: "Related party Disclosures" regarding Key management Personnel Managing Director is the Key Management Personnel, his benefit is given below:

a) Short term employee benefits	3,000,000	3,000,000
b) Long term employee benefits	-	-
<b>Total:</b>	<b>3,000,000</b>	<b>3,000,000</b>

**25.00 Directors Fees: Tk. 818,400**

**Particulars**

Honorarium for Attending Meeting	818,400	768,000
<b>Total:</b>	<b>818,400</b>	<b>768,000</b>

**26.00 Agent Commission: Tk. 53,276,273**

As directed by the Insurance development & Regulatory Authority (IDRA) Vide Circular No- Non-Life-32/2012 Dated 01/04/2012 appropriate steps have been taken in payment of agency commission and the following payment has been made to the agency license holders as agent commission:

<b>Particulars</b>		
Fire	21,918,715	18,184,763
Marine & Marine Hull	26,642,733	22,398,375
Motor	1,190,225	1,347,402
Miscellaneous	3,524,600	3,216,217
<b>Total:</b>	<b>53,276,273</b>	<b>45,146,757</b>

It may mentioned that as per the ITO, 1984 U/S-53 at source Tax has been deducted from Agent commission and has been deposited to the Bangladesh Bank through Challan Within 15th day of the following month.





## Notes to the Financial Statements

For the year ended December 31, 2020

Amount in Taka	
2020	2019

### 27.00 Calculation of Earning Per Share (EPS):

#### Particulars

Profit before tax	93,381,569	76,954,871
Income Tax Expense (Note-20.00)	(20,840,446)	(15,298,750)
Earning Attributable to the shareholder	72,541,123	61,656,121
Number Ordinary Shareholders	43,095,360	43,095,360
<b>Earning Per Share (EPS)</b>	<b>1.68</b>	<b>1.43</b>

EPS of Mercantile Insurance Company Limited for the year ended December 31, 2020 BDT 1.68, which was BDT 1.43 in the previous year. Reason of increase due to underwriting Profit.

### 28.00 Calculation of Net Assets Value (NAV) per Share:

#### Particulars

Total Assets	2,240,476,381	2,163,424,930
Total Liabilities	(1,419,299,913)	(1,376,038,442)
<b>Net Assets Value (NAV)</b>	<b>821,176,468</b>	<b>787,386,488</b>
Number of shares Outstanding	43,095,360	43,095,360
<b>Net Asset Value (NAV) Per Share</b>	<b>19.05</b>	<b>18.27</b>

### 29.00 Calculation of Net Operating Cash flow per Share (NOCFPS):

#### Particulars

Net Cash provided by Operating Activities	46,730,566	44,047,795
Number Ordinary Shareholders	43,095,360	43,095,360
<b>Net Operating cash flow per Share(NOCFPS)</b>	<b>1.08</b>	<b>1.02</b>

### 30.00 SUBSEQUENT EVENT:

There was no significant event that has occurred between the Balance sheet date and the date when the financial statements are authorised for issue by the Board of Directors

### 31.00 GENERAL:

- There was no Bank Guarantee issued by the Company on behalf of their directors.
- The Board of Directors received no remuneration from the Company other than fees for attending the Board meetings.
- No credit facilities as on 31st December, 2020 availed by the Company under any contract other than trade credit available in course of business.
- Figures have been re-arranged wherever necessary for the purpose of comparison.
- The number of employees engaged for the whole year or part thereof who received a total remuneration of BDT 36,000 or above were 360.



## Notes to the Financial Statements

For the year ended December 31, 2020



Mercantile Insurance Company Ltd.

Annual Report 2020

Name of IAS	IAS No.	Status of application
Presentation of Financial Statements	1	***
Inventories	2	Applied
The Statements of Cash Flows	7	Applied
Accounting Policies, Changes in Accounting Estimates & Errors	8	Applied
Events After the Reporting Period	10	Applied
Income Tax	12	Applied
Property, Plant & Equipment	16	Applied
Leases	17	Applied
Revenue	18	Applied
Employee Benefits	19	Applied
Accounting for Govt. Grants and Disclosure of Govt. Assistance	20	N/A
The Effects Changes in Foreign Exchange Rates	21	Applied
Borrowing Costs	23	Applied
Related Party Disclosures	24	Applied
Accounting & reporting by Retirement Benefit Plans	26	Applied
Separate Financial Statements	27	N/A
Investment In Associates & joint Ventures	28	Applied
Earnings Per Share	33	Applied
Interim Financial Reporting	34	Applied
Impairment Of Assets	36	Applied
Provisions, Contingent Liabilities & Contingent Assets	37	Applied
Intangible Assets	38	Applied
Financial Instruments: Recognition & Measurement	39	***
Investment Property	40	Applied
Agriculture	41	N/A
Name of IFRS	IFRS No.	Status of application
First time Adoption of IFRSs	1	Applied
Share based payment	2	N/A
Business Combination	3	N/A
Insurance Contracts	4	***
Non-Current Assets Held for Sales & Discontinued Operation	5	N/A
Exploration For & Evaluation of Mineral Resources	6	N/A
Financial Instrument: Disclosure	7	***
Operating Segment	8	N/A
Financial Instrument	9	Applied
Consolidated Financial Statements	10	N/A
Joint Arrangement	11	N/A
Disclosure of interest in other Entities	12	Applied
Fair Value Measurement	13	Applied
Regulatory Deferred Accounts	14	Applied
Revenue From Contracts with Customers	15	Applied

\*\*\* Mercantile Insurance Company Limited management has followed the principals of IAS & IFRS consistently in the preparation of the financial statements to that extent as applicable to Insurance Company. Some of the standards have not been complied with, about which IDRA has special guideline.



SYMBOL OF TRUST AND SECURITY



**Schedule of Property, Plant & Equipment**

As at December 31, 2020

Particulars	Cost				Rate of Dep.	Depreciation				Written down value
	As on 01.01.2020	Addition during the year	Adjustment during the year	As on 31.12.2020		As on 01.01.2020	Charged during the year	Adjustment during the year	As on 31.12.2020	
Building & Floor Space	6,175,000	-	-	6,175,000	2.5%	594,727	139,506	-	734,233	5,440,767
Furniture & Fixture	15,178,906	170,500	-	15,349,406	10%	10,731,305	450,499	-	11,181,804	4,167,602
Electrical & Office Equipment	8,239,337	451,402	-	8,690,739	15%	4,786,988	552,546	-	5,339,534	3,351,205
Office Decoration	21,629,444	140,920	-	21,770,364	10%	14,686,107	705,715	-	15,391,822	6,378,542
Air-Cooler	1,510,777	100,250	-	1,611,027	15%	1,252,781	41,915	-	1,294,696	316,331
Motor & Other Vehicle	36,346,505	-	-	36,346,505	20%	26,090,884	2,051,124	-	28,142,008	8,204,497
Telephone Installation	1,514,310	2,000	-	1,516,310	20%	1,381,505	26,651	-	1,408,156	108,154
Sundry Assets	334,888	-	-	334,888	25%	315,801	4,771	-	320,572	14,316
<b>As on December 31, 2020</b>	<b>90,929,167</b>	<b>865,072</b>	<b>-</b>	<b>91,794,239</b>		<b>59,840,098</b>	<b>3,972,727</b>	<b>-</b>	<b>63,812,825</b>	<b>27,981,414</b>
<b>As on December 31, 2019</b>	<b>90,080,992</b>	<b>848,175</b>	<b>-</b>	<b>90,929,167</b>		<b>55,217,655</b>	<b>4,622,443</b>	<b>-</b>	<b>59,840,098</b>	<b>31,089,069</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

  
Director

  
Chairman

Signed as per our separate report on same date.

Place: Dhaka  
Dated: May 23, 2021

  
**KAZI ZAHIR KHAN & CO.**  
Chartered Accountants  
**Nurul Hossain Khan FCA**  
Membership No.- 240  
DVC: 2105250240AS261687



# Letter of Transmittal



Mercantile Insurance Company Ltd.

Annual Report 2020

## PROXY FORM

I/We.....  
of.....  
being a shareholder of Mercantile Insurance Company Limited and a holder of ..... (Number of Shares) Ordinary Shares do hereby appoint Mr./Mrs.....  
of.....  
as my/our proxy, to vote for me/us and on my/our behalf at the 25th Annual General Meeting of the company to be held on **Wednesday, the 30th June 2021 at 11:00 A.M.** by Virtual/Digital Platform  
AGM Link <http://miclagm.capmark.com.bd>

Signed on this ..... Day of.....2020  
Signature of Proxy.....  
Folio No.....  
BO A/C No.....

Signature of Shareholder.....  
Folio No.....  
BO A/C No.....

### Notes:

- 1) The Proxy Form, duly completed, must be deposited at least 48 hours before the meeting at the Company's Registered Office. Proxy is invalid if not signed and stamped as explained above.
- 2) Signature of the Shareholder should match with the Specimen Signature registered with the Company.

মার্কাইন্সুরেন্স কোম্পানী লিমিটেড  
MERCANTILE INSURANCE COMPANY LTD.  
SYMBOL OF TRUST AND SECURITY

## ATTENDANCE SLIP

I do hereby record my attendance at the 25th Annual General Meeting of the company to be held on **Wednesday, the 30th June 2021 at 11:00 A.M.** by Virtual/Digital Platform AGM Link <http://miclagm.capmark.com.bd>

Name of shareholder/Proxy.....  
Folio or BO A/C No. ....  
Signature ..... Dated: .....

### NOTE:

1. Shareholders attending the meeting in person or by proxy are requested to complete this Attendance Slip.
2. Signature of Shareholder or Proxy must conform to the specimen signature recorded with the Company.
3. Please bring this Attendance Slip with you. Admission into the Meeting Room may not be permitted without it.
4. Any friend or children accompanying with honorable shareholders/proxy will not be allowed to the meeting.



SYMBOL OF TRUST AND SECURITY