

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, 2018 together with the Auditors' Report thereon for consideration and approval of our honorable shareholders. This report has been prepared in compliance with Section 184 of the Companies Act 1994, BSEC's Notification of 2018, 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
- Term Deposit

OPERATIONAL PERFORMANCE OF THE COMPANY

2018 was a year of challenge for the financial sector of the country as well as for GSP Finance Company (Bangladesh) Limited. Tight liquidity in the last quarter and reduced demand for investment in the private sector and slow progress in recovery of loans/advances posed great problem for us as well as in the industry. 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 asset 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 2018. The investment under lease finance registered a growth of 20.52 % of the Company with exposure of Tk 1,597.59 million at the end of 2018 as opposed to Tk. 1,325.59 million for 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, bridge 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 negative growth of (14.66) % in 2018 which stood at TK. 5,756.42 million at the end of 2018 as opposed to Tk 6,744.97 million of the previous year due to recovery and pre-payment of loans by customers who got low interest bearing loans from Banks as they reduced interest rates on investment as per Govt. policy for lending at single digit.

Fund Arrangement/Syndication: GSP Finance Company (Bangladesh) Limited actively participated as a co- financer 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. 558.42 million as at December 31, 2018.

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 as well as pre IPO & IPO placement. The risk of investment is minimized through diversification and investing mostly in fundamentally strong securities. In 2018, the Company earned Tk. 17.54 million in the form of capital gain and dividend.

MONEY MARKET OPERATION OF THE COMPANY

The Company experienced excess liquidity during the 1st two quarters of 2018. Managing excess liquidity and balance sheet gap were the key challenges. 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 2018 the Company secured Tk. 971.49 million from banks against different form of borrowings to finance our operations and repaid Tk. 694.13 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 deposit base of the Company registered a negative growth and stood at Tk. 3,113.84 million as on December 31, 2018 as opposed to Tk. 4,177.07 million of December 31, 2017 due to withdrawal of corporate deposits as they were offered higher rates by some financial institutions those were in dire need of funds.

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 function in a prudent way to augment its earnings. GSP Finance Company (Bangladesh) Limited also maintains a very high standard of commitment in money market operations and has built up a strong reputation for itself in the money market.

KEY OPERATIONAL AND FINANCIAL INFORMATION

Key operational and financial information over the last five years of the Company has been presented on page no. 59 in this Annual Report as per clause no.1 (5) (xix) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018.

MANAGEMENT'S DISCUSSION & ANALYSIS

Management's discussion & analysis of the financials have been highlighted on page no. 56 in this Annual Report as per clause no. 1(5) (xxv) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018.

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 of GSP Finance Company (Bangladesh) Limited, in accordance with BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/ 80 dated June 3, 2018, 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 policies have been consistently applied in preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS) as applicable in Bangladesh, have been consistently applied in preparation of the financial statements and any departure there from has been adequately disclosed;
- Internal control process have been properly designed and effectively implemented and monitored;
- 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;
- There is no significant doubt upon the Company's ability to continue as a going concern.

CEO AND CFO'S DECLARATION CERTIFICATE

The CEO and CFO's declaration to the Board is appended on page no. 29 in this Annual Report as per clause no. 1(5) (xxvi) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018.

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. 1,292,213,780 divided into 129,221,378 ordinary shares of Tk. 10 each. The shareholding pattern of the Company as at December 31, 2018 is shown on page 44 in this Annual Report as per clause no. 1(5) (xxiii) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018.

BOARD MEETING ATTENDANCE AND REMUNERATION OF DIRECTORS

During the year ended on December 31, 2018 a total number of 09 Board Meetings were held and attendance of directors are presented on page 43 and their remuneration paid during the year are given in Notes 31 in this Annual Report as per clause no.1(5)(xxii) & 1(5)(x) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018.

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 107 in this Annual Report as per clause no.1(5)(vi) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018.

COMPLIANCE REPORT ON CORPORATE GOVERNANCE CODE

Status of the compliance of conditions of Corporate Governance Code imposed by the Bangladesh Securities and Exchange Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018, along with a certificate from a practicing Chartered Accountant has been enclosed in Annexure - B on page 30 in this Annual Report.

We have also enclosed a statement of compliance on the good governance guidelines issued by the Bangladesh Bank as Annexure-III on page 45 in this Annual Report.

FINANCIAL RESULT AND PROPOSED APPROPRIATION

The financial results of the Company and the proposed appropriation of profit of the year 2018 are summarized below with explanations in the enclosed audited Financial Statements:

Profit after tax	Tk. 293,678,772
Retained earnings brought forward	Tk. 2,290,999
Transfer to Statutory Reserve (20% on profit after tax)	Tk. (58,735,754)
Profit available for declaration of Dividend for the year 2018	Tk. 237,234,017

DIVIDEND

The Board of Directors of the Company has recommended 18% cash dividend (i.e. Tk.1.8 per share) for the year ended December 31, 2018 to its shareholders for approval in this AGM.

INTERIM DIVIDEND

No bonus share of stock dividend has been or shall be declared as interim dividend.

DIRECTORS RESUME AND LINE OF EXPERTISE

A brief resume of Directors are appended in page no. 10 to 13 in this Annual Report which includes his/her nature of expertise and qualifications.

FORMATION OF 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.

The Principal Activities of GSP Investments Limited are:

- Issue Management
- Underwriting
- Portfolio Management
- 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. Feroz U. Haider and (2) Mr. Saber Hossain Chowdhury Director of the Company will retire and being eligible, all of them offered themselves for re-election.

Ambassador F. A. Shamim Ahmed (Retd.) having address at Urban Lily Cottage, Apt # 11A, House # 7, Road # 23, Block-B, Banani, Dhaka-1213 was appointed as an Independent Director of the Company for a period of 03 (three) years in its 213th Board of Directors Meeting held on November 29, 2018.

APPOINTMENT OF AUDITORS

The Company's Auditors Malek Siddique Wali, Chartered Accountants having address at 9-G, Motijheel C/A, Dhaka -1000 will retire in the 24th Annual General Meeting (AGM) of the Company and not being eligible for re-appointment due to non compliance of Notification no. BSEC/CMRRCD/2006-158/208/Admin/81 dated June 20, 2018 of Bangladesh Securities and Exchange Commission (BSEC) and as per Regulations no. 15 of the Dhaka & Chittagong Stock Exchanges (Listing) Regulations-2015.

The Board of Directors of the Company recommended for approval of appointment of Zoha Zaman Kabir Rashid & Co., Chartered Accountants having address at Rupayan Karim Tower, Level -7, Suite # 7A, 80, Kakrail, Dhaka-1000, Bangladesh as Statutory Auditors of the Company for the year 2019 at a fee of Tk. 170,000/- plus VAT (Taka One lac seventy thousand plus VAT) only subject to approval of Bangladesh Bank before holding the AGM.

FUTURE OUTLOOK

The major challenges for the year 2019 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 during the year 2018. 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 competitive rates to match the demands of customers for Loans & advances to survive in the market. Our efforts will be on exploring SME customers linked with production of export or import substitution products accompanied with generation of employment in line with priority sectors outlined by the Govt.

The Board has decided to open a Branch of the Company in Banani / Gulshan area and instructed to the Managing Director to find out a suitable location either to be rented or purchased for opening a Branch.

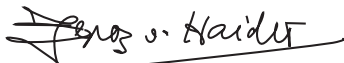
The Board of Directors of the Company has also decided to issue Non-Convertible Fully Redeemable Coupon Bearing Bond (7 years) in the name and style "GSP Non- Convertible Fully Redeemable Coupon Bearing Bond of Tk. 200 crore" through private placement subject to approval of Bangladesh Bank and Bangladesh Securities and Exchange Commission (BSEC).

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