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***SECTION I: RISK FACTORS AND MANAGEMENT'S PERCEPTION ABOUT THE RISKS***

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#### (a) Interest rate risks

Interest rate risk concerned with borrowed funds of short term and long-term maturity, volatility of money market, which ultimately influences the interest rate structure of fund.

##### **Management perception:**

*Brain Station 23 PLC is not exposed to fluctuations in interest rates as it has no short-term or long-term interest-bearing debt. The Company relies on internally generated cash and/or equity financing to meet its obligations.*

#### (b) Exchange rate risks

Devaluation of local currency against major international currencies i.e. USD, GBP and Euro may affect company's income.

##### **Management perception:**

*The management of Brain Station 23 PLC is aware that the local currency BDT is facing downward pressure from USD and other major currencies. Most of the revenue earned by Brain Station 23 PLC is through export of services and the company also settles import payments through foreign currency. Depreciation of BDT for exports receipts will be favorable for the Company and unfavorable for import payments. Overall, as the export earnings is significantly higher compared to import payments, the current devaluation of BDT is favorable for the Company.*

#### (c) Industry risks

Industry risk refers to factors that can impact a specific industry and the companies operating under it. Industry's risk factors can affect business growth, profitability, and sustainability.

##### **Management perception:**

*Worldwide the demand for IT solutions is increasing as businesses are striving to increase efficiency and reduce operational cost to remain competitive and improve profitability. The management of Brain Station 23 PLC believes that the demand for IT driven solutions both in the domestic market and abroad will increase. As the cost of labor in Bangladesh is very competitive, the export of IT solutions and software will thrive. As the IT and software sector is growing fast, exposure of industry risk is low.*

#### (d) Market and technology-related risks

Market and Technology risk is a type of business risk defined as any market and technological changes that may disrupt the business.

##### **Management perception:**

*Brain Station 23 PLC stay updated with the latest and the most innovative technologies to remain competitive in the global market. The Company engages in research and development as part of management's commitment to enhance client satisfaction and complete challenging projects, with innovative and cutting-edge solutions. The company regularly arranges training to keep their employees up to date with all technological developments.*

#### (e) Potential or existing government regulations

Companies of Bangladesh operates under various laws like Companies Act, 1994, taxation related laws and rules, rules of Bangladesh Securities and Exchange Commission etc. Any abrupt changes of the policies formed by those bodies may impact on the business of the company adversely.

##### **Management perception:**

*As the government considers the ICT and software as priority or thrust sector, the management believes it is highly unlikely that the government will initiate any measure having adverse effect on the industry.*

#### (f) Potential changes in global or national policies

The performance of companies may be affected by the political and economic instability both in Bangladesh and worldwide. Any instance of political turmoil and disturbance in the country may adversely affect the economy in general.

**Management perception:**

*The risk due to changes in global or national policies is beyond the control of any company. Yet the Company is well prepared to adopt new policies and measures as and when required to reduce such risks. Furthermore, political unrest due to strikes and mass protests may have a negative impact on any business. However, as the Company provides IT solutions and software to clients and delivery of such nature of services may face little obstruction.*

**(g) History of non-operation**

History of non-operation indicates weak operational management of the Company. Non-operation leads to negative cash flow, incurring of losses and bankruptcy in worst case scenario.

**Management perception:**

*Brain Station 23 PLC has no history of non-operation in the past. It has experienced directors and a management team to make the Company more efficient and competitive. So, the chance of becoming non-operative of the Company is very less.*

**(h) Operational risks**

Operational risk is the risk of losses caused by flawed or failed processes, policies, systems or events that disrupt business operations. Employee errors, criminal activity such as fraud and physical events are among the factors that can trigger operational risk.

**Management perception:**

*The Company manages its operational risk by incorporating strong internal control by identifying, assessing, monitoring, controlling, and mitigating operational related risks. The Company also applies additional procedures necessary to comply with regulatory requirements. The Company has strong risk management procedures to manage the operational risks.*

**(i) Risk relating to secondary trading of securities**

In the primary market, the issue price of Brain Station 23 PLC is determined based on applicable law and may not be indicative of the market price in the secondary market.

**Management perception:**

*The market price of shares is subject to systematic risk which may affect the price adversely.*

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***SECTION II: USE OF PROCEEDS***

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