

Directors' Report

Bismillahir Rahmanir Rahim

Dear Shareholders,

Assalamu Alaikum,

On behalf of the Board of Directors of GSP Finance Company (Bangladesh) Limited, I am pleased to present the Annual Report and the Audited Financial Statements of the Company for the year ended December 31, 2017 together with the Auditors' Report thereon for consideration and approval of our honorable shareholders. This report has been prepared in compliance with the section 184 of the Companies Act 1994, BSEC's Notification of 2012, the Listing Regulations of Dhaka and Chittagong Stock Exchanges and the guidelines issued by Bangladesh Bank and other regulatory authorities.

Relevant disclosures and explanations relating to certain issues have been given by the Directors, which they consider important to ensure transparency and good governance practices. We believe that it is comprehensive enough to understand the operational procedures and overall performance of the company at a glance during the year under reporting.

PRINCIPAL ACTIVITIES OF THE COMPANY

The Principal Activities of GSP Finance Company (Bangladesh) Limited are:

- Lease Finance
- Term Finance
- Working Capital Finance
- Syndication Finance
- Bridge / Equity Finance
- SME Finance
- Deposit schemes

OPERATIONAL PERFORMANCE OF THE COMPANY

2017 was a year of challenge for the financial sector of the country as well as for GSP Finance Company (Bangladesh) Limited. Excess liquidity, reduced demand for investment in the private sector and slow progress in recovery activities posed great problem for us. Our Company met the challenges through focused marketing plan, diversified products and services, taking steps towards adopting a fully automated and modern system, improving the assets quality by strengthening the recovery of non-performing assets, emphasis on human resources development program to upgrade the skill and knowledge of our personnel.

FINANCING AND INVESTMENT OPERATION OF THE COMPANY

GSP Finance Company (Bangladesh) Limited pursues a conservative approach while making any investment decision. As a reflection of its corporate vision, the company always prefers the segmented business proposition which includes corporate and institutional clients and SME. Keeping this in mind, GSP Finance Company (Bangladesh) Limited is offering tailored financial products for the growth of various sectors of the economy.

Lease Finance: Lease financing is one of the major fund based activities of GSP Finance Company (Bangladesh) Limited. The Company offers fully payout financial lease for procuring capital machinery, equipment, vehicles & riverine transport. GSP Finance Company (Bangladesh) Limited provides services to customers of different segments. Through a prudent business model the company has diversified its business in other business segments in the year 2017. The investment under lease finance registered a growth of 95.67% of the Company with exposure of Tk. 1,325.95 million at the end of 2017 as opposed to Tk. 677.46 million of the previous year.

Term Finance: Term finance continued to be a core product of GSP Finance Company (Bangladesh) Limited. Long-term finance is available for commercial, industrial, SME sectors for a period ranging from 12 to 60 months depending on the nature of business and need. To provide liquidity comfort to corporate houses in emergency situation, the short-term finance is made under the different categories i.e. direct finance for working capital, work order finance, finance against term deposits etc. As pointed out by the Bangladesh Bank, term finance by FIs are the alternate source of capital financing for the industrial growth in the country. The Company's investment under term finance registered a growth of 23.53% in 2017 which stood at TK. 6,744.97 million at the end of 2017 as against to Tk. 5,460.16 million of the previous year.

Fund Arrangement/Syndication: GSP Finance Company (Bangladesh) Limited actively participated as a co- financier in various large syndication loans in order to diversify its portfolio and reduce risks. The total commitments of the company in syndications and structured finance arrangements stood at Tk. 539.87 million as at December 31, 2017.

CAPITAL MARKET OPERATION OF THE COMPANY

GSP Finance Company (Bangladesh) Limited operates in the Capital market through its Subsidiary Company GSP Investments Limited.

Investment in Share and Securities: GSP Finance Company (Bangladesh) Limited maintains its own portfolio for investment in listed companies shares and securities. The risk of investment is minimized through diversification and investing mostly in fundamentally strong securities. In 2017, the Company earned Tk 32.87 million in the form of capital gain and dividend.

MONEY MARKET OPERATION OF THE COMPANY

We experienced a highly liquid market in 2017. Managing excess liquidity and balance sheet gap were the key challenges for the whole financial sector. Due to excess liquidity in the market inter Bank loan transfers were on the rise throughout the year. Early settlement of loan facilities by customers with access to cheaper funding from banks posed a serious threat to impede our growth percentage, despite which we registered a modest growth in our business.

Banking Arrangement: In 2017 the Company obtained Tk 1,776.51 million from banks against different form of borrowings to finance our operations and repaid Tk 866.70 million as per terms and conditions of contracts. During the year, the cost of borrowing decreased significantly.

Deposit Mobilization: GSP Finance Company (Bangladesh) Limited mobilizes term deposits from corporate and individuals through its wide range of deposit schemes with different maturity options, monthly/quarterly/half-yearly/yearly income options, double money options, monthly saving options etc. The deposits base of the Company continued to register a steady growth and stood at Tk. 4,177.07 million as on December 31, 2017

Money Market Operations: As a financial Institution GSP Finance Company (Bangladesh) Limited actively participates in the money market on a regular basis and has been dealing with both borrowing and lending activities with different banks/financial institutions to manage its treasury funding in a prudent way to augment its earnings. GSP Finance Company (Bangladesh) Limited also maintains a very high standard commitment in money market operations and has built up a strong reputation for itself in the money market.

RISK MANAGEMENT

Risk and uncertainties are essential elements of the financing business. To mitigate and manage these risks, GSP Finance Company (Bangladesh) Limited has different committees namely, Credit Committee (CC), Asset and Liability Committee (ALCO), Risk Management Committee, Management Committee and Audit Committee. The Committees regularly meet to review the market, credit and liquidity risk related factors and recommend and implement suitable measures to counter these risks. Appropriate and effective internal control systems are also in place to address operational risks. Credit Risk Department of GSP Finance Company (Bangladesh) limited also assists the management in building a quality credit portfolio. The Company has also taken steps to further strengthen its Internal Control and Compliance function.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

GSP Finance Company (Bangladesh) Limited has a commitment towards all stakeholders to engage in ethical practices. As a leading financial institution, we recognize our responsibilities towards the society and participate actively in CSR activities including promotion of staff welfare activities.

ENVIRONMENTAL ISSUES

GSP Finance Company (Bangladesh) Limited is very concerned in the matter of environmental issues and accordingly it continuously reviews the environment related issues of our clients. It ensures that the clearance certificate from the regulators have been obtained at the time of providing lease or loan facilities wherever necessary. We are equally concerned about maintaining good environment in the office and for augmentation of this we have installed solar panel at our premises as a source of alternate energy for providing power to our office.

HUMAN RESOURCES OF THE COMPANY

GSP Finance Company (Bangladesh) Limited continuously reviews its human resource policies and implements effective management policies and practices to enrich its employees. We believe that our human resources possess competitive advantage in terms of their experience and professional expertise. Considering this, we strive to recruit the best suited persons for the right positions, provide them with adequate training and implement programs to develop and retain them. GSP Finance Company (Bangladesh) Limited carefully looks into the motivational aspects, health and safety of its employees. Capacity building activities are being encouraged and promoted by the Company all the year round.

CORPORATE AND FINANCIAL REPORTING FRAME WORK

The Directors in accordance with BSEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 confirms compliance with the financial reporting framework for the following:

- The financial statements prepared by the management of GSP Finance Company (Bangladesh) Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of accounts of the Company have been maintained;
- Appropriate accounting polices have been consistently applied except for the changes disclosed in the financial statements in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS) / Bangladesh Financial Reporting Standards (BFRS) as applicable in Bangladesh, have been consistently applied in preparation of the financial statements and any change or deviation has been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There is renewed confidence in the company to grow and continue as a going concern.

THE PATTERN OF SHAREHOLDINGS

The Authorized Capital of GSP Finance Company (Bangladesh) Limited is Tk. 2,000,000,000 divided into 200,000,000 ordinary shares of Tk. 10 each. The present paid-up Capital of the Company is Tk. 104, 63, 26,950 divided into 104,632,695 ordinary shares of Tk. 10 each. The shareholding pattern of the Company as at December 31, 2017 is shown on page 15 in this Annual Report as per clause 1.5 (xxi) of the BSEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012.

BOARD MEETING ATTENDANCE AND REMUNERATION OF DIRECTORS

During the year ended on December 31, 2017 a total number of 10 (Ten) Board Meetings were held and attendance of directors are presented on page 39 and their remuneration paid during the year are given in Notes- 31 in this Annual Report as per clause 1.5 (xx) of the BSEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012.

RELATED PARTY TRANSACTIONS

In the ordinary course of business a number of transactions with other entities that fall within the definition of related party contained in BAS 24: Related party disclosures; The Company extends leases/loans to related parties including its Directors and related Companies. A statement of related party transactions along with their basis has been presented on page 86 in this Annual Report as per clause 1.5 (vi) of the BSEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012.

COMPLIANCE REPORT ON CORPORATE GOVERNANCE

Status of compliance with the conditions imposed by Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012, along with a certificate from a practicing Chartered Accountant have been presented on page 28 in this Annual Report as Compliance with BSEC's Notification.

FINANCIAL RESULT AND PROPOSED APPROPRIATION

The financial results of the Company and the proposed appropriation of profit of the year 2017 are summarized below with explanations in the enclosed audited Financial Statements:

Profit after tax	Tk. 307, 099,348
Retained earnings brought forward	Tk. 2,498,351
Transfer to Statutory Reserve (20% on profit after tax)	Tk. (61,419,870)
Profit available for declaration of Dividend for the year 2017	Tk. 248,177,829

DIVIDEND

The Board of Directors of the Company has recommended 23.50% Stock dividend (i.e. 23.50 bonus shares for every 100 shares) for the year ended December 31, 2017 to its shareholders for approval in this AGM.

FORMATION OF SEPARATE SUBSIDIARY FOR MERCHANT BANKING ACTIVITIES

Pursuant to the requirement of Bangladesh Securities and Exchange Commission, GSP Finance Company (Bangladesh) Limited formed a subsidiary in the name and style "GSP Investments Limited" with a view to separate its Merchant Banking operation which was approved by Bangladesh Securities and Exchange Commission vide their letter no. SEC/Reg./MB/SUB-16/2011/113 dated August 14, 2014. GSP Investments Limited is duly incorporated with the RJSC as a private limited company with an authorized capital of Tk. 500 million.

The Principal Activities of GSP Investments Limited are:

- Issue Management
- Underwriting
- Portfolio Management
- Corporate Advisory Services
- Securities Trading Services
- Margin Loan

DIRECTORS RETIREMENT AND REAPPOINTMENT

In accordance with the section no. 91 (2) of the Companies Act 194 and Article no.116 of the Article of Association of the Company one third (1/3) directors are to retire from the Board of Directors and accordingly (1) Mr. Wolf- Peter Berthold and (2) Ms. Silwat A. Haider Director of the Company will retire and being eligible, all of them offered themselves for re-election.

The Board of Directors of the Company in its 204th Meeting held on November 16, 2017 appointed Mr. Wajid Ali Khan Panni having address at Apt.# 201, Road # 30, House # 14, Gulshan-1, Dhaka-1212 as an Independent Director of the Company for the period of 03 (Three) years as per "Corporate Governance" notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 issued by Bangladesh Securities and Exchange Commission (BSEC).

APPOINTMENT OF AUDITORS

The Company's Auditors **Malek Siddique Wali**, Chartered Accountants will retire in the 23rd Annual General Meeting (AGM) of the Company and being eligible for re-appointment as per section 212 of the Companies Act 1994 and DFIM Circular no. 04 dated April 30, 2015 of Bangladesh Bank, the Board of Directors of the Company recommended for approval of the appointment of Malek Siddiqui Wali, Chartered Accountants as Auditors of the Company for the year 2018 with the same fee of Tk. 170,000 plus VAT.

FUTURE OUTLOOK

The major challenges for the year 2018 will be stiff competition from banks and other financial institutions as rate of interest has started rising on deposits and it is apprehended that during the year the market will not be as liquid as it was throughout the year 2017. Despite the challenges, GSP Finance Company (Bangladesh) Limited will continue to look into its potentialities and development options with its business strategy. Development of an appropriate market niche, expansion in unexplored markets and quality asset growth with enhanced customer service shall be our priority. GSPB is also on its look out for deposits at comparative rates to match the demands of customers for Loans & advances to survive in the market.

I feel it is a great privilege to inform you that being satisfied with our performance Ministry of Finance has included us in the eligible list of 14 Non-Banking Financial Institutions (NBFIs) among 34 NBFIs operating in the market vide their letter no. 53.00.0000.331.99.001.17-281 dated 26th November, 2017 to receive along with private Banks up to 20% of Annual Development Program (ADP) funds from Autonomous & Semi-Autonomous bodies and 25% of their own funds from Government, Semi-Government, Autonomous and Semi- Autonomous bodies.

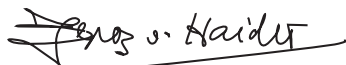
Due to this privilege our Company will have edge over the non-eligible NBFIs to mobilize substantial amounts of big volume deposits.

ACKNOWLEDGEMENT

On behalf of the Board of Directors I would like to express my sincere thanks to our valued shareholders, regulatory authorities like Bangladesh Bank, Bangladesh Securities and Exchange Commission, Stock Exchanges, RJSC and other business associates for their guidance valuable suggestions, continuous support and co-operation extended during the period under review. I would like to thank our auditor Malek Siddiqui Wali Chartered Accountants for their efforts in timely completion of the audit. I also thank our dedicated management team and employees whose hard work and firm commitment made the year a successful one. We hope to get support, advice and encouragement from all of you for our continuous and unhindered growth.

May Allah be with us throughout our journey.

On behalf of the Board of Directors



Feroz U. Haider
Chairman