



Annual Report 2015



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NOTICE OF THE TWENTY SEVENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Seventh Annual General Meeting of the shareholders of United Finance Limited will be held at the Dhaka Ladies Club, 36, Eskaton Garden Road, Ramna, Dhaka on April 21, 2016 at 10:00 a.m. to transact the following business:

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended December 31, 2015.
2. To declare Dividend for 2015.
3. To elect Directors as per Articles of Association of the Company.
4. To consider the appointment of Auditors for 2016 and fix their remuneration.
5. To approve re-appointment of the Independent Directors.

By order of the Board

Sharmi Noor Nahar
Company Secretary

Dated: Dhaka
17 February, 2016

Notes :

1. A Shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his/her stead. The proxy form must be affixed with a revenue stamp of Tk 20.00 and submitted to the Registered Office of the Company no later than 48 hours before the day of the Annual General Meeting.
2. March 10, 2016 is the Record Date.
3. Members are requested to update their respective BO Accounts with 12 digits Taxpayer's Identification Number (e-TIN) through Depository Participant (DP) latest by March 10, 2016, failing which Income Tax at source will be deducted from payable Dividend @ 15% (fifteen percent) instead of @ 10% (ten percent) as per amended IT Ordinance-1984 under section 54.
4. Shareholders are requested to submit their queries on the Directors' Report and Audited Accounts, if any, at the Registered Office of the Company by Tuesday, April 19, 2016.
5. Shareholders and proxies are requested to record their entry in the Annual General Meeting well in time.

N.B: In compliance with the Bangladesh Securities and Exchange Commission's Circular No. SEC/CMRRCD/2009-193/154 dated October 24, 2013, no Gift/Gift Coupon/Food Box shall be distributed at the 27th AGM.



CHAIRMAN'S STATEMENT

Dear Shareholders:

I welcome you on behalf of the Board of Directors to the 27th Annual General Meeting of United Finance Limited. I take this opportunity to brief you on the economy, the financial services sector and the performance of your Company during 2015.

Economy

During the fiscal year 2014-15, the country achieved a GDP growth of 6.51%, with 5.83% growth in services from 5.62% in last year and 9.6% in industry from previous year's 8.16%. However, agricultural sector declined to 3.04% from 4.37% during 2015.

Annual average inflation has gradually decreased throughout 2015 and reached 5.72% from 6.44% from previous year.

Bangladesh Bank successfully continued efforts to restrain excessive fluctuations in the exchange rate which remained largely market based and at the same time controlled inflation.

Financial Services Sector

Bangladesh bank, through prudent policy measures, has been able to have lower inflation, reduce interest rate and maintain stability of exchange rate during the year. The year ended with a foreign exchange reserve balance of more than 26 Billion dollars. The investment stimulant monetary stance of the central bank was successful.

Bangladesh bank continued its monitoring of the banking sector to reduce vulnerability that became apparent in the previous years. Banking sector repayment and profitability indicators have shown signs of stability in 2015 as with only 0.2% increase in the NPL ratio, whereas total domestic credit increased by 10.06%.

The performance of the capital market continued to be sluggish in 2015, mainly due to lack of shareholders' participation in the capital market.

Company Performance

I am pleased to inform you that your Company has registered growth in operating revenue. Your company registered 6.00% growth in net profit over the previous year.

Earnings Per Share (EPS) on the basis of current number of shares, increased by 6.00% (from Taka 2.10 in 2014 to Taka 2.22 in 2015). Net Asset Value (NAV), on the basis of current number of share, increased by 1.15% (from Taka 17.29 in 2014 to Taka 17.49 in 2015).

Business

Deposit Products

During the year deposit portfolio grew by 10.82%. The deposit product offerings of your Company are quite diversified and appeals to a wide range of customers. Like previous years, deposit collection was sufficient to support the financing activities of the Company and its cost of fund remained competitive throughout the year.

Asset Products

You would be pleased to know that your Company continued to deliver financial services in all 64 districts of the country through its 19 offices. Despite the heavy challenges during 2015, asset products portfolio achieved a growth of 11.30% from Tk. 10.73 Billion to Tk. 11.94 Billion. The portfolio consists of both short term revolving working capital solutions and mid to long term asset financing options.

Working Capital Solutions

Working capital solution products allow your Company to further diversify risks by penetrating into wider sectors and client bases. It also complements the long term product clients by providing valuable working capital support which is the life blood of any business. The demand for working capital financing is growing due to the built-in tangible services inherent in the products. Short term working capital financing portfolio now constitutes more than 25% of the total asset products portfolio, standing at Tk. 3.17 Billion.

Agricultural Financing

In 2014 your Company introduced seasonal cash flow based agricultural financing. You would be pleased to know that, through this financing, your Company has been able to improve livelihood of 9,205 farmers, helped employment generation of 44,332 seasonal agricultural labours and created 335 agricultural input businesses. Agricultural financing portfolio reached Tk. 298.5 Million in 2015. Further opportunities could be explored for expansion.



Asset Financing Options

Long term portfolio of your Company consists of lease financing, affordable home loan and term loans, to meet financing requirements for various types of assets of its clients. Your Company provides support for own construction of buildings for individuals and procurement of machinery, equipment, vehicles and business expansion for businesses.

Affordable Home Loan

Affordable Home Loan is a housing finance solution for the low to middle income group to improve their living standard and to fulfil their dreams of owning a home in mostly the underserved housing markets. During the year the portfolio reached Tk. 520 Million.

Cost Administration

Deposit rates continually came down during the last year due to excess liquidity. Your Company collected deposits at a rate comparatively lower than the market. Though the deposit portfolio grew by more than 10.82%, the financial cost in 2015 only registered a 2.27% growth.

Salary and allowances increased by 19.03% and rent increased by 16.07%, both due to new additions in 2015 and full year's impact of human resources, rent on branch and office spaces added during 2014 and upward revision as per agreement of some branches. Other costs increased to accommodate the needs of growing business volume and impact of inflation. In all, total operating costs increased by 11.34%.

Risk Management

The developments and activities of Company's three risk management components during 2015 were as follows:

Pre-emptive Risk Management

Operational Risk Management continued to increase efficiency while reducing risks through its review, restructure and strengthening of operational processes. This enabled your Company to achieve growths in the focused areas.

Human resource department continues to improve resource quality through better screening of applicants, appropriate staffing and continuous training. Your Company now focuses on reducing the time required to hire resources. During the year the Company provided a total of 1260 man-days of training to 299 employees.

Contemporaneous Risk Management

Collection department has been restructured and collection, recovery and litigation teams have been independently strengthened, which resulted in high collection of dues. Non-performing loan ratio was maintained at below 5.05%.

Post-facto Risk Management

Advisory services conducted regular customer satisfaction surveys to understand clients' perceptions on the services of your Company. It also helps to modify services to further improve customer experience and thereby create a loyal client base.

Continuous analysis of the Risk Grading Model is done to make it more effective in understanding risk profiles of clients and appropriately assign risk grades before financing.

During 2015 your Company improved quantification of employee performance measurement, which helped in managing the large employee base by establishing accountability and creating standardised benchmarks. Management Information Systems department further improved its existing reporting to facilitate the actions of the senior management team and aid mid level managers.

Both Compliance and Internal Audit departments have been strengthened to create better checks and balances and to identify non-compliances and other out of the ordinary issues. Audit and compliance reports were regularly placed to the Audit Committee of the Board for its review and recommendations.

Sustainability Initiatives

Your Company gives importance to environmental sustainability, which is reflected in both its financing and own activities. A separate sustainability report has been prepared and included in this Annual Report.

Post Balance Sheet Date Events

Subsequent to the balance sheet date, the Directors recommended 1 share for every 10 shares held and cash dividend of Tk. 0.50 per share. There were no circumstances in the Company in which non-disclosure affected the ability of the users of the financial statements to make proper evaluation and decisions.



Outlook

The challenges of 2016 for the country would be to ensure economic growth. GDP growth in 2016 is projected at 6.0% and private consumption is expected to remain stable and contribute to GDP growth. Exports are expected to perform better, particularly in the second half of the year. The Government is stepping up project implementation to improve public investment in infrastructure. Several downside risks could, however, affect the GDP growth projection.

Bangladesh Bank is expected to continue to focus on keeping inflation low while providing sufficient scope to encourage investments. The financial services sector will be under strict scrutiny of the central bank as it would continue to take measures to reduce irregularities.

Your Company is well prepared to take on the challenges in 2016. Competition will intensify as the overall liquidity in the market will continue to drive down interest rates, both on the deposit and the lending side. Achieving growth, while maintaining the portfolio quality and collection of receivables would be the major challenge for your Company. Your Company will focus on various financing opportunities and it is expected that service quality, coupled with cost advantage, would help your Company to expand its client base and portfolio across all product ranges.

Acknowledgement

We wish to thank our valued customers, shareholders, regulators, lenders and the international agencies for their continuous support and cooperation.

I take the privilege of thanking my colleagues in the Board of Directors of the Company for their contribution towards development of the Company and the support rendered to me during the year in conducting the meetings of the Board of Directors.

Last but not the least, I express my gratitude to all the employees of the Company for their sincere and dedicated services to the growth of the Company.

Sincerely,

Imran Ahmed
Chairman of the Board



BOARD OF DIRECTORS' REPORT

Dear Shareholders:

We are pleased to submit herewith the 27th annual report of the Company together with the audited financial statements for the year ended December 31, 2015 and the auditors' report thereon.

Principal activities

The principal activities of the Company are:

- Mid to long term financing in the form of lease, affordable home loan and term loan.
- Working capital finance in the form of credit-sale financing, distributor financing, short term revolving loan, work-order and agriculture financing.
- Investment products in the form of insured and uninsured build-up deposit schemes, earners deposit schemes and term deposits.

There was no significant change in the nature of these activities during the year 2015.

Financial results

The Company's before and after tax profit for the year 2015 were Tk. 523 million and Tk. 343 million compared to Tk. 538 million and Tk. 324 million respectively in the previous year.

The financial results are summarised below:

| | 2015 Taka | 2014 Taka |
|---|----------------------|----------------------|
| Operating Income | 952,621,047 | 943,868,517 |
| Operating expenses and provision | (429,444,868) | (406,080,794) |
| Profit before tax | 523,176,179 | 537,787,723 |
| Provision for taxation | (179,925,074) | (214,000,000) |
| Profit after tax | 343,251,105 | 323,787,723 |
| Retained earning brought forward | 2,627,695 | 4,234,772 |
| Profit available for appropriation | 345,878,800 | 328,022,495 |
| Appropriation: | | |
| Profit transferred to Statutory Reserve | 69,000,000 | 65,000,000 |
| Profit transferred to General Reserve | 40,000,000 | 50,000,000 |
| Proposed cash dividend | 77,144,760 | 70,131,600 |
| Proposed bonus share | 154,289,520 | 140,263,200 |
| Un-appropriated profit carried forward | 5,444,520 | 2,627,695 |
| | 345,878,800 | 328,022,495 |

Dividend

The Board of Directors of the Company is pleased to recommend the distribution of one bonus share for every ten shares held on record date March 10, 2016 amounting to Taka 154.29 million.

The Board also recommended cash dividend of Taka 0.50 per ordinary share amounting to Taka 77.14 million for 154.29 million ordinary shares held on record date March 10, 2016 for the year ended December 31, 2015.

Plan for utilisation of undistributed profit

The undistributed profit will be utilised to invest in financing assets and meet contingencies under section 100 of the Schedule 1 of the Companies Act 1994.

Directors

As per Article 161 the Articles of Association of the Company, following the nomination withdrawal of Mr. Peter John Field, the Board accepted the nomination of Mrs. Susan Ann Walker from Lawrie Group Plc, of the U.K. to represent them in the Company's Board.

As per Articles 154, 155 and 156 the Articles of Association of the Company, Mrs. Susan Ann Walker representing Lawrie Group Plc and Mr. A. Rouf representing United Insurance Company Limited will retire by rotation from the office and are eligible for re-election.

As per the Corporate Governance Guidelines of Bangladesh Securities and Exchange Commission dated August 7, 2012, the Board in its meeting held on February 17, 2016 re-appointed the existing Independent Directors, Mr. M. A. Wahed and Mr. Daud Khan Panni for a further term of three years. As per the said regulation these re-appointments are to be approved in the Annual General Meeting.



Auditors

The auditors of the Company, M/S. M. J. Abedin & Co. shall retire and, being eligible, have offered themselves for reappointment.

The Board of Directors recommended for appointment of M/S. M. J. Abedin & Co, Chartered Accountants for 2016 and Bangladesh Bank accorded its consent in this regard. The matter will be placed before the shareholders in the Annual General Meeting.

Statement of Directors on Financial Reports

- a) The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act, 1994 and Securities and Exchange Rules, 1987. These statements present fairly the Company's statement of affairs, the result of its operation, cash flow, and statement of changes in equity.
- b) Proper books of accounts of the Company have been maintained.
- c) Appropriate Accounting Policies have been consistently applied in preparation of the financial statements except those referred to in the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- d) The presentation of Financial Statements has been made in accordance with the Bangladesh Bank DFIM circular no.11 dated December 23, 2009.
- e) IAS/IFRS/BAS/BFRS, as applicable in Bangladesh, have been followed in preparation of the financial statements.
- f) Internal Control System is sound in design and has been effectively implemented and monitored.
- g) There are no significant doubts about the ability of the Company to continue as going concern.
- h) There is no significant deviation from the operating result of the last year.

Board Meeting and Attendance

During the year, seven (7) Board Meetings were held. The attendance of the Directors is shown in annexure-1.

Shareholding Pattern

The shareholding pattern as per clause 1.5 (xxi) of the SEC Notification No. SEC/CMRRCD/2006-158/134/admin/44 dated August 7, 2012 is shown in annexure -2.

Key Operating and Financial Data

Summarised key operating and financial data of the Company for last five years is shown in annexure-3.

Segment-wise performance

The segment wise performance of the Company as per clause 1.5 (ii) of the SEC Notification No. SEC/CMRRCD/2006-158/134/admin/44 dated August 7, 2012 is shown in annexure -4.

Brief resume of the directors who will seek re appointment/approval in the AGM

Brief resume of the directors as per clause 1.5 (xxii) of the SEC Notification No. SEC/CMRRCD/2006-158/134/admin/44 dated August 7, 2012 is shown in annexure- 5.

Report on the Activities of Audit Committee

Pursuant to the clause 3.5 of the SEC Notification No. SEC/CMRRCD/2006-158/134/admin /44 dated August 7, 2012 we attach the Company's compliance status as annexure - 6

Certification on Compliance of Corporate Governance

Certificate from auditor on compliance with the conditions as per clause 7(i) of Corporate Governance guidelines is shown in annexure -7.

Corporate Governance Compliance Report

Pursuant to the clause 7(ii) of the SEC Notification No. SEC/CMRRCD/2006-158/134/admin /44 dated August 7, 2012 we attach the Company's compliance status as annexure - 8.

Sustainability & Efficiency Statement

Pursuant to the Bangladesh Bank Circular no. GBCSRD 4 dated August 11, 2013 is shown in annexure-9.

For and on behalf of the Board of Directors

Imran Ahmed
Chairman of the Board

17 February, 2016



Annexure-1

Board meeting and attendance

| Name of Directors | Meetings attended |
|-----------------------------|-------------------|
| Mr. Imran Ahmed | 7 |
| Mrs. Susan Ann Walker | 1 |
| Mr. A. Rouf | 6 |
| Mr. M. A. Wahed | 7 |
| Mr. Daud Khan Panni | 4 |
| Mr. L. H. Khan | 5 |
| Ms. Shama Rukh Alam | 7 |
| Mr. M. Nurul Alam | 4 |
| Mr. A.F.M.M Samad Choudhury | 6 |
| Mr. Syed Ehsan Quadir | 7 |

Leave of absence was granted in all cases of non-attendance

Annexure-2

Shareholding pattern as at December 31, 2015

Shareholdings of Parent/Subsidiary/Associated companies and other related parties

| Sl. No | Name of shareholders | Number of shares | % of holdings |
|--------|----------------------------------|------------------|---------------|
| 1 | United Insurance Co. Ltd. | 31,842,366 | 20.64 |
| 2 | Lawrie Group Plc, U.K. | 30,857,904 | 20.00 |
| 3 | Surmah Valley Tea Co. Ltd. | 12,765,403 | 8.27 |
| 4 | Duncan Brothers (BD) Ltd. | 1,542,895 | 1.00 |
| 5 | Macalms Bangladesh Trust | 1,487,541 | 0.96 |
| 6 | Octavius Steel & Co. of BD Ltd. | 1,102,050 | 0.71 |
| 7 | The Lunqla (Sylhet) Tea Co. Ltd. | 894,929 | 0.58 |
| 8 | Camellia Duncan Foundation | 176,430 | 0.11 |
| 9 | The Chandpore Tea Co. Ltd. | 107,884 | 0.07 |
| 10 | Amo Tea Co. Ltd. | 94,677 | 0.06 |
| 11 | Chittaqonq Warehouses Ltd. | 91,870 | 0.06 |
| 12 | The Allynugger Tea Co. Ltd. | 91,755 | 0.06 |
| 13 | The Mazdehee Tea Co. Ltd. | 91,687 | 0.06 |
| 14 | Duncan Products Ltd. | 91,637 | 0.06 |

Shareholdings of the Directors', Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit and their Spouses and Minor Children

| Name | Status | Number of shares | % of holdings |
|-----------------------|-------------------------------|------------------|---------------|
| Mr. A. Rouf | Director | 11,000 | 0.007 |
| Ms. Shama Rukh Alam | Director | 16,059 | 0.010 |
| Ms. Khurshid Ara Rouf | Wife of Mr. A. Rouf, Director | 21,808 | 0.014 |
| Mr. Syed Ehsan Quadir | Chief Executive Officer | 7,300 | 0.004 |
| Mr. Zafar Ullah Khan | Chief Financial Officer | - | - |
| Ms. Sharmi Noor Nahar | Company Secretary | - | - |
| Mr. Md. Didarul Islam | Head of Internal Audit | - | - |

Shareholdings of top five executives other than Directors

| Name | Status | Number of shares | % of holdings |
|-----------------------------|--------------------------|------------------|---------------|
| Mr. M. A. Azim | Deputy Managing Director | 56,604 | 0.03 |
| Mr. Jamal Mahmud Choudhury | General Manager | - | - |
| Mr. Mohiuddin Rasti Morshed | General Manager | 242 | 0.0001 |
| Mr. Quazi Nizam Ahmed | General Manager | - | - |

10% and above shareholdings of the Company

| Name | Status | Number of shares | % of holdings |
|---------------------------|---------|------------------|---------------|
| United Insurance Co. Ltd. | Sponsor | 31,842,366 | 20.64 |
| Lawrie Group Plc, U.K. | Sponsor | 30,857,904 | 20.00 |



Key Operating and Financial Data

| | | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|-------------|--------------|--------------|--------------|--------------|--------------|
| Operating Result | | | | | | |
| Net Operating Income | MBDT | 953 | 944 | 836 | 646 | 633 |
| Profit before tax | MBDT | 523 | 538 | 449 | 349 | 369 |
| Provision for tax | MBDT | 180 | 214 | 183 | 120 | 156 |
| Profit after tax | MBDT | 343 | 324 | 266 | 229 | 213 |
| Balance Sheet | | | | | | |
| Total investment portfolio | MBDT | 11,939 | 10,727 | 9,841 | 9,014 | 7,867 |
| Total assets | MBDT | 19,375 | 15,847 | 13,929 | 11,817 | 10,305 |
| Financial liabilities | MBDT | 14,119 | 11,107 | 9,658 | 7,935 | 6,626 |
| Total Liabilities | MBDT | 16,676 | 13,421 | 11,764 | 9,862 | 8,510 |
| Shareholders' equity | MBDT | 2,699 | 2,425 | 2,165 | 1,954 | 1,795 |
| Shares outstanding | MNos | 154.29 | 140.26 | 127.51 | 110.88 | 92.40 |
| Financial ratios | | | | | | |
| Debt-equity ratio ¹ | Times | 6.2 | 5.5 | 5.4 | 5.0 | 4.7 |
| Return on equity ² | % | 13.4 | 14.1 | 12.9 | 12.2 | 12.5 |
| Financial expenses coverage ³ | Times | 1.50 | 1.53 | 1.44 | 1.41 | 1.60 |
| Provision on Doubtful Assets to total lease, loan and advances | % | 3.9 | 4.7 | 4.8 | 5.2 | 6.6 |
| Net asset value per share (NAV) | BDT | 17.49 | 17.29 | 16.98 | 17.63 | 19.00 |
| Earning per share (EPS) | BDT | 2.22 | 2.31 | 2.09 | 2.07 | 2.31 |
| Cash dividend (per share) | % | 5.0 | 5.0 | 5.0 | 5.0 | 7.5 |
| Stock dividend (bonus share) | | 10:1 | 10.1 | 10:1 | 20:3 | 5:1 |
| Number of offices | Nos. | 19 | 19 | 17 | 16 | 13 |
| Number of employees | Nos. | 385 | 315 | 281 | 209 | 196 |
| Restatements ⁴ : | | | | | | |
| EPS | BDT | 2.22 | 2.10 | 1.73 | 1.48 | 1.38 |
| NAV | BDT | 17.49 | 15.72 | 14.03 | 12.67 | 11.63 |

MBDT= Bangladeshi Taka in Million, BDT= Bangladeshi Taka, Mnos= Number in Million

1. Debt-equity ratio is the ratio between total debt and total equity.
2. Return on equity is the ratio between net profit and average equity.
3. Financial expenses coverage is the ratio between profit before interest & tax and interest expenses.
4. Restatements have been calculated based on shares outstanding at the end of the year 2015 and accordingly restated for the previous years.

Income segments

| Segments | 2015 | 2014 | Growth |
|--|-------------|--------------|--------|
| Net Interest income from Long term activities | 605,476,798 | 645, 444,886 | -6% |
| Net interest income from Short term activities | 334,640,616 | 294,989,653 | 13% |
| Investment income | 12,503,633 | 3,433,978 | 264% |



Brief resume of the Directors who are going to retire and seek re-appointment at the Annual General Meeting

Susan A. Walker

Mrs. Susan A. Walker is a Group Finance Director of Camellia Plc., UK, the holding company of Lawrie Group. She joined Camellia Group with more than 24 years' work experience, majority of which (21years) was with KPMG. In Bangladesh, she represents Lawrie Group Plc on the Board of United Finance Limited and is also a Board member of The Lungla (Sylhet) Tea Co. Ltd., The Allynugger Tea Co. Ltd., Amo Tea Co. Ltd., The Chandpore Tea Co. Ltd., The Mazdehee Tea Co. Ltd., Surmah Valley Tea Co. Ltd. She is a Fellow of the Associate of Chartered Certified Accountants (FCCA).

A. Rouf

Mr. A. Rouf is a Chartered Accountant and carries with him over 50 years' of professional experience in Accounting, Finance and Management. In his early professional life, he worked in a Public Sector Corporation. He then joined the private sector in the American Petroleum Company, ESSO Eastern Inc. and worked in senior position including Director in one of its Associates. In 1975, he joined in Duncan Brothers group of companies and has been working as Director in several of the sterling tea companies under its management operating in Bangladesh. He was also the founding Managing Director of United Finance Limited. He had been associated with various Chambers of Commerce and Associations such as MCCI, FBCCI and Tea Association of Bangladesh. He has been trustee of various charitable and educational institutions such as Camellia Duncan Foundation which runs hospital, school and other charities.

Md. Abdul Wahed

Mr. Md. Abdul Wahed is a pharmacist by profession and has graduated from the University of Dhaka and then obtained his Bachelors in Pharma from Queen's University of Belfast in United Kingdom in 1960. He joined Glaxo Laboratories in England. He joined Fisons Group, Dhaka in 1968 and retired in 1996 after serving 18 years as Managing Director. He is an independent director of United Finance Limited and Chairman of the Audit Committee.

Daud Khan Panni

Mr. Daud Khan Panni graduated from the University of Dhaka in 1968. He has over 30 years' experience in the field of management. He was entrusted with many special assignments and acquired considerable expertise in the operation of aviation organisations. Among his diversified interests, he has been actively involved in sports since his youth. He represented, the then East Pakistan in first class cricket and shooting. He is an independent director of United Finance Limited.



Report on the Activities of Audit Committee


During 2015, the Audit Committee discharged the following responsibilities:

- Reviewed the Company's draft financial statements for the year ended on December 31, 2014 and recommended that the same be placed before the Board for approval.
- Recommended that the report of the Committee be adopted by the Board for publishing in the Annual Report 2014.
- Advised the Board on appointment of new external auditors for the year 2015 and their audit fee.
- Reviewed the quarterly reports on Internal Compliance prepared by the Compliance department.
- Reviewed the report on legal cases.
- Reviewed the quarterly financial statements and recommended that the same be placed to the Board for approval.
- Reviewed the Management Report of the external auditors for the year 2014 along with the management responses on the Company's internal control.
- Reviewed the quarterly report on written-off cases.
- Reviewed and revised the Compliance Calendar-2015.
- Reviewed and approved the Compliance Calendar for 2016.

The Audit Committee comprised of:

| Sl. | Name | Status in the Company | Status with Committee | Educational qualification |
|-----|-------------------|-----------------------|-----------------------|---------------------------|
| 1 | M. Abdul Wahed | Independent Director | Chairman | B.Sc. (Pharm.) |
| 2 | Daud Khan Panni | Independent Director | Member | Graduate |
| 3 | L. H. Khan | Director | Member | B.A. |
| 4 | Shama Rukh Alam | Director | Member | Chartered Accountant |
| 5 | M. Nurul Alam | Director | Member | M.Sc. |
| 6 | Sharmi Noor Nahar | Company Secretary | Secretary | Chartered Secretary |

The Audit Committee held four meetings during the year 2015. On invitation, Managing Director of the Company, Chief Financial Officer (CFO) and Head of Compliance attended the meeting to meet the queries of the Audit Committee and take directives for improvement.


M. Abdul Wahed
Chairman
Audit Committee



ANNEXURE-7

CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE GUIDELINES TO THE SHAREHOLDERS OF UNITED FINANCE LIMITED.


[Issued under Condition No.7 (i) of Corporate Governance Guidelines of Bangladesh Securities and Exchange Commission (BSEC) vide Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 issued under Section 2CC of the Securities and Exchange Ordinance 1969 and as amended by the BSEC Notification and published in the gazette on July 21, 2013 and August 20, 2013 respectively.]

We have reviewed the accompanying Status of Compliance with conditions of Corporate Governance Guidelines of the Bangladesh Securities and Exchange Commission (BSEC) by United Finance Limited (the Company) for the year ended December 31, 2015. Such compliances are the responsibilities of the Company as stipulated in the above mentioned notification issued by Bangladesh Securities and Exchange Commission (BSEC).

We have conducted our review in a manner that has provided us a reasonable basis for expressing our opinion on compliance conditions. The review has been limited to the measures so far adopted by the Company to ensure such compliances and this has not encompassed any opinion on the financial statements of the Company.

According to the information and explanations provided by the Company, we hereby certify that in our opinion, the management of the Company has complied with the necessary conditions of Corporate Governance Guidelines issued by Bangladesh Securities and Exchange Commission (BSEC).

Place: Dhaka
Dated: 02 March, 2016


Chowdhury Hossain Rashid & Co.
Chartered Accountants



Status on compliance of Corporate Governance

| Condition No. | Title | Compliance Status | | Remarks |
|---------------|--|-------------------|--------------|---------|
| | | Complied | Not Complied | |
| 1.1 | Board's Size | Yes | | |
| 1.2 | Independent Director: | | | |
| 1.2 (i) | One fifth (1/5) of the total number of directors | Yes | | |
| 1.2 (ii) a) | Does not hold any share or holds less than 1% share of the total paid-up shares. | Yes | | |
| 1.2 (ii) b) | Not connected with any sponsor/director/shareholder who holds 1% or more shares of the total paid-up shares on the basis of family relationship. | Yes | | |
| 1.2 (ii) c) | Does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies | Yes | | |
| 1.2 (ii) d) | Not a member, director or officer of any stock exchange | Yes | | |
| 1.2 (ii) e) | Not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market | Yes | | |
| 1.2 (ii) f) | Not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of any statutory audit firm. | Yes | | |
| 1.2 (ii) g) | Not be an independent director in more than 3 (three) listed companies | Yes | | |
| 1.2 (ii) h) | Not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a NBFI | Yes | | |
| 1.2 (ii) i) | Not been convicted for a criminal offence involving moral turpitude | Yes | | |
| 1.2 (iii) | Nominated by board of directors and approved by the shareholders in the AGM | Yes | | |
| 1.2 (iv) | Not remain vacant for more than 90 (ninety) days. | Yes | | |
| 1.2 (v) | Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded. | Yes | | |
| 1.2 (vi) | Tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only. | Yes | | |
| 1.3 | Qualification of Independent Director (ID): | | | |
| 1.3 (i) | Knowledge of Independent Directors | Yes | | |
| 1.3 (ii) | Background of Independent Directors | Yes | | |
| 1.3 (iii) | Special cases for qualifications | | | N/A |
| 1.4 | Individual Chairman of the Board & CEO | Yes | | |
| 1.5 | The Directors' Report to Shareholders: | | | |
| 1.5 (i) | Industry outlook and possible future developments in the industry | Yes | | |
| 1.5 (ii) | Segment-wise or product-wise performance | Yes | | |
| 1.5 (iii) | Risks and concerns | Yes | | |
| 1.5 (iv) | Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin | Yes | | |
| 1.5 (v) | Discussion on continuity of any Extra-Ordinary gain or loss | Yes | | |
| 1.5 (vi) | Basis for related party transactions | Yes | | |
| 1.5 (vii) | Utilization of proceeds from public issues, rights issues and/or through any others | | | N/A |
| 1.5 (viii) | Explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing | | | N/A |
| 1.5 (ix) | Explanation about significant variance occurs between Quarterly Financial performance and Annual Financial Statements | | | N/A |
| 1.5 (x) | Remuneration to directors including independent directors | Yes | | |
| 1.5 (xi) | Fairness of Financial Statements | Yes | | |



| Condition No. | Title | Compliance Status | | Remarks |
|------------------|--|-------------------|--------------|---------|
| | | Complied | Not Complied | |
| 1.5 (xii) | Proper books of accounts maintained | Yes | | |
| 1.5 (xiii) | Adoption of appropriate accounting policies and estimates | Yes | | |
| 1.5 (xiv) | Followed IAS/BAS/IFRS and BFRS in preparation financial statements | Yes | | |
| 1.5 (xv) | The system of internal control sound in design & effectively implemented & monitored | Yes | | |
| 1.5 (xvi) | No significant doubt upon its ability to continue as a going concern | Yes | | |
| 1.5 (xvii) | Reporting of significant deviations from the last year's in operating results | Yes | | |
| 1.5 (xviii) | Key operating and financial data of at least preceding 5 (five) years | Yes | | |
| 1.5 (xix) | Dividend declared | Yes | | |
| 1.5 (xx) | Number of board meeting held & attendance reporting | Yes | | |
| 1.5 (xxi) | Pattern of shareholding: | | | |
| 1.5 (xxi) a) | Parent/Subsidiary/Associated Companies and other related parties | | | |
| 1.5 (xxi) b) | Directors, CEO, CS, CFO, HIA and their spouses and minor children | Yes | | |
| 1.5 (xxi) c) | Executives | Yes | | |
| 1.5 (xxi) d) | 10% or more voting interest | Yes | | |
| 1.5 (xxii) | Appointment/re-appointment of director: | | | |
| 1.5 (xxii) a) | Resume of the director | Yes | | |
| 1.5 (xxii) b) | Expertise in specific functional areas | Yes | | |
| 1.5 (xxii) c) | Holding of directorship and membership of committees of the board other than this company. | Yes | | |
| 2.1 | Appointment of CFO, HIA & CS: | | | |
| 2.2 | Attendance of CFO and CS at the meeting of the Board of Directors | Yes | | |
| 3 | Audit Committee: | | | |
| 3 (i) | Constitution of Audit Committee | Yes | | |
| 3 (ii) | Assistance of the Audit Committee to Board of Directors | Yes | | |
| 3 (iii) | Responsibility of the Audit Committee | Yes | | |
| 3.1 | Composition of Audit Committee: | | | |
| 3.1 (i) | At least 3 (three) members | Yes | | |
| 3.1 (ii) | Appointment of members of the Audit Committee | Yes | | |
| 3.1 (iii) | Qualification of Audit Committee members | Yes | | |
| 3.1 (iv) | Term of service of Audit Committee members | Yes | | |
| 3.1 (v) | Secretary of the Audit Committee | Yes | | |
| 3.1 (vi) | Quorum of the Audit Committee | Yes | | |
| 3.2 | Chairman of Audit Committee: | | | |
| 3.2 (i) | Board of Directors shall select the Chairman | Yes | | |
| 3.2 (ii) | Chairman of the Audit Committee shall remain present in the AGM | Yes | | |
| 3.3 | Role of the Audit Committee: | | | |
| 3.3 (i) | Oversee the financial reporting process | Yes | | |
| 3.3 (ii) | Monitor choice of accounting policies and principles | Yes | | |
| 3.3 (iii) | Monitor Internal Control Risk management process | Yes | | |
| 3.3 (iv) | Oversee hiring and performance of external auditors | Yes | | |
| 3.3 (v) | Review the annual financial statements before submission to the Board for approval | Yes | | |



| Condition No. | Title | Compliance Status | | Remarks |
|---------------|--|-------------------|--------------|------------------------|
| | | Complied | Not Complied | |
| 3.3 (vi) | Review the quarterly and half yearly financial statements before submission to the Board for approval | Yes | | |
| 3.3 (vii) | Review the adequacy of internal audit function | Yes | | |
| 3.3 (viii) | Review statement of significant related party transactions | Yes | | |
| 3.3 (ix) | Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors | Yes | | |
| 3.3 (x) | Disclosure about the uses/applications of funds raised by IPO/RPO/Right issue | | | N/A |
| 3.4 | Reporting of the Audit Committee: | | | |
| 3.4.1 | Reporting to the Board of Directors: | Yes | | |
| 3.4.1 (i) | Activities of Audit Committee | Yes | | |
| 3.4.1 (ii) a) | Conflicts of interest | N/A | | No such event occurred |
| 3.4.1 (ii) b) | Material defect in the internal control system | N/A | | |
| 3.4.1 (ii) c) | Infringement of laws, rules and regulations | N/A | | |
| 3.4.1 (ii) d) | Any other matter | N/A | | |
| 3.4.2 | Reporting to the Authorities | Yes | | |
| 3.5 | Reporting to the Shareholders & General Investors | Yes | | |
| 4 | Engagement of External/Statutory Auditors: | | | |
| 4 (i) | Appraisal or valuation services or fairness opinions | Yes | | |
| 4 (ii) | Financial information systems design and implementation | Yes | | |
| 4 (iii) | Book-keeping | Yes | | |
| 4 (iv) | Broker-dealer services | Yes | | |
| 4 (v) | Actuarial services | Yes | | |
| 4 (vi) | Internal audit services | Yes | | |
| 4 (vii) | Services that the Audit Committee determines | Yes | | |
| 4 (viii) | Audit firms shall not hold any share of the company they audit. | Yes | | |
| 4 (ix) | Audit firm shall not certify on compliance of corporate governance | Yes | | |
| 5 | Subsidiary Company: | | | |
| 5 (i) | Composition of the Board of Directors | | | N/A |
| 5 (ii) | At least 1 (one) independent director to the subsidiary company | | | N/A |
| 5 (iii) | Submission of Minutes to the holding company | | | N/A |
| 5 (iv) | Review of Minutes by the holding company | | | N/A |
| 5 (v) | Review of Financial Statement by the holding company | | | N/A |
| 6 | Duties of Chief Executive Officer and Chief Financial Officer: | | | |
| 6 (i) a) | Reviewed the truthfulness of the financial statement and certified to the Board | Yes | | |
| 6 (i) b) | Reviewed compliance of the accounting standard | Yes | | |
| 6 (ii) | Reviewed the absence of fraudulent or illegal transactions or violation of the company's code of conduct | Yes | | |
| 7 | Reporting and Compliance of Corporate Governance: | | | |
| 7 (i) | Obtain certificate regarding compliance of conditions of Corporate Governance Guidelines | Yes | | |
| 7 (ii) | Annexure attached, in the directors' report | Yes | | |



Sustainability & Efficiency Statement

The sustainability report of United Finance publishes economic, environmental and social impacts caused by its everyday activities. It also presents the organization's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy. United Finance practices sustainability for both its internal and external stakeholders. Within the organization it always maintains a culture that is congenial for the employees by building trust through moral behavior.

The Global Reporting Initiative (GRI) is a leading organization in the sustainability field. GRI promotes use of sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development. The Framework of GRI is a reporting format which includes the reporting guidelines, sector guidance and other resources which enables greater organizational transparency and accountability.

The report following contains standard disclosures from GRI Sustainability Reporting Guidelines what United Finance is complying and has taken initiatives to comply GRI standards fully in recent years.

Initiatives:

Initiatives are broadly categorised as company's own initiatives and initiatives that are outcome of companies financing activities.

Company's own activities:

1. Paperless recruitment system has been implemented.
2. Video conferencing is encouraged for both official meetings and branch recruitment interviews.
3. Printing access has been restricted based on requirement and desks without printing access have been declared as 'green desk'. Moreover, individual printing history is being monitored to reduce unnecessary printing.
4. Internal documents are sent electronically to other locations.
5. Started procurement of only energy efficient lights (i.e. LED) for new requirement or replacement.
6. All old furniture and fixtures are refurbished and repaired for reuse.
7. Offices of the company are regularly monitored by own electrician; who fix immediate malfunctioning.
8. Formalised the grievance handling mechanism so that any stakeholder (customer, employee, job applicant etc.) can raise complaint.

Company's financing activities:

The global awareness relating to impact on environment from business activities provides an increasing number of new opportunities for financial institutions to do business with "green" firms, projects and products. As part of United Finance's business activities, the company strives to respond to national development needs by establishing sustainable business practices for itself and its stakeholders.

In 2014, the company created a financial product for biogas plants which will generate energy using a mixture of different gases produced by the breakdown of organic matters. Till now, the company has approved and disbursed BDT 3.80 million to 11 (eleven) new projects of Biogas plant in different areas of Bangladesh in 2015. The funds have been utilised to set up biogas plants totaling capacity of 42.20 cubic meters. These finances will provide its users with pollution free, efficient energy for cooking and at the same time protect them from diseases by giving them a cleaner environment.

Impact of Initiatives:

The following data has been captured to reflect the impact of our initiatives on ourselves and on our financing activities for the period from January 01, 2015 to December 31, 2015. The activities have been divided into three broad categories: Economic, Environmental and Social.

a. Economic:

| Impact from Company's Financing Initiatives | 2015 | 2014 |
|---|--------|--------|
| Access to Finance | | |
| Financial Inclusion- First Time Institutional Borrowers (no. of enterprises) ¹ | 601 | 733 |
| Geographical Access (no. of districts) ² | 64 | 63 |
| Inclusion in Formal Banking System (no. of accounts) ³ | 4,955 | 4,250 |
| Enterprise Development (no. of enterprises) ⁴ | 335 | 20 |
| Financial Assistance Received from Government (BDT in millions) ⁵ | 132.77 | 154.03 |
| Employment Generation | | |
| Regular Employment Generation (in person) ⁶ | 1,840 | 1,355 |
| Seasonal Employment Generation (in person) ⁷ | 44,333 | 38,025 |
| Work Efficiency | | |
| Increased Productivity/Month (BDT in millions) ⁸ | 1,516 | 1,393 |
| Reduced Outsourcing Cost (BDT in millions) ⁹ | 82.70 | 62.55 |



1. Measured as how many enterprises/concerns are financed by United Finance who never took any loan/lease from any Non-banking Financial Institution or Bank prior to our financing.
2. Measured by number of districts under financing coverage.
3. Measured by the summation of the number of bank accounts and number of mobile banking accounts opened for the clients who never had any account in any bank.
4. Measured as how many enterprises were developed as a result of agricultural finance to supply agricultural inputs.
5. Measured as how much refinancing have been received from Bangladesh Bank from BB, ADB, Women, Green Finance and JICA's refinance scheme.
6. Measured as how many employments are created from the financing activities.
7. Measured as how many temporary employments are created from the agricultural financing activities.
8. Increased productivity is calculated when the leased equipment/loan amount increase production capacity by a significant amount. The additional production units are multiplied by its selling price and thus given into the report.
9. Reduced outsourcing cost is calculated as the gap between outsourcing cost and cost incurring from the financing activities.

b. Environmental:

| Impact from Company's Own Initiatives | 2015 | 2014 |
|---|-------------|-------------|
| Energy Consumption within the Organization (BDT in millions) ¹⁰ | 18.73 | 10.34 |
| CO ₂ Emission Saved from Office Vehicles (in gmCO ₂ e/km) ¹¹ | 3,223,161 | 3,487,351 |
| Reduced Cost for Using Electronic Process (BDT in millions) ¹² | 3.06 | 0.07 |

10. Measured as the amount of bill paid for electricity, water, gas and fuel consumption to run the day to day business operations within the company.
11. Calculated when the office pool vehicle is CNG converted, which reduces CO₂ emission by 16.50% than a regular combustion engine. (Source: Environmental Protection Agency Report – 2011, USA).
12. Calculated as the amount of paper and operation cost that have been reduced by implementing green desk, SMS disbursement, electronic approval, online interview, paperless recruitment process within the company.

| Impact from Company's Financing Initiatives | 2015 | 2014 |
|--|-------------|-------------|
| Noise Reduction (Decibels) ¹³ | - | - |
| CO ₂ Emission Saved (in gmCO ₂ e/km) ¹⁴ | 13415 | 331.00 |
| Electricity Load Reduction (in KW) ¹⁵ | - | - |

13. Calculated when financed asset use noise reduction or noise cancellation methods. In general canopy or mufflers are used to reduce noise generated from generators which reduce noise by 14% and 6% respectively.
14. Calculated when the financed vehicle is CNG converted, which reduces CO₂ emission by 16.50% than a regular combustion engine. (Source: Environmental Protection Agency Report – 2011, USA)
15. Calculated as financed equipment replaced the old equipment which will save the electricity load.

c. Social:

| Impact from Company's Own Initiatives¹⁶ | 2015 | 2014 |
|---|-------------|-------------|
| Total no. of Employment Generation (no. of employee) | 91 | 113 |
| Total no. of Employees Trained for Skill Management (no. of employee trained) | 299 | 99 |
| Gender Ratio (Male : Female) | 4.25:1 | 3:1 |
| Percentage of Women Employee Retention after Maternal Leave (in percentage) | 100% | 100% |
| No. of Grievance Handled from Stakeholders (no. of complaint addressed) | 13 | 2 |

16. Social aspects in terms of equality, fair play and development have been identified in this segment of report.



| Impact from Company's Financing Initiatives | 2015 | 2014 |
|--|-------------|-------------|
| Customer Feedback | | |
| No. of Survey Conducted to Measure Customer Feedback (no. of survey) ¹⁷ | 17 | 5 |
| Literacy | | |
| Financial Capacity Building (in person) ¹⁸ | 4,990 | 2,340 |
| Awareness Creation- Responsible Borrowing & Technical Booklet for Construction (No. of Booklet Circulated) ¹⁹ | 251 | 252 |
| Awareness Creation- Reduction of Child Labor in Business Enterprises (no. of undertakings) ²⁰ | - | - |
| Awareness Creation- Improvement of Hygiene in Food Industry in Business Enterprises (no. of undertakings) ²¹ | - | - |
| Empowerment | | |
| Breakout from Traditional Financing (%) ²² | 80% | 76% |
| Women Entrepreneurship Financed (in person) ²³ | 47 | 339 |
| Women Farmers Financed in Agricultural Financing (in person) ²⁴ | 478 | 422 |
| Landless Farmers Financed in Agricultural Financing (in person) ²⁵ | 1,108 | 362 |

17. Surveys have been conducted on market identification and customer satisfaction on specific products and region.
18. Measured as number of person trained to keep record of their own business and financial transactions.
19. Measured as number of booklet circulated to create awareness of responsible borrowers of affordable home loans and technical know-how of construction.
20. Awareness calculated as no. of business entities identified and addressed by issuing undertakings as having significant child labour or unhygienic environment in business operations.
21. Awareness calculated as number of business entities identified and addressed by issuing undertakings as having unhygienic environment in food industry in business operations.
22. Measured as number of person transferred from traditional financing (Mohajon) to formal financing (Bank/FI).
23. Measured as number of enterprise financed which are controlled/owned by women.
24. Measured as number of women entrepreneurs financed under agricultural financing.
25. Measured as number of landless farmers financed under agricultural financing.



Financial Statements



AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED FINANCE LIMITED

We have audited the accompanying Financial Statements of United Finance Limited, which comprises the Balance Sheet as at 31 December 2015 and the Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements of the Company (United Finance Limited) that give a true and fair view in accordance with Bangladesh Financial Reporting Standards as explained in note 2.1 and for such internal control as management determines is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the Financial Statements present fairly, in all material respects the financial position of the company as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRSs) as explained in note 2.1.

Report on Other Legal and Regulatory Requirements

In accordance with the Company's Act 1994, Securities and Exchange Rules 1987, Financial Institutions Act 1993 and Rules and Regulations issued by Bangladesh Bank, we also report the following:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- ii) in our opinion, proper books of accounts as required by law have been kept by United Finance Limited so far as it appeared from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- iii) United Finance Limited's Statement of Financial Position and Statement of Comprehensive Income together with the annexed notes dealt with by the report are in agreement with the books of account and returns;



- iv) the financial statements have been prepared in accordance with generally accepted accounting principles in Bangladesh;
- v) the expenditure incurred and payment made were for the purpose of the United Finance Limited's business;
- vi) the financial statements have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as with related guidance issued by the Bangladesh Bank;
- vii) adequate provisions have been made for lease, advances and other assets which are, in our opinion, doubtful of recovery;
- viii) United Finance Limited has followed the instructions issued by Bangladesh Bank in matters of loan/advance classification, provisioning and suspension of interest;
- ix) the information and explanations required by us have been received and found satisfactory; and
- x) United Finance Limited has complied with the relevant laws pertaining to maintenance of capital adequacy, reserves and maintenance of liquid assets.
- xi) We have reviewed over 80% of the risk weighted assets of the Company and we have spent around 1,395 person hours for the audit of the financial statements of the Company.

Dated; Dhaka
Dated: 17 February, 2016

M. J. Abedin & Co.
Chartered Accountants


BALANCE SHEET as at 31 December, 2015

| | Notes | 2015 Taka | 2014 Taka |
|--|-------|-----------------------|-----------------------|
| PROPERTY AND ASSETS | | | |
| Cash | | | |
| | 3 | | |
| In hand | | 380,000 | 87,000 |
| Balance with Bangladesh Bank and its agent bank(s) | | 205,084,670 | 178,514,497 |
| | | 205,464,670 | 178,601,497 |
| Balance with banks and other financial institutions | | | |
| | 4 | | |
| In Bangladesh | | 5,069,906,058 | 3,534,815,789 |
| Outside Bangladesh | | - | - |
| | | 5,069,906,058 | 3,534,815,789 |
| Money at call and short notice | | | |
| | 5 | - | - |
| Investments | | | |
| | 6 | | |
| Government | | - | - |
| Others | | 814,000,000 | 300,690,980 |
| | | 814,000,000 | 300,690,980 |
| Lease, loans and advances | | | |
| | 7 | | |
| Lease receivable | | 6,082,995,656 | 5,941,562,480 |
| Loans, cash credits, overdrafts, etc. | | 5,855,928,200 | 4,785,463,075 |
| | | 11,938,923,856 | 10,727,025,555 |
| Fixed assets including furniture and fixtures | | | |
| | 8 | 61,756,815 | 67,422,010 |
| Other assets | | | |
| | 9 | 1,284,841,276 | 1,038,012,213 |
| Non - financial institutional assets | | | |
| | | - | - |
| Total assets | | 19,374,892,675 | 15,846,568,044 |
| LIABILITIES AND CAPITAL | | | |
| Liabilities | | | |
| Borrowing from banks, other financial institutions and agents | | | |
| | 10 | 2,187,724,276 | 2,566,042,557 |
| Deposits and other accounts | | | |
| | 11 | | |
| Current deposits | | - | - |
| Bills payable | | - | - |
| Savings bank deposits | | - | - |
| Term deposits | | 11,467,868,130 | 8,102,274,879 |
| Bearer certificates of deposit | | - | - |
| Other deposits | | 463,341,535 | 438,198,942 |
| | | 11,931,209,665 | 8,540,473,821 |
| Other liabilities | | | |
| | 12 | 2,557,434,734 | 2,314,647,171 |
| Total liabilities | | 16,676,368,675 | 13,421,163,549 |
| Capital / Shareholders' equity | | | |
| | 13.2 | 1,542,895,200 | 1,402,632,000 |
| Paid-up capital | | | |
| Statutory reserve | 14 | 660,000,000 | 591,000,000 |
| Share premium | 15 | 3,750,000 | 3,750,000 |
| General reserve | 16 | 255,000,000 | 215,000,000 |
| Retained earnings | 17 | 236,878,800 | 213,022,495 |
| Total Shareholders' equity | | 2,698,524,000 | 2,425,404,495 |
| Total liabilities and Shareholders' equity | | 19,374,892,675 | 15,846,568,044 |
| Net asset value per share (NAV) | 18 | 17.49 | 17.29 |

**PROFIT AND LOSS ACCOUNT** for the year ended 31 December, 2015

| | Notes | 2015 Taka | 2014 Taka |
|--|-------|--------------------|--------------------|
| OPERATING INCOME | | | |
| Interest income | 21 | 1,821,707,023 | 1,856,154,710 |
| Interest paid on deposits, borrowings, etc. | 22 | (1,047,179,519) | (1,023,895,424) |
| Net interest income | | 774,527,504 | 832,259,286 |
| Investment income | 23 | 81,090,810 | 22,893,190 |
| Commission, exchange and brokerage | | - | - |
| Other operating income | 24 | 97,002,733 | 88,716,041 |
| Total operating income (A) | | 952,621,047 | 943,868,517 |
| OPERATING EXPENSES | | | |
| Salaries and allowances | 25 | 239,765,283 | 201,436,694 |
| Rent, taxes, insurance, electricity, etc. | 26 | 47,834,109 | 41,211,884 |
| Legal expenses | 27 | 11,085,154 | 11,749,425 |
| Postage, stamp, telecommunication, etc. | 28 | 9,578,924 | 10,792,423 |
| Stationery, printing, advertisements, etc. | 29 | 4,984,512 | 7,426,221 |
| Managing Director's salary and benefits | 30 | 8,256,570 | 7,764,800 |
| Directors' fees | 31 | 338,500 | 264,500 |
| Auditors' fees | 32 | 143,750 | 143,750 |
| Charges on loan losses | | - | - |
| Depreciation and repair of assets | 33 | 36,174,680 | 31,890,201 |
| Other expenses | 34 | 41,423,388 | 46,199,777 |
| Total operating expenses (B) | | 399,584,869 | 358,879,676 |
| Profit before provision C=(A-B) | | 553,036,178 | 584,988,841 |
| Provision for lease, loans and advances | 35 | 29,860,000 | 47,201,118 |
| Provision for diminution in value of investments | | - | - |
| Other provisions | | - | - |
| Total provision (D) | | 29,860,000 | 47,201,118 |
| Operating profit before taxes E=(C-D) | | 523,176,179 | 537,787,723 |
| PROVISION FOR TAXATION | | | |
| Current Tax | 36 | 184,165,358 | 218,050,691 |
| Deferred Tax | 36 | (4,240,284) | (4,050,691) |
| Total provision for taxation (F) | | 179,925,074 | 214,000,000 |
| Net profit after taxation (E-F) | | 343,251,105 | 323,787,723 |
| Appropriations | | | |
| Statutory reserve | 14 | 69,000,000 | 65,000,000 |
| General reserve | 16 | 40,000,000 | 50,000,000 |
| | | 109,000,000 | 115,000,000 |
| Retained surplus | | 234,251,105 | 208,787,723 |
| Earnings per share (EPS) | 37 | 2.22 | 2.10 |

The annexed notes 1 to 47 form an integral part of these financial statements.


Syed Ehsan Quadir
 Managing Director


M. Abdul Wahed
 Director


Daud Khan Panni
 Director


Susan Ann Walker
 Director

See annexed auditors' report to the Shareholders of same date.

Dhaka, 17 February, 2016


M. J. Abedin & Co.
 Chartered Accountants

**CASH FLOW STATEMENT** for the year ended 31 December, 2015

| | Notes | 2015 Taka | 2014 Taka |
|--|-------|----------------------|----------------------|
| A) Cash flows from operating activities | | | |
| Interest receipts | | 1,866,316,727 | 1,858,916,469 |
| Interest payments | | (1,009,522,806) | (1,040,983,259) |
| Dividend receipts | | 17,096,427 | 8,429,360 |
| Amount realised from written off client | | 140,000 | 7,557,978 |
| Payments to employees | | (250,288,130) | (207,546,880) |
| Payments to suppliers | | (55,976,683) | (49,784,005) |
| Income taxes paid | | (191,446,876) | (200,570,557) |
| Receipts from other operating activities | 38 | 96,381,464 | 88,260,708 |
| Payments for other operating activities | 39 | (77,202,679) | (74,401,247) |
| Cash generated from operating activities before changes in operating assets and liabilities | | 395,497,445 | 389,878,567 |
| Increase / (decrease) in operating assets and liabilities | | | |
| Lease, loans and advances to customers | | (1,219,729,615) | (873,437,099) |
| Other assets | | (28,161,328) | (56,198,820) |
| Term and other deposits | | 3,390,735,844 | 1,146,608,012 |
| Accrued expenses and payables | | 79,055,501 | (46,500,111) |
| Interest suspense | | (3,103,090) | 9,697,568 |
| Deferred liability-employee gratuity | | 1,194,559 | 3,346,994 |
| Other liabilities | | 203,830,486 | 289,073,334 |
| | | <u>2,423,822,358</u> | <u>472,589,878</u> |
| Net cash from operating activities | | 2,819,319,803 | 862,468,445 |
| B) Cash flows from investing activities | | | |
| Investment in shares | | 16,690,980 | (63,309,016) |
| Investment in Commercial Bond | | (530,000,000) | (179,000,000) |
| Purchase of fixed assets | | (19,821,148) | (24,008,983) |
| Proceeds from sale of fixed assets | | 2,038,671 | 1,473,750 |
| Net cash from investing activities | | (531,091,497) | (264,844,249) |
| C) Cash flows from financing activities | | | |
| Receipts of long term loan | | 137,074,807 | 235,976,000 |
| Repayment of long term loan | | (308,332,198) | (397,643,534) |
| Net draw down/(payment) of short term loan | | (485,826,640) | 159,479,780 |
| Dividend paid | | (69,190,832) | (62,585,074) |
| Net Cash from financing activities | | (726,274,863) | (64,772,828) |
| D) Net increase in cash and cash equivalents (A+B+C) | | 1,561,953,442 | 532,851,368 |
| E) Effects of exchange rate changes on cash and cash equivalents | | - | - |
| F) Cash and cash equivalents at beginning of the year | | 3,713,417,286 | 3,180,565,918 |
| G) Cash and cash equivalents at end of the year (D+E+F) | | 5,275,370,728 | 3,713,417,286 |
| Cash and cash equivalents at end of the year | | | |
| Cash in hand | | 380,000 | 87,000 |
| Balance with Bangladesh Bank and its agent bank(s) | | 205,084,670 | 178,514,497 |
| Balance with banks and other financial institutions | 4 | 5,069,906,058 | 3,534,815,789 |
| Money at call and short notice | | - | - |
| | | <u>5,275,370,728</u> | <u>3,713,417,286</u> |
| Net operating cash flow per share | | 18.27 | 5.59 |

The annexed notes 1 to 47 form an integral part of these financial statements.


Syed Ehsan Quadir
 Managing Director


M. Abdul Wahed
 Director


Daud Khan Panni
 Director


Susan Ann Walker
 Director

Dhaka, 17 February, 2016


M. J. Abedin & Co.
 Chartered Accountants



STATEMENT OF CHANGES IN EQUITY for the year ended 31 December, 2015

(Amount in Taka)

| Particulars | Paid-up capital | Statutory reserve | Share premium | General reserve | Retained earnings | Total |
|---|----------------------|--------------------|------------------|--------------------|--------------------|----------------------|
| Balance as at 01 January, 2014 | 1,275,120,000 | 526,000,000 | 3,750,000 | 165,000,000 | 195,502,772 | 2,165,372,772 |
| Cash dividend paid for the year 2013 | - | - | - | - | (63,756,000) | (63,756,000) |
| Issuance of bonus share for the year 2013 | 127,512,000 | - | - | - | (127,512,000) | - |
| Net profit after tax for the year 2014 | - | - | - | - | 323,787,723 | 323,787,723 |
| Movement of general reserve | - | - | - | 50,000,000 | (50,000,000) | - |
| Appropriation made during the year | - | 65,000,000 | - | - | (65,000,000) | - |
| Balance as at 31 December, 2014 | 1,402,632,000 | 591,000,000 | 3,750,000 | 215,000,000 | 213,022,495 | 2,425,404,495 |
| Surplus / deficit on account of revaluation of properties | - | - | - | - | - | - |
| Surplus / deficit on account of revaluation of investments | - | - | - | - | - | - |
| Currency translation differences | - | - | - | - | - | - |
| Net gains and losses not recognized in the income statement | - | - | - | - | - | - |
| Issuance of bonus share for the year 2014 | 140,263,200 | - | - | - | (140,263,200) | - |
| Cash dividend for the year 2014 | - | - | - | - | (70,131,600) | (70,131,600) |
| Net profit after taxation for the year | - | - | - | - | 343,251,105 | 343,251,105 |
| Movement of general reserve | - | - | - | 40,000,000 | (40,000,000) | - |
| Appropriation made during the year | - | 69,000,000 | - | - | (69,000,000) | - |
| Balance as at 31 December, 2015 | 1,542,895,200 | 660,000,000 | 3,750,000 | 255,000,000 | 236,878,800 | 2,698,524,000 |

The annexed notes 1 to 47 form an integral part of these financial statements.

Syed Ehsan Quadir
Managing Director

M. Abdul Wahed
Director

Daud Khan Panni
Director

Susan Ann Walker
Director

M. J. Abedin & Co.
Chartered Accountants

Dhaka, 17 February, 2016

LIQUIDITY STATEMENT as at 31 December, 2015

(Analysis of maturity of assets and liabilities)

(Amount in Taka)

| Particulars | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Above 5 years | Total |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Assets: | | | | | | |
| Cash in hand | 380,000 | - | - | - | - | 380,000 |
| Balance with Bangladesh Bank and its agent(s) | 205,084,670 | - | - | - | - | 205,084,670 |
| Balance with banks and other financial institutions | 1,181,198,558 | 3,210,000,000 | 678,707,500 | - | - | 5,069,906,058 |
| Money at call and short notice | - | - | - | - | - | - |
| Investments | - | - | 52,000,000 | 567,000,000 | 195,000,000 | 814,000,000 |
| Leases, loans and advances | 731,209,446 | 999,668,345 | 5,208,631,656 | 4,581,620,901 | 417,793,508 | 11,938,923,856 |
| Fixed assets including furniture and fixtures | - | - | - | - | 61,756,815 | 61,756,815 |
| Other assets | 112,746,223 | - | 138,837,464 | 25,985,678 | 1,007,271,911 | 1,284,841,276 |
| Total assets (A): | 2,230,618,897 | 4,209,668,345 | 6,078,176,620 | 5,174,606,579 | 1,681,822,234 | 19,374,892,675 |
| Liabilities: | | | | | | |
| Borrowings from Bangladesh Bank, other banks, financial institutions and agents | 951,906,549 | 407,024,088 | 468,231,147 | 212,411,163 | 148,151,329 | 2,187,724,276 |
| Term deposits | 1,428,070,781 | 3,370,461,131 | 4,876,326,091 | 1,742,041,910 | 50,968,217 | 11,467,868,130 |
| Other deposits | 26,036,582 | 79,972,163 | 188,237,566 | 160,934,340 | 8,160,884 | 463,341,535 |
| Other liabilities | 71,789,522 | 151,902,968 | 340,038,248 | 1,499,015,772 | 494,688,224 | 2,557,434,734 |
| Total liabilities (B): | 2,477,803,434 | 4,009,360,350 | 5,872,833,052 | 3,614,403,185 | 701,968,654 | 16,676,368,675 |
| Net liquidity gap (A - B): | (247,184,537) | 200,307,994 | 205,343,568 | 1,560,203,395 | 979,853,580 | 2,698,524,000 |

The annexed notes 1 to 47 form an integral part of these financial statements.



Syed Ehsan Quadir
Managing Director



M. Abdul Wahed
Director



Daud Khan Panni
Director



Susan Ann Walker
Director



M. J. Abedin & Co.
Chartered Accountants

Dhaka, 17 February, 2016





NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December, 2015

1 General Information

1.1 Domicile and legal form

The Company is domiciled in Bangladesh. It was granted license under the Financial Institutions Act, 1993. The shares of the Company are quoted on the Dhaka Stock Exchange Limited since 1994 and are transacted in dematerialised form through Central Depository Bangladesh Limited since 14 October 2004. The Company has its registered office at Camellia House, 22 Kazi Nazrul Islam Avenue, Dhaka.

1.2 Nature of operations and principal activities

The Company provides financial services which includes lease finance for acquiring assets for industrial and commercial use, term loans for meeting long term funding requirement, short-term working capital solutions and home loans to cater the needs of its diverse client base. The Company offers various deposit investment opportunities of predefined tenure ranging from three months to ten years.

2 Summary of significant Accounting Policies and basis of preparation of the financial statements:

2.1 Statement of compliance

The financial statements of the Financial Institution are prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs) and the requirements of the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994. In case of any requirement of the Financial Institutions Act 1993, provisions and circulars issued by Bangladesh Bank differ with those of BFRSs, the requirements of the Financial Institutions Act 1993, provisions and circulars issued by Bangladesh Bank shall prevail. The differences are as follows:

i) Investment in shares and securities

BFRS: As per requirements of BAS 39 investment in shares and securities generally falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value (as measured in accordance with BFRS 13) at the year-end is taken to profit and loss account or revaluation reserve respectively.

Bangladesh Bank: As per FID circular 08 dated 03 August 2002 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment; otherwise investments are recognised at cost.

ii) Provision for lease, loans and advances

BFRS: As per BAS 39 an entity should start the impairment assessment by considering whether objective evidence of impairment exists for financial assets that are individually significant. For financial assets that are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis.

Bangladesh Bank: As per FID circular No. 8 dated 3 August 2002 and FID circular No. 3 dated 3 May 2006 a general provision at 1% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard loans, doubtful loans and bad losses has to be provided at 20%, 50% and 100% respectively for lease, loans and advances depending on the duration of overdue.

iii) Recognition of interest in suspense

BFRS: Loans and advances to customers are generally classified as 'loans and receivables' as per BAS 39 and interest income is recognised through effective interest rate method over the term of the loan. Once a loan is impaired, interest income is recognised in profit and loss account on the same basis based on revised carrying amount.

Bangladesh Bank: As per FID circular No. 8 dated 3 August 2002, once a loan is classified, interest on such loans are not allowed to be recognised as income, rather the corresponding amount needs to be credited to an interest suspense account, which is presented as liability in the balance sheet.



iv) Other comprehensive income

BFRS: As per BAS 1 Other Comprehensive Income (OCI) to be presented in 'Statement of Profit or Loss and Other Comprehensive Income' or to be included separately in 'Other Comprehensive Income Statement' by following 'Statement of Profit or Loss'.

Bangladesh Bank: As per Template provided by Bangladesh Bank, Elements of Other Comprehensive Income (OCI) has shown in the 'Statement of Changes in Equity'.

v) Financial instruments – presentation and disclosure

In several cases Bangladesh Bank guidelines categories, recognise, measure and present financial instruments differently from those prescribed in BAS 39. In all those cases, disclosure and presentation have been made as per Bangladesh Bank's requirements.

vi) Cash flow statement

BFRS: The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.

Bangladesh Bank: As per DFIM Circular 11 dated 23 December 2009, cash flow is the combination of direct and indirect methods.

vii) Balance with Bangladesh Bank: (Cash Reserve Requirement)

"BFRS: Balance with Bangladesh Bank should be treated as other asset as it is not available for use in day to day operations as per BAS 7.

Bangladesh Bank: Balance with Bangladesh Bank is treated as cash and cash equivalents.

2.2 Basis of preparation of the financial statements

The financial statements and notes thereon have been prepared in accordance with Bangladesh Bank DFIM circular no. 11 dated 23 December 2009 on a going concern concept under historical cost convention and basically on accrual basis of accounting in accordance with generally accepted accounting principles and after due compliance with International Accounting Standards/International Financial Reporting Standards so far adopted in Bangladesh as Bangladesh Accounting Standards/ Bangladesh Financial Reporting Standards by the Institute of Chartered Accountants of Bangladesh, the Financial Institution Act 1993, the Companies Act 1994, the Securities and Exchange Commission Rules 1987, the regulations and guidelines from Bangladesh Bank and the Listing Regulations of Dhaka Stock Exchange.

2.3 Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities and disclosure of contingent liabilities as at the date of the financial statements. Management believes that these estimates and assumptions are reasonable and prudent. However, the actual results could differ from estimates.

2.4 Reporting currency and level of exactitude

The figures in the financial statements have been stated in Bangladesh Taka which is the Company's functional currency and have been rounded off to the nearest integer.

2.5 Comparative information

Last year's figures and account titles have been rearranged to conform current year's presentation in accordance with the Bangladesh Bank DFIM Circular no. 11 dated 23 December 2009.

2.6 Authorisation for Issue of the Financial Statements

The Board of Directors of the Company has authorised these financial statements for issue on 17 February, 2016

2.7 Materiality of financial statements

Each material item, as considered by management significant, has been presented separately in the financial statements wherever applicable.



2.8 Cash flow statement

Cash flow statement is prepared in accordance with BAS - 7 "Cash Flow Statement" and Bangladesh Bank DFIM Circular No - 11 dated 23 December 2009 under the direct method for the period, classified by operating, investing and financing activities in cash and cash equivalents during the financial year.

2.9 Statement of changes in equity

Statement of changes in equity is prepared in accordance with BFRS - 1 "Presentation of Financial Statements" and Bangladesh Bank DFIM Circular No - 11 dated 23 December 2009 which reflects the increase and decrease in net assets or wealth.

2.10 Liquidity statement (asset and liability maturity analysis)

Liquidity statement is prepared in accordance with Bangladesh Bank DFIM Circular No - 11 dated 23 December 2009 on residual maturity term of assets and liabilities as on the reporting date based on the following assumptions:

- i) Balance with other Banks and financial institutions, money at call and short notice, etc. are on the basis of their maturity term"
- ii) Investments are on the basis of their respective maturity
- iii) Lease, Loans and advances are on the basis of their repayment schedule
- iv) Fixed assets are on the basis of their useful lives
- v) Other assets are on the basis of their realisation / amortisation
- vi) Borrowing from other Banks, financial institutions and agents, etc are as per their maturity / repayment terms"
- vii) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal."
- viii) Provisions and other liabilities are on the basis of their payment / adjustments schedule."

2.11 Assets and basis of their valuation

2.11.1 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposits held at call with banks and financial institutions and short term liquid investments that are readily convertible to known amount of cash which are unlikely to be affected by any insignificant risk of change in value.

2.11.2 Accounting for leases

Following Bangladesh Accounting Standards (BAS) 17 "Leases", accounting for lease transactions have been recorded under finance lease method since all the risks and rewards incidental to ownership are substantially transferred to the lessee as per agreement. Accordingly the aggregate lease receivables excluding un-guaranteed residual value throughout the primary lease term are recorded as gross lease receivables while the excess of net lease receivables over the total acquisition cost constitutes the unearned lease income.

The unearned lease income is amortised to revenue over the primary lease term yielding a constant rate of return over the period. Initial direct costs, if any, are charged in the year in which such costs are incurred.

2.11.3 Accounting for loans

Receivables against term loans including short term loan and home loan comprise of principal amounts due from customers against these loans. Accrued interest thereon are accounted for on accrual basis and shown separately.

2.11.4 Accounting for investment

Investments are carried at the lower of cost or market value on an individual basis in accordance with the instruction of Bangladesh Bank.



2.12.3 Provision for accrued expenses

Provisions have been recognised in the financial statement as follows:

- a. when the Company has a present obligation, legal or constructive as a result of a past event,
- b. when it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation; and
- c. when a reliable estimate can be made of the amount of the obligation.

2.12.4 Employee benefits

Provident fund

A contributory Provident Fund is operated by the Company on equal participation from both parties, the Company and the employee. The Fund is recognised by the National Board of Revenue and is administered by a Board of Trustees.

Gratuity fund

A separate funded gratuity scheme is maintained by the Company to motivate its employees for long term retention. Gratuity scheme is applicable for all its permanent employees who have completed their length of service at least for five years without any break. Provision for gratuity is made annually considering all its eligible employees available at the end of the year.

Other long term benefits

The Company operates a group life insurance scheme for all of its permanent employees. It maintains a health insurance scheme for all of its permanent employees, their spouse and children.

2.12.5 Contingent liabilities and contingent assets

The contingent liability and contingent asset are not reflected in the balance sheet but the existence of contingent liability is disclosed in the financial statements. A contingent liability is a probable obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of uncertain future events not within the control of the Company or a present obligation that is not recognised because outflow of resources is not likely or obligation cannot be measured reliably.

2.12.6 Proposed dividend

Dividend proposed by the Board of Directors for the year shall be recognised and is accounted for after approval by the shareholders at the Annual General Meeting.

2.13 Revenue recognition

2.13.1 Interest income

Interest income comprises of interest income from lease, loans and advances and interest on placement of fund with banks and other financial institutions. Interest due is recognised on accrual basis using the effective interest method. Interest due over ninety days is not recognised as revenue rather it is recognised as interest suspense. Suspended interest is recognised as income on cash basis when it is received.

2.13.2 Lease income

The excess of gross lease rentals receivable over the cost of the leased asset represents the total unearned income at the time of execution of lease. The unearned income is allocated over the period of lease in a pattern reflecting a constant return on the net investment.

2.13.3 Income from long term and short term finance

Income from long and short term finance is recognised as revenue when the interest is due. Interest due over ninety days is not recognised as revenue rather it is recognised as interest suspense. Suspended interest is recognised as income on cash basis when it is received.

2.13.4 Income from dividend

Dividend income from investment in equity shares is recognised when the right to receive the payment is established. Dividend income from preference shares is recognised on accrual basis considering the establishment of right to receive the same.



2.13.5 Income from deposits (maintaining with Bank and NBF)

Interests from short term deposits and fixed deposits are recognised on accrual basis taking into account the principal outstanding and the effective interest rate.

2.13.6 Fee based income

Fee based income is recognised as revenue when it is received.

2.13.7 Interest paid on deposits, borrowing, etc.

Interest paid comprises of the interest payable on external borrowing, individual and institutional deposits and direct deposit expenses and are recognised as they accrue.

2.13.8 Impairment of assets

The carrying amounts of the property, plant and equipment and intangible assets are reviewed at each balance sheet date or whenever there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses, if any, are recognised in the profit and loss account.

2.14 Related party disclosure

The Company carried out transaction in the ordinary course of business on an arm length basis at commercial rate with its related parties. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party transactions have been disclosed in note 41. Transactions with related parties are executed on the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other customers of similar credentials and do not involve more than a normal risk.

2.15 Earning per share

Earning per share has been calculated in accordance with BAS-33 "Earning Per Share" and shown on the face of Profit and Loss Account and computation shown in note -37.

2.16 Events after the reporting period

The financial statements were authorised for issue on 17 February, 2016 by Board of Directors who has the power to amend the financial statements after issue. There is no other significant event that has occurred between the Financial Position date and the date when the Financial Statements were authorised for issue by the Board of Directors of the Company.

Subsequent to the Balance Sheet date, the Board of Directors recommended Tk. 0.50 per share cash dividend, 10% stock dividend in its Board meeting held on 17 February, 2016. The dividend proposal is subject to shareholders' approval at the forthcoming AGM. Except the fact as stated above, no circumstances have arisen since the statement of financial position date which would require adjustments, or disclosure in the Financial Statements.

2.17 Financial risk management policies and objectives

The Board of Directors of the Company sets the overall risk appetite and philosophy; the risk and capital framework underpins delivery of the Board's strategy.

It is the Company's policy to optimise return to shareholders while maintaining a strong capital base and credit rating to support business growth and meet regulatory capital requirements at all times.

The main financial risks facing the Company and its management are as follows:

2.17.1 Credit risk

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of customers to meet their obligations.



The Company has segregated duties for the officers involved in credit related activities. Credit evaluation, credit administration and credit monitoring and recovery functions are segregated and delegated to credit evaluation department, operations department, collection and special assets management department respectively.

Risk Review department is entrusted with the task of managing the internal risk rating model. This Internal Rating Based (IRB) approach, recommended by the Basel-II committee and also by the Bangladesh Bank in its Supervisory Review Process, coupled with the data integrity management process of monthly credit audit, helps manage asset quality and establishing a prudent credit culture within the Company that is efficient and transparent.

2.17.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. The Company's liquidity policy is designed to ensure that it can at all times meet its obligations as they fall due. Liquidity management focuses on overall balance sheet structure and the control, within prudent limits, of risk arising from exposure to the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations. The management of liquidity risk is carried out by Treasury department under approved policy guidelines. Compliance is monitored and coordinated by Treasury both in respect of internal policy and the regulatory requirements. The liquidity management is monitored by Asset Liability Committee (ALCO) on a regular basis. A contingency plan is in place for managing extreme situation. The risk of short term mismatch can be met by the undrawn commitment and expected renewal of deposits.

2.17.3 Market risk

Market risk is defined as the risk of loss resulting from adverse changes in risk factors such as interest rates, and equity prices together with related factors such as market volatilities. The Company is exposed to market risk because of positions held in its trading portfolios and its non-trading businesses.

Interest rate risk arises from the Company's treasury activities and lending businesses due to mismatches between the future yield and funding cost is managed daily by the Treasury department and monthly reviewed by Asset Liability Committee to monitor the interest rate movement and devise a number of alternative options to mitigate possible interest rate risks.

Equity positions can result in changes in the Company's non-trading income and reserves arising from changes in equity prices/income. Such exposure may take the form of listed and unlisted equity. The type, nature and amount of equity exposure held by the Company are not significant. The market value of the equity assets held by the Company at the balance sheet date is much higher than cost price.

2.17.4 Operational risk

Operational risk arises from inadequate process, misuse of process, from human or system error or from external factors.

The Operation Risk Management Committee is responsible for identifying operational risks and take steps to mitigate such risks. The Committee Comprises of the Head of Development, Head of Human Resources and the Head of Information, Communication and Services. The Committee reviews operational processes and evaluates the process in terms of efficiency and adequacy of the process to ensure adequate control. Processes are re-engineered to improve efficiency without diluting the control/risk. The re-engineered process is documented and imparted among the stakeholders of the process to ensure the process delivers as expected. To prevent misuse, 'maker and checker' concept is implemented in every step of operational processes. Also appropriate trainings are arranged regularly to reduce human errors. New products are also designed with internal risk mitigating features.

2.17.5 Prevention of Money Laundering & Anti Terrorism

Money Laundering & Terrorist Financing risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in Prevention of Money Laundering & Anti Terrorism Act. In order to manage the risk, the Company has set up an effective Program in line with Prevention of Money Laundering & Anti Terrorism Act and Bangladesh Bank guidelines. The Company has assigned Chief Anti-money Laundering Compliance Officer - CAMLCO at Head Office and Branch Anti-money Laundering Compliance Officers- BAMLCO at branches who independently review the transactions of the accounts to verify suspicious transactions. The Company developed Guidelines for Prevention of Money Laundering & Anti Terrorism Act to comply the requirements of the Acts. Continuous training is being imparted to all categories of Officers and Executives to enhance expertise for identifying suspicious activities and transactions.



3 Cash

Cash in hand (note-3.1)
Balance with Bangladesh Bank and its agent bank(s) (note-3.2)

| 2015 Taka | 2014 Taka |
|--------------------|--------------------|
| 380,000 | 87,000 |
| 205,084,670 | 178,514,497 |
| 205,464,670 | 178,601,497 |

3.1 Cash in hand

In local currency
In foreign currency

| | |
|----------------|---------------|
| 380,000 | 87,000 |
| - | - |
| 380,000 | 87,000 |

3.2 Balance with Bangladesh Bank and its agent bank(s)

In local currency (with Bangladesh Bank)
Sonali Bank as agent of Bangladesh Bank (local currency)

| | |
|--------------------|--------------------|
| 205,084,670 | 178,514,497 |
| - | - |
| 205,084,670 | 178,514,497 |

3.3 Statutory deposits

Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)

Cash Reserve Requirement and Statutory Liquidity Reserve have been calculated and maintained in accordance with section 19 of the Financial Institutions Act 1993, regulation 5 of the Financial Institution Regulations 1994 and FID circular no.6 dated 06 November 2003 and FID circular no. 02 dated 10 November 2004.

The Cash Reserve Requirement on the Company's term deposits received from public at the rate of 2.5% has been calculated and maintained with Bangladesh Bank in current account and 5% Statutory Liquidity Reserve, including CRR, on the total liabilities has been maintained in the form of balance with banks and the Company's call money deposit. Both the reserves maintained by the Company are in excess of the statutory requirements, as shown below:

a) Cash Reserve Requirement (CRR)

Required reserve (2.5% on deposit)
Actual reserve maintained (note-3.2)
Surplus

| | |
|-------------------|-------------------|
| 191,671,050 | 162,187,364 |
| 205,084,670 | 178,514,497 |
| 13,413,620 | 16,327,133 |

Surplus reserve is maintained for Bangladesh Bank refinance installment payment.

b) Statutory Liquidity Reserve (SLR)

Required reserve (5% on total liabilities)
Actual reserve maintained including CRR (note-3.4)
Surplus

| | |
|----------------------|----------------------|
| 483,506,350 | 416,221,041 |
| 5,275,370,728 | 3,713,417,286 |
| 4,791,864,378 | 3,297,196,245 |

The surplus for SLR mostly comprises of interest earnings deposits are maintained as FDR (Lien) Taka 1,620 million against Secured Overdraft & Short Term Loan Facility, Taka 3,171 million as short term investment are maintained with different Banks and Financial Institutions.

3.4 Actual reserve maintained (including CRR)

Cash in hand
Balance with Bangladesh Bank and its agent bank(s)
Balance with banks and other financial institutions (note-4)

| | |
|----------------------|----------------------|
| 380,000 | 87,000 |
| 205,084,670 | 178,514,497 |
| 5,069,906,058 | 3,534,815,789 |
| 5,275,370,728 | 3,713,417,286 |

4 Balance with banks and other financial institutions

In Bangladesh (note-4.1)
Outside Bangladesh

| | |
|----------------------|----------------------|
| 5,069,906,058 | 3,534,815,789 |
| - | - |
| 5,069,906,058 | 3,534,815,789 |



United Insurance Company Limited

The Company purchased 600,000 ordinary shares of United Insurance Company Limited, a listed public limited company, @ Tk 25 per share in 2001. Subsequently the Company received bonus shares in 2007, 2008, 2009, 2010, 2011, 2012 and 2013.

The total number of ordinary shares of United Insurance Company Limited now held by the Company is as follows:

| | Nos. |
|------------------------------|-------------------------|
| Original purchase in 2001 | 600,000 |
| Bonus share received in 2007 | 180,000 |
| Bonus share received in 2008 | 220,000 |
| Bonus share received in 2009 | 1,500,000 |
| Bonus share received in 2010 | 500,000 |
| Bonus share received in 2011 | 300,000 |
| Bonus share received in 2012 | 330,000 |
| Bonus share received in 2013 | 370,000 |
| | 4,000,000 Shares |

As on December 31, 2015 the market value @ Tk. 25.00 (closing market price) of the above 4,000,000 shares was Tk.100,000,000 against cost price of 600,000 ordinary shares (@ Tk. 25) at Tk.15,000,000.

6.2 Investment in preference shares

| | | |
|---|-------------------|--------------------|
| 10% preference share in Summit Purbanchol Power Co. Ltd. | 5,000,000 | 12,500,000 |
| 10% preference share in Summit Uttaranchol Power Co. Ltd. | 5,000,000 | 12,500,000 |
| 12.75% preference share of Energypac Confidence Power Venture Limited | - | 1,690,980 |
| 13% Preference share of Regent Energy and Power Ltd. | 80,000,000 | 80,000,000 |
| | 90,000,000 | 106,690,980 |

6.3 Investment in bonds

| | | |
|---|--------------------|--------------------|
| Subordinate Bond-Mercantile Bank Ltd. | 100,000,000 | 100,000,000 |
| Subordinate Bond-The City Bank Ltd. | 79,000,000 | 79,000,000 |
| Mudaraba Sub-ordinated Bond- SIBL | 130,000,000 | - |
| Second Subordinated Bond- UCB | 100,000,000 | - |
| Mudaraba Sub-ordinated Bond - Al-Arafah Islami Bank | 200,000,000 | - |
| Subordinate Bond: Mutual Trust Bank Ltd. | 100,000,000 | - |
| | 709,000,000 | 179,000,000 |

6.4 Maturity grouping of investments

| | | |
|--|--------------------|--------------------|
| On demand | - | - |
| Up to 1 month | - | - |
| Over 1 month but not more than 3 months | - | - |
| Over 3 months but not more than 6 months | 16,000,000 | 845,492 |
| Over 6 months but not more than 1 year | 36,000,000 | 15,845,488 |
| Over 1 year but not more than 5 years | 567,000,000 | 173,250,000 |
| Over 5 years | 195,000,000 | 110,750,000 |
| | 814,000,000 | 300,690,980 |

7 Lease, loans and advances

7.1 Broad category-wise break up

Inside Bangladesh

| | | |
|-----------------------------|-----------------------|-----------------------|
| Lease receivable (note-7.2) | 6,082,995,656 | 5,941,562,480 |
| Loans (note-7.3) | 5,855,928,200 | 4,785,463,075 |
| | 11,938,923,856 | 10,727,025,555 |

Outside Bangladesh

| | | |
|--|-----------------------|-----------------------|
| | - | - |
| | 11,938,923,856 | 10,727,025,555 |



| | 2015 Taka | 2014 Taka |
|---|------------------------------|------------------------------|
| 7.2 Lease receivable | | |
| Net lease receivable (note-7.2.1) | 5,999,470,356 | 5,880,233,621 |
| Advance for leases (note-7.2.3) | 54,361,425 | 15,300,000 |
| Interest receivable | 29,163,875 | 46,028,859 |
| | <u>6,082,995,656</u> | <u>5,941,562,480</u> |
| 7.2.1 Net lease receivable | | |
| Gross lease receivable | 7,080,520,736 | 7,107,007,788 |
| Less: Unearned finance income | 1,081,050,380 | 1,226,774,167 |
| | <u>5,999,470,356</u> | <u>5,880,233,621</u> |
| 7.2.2 Movement of net lease receivables | | |
| Balance at January 01 | 5,880,233,621 | 5,891,483,110 |
| Addition during the year | 3,292,421,887 | 2,894,860,200 |
| Realisation during the year | (3,173,185,152) | (2,906,109,689) |
| | <u>5,999,470,356</u> | <u>5,880,233,621</u> |
| 7.2.3 Advance for leases | | |
| These represent disbursements made to clients for procuring assets under lease and quarterly capitalised interests on disbursements. On execution, advances are transferred to lease finance. | | |
| 7.3 Loans | | |
| Term loan | 2,164,744,778 | 2,323,685,096 |
| Home loan | 518,771,818 | 304,539,170 |
| Short term loan and CSF advances | 3,112,814,064 | 2,106,674,939 |
| Interest receivable | 59,597,540 | 50,563,870 |
| | <u>5,855,928,200</u> | <u>4,785,463,075</u> |
| 7.4 Maturity grouping of lease, loans and advances | | |
| On demand | - | - |
| Up to 1 month | 731,209,446 | 860,471,258 |
| Over 1 month but not more than 3 months | 999,668,345 | 944,805,587 |
| Over 3 months but not more than 1 year | 5,208,631,656 | 4,250,608,002 |
| Over 1 year but not more than 5 years | 4,581,620,902 | 4,343,368,293 |
| Over 5 years | 417,793,507 | 327,772,415 |
| | <u>11,938,923,856</u> | <u>10,727,025,555</u> |
| 7.5 Lease, loans and advances on the basis of significant concentration | | |
| a) Lease, loans and advances to companies or firms in which the Directors of the Company have interests | - | 410,294 |
| b) Lease, loans and advances to Chief Executive and other Senior Executives | - | 1,175,950 |



| | 2015 Taka | 2014 Taka |
|--|-----------------------|-----------------------|
| c) Number of clients with outstanding amount and classified lease, loans and advances exceeding 15% of total capital of the Company is as follows: | | |
| Total capital of the Company | 2,698,524,000 | 2,425,404,495 |
| Number of clients | Nil | Nil |
| Amount of outstanding advances | Nil | Nil |
| Amount of classified advances | Nil | Nil |
| Measures taken for recovery | Not applicable | Not applicable |
| d) Industry-wise distribution of lease, loans and advances: | | |
| 1. Agricultural sector | 437,605,185 | 598,509,596 |
| 2. Industrial sector: | - | |
| a) Service industry | 1,036,138,189 | 1,013,916,846 |
| b) Food production/processing industry | 1,341,233,229 | 1,062,149,848 |
| c) Chemical & Pharmaceutical | 727,347,413 | 734,854,936 |
| d) Plastic industry | 933,247,009 | 547,996,145 |
| e) Garments | 358,545,910 | 420,778,958 |
| f) Textile | 320,524,037 | 444,127,823 |
| g) Paper, Printing and packaging industry | 917,519,925 | 871,261,363 |
| h) Iron, Steel & Engineering industry | 796,602,497 | 605,583,683 |
| i) Leather & leather products | 40,850,390 | 3,521,112 |
| j) Electronics and electrical industry | 9,525,221 | 27,530,499 |
| k) Telecommunication/information Technology | 134,442,056 | 30,419,819 |
| l) Jute and jute products | 273,928,246 | 232,549,511 |
| m) Cement/Concrete and allied industry | 268,926,753 | 366,175,671 |
| n) Glass and ceramic industry | 69,976,529 | 83,815,054 |
| o) Ship Manufacturing Industry | 20,647,182 | 76,006,045 |
| 3. Power, Gas, Water and sanitary service | 328,045,075 | 459,177,986 |
| 4. Transport & Communication | 621,455,906 | 418,514,390 |
| 5. Real Estate & Housing | 547,147,053 | 329,137,362 |
| 6. Trade and Commerce | 2,653,200,850 | 2,256,050,352 |
| 7. Others | 102,015,201 | 144,948,557 |
| | 11,938,923,856 | 10,727,025,555 |
| e) Geographical location-wise lease, loans and advances | | |
| Inside Bangladesh | | |
| Urban | | |
| Dhaka Division | 6,872,578,970 | 6,936,407,332 |
| Chittagong Division | 2,680,218,024 | 2,251,148,953 |
| Khulna Division | 765,238,609 | 626,692,164 |
| Rajshahi Division | 607,621,250 | 334,284,491 |
| Rangpur Division | 611,926,371 | 364,694,244 |
| Barisal Division | 163,526,764 | 150,979,714 |
| Mymensingh Division | 133,349,818 | - |
| Sylhet Division | 104,464,050 | 62,818,657 |
| | 11,938,923,856 | 10,727,025,555 |
| Rural | - | - |
| | 11,938,923,856 | 10,727,025,555 |
| Outside Bangladesh | - | - |
| | 11,938,923,856 | 10,727,025,555 |
| 7.6 Sector-wise lease, loans and advances | | |
| Public sector | - | - |
| Co-operative sector | - | - |
| Private sector | 11,938,923,856 | 10,727,025,555 |
| | 11,938,923,856 | 10,727,025,555 |



7.7 Particulars of lease, loans and advances

| | 2015 Taka | 2014 Taka |
|--|-----------------------|-----------------------|
| i) Leases, loans and advances considered good in respect of which the Company is fully secured | 952,890,984 | 733,113,580 |
| ii) Leases, loans and advances considered good in respect of which the Company is partially secured | 5,627,439,503 | 5,657,160,902 |
| iii) Leases, loans and advances considered good against which the Company holds no security other than the debtors' personal guarantee | - | - |
| iv) Leases, loans and advances considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors | 5,358,593,369 | 4,336,751,073 |
| v) Classified Leases, loans and advances against which no provision has been made | - | - |
| | 11,938,923,856 | 10,727,025,555 |
| vi) Leases, loans and advances due by Directors, Officers of the Company or any of them either separately or jointly with any other persons | - | 1,175,950 |
| vii) Leases, loans and advances due from Companies or firms in which the Directors have interest as Directors, Partners or managing agents Companies, as members. | - | 410,294 |
| viii) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Managers or Officers of the Company or any of them either separately or jointly with any other person. | - | - |
| ix) Maximum total amount of advances, including temporary advances granted during the year to the Companies or firms in which the Directors have interest as Directors, Partners or Managing agents or in the case of private Companies, as members. | - | - |
| x) Due from banking Companies and other financial institutions | 4,408,357 | 13,945,151 |
| xi) Classified lease, loans and advances | | |
| a) Classified lease, loans and advances on which interest has not been charged | 638,932 | 11,902,250 |
| b) Increase/(decrease) of specific provision against classified lease/loan | (31,357,034) | (15,877,308) |
| c) Amount of loan written off (note-12.4) | 89,086,477 | 48,858,556 |
| d) Amount realised against loan previously written off | 140,000 | 7,557,978 |
| e) Provision kept against loans classified as bad/loss on the date of preparing the balance sheet (note-7.8) | 191,977,586 | 264,367,083 |
| f) Interest credited to Interest Suspense account (note-12.2) | 51,276,987 | 54,380,077 |
| xii) Written off lease, loans and advances | | |
| Opening Balance | 352,570,070 | 303,711,514 |
| During the year | 89,086,477 | 48,858,556 |
| Cumulative to-date | 441,656,547 | 352,570,070 |
| The amount of written-off leases, loans and advances for which law suits have been filed | 441,656,547 | 352,570,070 |



7.8 Classification of lease, loans and advances

Unclassified

 Standard
 Special mention account (SMA)

Classified

 Sub-standard
 Doubtful
 Bad/Loss

| | 2015 Taka | 2014 Taka |
|-------------------------------|------------------------------|------------------------------|
| Standard | 11,117,845,889 | 10,128,218,978 |
| Special mention account (SMA) | 218,029,549 | 270,968,897 |
| | <u>11,335,875,438</u> | <u>10,399,187,875</u> |
| Sub-standard | 354,046,500 | 47,272,614 |
| Doubtful | 57,024,332 | 16,197,983 |
| Bad/Loss | 191,977,586 | 264,367,083 |
| | <u>603,048,418</u> | <u>327,837,680</u> |
| | <u>11,938,923,856</u> | <u>10,727,025,555</u> |

8 Fixed assets including furniture and fixtures
Cost

 Furniture and fixtures
 Office equipment
 Electrical equipment
 Motor Vehicles

| | | |
|------------------------|---------------------------|---------------------------|
| Furniture and fixtures | 94,677,380 | 90,459,737 |
| Office equipment | 472,864 | 474,691 |
| Electrical equipment | 71,739,978 | 67,026,432 |
| Motor Vehicles | 49,151,950 | 43,496,063 |
| | <u>216,042,172</u> | <u>201,456,923</u> |

Less: Accumulated depreciation

154,285,357

Net book value at the end of the year (Annexure - A)

134,034,913

61,756,815
67,422,010
9 Other assets
Inside Bangladesh
Income generating:

Income receivable (note-9.1)

112,746,223

85,525,364

Non-income generating:

Deferred tax assets (note-9.2)

19,437,028

15,196,744

Advance, deposit and prepaid expenses

138,837,464

116,158,152

Other receivables

6,548,651

5,306,919

Advance corporate tax (note-9.3)

1,007,271,910

815,825,034

1,284,841,276
1,038,012,213
Outside Bangladesh

-

1,284,841,276
1,038,012,213

9.1 Income receivable amount represents interest receivable on other investment and fixed deposits.

9.2 Deferred tax asset

Deferred tax has been calculated based on deductible/taxable temporary difference arising due to difference in the carrying amount of the assets and its tax base in accordance with the provision of Bangladesh Accounting Standard (BAS) 12 "Income Taxes" and under the guidelines of Bangladesh Bank DFIM Circular no. 07 dated 31 July 2011.

| | Carrying amount at balance sheet | Tax base | Deductible temporary difference |
|--------------------------------|-------------------------------------|--------------------|------------------------------------|
| Fixed assets at book value | 61,756,815 | 104,322,015 | 42,565,200 |
| Liability to employee gratuity | 6,027,370 | - | 6,027,370 |
| | <u>67,784,185</u> | <u>104,322,015</u> | <u>48,592,570</u> |

Applicable tax rate

40.0%

Deferred tax asset as on 31 December 2015

19,437,028

Deferred tax asset as on 31 December 2014

15,196,744

Deferred tax asset during the year 2015 - Note 36

4,240,284



| | 2015 Taka | 2014 Taka |
|--|----------------------|----------------------|
| 9.3 Advance corporate tax | | |
| Balance as on January 01 | 815,825,034 | 615,254,477 |
| Paid during the year | 191,446,876 | 200,570,557 |
| | 1,007,271,910 | 815,825,034 |
| 10 Borrowing from banks, other financial institutions and agents | | |
| In Bangladesh (note-10.1) | 2,187,724,276 | 2,566,042,557 |
| Outside Bangladesh | - | - |
| | 2,187,724,276 | 2,566,042,557 |
| 10.1 In Bangladesh | | |
| Bank overdraft | | |
| Nationalised Commercial Bank | 124,502,347 | 155,291,465 |
| Private Commercial Bank | 634,828,028 | 369,523,949 |
| Foreign Commercial Bank | 164,438,816 | 114,287,650 |
| | 923,769,191 | 639,103,064 |
| Short term loan | | |
| Foreign Commercial Bank | 465,000,000 | 485,000,000 |
| | 465,000,000 | 485,000,000 |
| Call borrowing | | |
| Nationalised Commercial Bank | - | 200,000,000 |
| Private Commercial Bank | 200,000,000 | 450,000,000 |
| | 200,000,000 | 650,000,000 |
| Long term loan | | |
| Bangladesh Bank (Refinance) | 509,552,446 | 693,620,276 |
| Kreditanstalt Für Wiederaufbau (KfW) | 89,402,639 | 98,319,217 |
| | 598,955,085 | 791,939,493 |
| | 2,187,724,276 | 2,566,042,557 |
| 10.2 Analysis by security against borrowing from banks, other financial institutions and agents | | |
| Secured (FDR pledged as security) | 1,620,000,000 | 1,124,103,064 |
| Secured (Corporate guarantee) | - | - |
| Unsecured | 567,724,276 | 1,441,939,493 |
| | 2,187,724,276 | 2,566,042,557 |
| 10.3 Maturity grouping of borrowing from banks, other financial institutions and agents | | |
| On demand | 200,000,000 | 650,000,000 |
| Up to 1 month | 751,906,549 | 281,818,811 |
| Over 1 month but within 3 months | 407,024,088 | 427,557,475 |
| Over 3 months but within 1 year | 468,231,147 | 766,940,081 |
| Over 1 year but within 5 years | 212,411,163 | 325,787,209 |
| Over 5 years | 148,151,329 | 113,938,981 |
| | 2,187,724,276 | 2,566,042,557 |



11 Deposits and other accounts

| | 2015 Taka | 2014 Taka |
|--------------------------------|-----------------------|----------------------|
| Current deposits | - | - |
| Bills payable | - | - |
| Savings bank deposits | - | - |
| Term deposits (note -11.1) | 11,467,868,130 | 8,102,274,879 |
| Bearer certificates of deposit | - | - |
| Other deposits (note-11.2) | 463,341,535 | 438,198,942 |
| | 11,931,209,665 | 8,540,473,821 |

11.1 Term deposits

| | | |
|---|-----------------------|----------------------|
| Deposits from banks and financial institutions | 4,650,000,000 | 1,950,000,000 |
| Deposits from other than banks and financial institutions | 6,817,868,130 | 6,152,274,879 |
| | 11,467,868,130 | 8,102,274,879 |

These represent deposits from individuals and institutions under the Company's term deposit schemes for a period of not less than three months.

11.1.1 Sector-wise break-up of term deposits

| | | |
|----------------------------------|-----------------------|----------------------|
| Government | - | - |
| Banks and financial institutions | 4,650,000,000 | 1,950,000,000 |
| Other public | - | - |
| Foreign currency | - | - |
| Private | 6,817,868,130 | 6,152,274,879 |
| | 11,467,868,130 | 8,102,274,879 |

11.1.2 Maturity analysis of term deposits

a) Maturity analysis of deposits from banks & financial institutions

| | | |
|----------------------------------|----------------------|----------------------|
| Payable on demand | - | - |
| Up to 1 month | 1,100,000,000 | 300,000,000 |
| Over 1 month but within 3 months | 2,700,000,000 | 1,650,000,000 |
| Over 3 months but within 1 year | 850,000,000 | - |
| Over 1 year but within 5 years | - | - |
| Over 5 years but within 10 years | - | - |
| Over 10 years | - | - |
| | 4,650,000,000 | 1,950,000,000 |

b) Maturity analysis of deposits from other than banks & financial institutions

| | | |
|----------------------------------|-----------------------|----------------------|
| Payable on demand | - | - |
| Up to 1 month | 328,070,781 | 550,935,191 |
| Over 1 month but within 3 months | 670,461,131 | 618,539,774 |
| Over 3 months but within 1 year | 4,026,326,091 | 3,788,185,125 |
| Over 1 year but within 5 years | 1,742,041,910 | 1,147,878,565 |
| Over 5 years but within 10 years | 50,968,217 | 46,736,224 |
| Over 10 years | - | - |
| | 6,817,868,130 | 6,152,274,879 |
| | 11,467,868,130 | 8,102,274,879 |



11.2 Other deposits

This represents deposits against financing which is advance rental and security deposits received from clients at the inception of allowing any lease/loan facility to the clients adjustable or refundable at the expiry of the facility.

| | 2015 Taka | 2014 Taka |
|------------------------------|--------------------|--------------------|
| Non-interest bearing deposit | 405,312,250 | 363,802,989 |
| Interest bearing deposit | 58,029,285 | 74,395,953 |
| | 463,341,535 | 438,198,942 |

11.2.1 Maturity analysis of other deposits

| | | |
|----------------------------------|--------------------|--------------------|
| Payable on demand | - | - |
| Up to 1 month | 26,036,582 | 27,592,629 |
| Over 1 month but within 3 months | 79,972,163 | 43,235,218 |
| Over 3 months but within 1 year | 188,237,566 | 177,749,314 |
| Over 1 year but within 5 years | 160,934,340 | 186,440,232 |
| Over 5 years but within 10 years | 8,160,884 | 3,181,549 |
| Over 10 years | - | - |
| | 463,341,535 | 438,198,942 |

12 Other liabilities

| | | |
|---|----------------------|----------------------|
| Provision for gratuity | 6,027,370 | 4,832,811 |
| Unclaimed dividend | 9,704,260 | 8,763,492 |
| KfW interest differential fund (note-12.1) | 35,530,716 | 45,098,689 |
| Interest suspense account (note-12.2) | 51,276,987 | 54,380,077 |
| Accrued expenses and payables (note-12.3) | 666,996,447 | 558,997,827 |
| Provision for lease, loans and advances (note-12.4) | 459,986,258 | 498,826,937 |
| Provision for income tax (note-12.5) | 1,327,912,696 | 1,143,747,338 |
| | 2,557,434,734 | 2,314,647,171 |

12.1 KfW interest differential fund

This represents the difference between interest on loan from KfW @9.5% per annum and the Bangladesh Bank rate. This interest differential fund is being used for the financing of training of personnel or for other activities for the promotion or development of small enterprises in Bangladesh.

| | | |
|--|-------------------|-------------------|
| Balance as on January 01 | 45,098,689 | 28,835,142 |
| Addition during the year | 4,223,742 | 4,683,725 |
| | 49,322,431 | 33,518,867 |
| Adjusted against training programme | (10,491,715) | (2,876,812) |
| Transfer from/(to) Product Development account | (3,300,000) | 14,456,634 |
| | 35,530,716 | 45,098,689 |

12.2 Interest suspense account

This represents interest receivable on lease, term finance and short term finance due over ninety days as per Bangladesh Bank guidelines.

| | | |
|---|-------------------|-------------------|
| Balance as on January 01 | 54,380,077 | 44,682,509 |
| Add: Amount transferred to "interest suspense" account during the year | 139,514,163 | 156,957,579 |
| Less: Amount recovered from "interest suspense" account during the year | (122,371,456) | (129,704,645) |
| Less: Written off during the year | (20,245,797) | (17,555,366) |
| | 51,276,987 | 54,380,077 |



12.3 Accrued expenses and payables

Liabilities for expenses
Liabilities other than expenses

| | 2015 Taka | 2014 Taka |
|--|--------------------|--------------------|
| | 487,233,077 | 461,337,743 |
| | 179,763,370 | 97,660,084 |
| | 666,996,447 | 558,997,827 |

Liabilities for expenses represent interest accrued but not paid on borrowing and deposits as well as administrative expenses.

Liabilities other than expenses represent income tax deducted at source from depositors, suppliers, employees, VAT payables, collection against leases/loans in advance etc.

12.4 Provision for lease, loans and advances

General provision on lease, loans and advances

Balance at January 01
Provision made for the year (note-35)

| | | |
|--|--------------------|-------------------|
| | 96,208,710 | 88,771,567 |
| | 15,043,798 | 7,437,143 |
| | 111,252,508 | 96,208,710 |

Specific Provision on unclassified lease, loans and advances

Balance at January 01
Provision made for the year (note-35)

| | | |
|--|-------------------|--------------------|
| | 117,514,010 | 85,617,939 |
| | (22,527,444) | 31,896,071 |
| | 94,986,566 | 117,514,010 |

Specific provision on classified lease, loans and advances

Balance at January 01
Fully provided debts written off during the year
Amount realised from written off clients
Provision made for the year (note-35)

| | | |
|--|--------------------|--------------------|
| | 285,104,217 | 300,981,525 |
| | (68,840,679) | (31,303,190) |
| | 140,000 | 7,557,978 |
| | 37,343,645 | 7,867,904 |
| | 253,747,183 | 285,104,217 |
| | 459,986,258 | 498,826,937 |

Provision surplus/(shortage):

| | 2015 | | 2014 | |
|--|-------------|--------------------|-------------|--------------------|
| | Required | Maintained | Required | Maintained |
| General provision on lease, loans and advances | 74,095,225 | 111,252,508 | 71,197,974 | 96,208,710 |
| Specific Provision on unclassified lease, loans and advances | 10,441,488 | 94,986,566 | 13,157,511 | 117,514,010 |
| Specific provision on classified lease, loans and advances | 227,188,798 | 253,747,183 | 212,718,037 | 285,104,217 |
| | 311,725,511 | 459,986,258 | 297,073,522 | 498,826,937 |
| Total surplus | | 148,260,747 | | 201,753,415 |

12.5 Provision for income tax

Balance as on January 01
Add: Corporate tax for the year (note-36)

| | | |
|--|----------------------|----------------------|
| | 1,143,747,338 | 925,696,647 |
| | 184,165,358 | 218,050,691 |
| | 1,327,912,696 | 1,143,747,338 |



13 Paid-up capital

13.1 Authorised capital

300,000,000 ordinary shares of Taka 10 each

| | 2015 Taka | 2014 Taka |
|--|----------------------|----------------------|
| | 3,000,000,000 | 3,000,000,000 |
| | | |
| | 70,000,000 | 70,000,000 |
| | 1,472,895,200 | 1,332,632,000 |
| | 1,542,895,200 | 1,402,632,000 |

13.2 Issued, subscribed and fully paid-up capital

7,000,000 ordinary shares of Taka 10 each issued for cash

147,289,520 ordinary shares of Taka 10 each issued as bonus shares

13.3 Capital adequacy ratio

As per Basel Accord guideline incorporated by Bangladesh Bank vide DFIM Circular no.08 dated 02 August 2010 all Financial Institution should calculated capital adequacy ratio based on solo basis as well as consolidated basis.

| | | |
|---|------------------------------|------------------------------|
| A Eligible Capital : | | |
| Tier-1 Capital | 2,698,524,000 | 2,425,404,495 |
| Tier-2 Capital | 175,103,662 | 137,123,703 |
| Total Eligible Capital (1+2) : | <u>2,873,627,662</u> | <u>2,562,528,198</u> |
| B Total Risk Weighted Assets (RWA): | 15,371,845,544 | 12,186,988,880 |
| C Capital Adequacy Ratio (CAR) (A ₃ / B)*100 | 18.69% | 21.03% |
| D Core Capital to RWA (A ₁ / B)*100 | 17.55% | 19.90% |
| E Supplementary Capital to RWA (A ₂ / B)*100 | 1.14% | 1.13% |
| F Minimum Capital Requirement (MCR) | 1,537,184,554 | 1,218,698,888 |
| Surplus | <u>1,336,443,107</u> | <u>1,343,829,310</u> |
| Core capital (Tier-I) | | |
| Paid up capital (note-13.2) | 1,542,895,200 | 1,402,632,000 |
| Statutory reserve (note-14) | 660,000,000 | 591,000,000 |
| Share premium (note-15) | 3,750,000 | 3,750,000 |
| General reserve (note-16) | 255,000,000 | 215,000,000 |
| Retained earnings (note-17) | 236,878,800 | 213,022,495 |
| | <u>2,698,524,000</u> | <u>2,425,404,495</u> |
| Eligible supplementary capital (Tier-II) | | |
| General provision maintained against unclassified loan | 175,103,662 | 137,123,703 |
| Assets Revaluation Reserves up to 50% | - | - |
| Revaluation Reserve for Securities up to 50% | - | - |
| All other preference shares | - | - |
| Other (if any item approved by Bangladesh Bank) | - | - |
| | <u>175,103,662</u> | <u>137,123,703</u> |
| General provision (Unclassified+SMA+Off balance sheet exposure) | 207,901,322 | 213,922,720 |
| Limit up to 1.25% of RWA for Credit Risk would be eligible as Tier-II capital | 175,103,662 | 137,123,703 |
| Risk Weighted Assets (RWA) | | |
| A Credit Risk | 14,008,292,968 | 10,969,896,216 |
| On- Balance sheet | 13,800,512,046 | 10,944,896,216 |
| Off-Balance sheet | 207,780,923 | 25,000,000 |
| B. Market Risk | - | - |
| C. Operational Risk | 1,363,552,576 | 1,217,092,664 |
| Total: RWA (A+B+C) | <u>15,371,845,544</u> | <u>12,186,988,880</u> |



| | No. of Shares | | Percentage | | |
|--|---------------|---------------------------|---------------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | |
| 13.4 Percentage of shareholding at the closing date | | | | | |
| (i) Sponsors - | Foreign | 30,857,904 | 28,052,640 | 20.00 | 20.00 |
| | Domestic | 37,352,653 | 33,956,959 | 24.21 | 24.21 |
| | | <u>68,210,557</u> | <u>62,009,599</u> | <u>44.21</u> | <u>44.21</u> |
| (ii) Financial Institutions and Companies | Foreign | 14,046,335 | 12,769,397 | 9.10 | 9.10 |
| | Domestic | 35,710,333 | 26,230,416 | 23.15 | 18.70 |
| | | <u>49,756,668</u> | <u>38,999,813</u> | <u>32.25</u> | <u>27.80</u> |
| (iii) General public – Domestic | | 36,322,295 | 39,253,788 | 23.54 | 27.99 |
| | | <u>154,289,520</u> | <u>140,263,200</u> | <u>100.00</u> | <u>100.00</u> |

13.5 Shareholding range on the basis of shareholding as at 31 December 2015

| No. of shares | Number of Shareholders | Total number of shares | Percentage of total holdings |
|------------------------|------------------------|---------------------------|------------------------------|
| 1 Less than 500 | 3,936 | 632,021 | 0.41 |
| 2 500 to 5,000 | 4,769 | 8,625,485 | 5.59 |
| 3 5,001 to 10,000 | 710 | 5,006,672 | 3.24 |
| 4 10,001 to 20,000 | 353 | 4,980,255 | 3.23 |
| 5 20,001 to 30,000 | 132 | 3,297,459 | 2.14 |
| 6 30,001 to 40,000 | 55 | 1,917,642 | 1.24 |
| 7 40,001 to 50,000 | 44 | 1,985,675 | 1.29 |
| 8 50,001 to 100,000 | 68 | 4,998,153 | 3.24 |
| 9 100,001 to 1,000,000 | 74 | 19,176,512 | 12.43 |
| 10 Above 1,000,000 | 12 | 103,669,646 | 67.19 |
| | <u>10,153</u> | <u>154,289,520</u> | <u>100.00</u> |

14 Statutory reserve

Balance as at January 01
Addition during the year

| | 2015 Taka | 2014 Taka |
|--|---------------------------|---------------------------|
| | 591,000,000 | 526,000,000 |
| | 69,000,000 | 65,000,000 |
| | <u>660,000,000</u> | <u>591,000,000</u> |

As per section 9 of the Financial Institutions Act, 1993 and regulation 6 of the Financial Institutions Regulations 1994, every Non Banking Financial Institution (NBFI) is required to transfer at least 20% of its current year profit to the fund until such reserve fund equal to its paid up share capital and share premium (if any). Accordingly during the year the Company has transferred Tk. 69,000,000 to the Statutory Reserve Fund.

15 Share premium

This represents a premium of 50% over the par value of share received against the issue of 750,000 shares in 1994 amounting to Tk. 3,750,000.

16 General reserve

Balance at January 01
Appropriation from current year's profit

| | 2015 Taka | 2014 Taka |
|--|---------------------------|---------------------------|
| | 215,000,000 | 165,000,000 |
| | 40,000,000 | 50,000,000 |
| | <u>255,000,000</u> | <u>215,000,000</u> |



| | 2015 Taka | 2014 Taka |
|---|---------------------------|---------------------------|
| 17 Retained earnings | | |
| Balance at January 01 | 213,022,495 | 195,502,772 |
| Cash dividend for last year | (70,131,600) | (63,756,000) |
| Issue of bonus shares for last year | (140,263,200) | (127,512,000) |
| | <u>(210,394,800)</u> | <u>(191,268,000)</u> |
| | 2,627,695 | 4,234,772 |
| Addition during the year | | |
| Net profit after taxation | 343,251,105 | 323,787,723 |
| Transfer to statutory reserve | (69,000,000) | (65,000,000) |
| Transfer to general reserve | (40,000,000) | (50,000,000) |
| | <u>234,251,105</u> | <u>208,787,723</u> |
| Transfer from general reserve | - | - |
| | <u>236,878,800</u> | <u>213,022,495</u> |
| 18 Net asset value per share (NAV) | | |
| Total asset | 19,374,892,675 | 15,846,568,044 |
| Total liabilities | 16,676,368,675 | 13,421,163,549 |
| Net asset | <u>2,698,524,000</u> | <u>2,425,404,495</u> |
| Number of share outstanding (current year's) | 154,289,520 | 140,263,200 |
| Net asset value per share | <u>17.49</u> | <u>17.29</u> |
| Restated NAV: | | |
| Net asset | 2,698,524,000 | 2,425,404,495 |
| Number of ordinary shares as on 31 December 2015 is 154,289,520 | | |
| Restated NAV | <u>17.49</u> | <u>15.72</u> |
| 19 Contingent liabilities | | |
| 19.1 Letters of guarantee | | |
| Letters of guarantee (Local) | 166,224,738 | 20,000,000 |
| Letters of guarantee (Foreign) | - | - |
| Foreign counter guarantees | - | - |
| | <u>166,224,738</u> | <u>20,000,000</u> |

Guarantees

The Company gives guarantees on behalf of customers. A financial guarantee represents an irrevocable undertaking that the Company will pay to third parties and it converts into lease or loan on the basis of an agreement with the customers. The maximum amount that the Company could be required to pay under a guarantee is its principal amount.



| | 2015 Taka | 2014 Taka |
|---|-----------------------------|-----------------------------|
| 20 Profit and loss account | | |
| Income: | | |
| Interest, discount and similar income (note-20.1) | 1,886,044,196 | 1,864,602,279 |
| Dividend income | 16,753,637 | 14,445,621 |
| Other operating income | 97,002,733 | 88,716,041 |
| | <u>1,999,800,566</u> | <u>1,967,763,941</u> |
| Expenses: | | |
| Interest, fee and commission etc. | 1,047,179,519 | 1,023,895,424 |
| Administrative expenses (note-20.2) | 334,097,408 | 290,170,655 |
| Other operating expenses | 41,423,388 | 46,199,777 |
| Depreciation on Company's fixed assets | 24,064,073 | 22,509,244 |
| | <u>1,446,764,388</u> | <u>1,382,775,100</u> |
| | <u>553,036,178</u> | <u>584,988,841</u> |
| 20.1 Interest, discount and similar income | | |
| Interest on loan, advances and leases | 1,821,707,023 | 1,856,154,710 |
| Interest on bonds | 64,337,173 | 8,447,569 |
| Discount income | - | - |
| Interest on debentures | - | - |
| | <u>1,886,044,196</u> | <u>1,864,602,279</u> |
| 20.2 Administrative expenses | | |
| Salaries and allowances | 239,765,283 | 201,436,694 |
| Rent, taxes, insurance, electricity etc. | 47,834,109 | 41,211,884 |
| Legal expenses | 11,085,154 | 11,749,425 |
| Postage, stamp, telecommunication etc. | 9,578,924 | 10,792,423 |
| Stationery, printing, advertisement etc. | 4,984,512 | 7,426,221 |
| Managing Director's salary and benefits | 8,256,570 | 7,764,800 |
| Directors' fees | 338,500 | 264,500 |
| Auditors' fees | 143,750 | 143,750 |
| Repairs and maintenance of the Company's assets | 12,110,607 | 9,380,957 |
| | <u>334,097,408</u> | <u>290,170,654</u> |
| 21 Interest income | | |
| Lease | 837,265,155 | 899,261,477 |
| Term loan and home loan | 325,848,887 | 310,599,728 |
| Short term financing | 340,850,718 | 301,118,776 |
| Total interest income | <u>1,503,964,760</u> | <u>1,510,979,981</u> |
| Interest on deposit/balance with banks and other financial institutions | 208,933,608 | 198,698,649 |
| Interest on deposits under lien for credit line facilities | 108,808,655 | 146,476,080 |
| | <u>1,821,707,023</u> | <u>1,856,154,710</u> |



| | 2015 Taka | 2014 Taka |
|--|----------------------|----------------------|
| 22 Interest paid on deposits, borrowing etc. | | |
| a) Interest paid on deposits | | |
| Deposits from other than banks and financial institutions | 707,547,469 | 708,427,403 |
| Deposits from banks and financial institutions | 183,659,861 | 143,909,861 |
| Direct deposit expenses | 33,386,551 | 27,817,715 |
| Interest bearing security deposits | 5,820,025 | 8,810,940 |
| | 930,413,906 | 888,965,919 |
| b) Interest paid for borrowing | | |
| Bank loans | 18,633,155 | 12,547,570 |
| Bangladesh Bank refinance | 40,440,625 | 48,573,139 |
| Call loan | 43,867,221 | 52,396,458 |
| Overdraft | 13,824,612 | 21,412,338 |
| Finance charge on capital lease | - | - |
| | 116,765,613 | 134,929,505 |
| | 1,047,179,519 | 1,023,895,424 |
| 23 Investment income | | |
| Interest on bonds | 64,337,173 | 8,447,569 |
| Dividend on shares | 16,753,637 | 14,445,621 |
| | 81,090,810 | 22,893,190 |
| 24 Other operating income | | |
| Reimbursement - invoice processing and collection costs | 17,829,461 | 19,334,594 |
| Early repayment premium | 8,933,508 | 6,904,500 |
| Reimbursement-documentation costs | 40,575,407 | 40,841,134 |
| Late Payment Charges | 23,101,741 | 19,185,174 |
| Profit on sale of fixed assets | 616,403 | 455,333 |
| Miscellaneous earnings | 5,946,213 | 1,995,306 |
| | 97,002,733 | 88,716,041 |
| 25 Salaries and allowances | | |
| Basic salary, provident fund contribution and all other allowances | 209,644,142 | 175,806,829 |
| Festival and incentive bonus | 30,121,141 | 25,629,865 |
| | 239,765,283 | 201,436,694 |
| 26 Rent, taxes, insurance, electricity etc. | | |
| Rent, rate and taxes | 32,373,695 | 26,872,091 |
| Insurance | 7,981,262 | 5,821,005 |
| Electricity, gas and water | 7,479,152 | 8,518,787 |
| | 47,834,109 | 41,211,884 |



| | 2015 Taka | 2014 Taka |
|---|----------------------|----------------------|
| 27 Legal expenses | | |
| Legal expenses | 11,085,154 | 11,749,425 |
| | 11,085,154 | 11,749,425 |
| 28 Postage, stamp, telecommunication, etc. | | |
| Postage, stamp and Internet | 4,957,762 | 4,869,410 |
| Telephone - Mobile and T & T | 4,621,161 | 5,923,013 |
| | 9,578,924 | 10,792,423 |
| 29 Stationery, printing, advertisements, etc. | | |
| Printing and stationery | 2,109,634 | 2,392,844 |
| Publicity and advertisement | 2,874,878 | 5,033,377 |
| | 4,984,512 | 7,426,221 |
| 30 Managing Director's salary and benefits | | |
| Remuneration | 4,776,000 | 4,683,541 |
| Other benefits | 3,480,570 | 3,081,259 |
| | 8,256,570 | 7,764,800 |
| 31 Directors' fees | | |
| Directors' fees | 338,500 | 264,500 |
| | 338,500 | 264,500 |
| Directors' fees include fees for attending the meeting by the non-executive Directors. Each Director was paid @Tk. 5,000 per meeting as attendance fee including VAT. | | |
| 32 Auditors' fees | | |
| Statutory audit fee (including VAT) | 143,750 | 143,750 |
| | 143,750 | 143,750 |
| 33 Depreciation and repair of assets | | |
| Depreciation - (Annexure-A) | | |
| Furniture and fixture | 10,119,368 | 9,499,243 |
| Office equipment | 48,084 | 28,415 |
| Electrical equipment | 7,462,439 | 7,287,840 |
| Motor vehicle | 6,434,182 | 5,693,746 |
| | 24,064,073 | 22,509,244 |
| Repairs | | |
| Electrical & office equipment | 413,086 | 394,385 |
| Maintenance of other assets | 9,049,026 | 7,114,472 |
| Motor vehicle | 2,648,496 | 1,872,100 |
| | 12,110,607 | 9,380,957 |
| | 36,174,680 | 31,890,201 |



| | 2015 Taka | 2014 Taka |
|--|----------------------|----------------------|
| 34 Other expenses | | |
| Training expenses | 959,353 | 105,853 |
| Books, magazines and newspapers, etc. | 155,415 | 193,803 |
| Staff's uniforms | 454,068 | 165,675 |
| Medical expenses | 258,982 | 320,346 |
| Fees and subscription | 1,184,949 | 1,348,365 |
| Bank charges | 2,464,648 | 1,896,994 |
| Excise duty Expenses | 1,177,550 | 574,520 |
| CNG, petrol, oil and lubricant | 11,249,776 | 11,023,382 |
| Entertainment | 2,346,527 | 2,031,614 |
| Office expenses | 2,247,333 | 3,389,333 |
| Security Services | 6,074,597 | 5,836,230 |
| Business promotion expenses | 4,885,261 | 5,644,571 |
| Annual General Meeting/Shareholder expenses | 2,251,800 | 3,601,337 |
| Travelling and conveyance expenses | 5,277,460 | 4,245,511 |
| Re branding expenses | 435,668 | 5,250,653 |
| Product Development Expense | - | 571,590 |
| | 41,423,388 | 46,199,777 |
| 35 Provision for lease, loans and advances | | |
| General provision on lease, loans and advances (note-12.4) | 15,043,798 | 7,437,143 |
| Specific Provision on unclassified lease, loans and advances (note-12.4) | (22,527,444) | 31,896,071 |
| Specific provision on classified lease, loans and advances (note-12.4) | 37,343,645 | 7,867,904 |
| | 29,860,000 | 47,201,118 |
| 36 Provision for taxation | | |
| <u>Current tax</u> | | |
| Corporate tax for the year on operating profit | 184,165,358 | 224,416,117 |
| Less: Adjustment with previous years excess provision | - | (6,365,426) |
| | 184,165,358 | 218,050,691 |
| <u>Deferred tax</u> | | |
| Deferred tax (note- 9.2) | (4,240,284) | (4,050,691) |
| | (4,240,284) | (4,050,691) |
| | 179,925,074 | 214,000,000 |

**37 Earnings per share (EPS)**

Net profit after tax
Number of ordinary shares outstanding
Earnings per share (EPS)

Restatements of EPS:

Net profit after tax
Number of ordinary shares as on 31 December 2015 is 154,289,520
Restated EPS:

| | 2015 Taka | 2014 Taka |
|--|----------------------|----------------------|
| | | |
| | 343,251,105 | 323,787,723 |
| | 154,289,520 | 140,263,200 |
| | 2.22 | 2.31 |
| | | |
| | 343,251,105 | 323,787,723 |
| | 2.22 | 2.10 |

Earning per share (EPS) has been computed by dividing the basic earnings by the number of ordinary shares outstanding as of 31 December 2015 as per Bangladesh Accounting Standard (BAS) -33. According to BAS 33, EPS for 2014 has been restated for the issues of bonus share in 2015.

38 Receipts from other operating activities

Reimbursement - invoice processing and collection costs
Early repayment premium
Reimbursement-documentation costs
Late Payment Charges
Miscellaneous earnings

| | | |
|--|-------------------|-------------------|
| | 17,829,461 | 19,334,594 |
| | 8,933,508 | 6,904,500 |
| | 40,575,407 | 40,841,134 |
| | 23,101,741 | 19,185,174 |
| | 5,941,347 | 1,995,306 |
| | 96,381,464 | 88,260,708 |

39 Payments for other operating activities

Rent, taxes, insurance, electricity, etc.
Repairs and maintenance
Travelling and conveyance expenses
Annual General Meeting/Shareholder expenses
Entertainment
Bank charges
Fees and subscription
Medical expenses
Directors' fees
Books, magazines and newspapers, etc.
Training expenses
Office expenses
Security Services

| | | |
|--|-------------------|-------------------|
| | 40,354,957 | 41,211,884 |
| | 12,110,607 | 9,380,957 |
| | 5,277,460 | 4,245,511 |
| | 2,251,800 | 3,601,337 |
| | 2,346,527 | 2,031,614 |
| | 3,642,198 | 2,471,514 |
| | 1,184,949 | 1,348,365 |
| | 258,982 | 320,346 |
| | 338,500 | 264,500 |
| | 155,415 | 193,803 |
| | 959,353 | 105,853 |
| | 2,247,333 | 3,389,333 |
| | 6,074,597 | 5,836,230 |
| | 77,202,679 | 74,401,247 |

40 Number of employees

The number of employees engaged for the whole year or part thereof who received a total remuneration of Tk. 36,000 p.a or above were 468 (2014:331). The number of employees at the end of the year was 385 (2014:315)

**41 Related Party Disclosures**

41.1 Particulars of Directors of the Company as on 31 December, 2015

| Sl no. | Name of Directors | Designation | Shareholding status |
|--------|-----------------------------|----------------------|--|
| 1. | Imran Ahmed | Chairman | Nominated by Lawrie group Plc.,UK having share of 20% |
| 2. | Susun Ann Walker | Director | |
| 3. | A. Rouf | Director | Nominated by United Insurance Co. Ltd. having share of 20.64% |
| 4. | L. H. Khan | Director | |
| 5. | A. F. M. M. Samad Choudhury | Director | |
| 6. | Shama Rukh Alam | Director | Nominated by Surmah Valley Tea Co. Ltd. having share of 8.27% |
| 7. | M. Nurul Alam | Director | |
| 8. | M. Abdul Wahed | Independent Director | Not applicable; no shareholdings. |
| 9. | Daud Khan Panni | Independent Director | Not applicable, no shareholdings. |
| 10. | Syed Ehsan Quadir | Managing Director | Not applicable, Ex-officio capacity |



41.2 Name of Directors and their interest in different entities as on 31 December, 2015

| Sl no. | Name of Directors | Status with United Finance Ltd. | Entities where they have interest |
|---------------|--------------------------|--|--|
| 1. | Imran Ahmed | Chairman | Director 1. Eastland Camellia Ltd. 2. Duncan Properties Ltd. 3. Octavius Steel & Co. of BD Ltd. 4. Duncan Brothers (BD) Ltd. 5. Duncan Products Ltd. 6. Chittagong Ware-house Ltd. 7. Surmah Valley Tea Co. Ltd. 8. The Lungla (Sylhet) Tea Co. Ltd. 9. The Allynugger Tea Co. Ltd. 10. Amo Tea Co. Ltd. 11. The Chandpore Tea Co. Ltd. 12. The Mazdehee Tea Co. Ltd. |
| 2. | A. Rouf | Director | Director 1. The Lungla (Sylhet) Tea Co. Ltd. 2. The Allynugger Tea Co. Ltd. 3. Amo Tea Co. Ltd. 4. The Chandpore Tea Co. Ltd. 5. The Mazdehee Tea Co. Ltd. 6. Octavius Steel & Co. of BD Ltd. 7. Duncan Brothers (BD) Ltd. 8. Duncan Products Ltd. 9. Chittagong Warehouse Ltd. 10. Eastland Camellia Ltd. 11. Duncan Properties Ltd. |
| 3. | Susan Ann Walker | Director | Director 1. The Lungla (Sylhet) Tea Co. Ltd. 2. The Allynugger Tea Co. Ltd. 3. Amo Tea Co. Ltd. 4. The Chandpore Tea Co. Ltd. 5. The Mazdehee Tea Co. Ltd. 6. Surmah Valley Tea Co. Ltd. |
| 4. | L. H. Khan | Director | Chairman National Brokers Ltd. |
| 5. | Shama Rukh Alam | Director | Director 1. Duncan Brothers (BD) Ltd. 2. Octavius Steel & Co. of BD Ltd. 3. Duncan Products Ltd. 4. Chittagong Warehouse Ltd. 5. Eastland Camellia Ltd. 6. Duncan Properties Ltd. |

**41.3 Significant Contract where the Company is the party and wherein Directors have interest**

As on 31 December 2015 no such contract exists.

41.4 Share issued to Directors and executives without consideration or exercisable at a discount.

As on 31 December 2015 no such share issue exists.

41.5 Transactions with Directors and their related entities

| Name of the Party | Name of Directors | Related by | Nature of transaction | Amount in Taka | Status of loan and advances |
|----------------------------------|--------------------------|-----------------|------------------------|----------------|-----------------------------|
| The Lungla (Sylhet) Tea Co. Ltd. | Imran Ahmed | Common Director | | | |
| | Susan Ann Walker | -Do- | Term Deposit | 28,047,919 | |
| | A. Rouf | -Do- | | | |
| Duncan Properties Ltd. | Imran Ahmed | -Do- | Office rent paid | 117,197 | |
| | A. Rouf | -Do- | Term deposit | 27,000,000 | |
| | Shama Rukh Alam | -Do- | | | |
| Macalms Bangladesh Trust | Imran Ahmed | -Do- | Term Deposit | 18,447,453 | |
| | A. Rouf | -Do- | | | |
| | Shama Rukh Alam | -Do- | | | |
| | A.F.M.M. Samad Choudhury | -Do- | | | |
| National Brokers Limited | L. H. Khan | -Do- | Term Deposit | 20,923,522 | |
| Duncan Brothers (BD) Ltd. | Imran Ahmed | -Do- | Office rent paid | 6,958,734 | |
| | A. Rouf | -Do- | | | |
| | Shama Rukh Alam | -Do- | | | |
| Eastland Camellia Ltd. | Imran Ahmed | -Do- | Term Deposit | 49,654,670 | |
| | A. Rouf | -Do- | | | |
| | Shama Rukh Alam | -Do- | | | |
| United Insurance Co. Ltd. | A. Rouf | -Do- | Term Deposit | 50,000,000 | |
| | L. H. Khan | -Do- | Insurance premium paid | 7,208,079 | |
| | A.F.M.M. Samad Choudhury | -Do- | Office rent paid | 214,538 | |
| Duncan Products Ltd. | Imran Ahmed | -Do- | Drinking Water Bill | 280,558 | |
| | A. Rouf | -Do- | | | |
| | Shama Rukh Alam | -Do- | | | |
| Camellia Duncan Foundation | Imran Ahmed | -Do- | Term Deposit | 8,942,500 | |
| | A. Rouf | -Do- | | | |

41.6 Lending policy to related parties

Related parties are allowed lease, loan and advance as per credit policy of the company.

41.7 Investment in the Securities of Directors and their related concern

As on 31 December 2015 no such investment exists.



42 Commitment

Capital expenditure

There was no capital expenditure contracted but not incurred or provided for at 31 December, 2015 (2014: nil). There was no material capital expenditure authorised by the Board but not contracted for at 31 December, 2015 (2014: nil).

Commitment to lend

Under a lease/loan commitment the Company agrees to make funds available to customers in the future. Lease/loan commitments, which are usually for a specified term may be unconditionally cancellable or may persist, provided all conditions in the lease/loan facility are satisfied or waived. At the end of the year 2015, the Company had Taka 1,322,251,768 commitment with customers (2014:Taka 1,153,482,919).

43 Claim against Company not acknowledged as debt

An unsettled tax claim of Tk. 38,032,886 (Assessment year 2012-2013) is pending with Tax Appellate Tribunal. However, required tax provisions are available to cover the said amount, if any liability arises in future. Excepting above, there were no such claims against the company which required to be acknowledged as debt at 31 December 2015.

44 Proposal of dividend

The Board of Directors has recommended a cash dividend of Tk. 0.50 per ordinary share (2014: @ Tk. 0.50 per ordinary share) i.e. a total of Tk. 77.14 million for 154.289 million ordinary shares and 1 bonus share for every 10 shares (2014: 1 bonus share for every 10 shares) held on the record date March 10, 2016.

45 Dividend Remitted to non-resident shareholders

An amount of Tk. 12,568,837.84 equivalent to GBP 101,215.24 (2013:Tk 11,387,357.58 equivalent to GBP 84,831.51) was remitted to non-resident shareholder as dividend for the year 2014.

46 Foreign currency transactions

There were no foreign currency monetary transactions during the reporting year that would give rise to gains or losses in the profit and loss account.

**47. Highlights on the overall activities**

| Sl no. | Particulars | | 2015 | 2014 |
|--------|--|-------|-----------|-----------|
| 1 | Paid-up capital (note-13.2) | MBDT | 1,542.90 | 1,402.63 |
| 2 | Total Eligible capital (note-13.3) | MBDT | 2,873.63 | 2,562.53 |
| 3 | Capital surplus (note-13.3) | MBDT | 1,336.44 | 1,343.83 |
| 4 | Total assets | MBDT | 19,374.89 | 15,846.57 |
| 5 | Total Term deposits (note-11.1) | MBDT | 11,467.87 | 8,102.27 |
| 6 | Total lease, loans and advances (note-7.1) | MBDT | 11,938.92 | 10,727.03 |
| 7 | Total contingent liabilities and commitments (note-19) | MBDT | 166.22 | 20.00 |
| 8 | Loan to deposit ratio (note-7.1/note-11.1) | | 1.04 | 1.32 |
| 9 | Percentage of classified lease, loans and advances against total leases, loans and advances (note-7.8) | (%) | 5.05 | 3.06 |
| 10 | Profit after tax and provision | MBDT | 343.25 | 323.79 |
| 11 | Amount of loans classified during the year | MBDT | 138.40 | 117.21 |
| 12 | Provisions kept against classified loans (note-12.4) | MBDT | 253.75 | 285.10 |
| 13 | Provision surplus (note-12.4) | MBDT | 148.26 | 201.75 |
| 14 | Cost of fund | (%) | 9.62 | 11.15 |
| 15 | Interest earning assets | MBDT | 17,822.19 | 14,550.63 |
| 16 | Non-interest earning assets | MBDT | 1,552.70 | 1,295.94 |
| 17 | Return on Equity i | (%) | 13.40 | 14.11 |
| 18 | Net Return to total earning assets | (%) | 1.93 | 2.23 |
| 19 | Return on assets ii | (%) | 1.95 | 2.17 |
| 20 | Income from investment in shares (note-23) | MBDT | 81.09 | 22.89 |
| 21 | Earnings per share iii | BDT | 2.22 | 2.10 |
| 22 | Net income per share iv | BDT | 2.22 | 2.10 |
| 23 | Price earning ratio v | Times | 9.35 | 12.87 |

MBDT= Bangladeshi Taka in Million, BDT= Bangladeshi Taka

i. Return on equity is calculated based on average equity.

ii. Return on assets is calculated based on average assets.

iii. Restated EPS

iv. Since United Finance Limited does not have any minority interest, EPS and net income per share remain same.

v. Based on 31 December market price of the respective year (2015 Tk. 20.80 and 2014 Tk. 29.70).

Syed Ehsan Quadir
Managing Director

M. Abdul Wahed
Director

Daud Khan Panni
Director

Susan Ann Walker
Director



Annexure - A
(From note - 8)

Fixed assets including furniture and fixture

| | Furniture & Fixture | Office equipment | Electrical equipment | Motor Vehicle | Total |
|-------------------------------------|--------------------------------|-------------------------|-----------------------------|----------------------|--------------------|
| Cost | | | | | |
| Balance at 01 January, 2015 | 90,459,737 | 474,691 | 67,026,432 | 43,496,063 | 201,456,923 |
| Addition during the year | 5,482,898 | 7,723 | 5,627,128 | 8,703,399 | 19,821,148 |
| Disposal/adjustment | (1,265,255) | (9,550) | (913,582) | (3,047,512) | (5,235,899) |
| Balance at 31 December, 2015 | 94,677,380 | 472,864 | 71,739,978 | 49,151,950 | 216,042,172 |
| Accumulated depreciation | | | | | |
| Balance at 01 January, 2015 | 52,916,795 | 250,209 | 49,032,906 | 31,835,004 | 134,034,914 |
| Charge for the year | 10,119,368 | 48,084 | 7,462,439 | 6,434,182 | 24,064,073 |
| Disposal /adjustment | (1,188,010) | (8,323) | (692,170) | (1,925,127) | (3,813,630) |
| Balance at 31 December, 2015 | 61,848,153 | 289,970 | 55,803,175 | 36,344,059 | 154,285,357 |
| WDV at 31 December, 2015 | 32,829,227 | 182,894 | 15,936,803 | 12,807,891 | 61,756,815 |
| WDV at 31 December, 2014 | 37,542,942 | 224,482 | 17,993,526 | 11,661,059 | 67,422,010 |



Stakeholders' Segment



COMPANY INFORMATION

Board of Directors

Chairman

Imran Ahmed

Nominated by

: Lawrie Group Plc of the U.K.

Directors

Susan Ann Walker

: Lawrie Group Plc of the U.K.

A. Rouf

: United Insurance Company Limited

L. H. Khan

: United Insurance Company Limited

Shama Rukh Alam

: Surmah Valley Tea Company Limited

M. Nurul Alam

: Surmah Valley Tea Company Limited

A. F. M. Misfaqus Samad Choudhury

: United Insurance Company Limited

Independent Directors

M. Abdul Wahed

Daud Khan Panni

Ex- officio Director

Syed Ehsan Quadir, Managing Director

Chief Financial Officer

Zafar Ullah Khan

Company Secretary

Sharmi Noor Nahar

Registered Office:

Camellia House, 22 Kazi Nazrul Islam Avenue, Dhaka - 1000

Phone : 16354, +880-2 -9660039 Fax: +880-2-9662596

Website: www.unitedfinance.com.bd

E-mail: webmail@unitedfinance.com.bd



MILESTONES

| | |
|--|------|
| Incorporation and commenced operation | 1989 |
| Public issue and trading of shares on Dhaka Stock Exchange | 1994 |
| Commenced credit-sale financing operation | 2005 |
| Commenced public deposit mobilisation | 2005 |
| Commenced home loan operation | 2007 |
| Increased authorised capital | 2011 |
| Changed name from United Leasing Company Limited to United Finance Limited | 2014 |

Offices opened

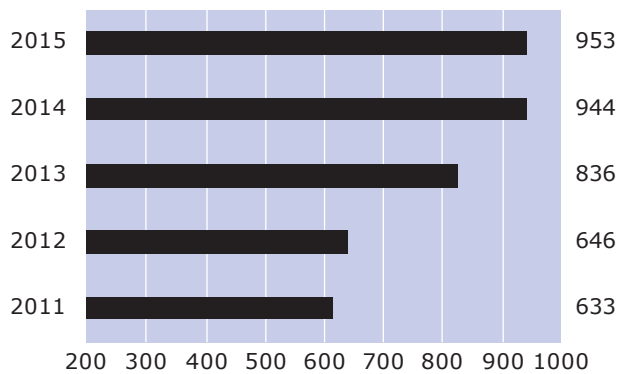
| | |
|---|------|
| Chittagong, Agrabad | 1994 |
| Jessore, R.N. Road | 2005 |
| Gazipur, Joydevpur Chowrasta | 2006 |
| Bogra, Jhawtola | 2006 |
| Sylhet, East Dargah Gate | 2009 |
| Belkuchi, Makundagati Bazar, Sirajgonj | 2010 |
| Rangpur, Station Road | 2010 |
| Chuadanga, Barabazar | 2010 |
| Bongshal, Shahid Syed Nazrul Islam Soroni | 2010 |
| Begumgonj, Feni Road, Noakhali | 2011 |
| Barisal, Sadar Road | 2011 |
| Farmgate, Bir Uttam Ziaur Rahman Road | 2011 |
| Rangamati, Banarupa | 2012 |
| Rajshahi, Saheb Bazar | 2012 |
| Khulna, Gagan Babu Road | 2012 |
| Mymensingh, Chotto Bazar | 2013 |
| Cox's Bazar, Main Road | 2014 |
| Dinajpur, South Munshipara | 2014 |



PERFORMANCE INDICATORS

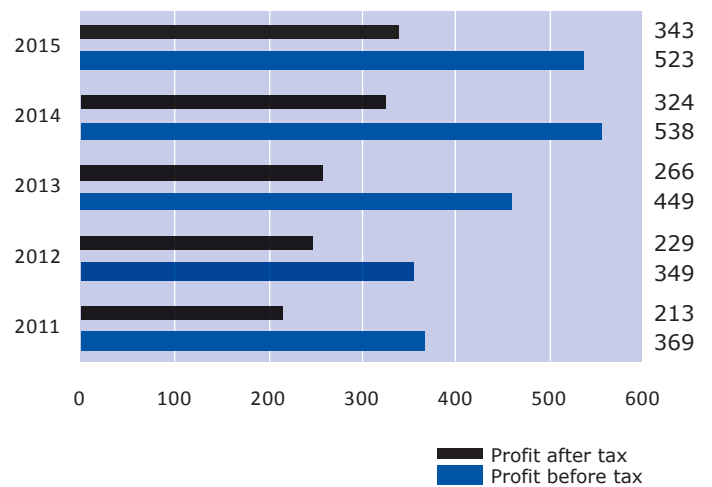
Operating income

Taka in million



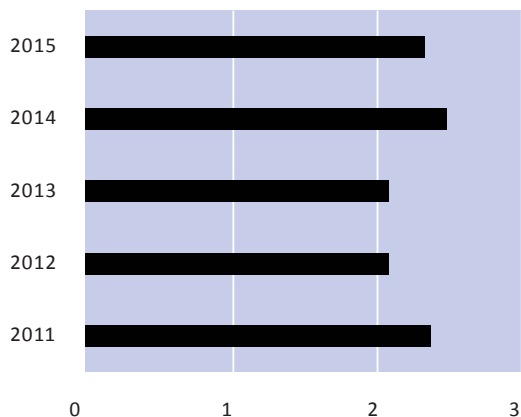
Profit before & after tax

Taka in million



Earning per Share (EPS)

Amount in Taka

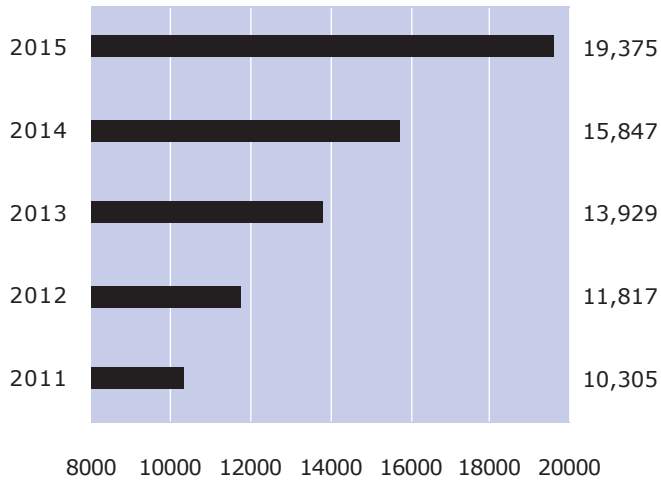




PERFORMANCE INDICATORS

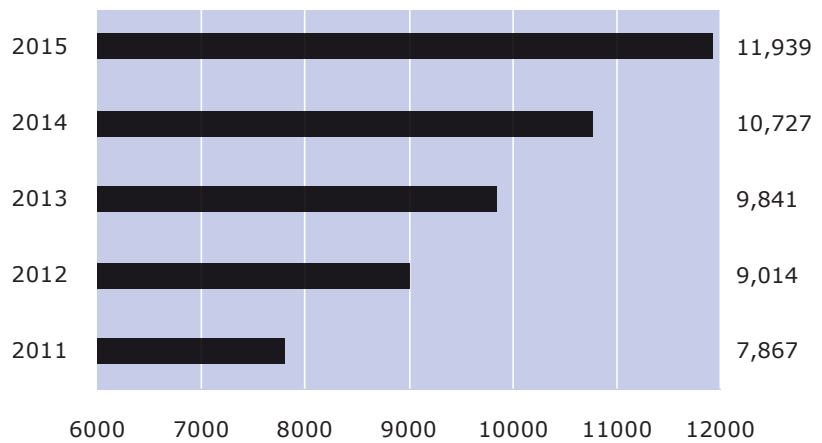
Total asset

Taka in million



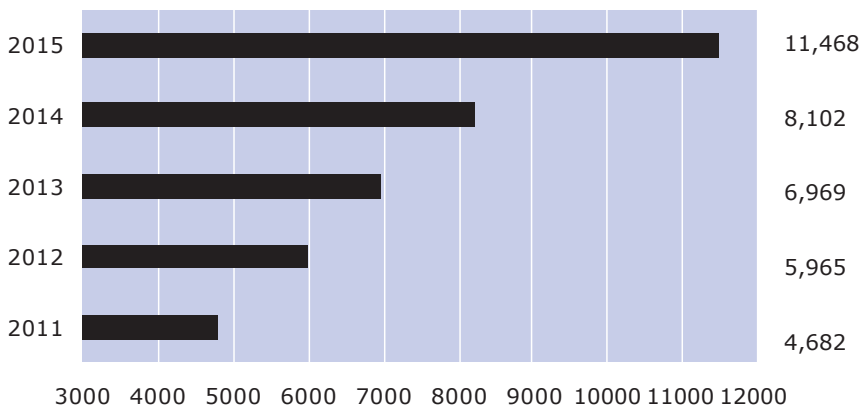
Lease, loans and advances

Taka in million



Term deposit

Taka in million

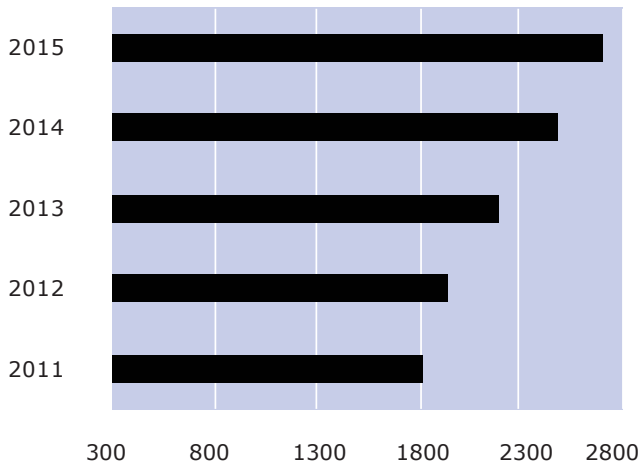




PERFORMANCE INDICATORS

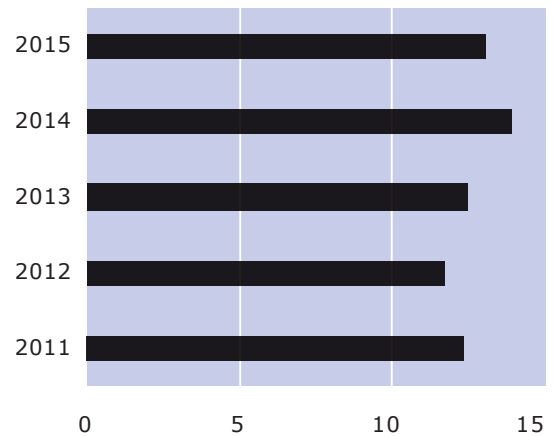
Shareholder's equity

Taka in million



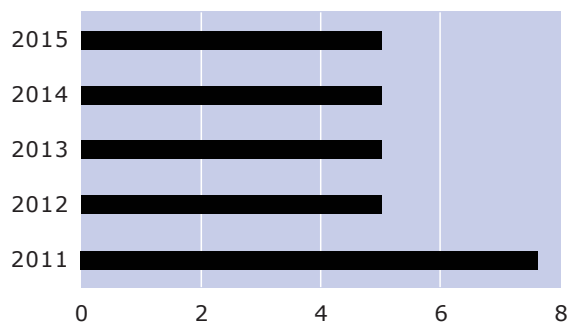
Return on equity

In percentage



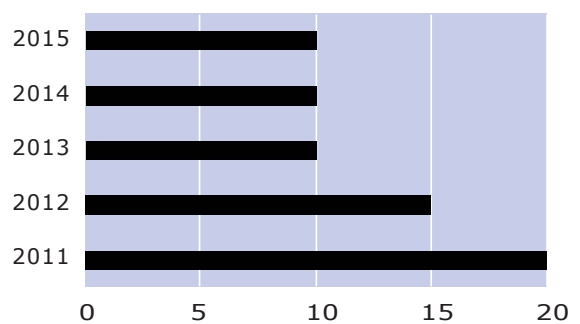
Cash dividend

In percentage



Stock Dividend

In percentage





UNITED FINANCE LIMITED
Camellia House
22 Kazi Nazrul Islam Avenue, Dhaka-1000

PROXY FORM

I/We _____

of _____

being a member of United Finance Limited do hereby appoint

Mr. /Ms. _____

of _____

or (failing him/her) Mr. / Ms _____

of _____

as my/our proxy, to vote for me/us and on my/our behalf at the Twenty Seventh Annual General Meeting of the Company to be held on April 21, 2016 at 10:00 a.m. and at any adjournment thereof or at any ballot to be taken in consequence thereof.

Signed this _____ day of _____ 2016

Revenue
Stamp
TK 20/-

Signature of Shareholder _____

Folio/BO ID No _____

No. of Shares _____

Signature of Proxy**N.B: IMPORTANT**

- (1) This Form of Proxy, 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 agree with the specimen Signature registered with the Company and depository register.

UNITED FINANCE LIMITED
Camellia House
22 Kazi Nazrul Islam Avenue, Dhaka-1000

ATTENDANCE SLIP

I hereby record my attendance at the Twenty Seventh Annual General Meeting of the Company being held on Thursday, April 21, 2016 at 10:00 a.m. at the Dhaka Ladies Club, 36, Eskaton Garden Road, Ramna, Dhaka-1000.

Name of Member/Proxy _____ Signature _____

Folio/BO ID No. _____ Date _____

N.B: i) Shareholders attending the meeting in person or by Proxy are requested to complete the attendance slip and deposit the same at the entrance of the meeting hall.

ii) Shareholders and proxies are requested to record their entry in the Annual General Meeting well in time.

N.B: In compliance with the Bangladesh Securities and Exchange Commission's Circular No. SEC/CMRRCD/2009-193/154 dated October 24, 2013, no Gift/Gift Coupon/Food Box shall be distributed at the 27th AGM.

