



ANNUAL REPORT 2020



Annual Report 2020



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NOTICE OF THE THIRTY SECOND ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty Second Annual General Meeting (AGM) of the shareholders of United Finance Limited will be held on **Wednesday, May 5, 2021 at 3:00 p.m.** through a digital platform in accordance with the Bangladesh Securities and Exchange Commission (BSEC) Order no. SEC/SRMIC/94-231/91 dated March 31, 2021 to transact the following business:

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended December 31, 2020.
2. To declare Dividend for 2020.
3. To elect Directors.
4. To consider the appointment of Statutory Auditors for the year 2021 and fix their remuneration.
5. To consider the appointment of Corporate Governance Compliance Auditors for the year 2021 and fix their remuneration.

By order of the Board

Sharmi Noor Nahar
Company Secretary

Dated: Dhaka
April 13, 2021

Notes:

1. The Shareholders whose name appeared in the Members'/Depository Register on Record Date i.e., April 11, 2021 will be eligible to attend/participate and vote in the Annual General Meeting through digital platform and to receive Dividend.
2. A shareholder entitled to attend/participate and vote at the meeting may appoint a proxy to attend/participate and vote in his/her stead. The scanned copy of the proxy form duly affixed with a revenue stamp of Tk 20.00 must be e-mailed to investor.relations@unitedfinance.com.bd no later than 48 hours before the day of the Annual General Meeting.
3. The link for participating in the AGM through a digital platform will be notified to the e-mail addresses provided in the Beneficiary Owners (BO) account of the respective shareholders held with Depository Participant (DP).
4. Shareholders who changed/amended their e-mail addresses or opened new e-mail addresses after the Record Date are requested to e-mail the details to investor.relations@unitedfinance.com.bd along with full name, Folio/BO ID to receive the digital platform meeting invitation.
5. Full login/participation process to the digital platform meeting will also be available in the Company website www.unitedfinance.com.bd.
6. The soft form of Annual Report 2020 will be forwarded to the e-mail addresses of the shareholders available in their Beneficiary Owners (BO) account maintained with Depository Participant (DP). The Annual Report 2020 and proxy form will be available in the Company website www.unitedfinance.com.bd.



CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the Board of Directors I welcome you all to the 32nd Annual General Meeting of United Finance Limited. I take this opportunity to brief you on the state of the global and national economy, the financial services sector and the performance of the Company during 2020.

Global Economic Performance

The year 2020 has seen the world face unprecedented challenges from the COVID pandemic, testing global economic fortitude from multiple dimensions. The world economy and transnational supply chains were savaged by the pandemic, shrinking by over 9.6% in the year. Global GDP fell by 3.5% year-on-year with the largest contractions being in India -8.0% and Latin America -7.4%.

However, approval and rollout of vaccines have bolstered hopes of economic recovery. Global trade volumes started recovering by the closing of calendar year 2020. Countries in the Asia-Pacific region navigated the adverse health and economic outcomes from the crisis and they are on their way to recovery. Low interest rates and expectations of low oil prices in the coming year are likely to translate into strong economic recovery, spearheaded by fiscal stimulus.

Bangladeshi Economic Performance

Bangladesh experienced an economic slowdown with the onset of the COVID pandemic. GDP growth in FY 2020 is projected to be 5.2% down from 8.13% in FY 2019. However, a 13% increase in the fiscal budget in FY 2021, with a focus on public services and healthcare has been effective in handling the challenges of a post-pandemic economy.

Despite a significant slowdown in both imports and exports, thanks to the burgeoning remittance receipts, the country was able to post a surplus in the current account balance, improving overall Balance of Payments, in the last quarter of 2020. The central bank effectively managed the exchange rate risks with its frequent intervention in the foreign exchange market.

Financial Sector Performance

The financial sector faced challenges in 2020 due to the slowing down of economic activity. However, regulatory bodies were active in guiding the market players through the pandemic. Throughout 2020, appropriate directives were put into effect in a timely manner to mitigate the impact on stakeholders.

There are still several predicaments facing the financial services industry. Excess reserves with Bangladesh Bank have increased by 236%. The industry has sustained high levels of classified loans since January 2018. Especially in the NBFIA sector, the NPL ratio grew from 10.4% to 13.29% from September 2019 to June 2020. However, your Company succeeded in limiting the NPL ratio to 4.24% at the end of 2020.

Company Performance

Earnings per Share (EPS) decreased from BDT 1.31 in 2019 to BDT 1.13 in 2020 and Net Asset Value (NAV) increased from BDT 16.98 in 2019 to BDT 17.11 in 2020.

In spite of the economic slowdown, the Company in 2020 was able to maintain 86.58% of the operating revenue recorded in 2019. This decline in revenue has resulted in a 13.95% decrease in the net profit as the operating expenses have largely remained unchanged.

BUSINESS

Deposit Products

Term deposits from corporate entities, organisations and individuals increased by 8.57% to BDT 11.7 billion. Term deposits from banks and financial institutions on the other hand shrank by 83.65% to BDT 0.17 billion. This apparent shift in focus in deposit collection is due to better control over our deposit portfolio while keeping the cost of deposit at a minimum level.



Lease, Loans and Advances Products

The lease, loans and advances portfolio of the Company grew 0.98% from BDT 14.9 billion to BDT 15.1 billion over the course of the year. The asset portfolio consists of both short term revolving working capital and long term asset financing facilities.

Cost Administration

The year 2020 presented a major cost administration challenge to your Company. In keeping with our commitment to our employees during difficult times we avoided reducing headcount and salary packages. For that reason, the operating expense of your Company remained comparatively unchanged this year.

Risk Management

Burgeoning non-performing loans is always a risk at times of crisis and the Covid-19 pandemic of 2020 has been no exception. However, the Company strengthened its credit risk assessment framework in 2020.

The 2020 risk management objectives were to establish a more structured and data-driven approach to various aspects of risk. Increasing the emphasis on client feedback during these unprecedented times has allowed us to adjust our lending activities according to the changed circumstances of our customers. Business and operational processes and general oversight were revamped.

As part of our commitment to conscientious lending, credit analyses matrix was strengthened during the year to reflect the changed ground reality and risks of operating in a post-Covid world. The Company has also switched to a robust third-party Core Banking System for greater efficiency and improved customer service.

Finally, the research and advisory capabilities of the Company were enhanced in order to produce more timely, in-depth and reliable inputs for implementing an early warning for proactive overdue management.

Sustainability Initiatives

The commitment of the Company to sustainable business practices is reflected in the sustainability report which is appended to this Annual Report and has been prepared in line with the global GRI standards.

Outlook

On the global scale, 2021 promises to be a year of change. The mass inoculation against Covid is raising new hope and the world economy is ready for a rebound on the back of a stable global trade condition and relative peace in the geopolitical arena. The emerging economies are expected to achieve new momentum and the new opportunities arising from a post pandemic landscape will be there for them to seize.

The Bangladesh economy is expected to embrace this momentum in the coming year, with economic activity picking up in the latter half of 2021 and registering a pre-Covid level of growth. The central bank foresees a strong credit growth in both the public and private sectors. Resumption of the large infrastructural projects by the government will generate fresh opportunities. However, the excess liquidity in the market will create challenges for financial institutions.

The key challenge for your Company in 2021 will be to continue to support demand for financing despite shrinking interest rate margins and increasing non-performing loans. It is my belief that your Company will be able to deliver on its commitment to grow sustainably and generate reasonable returns by pursuing a prudent but dynamic business strategy in the upcoming year.



Acknowledgement

I wish to thank our valued customers, shareholders, regulators and other stakeholders for their continuous support and cooperation.

I would like to thank my colleagues on the Board of Directors of the Company for their contribution towards the sustainable growth of the Company and the support rendered to me during the year in conducting the meetings of the Board of Directors.

Lastly, I express my sincere gratitude to all employees of the Company for their dedication and professionalism in discharging their responsibilities during the year.

Sincerely,

A handwritten signature in black ink, appearing to read 'Imran Ahmed', with a stylized flourish at the end.

Imran Ahmed
Chairman of the Board



BOARD OF DIRECTORS' REPORT

Dear Shareholders:

We are pleased to submit herewith the 32nd annual report of the Company together with the audited financial statements for the year ended December 31, 2020 and the auditors' report thereon.

Principal activities

The principal activities of the Company are:

- Mid to long term finance in the form of lease and term loans.
- Working capital finance in the form of short term revolving facilities.
- Deposit taking in the form of term deposits and DPS products.

There were significant impacts on all the above activities during the year 2020 due to the COVID-19 lockdown.

Almost all sectors of the economy were negatively affected as was the overall banking and financial services industry. A general state of shut down of businesses, rapid spread of the pandemic and restrictions on movement all contributed to a sharp decline in the business activity of the Company including scaled down branch operations and adoption of work from home for most employees. In particular a drastic fall in disbursements was experienced in the months of April, May and June of 2020. At the same time pressures on cash flows and associated constraints led to an increase in overdues and non-performing loans which in turn resulted in the Company bolstering its collection and recovery operations.

Concurrently, the Company undertook a major technological transformation project – migration to a tested Core Banking Software (CBS) to ensure improved data manageability and superior customer service. The CBS was launched on December 31, 2020.

Financial results

The Company's before and after tax profit for the year 2020 were BDT 272 million and BDT 211 million compared to BDT 385 million and BDT 245 million respectively in the previous year.

The financial results are summarised below:

	2020 BDT	2019 BDT
Operating Income	922,582,934	1,058,791,964
Operating expenses and provision	(651,073,757)	(673,445,126)
Profit before tax	271,509,177	385,346,838
Provision for taxation	(60,277,084)	(140,674,487)
Profit after tax	211,232,093	244,672,351
Retained earning brought forward	10,612,894	3,055,157
Available profit	221,844,987	247,727,508
Profit transferred from General Reserve	35,000,000	-
Profit available for appropriation	256,844,987	247,727,508
Appropriation:		
Profit transferred to statutory reserve	42,550,000	50,000,000
Profit transferred to general reserve	-	-
Proposed cash dividend	187,114,614	187,114,614
Un-appropriated profit carried forward	27,180,373	10,612,894
	256,844,987	247,727,508

Dividend

The Board recommended cash dividend of Taka one per ordinary share amounting to BDT 187.11 million for 187.11 million ordinary shares held on record date April 11, 2021 for the year ended December 31, 2020.

Directors

As per Articles 154, 155 and 156 of the Articles of Association of the Company, Mr. A. Rouf representing United Insurance Company Limited, Mr. A. F. Nesaruddin and Mr. C. K. Hyder representing Surmah Valley Tea Company Limited will retire by rotation from the office and are eligible for re-election.

Statutory Auditors

The auditors of the Company, Nurul Faruk Hasan & Co., Chartered Accountants shall retire and, being eligible, have offered themselves for reappointment.

The Board of Directors recommended the appointment of Nurul Faruk Hasan & Co., Chartered Accountants for 2021 and Bangladesh Bank accorded its consent in this regard. The matter will be placed before the shareholders in the Annual General Meeting.



Corporate Governance Compliance Auditor

As per the Corporate Governance Code of Bangladesh Securities and Exchange Commission dated June 3, 2018, a professional is required to be appointed for certifying compliance with Corporate Governance Code by the shareholders for the year 2021 in the Annual General Meeting.

The Board of Directors recommended the appointment of Hoque Bhattacharjee Das & Co., Chartered Accountant for the year 2021. 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 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.
- i) The interests of the minority shareholders have been duly protected in the Company.
- j) No stock dividend has been recommended by the Board of Directors of the Company as interim dividend.

Board Meeting and Attendance

During the year, five (5) Board Meetings were held. The attendance of the Directors is shown in annexure-1.

Shareholding Pattern

The shareholding pattern as per clause 1.5 (xxiii) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 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 BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 is shown in annexure-4.

Management Discussion and Analysis

Pursuant to the clause 1.5(xxv) of BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 is shown in annexure-5.

Declaration and Certification of Managing Director and Chief Financial Officer

Pursuant to the clause 1.5 (xxvi) of BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 is shown in annexure-6.

Brief resume of the Directors who will seek re-appointment in the AGM

Brief resume of the Directors as per clause 1.5 (xxiv) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 and BSEC Notification No. BSEC/CMRRCD/2009-193/3/Admin/104 dated February 5, 2020 is shown in annexure-7.

Report on the Activities of Audit Committee

Pursuant to the clause 5.7 of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 we attach the Company's compliance status as annexure-8.

Certification on Compliance of Corporate Governance Code

Certificate from a professional on compliance with the conditions as per clause 9 (1) of Corporate Governance Code is shown in annexure-9.

For and on behalf of the Board of Directors.

Imran Ahmed
Chairman of the Board

March 18, 2021

**Board meeting and attendance**

Annexure-1

Name of Directors	Meetings attended
Mr. Imran Ahmed	5
Mrs. Susan Ann Walker	5
Mr. A. Rouf	5
Mr. L. H. Khan	5
Mr. M.M. Alam	5
Mr. C. K. Hyder	4
Mr. A.F. Nesaruddin	5
Mr. Mahbub Mustafizur Rahman	5
Mr. A.F.M.M Samad Choudhury	5
Mr. Kaiser Tamiz Amin	5

In 2020 five (5) Board meetings were held. Leave of absence was granted in case of non-attendance.

Shareholding pattern as at December 31, 2020

Annexure-2

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

Sl. No	Name of shareholders	Number of shares	% of holdings
1	Lawrie Group Plc, U.K.	37,422,921	20.00
2	United Insurance Co. Ltd.	37,116,828	19.84
3	Surmah Valley Tea Co. Ltd.	15,481,242	8.27
4	Camellia Duncan Foundation	4,855,602	2.59
5	Macalms Bangladesh Trust	2,144,514	1.15
6	Duncan Brothers (BD) Ltd.	1,871,145	1.00
7	Octavius Steel & Co. of BD Ltd.	1,336,510	0.71
8	The Lungla (Sylhet) Tea Co. Ltd.	1,085,324	0.58
9	Amo Tea Co. Ltd.	554,773	0.30
10	The Chandpore Tea Co. Ltd.	130,835	0.07
11	Chittagong Warehouses Ltd.	111,414	0.06
12	The Allynugger Tea Co. Ltd.	111,274	0.06
13	The Mazdehee Tea Co. Ltd.	111,191	0.06
14	Duncan Products Ltd.	111,132	0.06

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

Name	Status	Number of shares	% of holdings
Mr. A. Rouf	Director	13,482	0.007
Mrs. Khurshid Ara Rouf	Wife of Mr. A. Rouf, Director	45,126	0.024
Mrs. Shama Rukh Alam	Wife of Mr. M.M. Alam, Independent Director	19,449	0.010
Mr. Kaiser Tamiz Amin	Chief Executive Officer	-	-
Mr. Zafar Ullah Khan	Chief Financial Officer	-	-
Ms. Sharmi Noor Nahar	Company Secretary	-	-
Mr. Sushil Kumar Mondal	Head of Internal Audit & Compliance	-	-

Shareholdings of top five executives other than directors and above mentioned executives

Name	Status	Number of shares	% of holdings
Mr. Jamal Mahmud Choudhury	General Manager	-	-
Mr. Mohammed Abul Ahsan	Deputy General Manager	-	-
Mr. Md. Enayet Latif	Deputy General Manager	-	-
Mr. Zia Ul Alam Chowdhury	Assistant General Manager	-	-
Mr. Mohammed Ashfaquul Haque Chowdhury	Assistant General Manager	-	-

10% and above shareholdings of the Company

Name	Status	Number of shares	% of holdings
Lawrie Group Plc, U.K	Sponsor	37,422,921	20.00
United Insurance Co. Ltd.	Sponsor	37,116,828	19.84



Key Operating and Financial Data

		2020	2019	2018	2017	2016
Operating Result						
Net Operating Income	MBDT	923	1,059	1,131	969	975
Profit before tax	MBDT	272	385	473	408	468
Provision for tax	MBDT	60	141	197	152	155
Profit after tax	MBDT	211	245	277	256	313
Balance Sheet						
Total investment portfolio	MBDT	15,136	14,989	17,942	16,960	13,803
Total assets	MBDT	21,560	21,730	24,073	23,944	20,675
Financial liabilities	MBDT	14,647	15,096	17,800	18,085	15,273
Total Liabilities	MBDT	18,359	18,553	20,953	20,923	17,741
Shareholders' equity	MBDT	3,201	3,177	3,119	3,021	2,934
Shares outstanding	Mn	187.11	187.11	187.11	178.20	169.72
Financial ratios						
Debt-equity ratio ¹	Times	5.73	5.84	6.72	6.93	6.05
Return on equity ²	%	6.62	7.77	9.01	8.60	11.10
Financial expenses coverage ³	Times	1.21	1.25	1.30	1.35	1.43
Provision on doubtful assets to total lease, loan and advances	%	3.15	3.02	2.68	2.49	3.00
Net asset value per share (NAV)	BDT	17.11	16.98	16.67	16.95	17.29
Earnings per share (EPS)	BDT	1.13	1.31	1.48	1.44	1.84
Cash dividend (per share)	%	10.0	10.0	10.0	10.0	10.0
Stock dividend (bonus share)		-	-	-	20:1	20:1
Number of offices	Nos.	24	24	24	21	19
Number of employees	Nos.	541	516	482	452	463
Restatements⁴ :						
EPS	BDT	1.13	1.31	1.48	1.37	1.67
NAV	BDT	17.11	16.98	16.67	16.14	15.68

MBDT= Bangladeshi Taka in Million, BDT= Bangladeshi Taka, Mn= 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 2020 and accordingly restated for the previous years.

Income segments

Segments	2020	2019	Growth
Net Interest income from Long term activities	751,152,057	773,639,191	-3%
Net interest income from Short term activities	144,300,971	262,718,803	-45%
Investment income	27,129,905	22,433,970	21%



Management Discussion and Analysis

1. Accounting and Bookkeeping Policies and Estimation

Financial statements are prepared in accordance with International Accounting Standards (IAS), International Financial Reporting Standard (IFRS), the Financial Institutions Act 1993, the Financial Institutions Regulation 1994, Companies Act 1994, Securities and Exchange Rules 1987, Bangladesh Bank guidelines and the listing regulations of Dhaka Stock Exchange. When any requirement(s) of the Country's laws, acts, guidelines and circulars issued by the local regulatory bodies differed from those of IFRS or IAS, the national requirements prevailed. When any requirement of the Financial Institutions Act 1993, provisions and circulars issued by Bangladesh Bank differed from those of IFRSs, IASs and BSEC, the requirements of the Financial Institutions Act 1993, provisions and circulars issued by Bangladesh Bank prevailed.

A brief description of the accounting policies and the basis of estimation used for preparation of the financial statements of your Company are disclosed in Note-2 of the financial statements published in the annual report.

2. Changes in Accounting Policies and Estimation

The Company has been maintaining consistent accounting policies and bases of estimation. There was no change in the accounting policies and bases of estimation that had an impact on the financial statements for the past year.

3. Comparative Analyses of Financial Performance

The financial performance of your Company over the last 5 years is appended in Annexure-03 of the Director's Report. Changes over the last year in the key operating and financial position indicators from the financial statements are discussed below. Here we have appended all the items having a significant change:

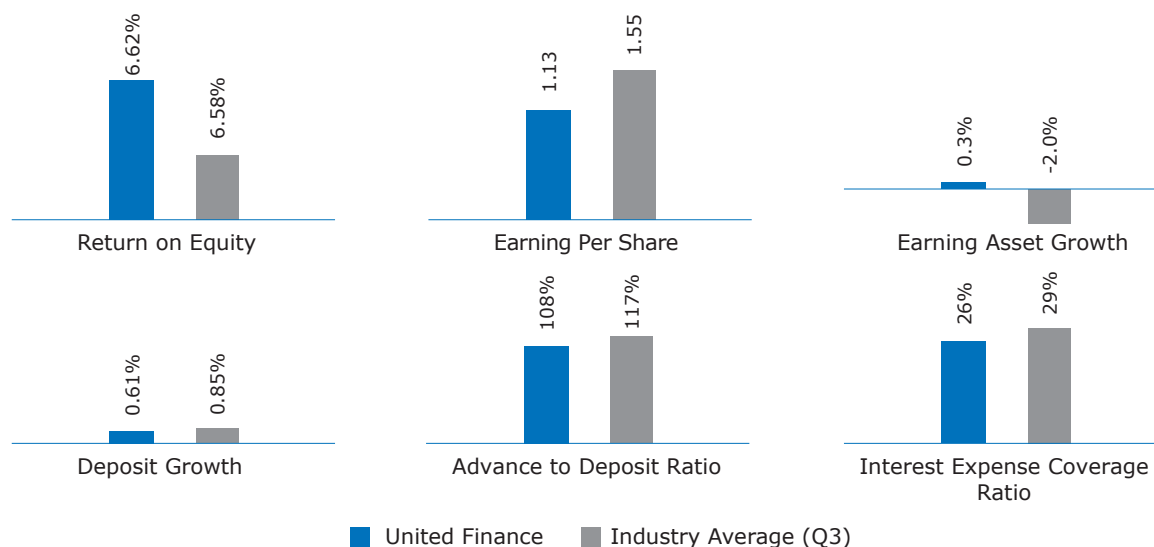
	Performance Indicator	2020 over 2019 (% Change)	Explanation
Income Statement	Interest income	-16.91%	Due to excess liquidity in the market and competitive pressure, we had to reduce the interest rate of both new and existing clients.
	Interest paid on deposits, borrowings, etc.	-16.73%	
	Investment income	-6.7%	The investment portfolio in bonds and preferred share decreased, as fewer suitable investments were identified.
	Other income	20.75%	Sale of old vehicles and realisation of income from forfeited provident fund as per the Financial Reporting Council (FRC) circular no. 179, dated 07 July 2020.
	Auditors' fees	75.00%	Changes in the external auditor along with new directives regarding increasing the fees of auditors from ICAB increased the auditors' fee.
	Stationery, printing, advertisements, etc.	-40.86%	Due to the lockdown and slowdown of business, printing and advertising activities came down.
	Rent, taxes, insurance, electricity, etc.	-18.26%	Due to the stoppage of economic activities, cost savings were achieved on office rents, insurance, and electricity usage.
	Total provisions for lease, loans and advances	-19.03%	Provisions in 2020 were made as per, Bangladesh Bank DFIM Circular No. 01, Date: March 24, 2020.
	Total provisions for taxation	-57.15%	Due to adjustment of previous years' excess tax provision in 2020.
Balance Sheet	Balance with Bangladesh Bank and its agent bank(s)	-20.87%	Bangladesh bank has reduced the CRR from 2.5% to 1.5%.



	Performance Indicator	2020 over 2019 (% Change)	Explanation
Balance Sheet	Balance with banks and other financial institutions	-27.94%	Due to low interest rate, we have reduced our balance in the banks and financial institutions.
	Lease, loans and advances	0.98%	Despite the Covid-19 lockdown, we maintained our interest earning asset portfolio.
	Other assets	8.01%	Mainly due to the receivables created to realise the income from forfeited provident fund, and advance, deposit and prepaid expenses.
	Borrowing from banks, other financial institutions and agents	-14.88%	We shifted our focus from institutional borrowing to individual deposit portfolio. As part of that initiative, we repaid a significant portion of our institutional borrowing.
	Term deposits	0.46%	Despite the Covid-19 pandemic, we grew the Term Deposit portfolio.
	Retained earnings	-9.32%	Part of our retained earnings covered the dividend payment.
Cash Flow Statement	Cash flow from operating activities	-309%	Mainly due to significant reduction of our institutional borrowings and net increase in our Lease, Loans and Advances portfolio.
	Cash flow from investing activities	-54%	Mainly due to the sale/redemption of our preferred shares and commercial bond investments.
	Cash flow from financing activities	388%	Mainly due to significant increase in BB refinance and issuance of Zero Coupon Bond.

4. Comparison of Performance with Peers

In this segment, we present some important performance indicators to show your Company's performance over the last year in comparison to our peers.



The Company was ahead of the industry average in terms of Return on Equity and Earning Asset Growth but its other performance indicators were lower than that of the industry.



5. Financial and Economic Overview

5.1 Global

Throughout the globe, strict lockdowns and social distancing protocols due to the Covid-19 pandemic disrupted economic activity in this past year, particularly in cross-border trade and manufacturing. Many of the largest economies in the world have seen economic slowdowns that will take time to recover, particularly the US, the Euro Zone, and India. The mammoth global fiscal support amounting to \$14 trillion has mitigated some effects of the pandemic by saving lives and livelihood but owing to the economic contraction and dull revenues there has been a significant rise in public debt and deficits. The Emerging Markets in the Asia-Pacific region made the best of this fiscal easing, particularly through stimulus packages, and seem to have weathered the pandemic more robustly.

There has been no “V-shaped” recovery from this pandemic: economic output has not immediately bounced back to pre-pandemic levels. However, lingering economic depression has been avoided. Global production has recovered from the pandemic-caused dip in April 2020. The year-end global PMI (Purchasing Manager’s Index) closed at 53.8, which is close to pre-Covid levels, up from 39.6 in April 2020. Further, household incomes and unemployment rates have largely kept stable across countries during the pandemic.

Though the coronavirus still dominates headlines, the distribution of vaccines has bolstered global confidence. Economic activity is picking back up and fears that subsequent waves of infections would squeeze economic growth are muted. Economic recovery is expected to be on its way in the coming years.

5.2. Bangladesh Economy

Coronavirus did not leave the Bangladesh economy unscathed: economic growth fell to 5.24% in FY 20, down from 8.13% in the previous year, with an acute slowdown in industry and manufacturing in the country. However, the country has confronted unprecedented challenges from the pandemic, posting the highest growth numbers in Asia. Thanks to stimulus packages worth over 4% of the GDP, the country has maintained its economic resilience. The Quantum Manufacturing Index of the country approached pre-pandemic levels as of Q3 2020, indicating that businesses are re-engaging and economic recovery has begun.

Government projects and investment have continued this year despite the pandemic, and the investment to GDP ratio has improved to 31.75%, while the growth public sector credit from domestic banks has also increased. The budget of FY21 has allocated BDT 2,051 billion for development projects. Given that the slew of stimulus packages and government directives put in place for addressing the pandemic are slowly easing off, a steady return to normalcy can be anticipated. Rising per capita income (7.7%) and gross savings rate (30.1%) in FY20 are also encouraging signs. Investments have also risen to 31.75% of the GDP during this period while inflation has largely been under control, below 6%.

The Balance of Trade performance for Bangladesh has also shown commendable resilience. Slowdown in global trade and disruptions in international supply chains hit the balance of trade, with both import and export figures suffering. The RMG sector in particular faced massive cancellation of orders amidst the pandemic, which led to a number of factory shutdowns. However, the export figures in closing months of the year seem to indicate an uptick in RMG exports.

Unprecedented volumes of inward remittance in the year bolstered the Balance of Payments, with an 18.6% increase in FY20 to \$21.74 billion. Such large inflows have led to Bangladesh Bank actively intervening in the market to keep the Taka stable in order to maintain growth momentum for our export markets.

5.3. Bangladesh Financial Sector

The situation in the financial sector is the opposite of the previous year: stimulus packages and increased savings have led to excess liquidity in the market. Surplus liquidity in banks have risen by 95% to above BDT 2 trillion in December 2020. This has put tremendous pressure on the profitability of banks and NBFIs. Weighted average lending rates for banks have fallen from 9.68% to 7.52%, leading to spreads decreasing to 2.98%. Spreads for Non-Bank Financial Institutions (NBFIs) on the other hand, have increased to 3.35%, as a fall in deposit rates (10.55% to 8.69%) has offset the reduction in advance rates (13.01% to 12.04%).

The financial sector is facing a lack of demand for credit, which can largely be attributed to private sector credit growth languishing well below the projected targets of the government, at around 8.4% against a projection of 11.5%.

While regulating the financial sector, the central bank has adopted several business-friendly policies in response to the pandemic. Primary among these measures was the moratorium on loan repayments, put into effect from March 2020 to December 2020. This treatment has allowed the NPL ratio in the industry to shrink to 7.66% as of December 2020 from 8.89% in 2019.

Going forward, 2021 will see the industry operating on increasingly intense price and non-price dimensions as banks and FIs attempt to secure market share. As the coronavirus relief measures are relaxed, survival in the industry would require an optimal mix of prudential risk-taking, flexibility, and capturing market niches.



6. Risks and Concerns

There are several risks facing the Company in the upcoming year. In the immediate term, conclusion of the moratorium period will see an industry-wide increase in classified loans. Provisioning levels are likely to increase as flexibility in impairment recognition for regulatory and financial purposes comes to a close. A return to stringent regulatory standards is likely to see the smaller banks and financial institutions unable to match heightened competition in the face of a more challenging market environment.

In the medium term, diminishing business relief and stimulus measures from the central bank translates to a higher cost of borrowing, particularly for small and woman-led enterprises. This may further hamper private sector credit growth, exacerbating the excess liquidity situation in the market.

It is still challenging to ascertain the full impact of the pandemic. The end of the moratorium period will allow the true extent of the risks to be reflected in official reporting, and will determine the direction of the sector in the upcoming year.

7. The Way Forward

Going forward, Bangladesh is expected to continue its robust growth trajectory on the back of solid government and expansionary monetary policy. Sound infrastructure and energy investment by the government affords strong growth projections for Bangladesh in the medium term. Bangladesh Bank projects high levels of growth, driven by strong growth in credit. With a moderate debt-to-GDP ratio of 21%, and several mega-projects in the works, there is likely to be steady growth in public-sector credit. Private sector credit, similarly, has seen a boost in lieu of several stimulus and refinance packages. While this growth may have some inflationary effects – particularly in food-inflation – headline inflation is largely expected to stay under 6%.

However, as Bangladesh graduates to the next stage of its development trajectory, it faces new challenges in terms of strengthening its overall infrastructure, and when the stimulus runs its course, private sector credit will struggle to sustain its current growth. Through this period, your Company remains committed to do the same: strengthening its monitoring and reporting infrastructure, as well as its adaptive business practices, and expanding and improving its services on the back of robust and data-driven intelligence.

With rising competition and greater profitability and operational pressures, the Company shall remain dynamic in its risk assessment and mitigation mechanisms as it leverages emerging market opportunities in a post-pandemic world to achieve sustainable business growth over the course of 2021.

Sincerely yours,

Kaiser Tamiz Amin
Managing Director



Declaration by Managing Director and Chief Financial Officer

March 18, 2021

The Board of Directors
United Finance Limited
22 Kazi Nazrul Islam Avenue
Dhaka

Subject: Declaration on Financial Statements for the year ended on December 31, 2020.

Dear Sirs,

Pursuant to the condition No. 1(5)(xxvi) imposed vide the Commission Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated June 3, 2018 under section 2CC of the Securities and Exchange Ordinance, 1969, we do hereby declare that:

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

In this regard, we also certify that:

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

Sincerely yours,

Kaiser Tamiz Amin
Managing Director

Zafar Ullah Khan
Chief Financial Officer



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

Mr. 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. Mr. Rouf represents United Insurance Company Limited on the Board of Directors of United Finance Limited.

Mr. A. F. Nesaruddin

Mr. A. F. Nesaruddin is a Senior Partner of Hoda Vasi Chowdhury & Co., Chartered Accountants. He is a fellow member of the Institute of Chartered Accountants of Bangladesh as well as a Council Member and past President of the Institute. He is also a fellow member of the Institute of Chartered Secretaries of Bangladesh. He completed his Masters in Finance with Honours from the University of Dhaka. Mr. Nesaruddin has more than 35 years of experience in statutory audits including audits of listed companies, taxation, corporate due diligence and business advisory services as well as group audits for multinational corporations. He has served as member and director in various government organisations, bank and other capital market intermediary entities. Mr. Nesaruddin represents Surmah Valley Tea Company Limited on the Board of Directors of United Finance Limited.

Mr. C. K. Hyder

Mr. C. K. Hyder graduated from St. Xavier's College, Calcutta and obtained M.Com and LL.B degrees from Calcutta University after which he attended the London School of Economics. Thereafter he attended post-graduate courses at Harvard University and the International Institute for Labour Studies, Geneva. Mr. Hyder previously served as the Secretary General of the Metropolitan Chamber of Commerce & Industry, Dhaka and Bangladesh Employers' Federation. He was a Board member of listed companies, financial institutions as well as Funds set up by multilateral agencies and bank. Mr. Hyder represents Surmah Valley Tea Company Limited on the Board of Directors of United Finance Limited.



Report on the Activities of Audit Committee


During 2020, the Audit Committee discharged the following responsibilities:

- Met with the external Auditors for discussion on the Company's draft Audited Financial Statements for the year 2019;
- Reviewed the Company's draft financial statements for the year ended on December 31, 2019 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 2019;
- Advised the Board on appointment of external auditors for the year 2020 and their audit fee;
- Advised the Board on appointment of professional for certification on compliance of Corporate Governance for the year 2020;
- Reviewed the quarterly reports on Risk Management Forum, Compliance, Internal Audit and System Audit;
- Reviewed the report on development of pending legal cases;
- Reviewed the quarterly financial statements and recommended that the same be placed to the Board for approval;
- Reviewed the report on impact of COVID-19;
- Reviewed the Management Report of the external auditors' for the year 2019 along with the management responses on the Company's internal control;
- Reviewed and adopted the Operational Guidelines on Internal Control and Compliance;
- Reviewed and approved the Compliance Calendar-2021;
- Reviewed the Lease/Loan Write Off cases;

The Audit Committee comprised of:

Sl.	Name	Status in the Company	Status with Committee	Educational Qualification
1	M. M. Alam	Independent Director	Chairman	MBA & Chartered Accountant
2	Mahbub Mustafizur Rahman	Independent Director	Member	MBA
3	L.H. Khan	Director	Member	B.A.
4	C. K. Hyder	Director	Member	M.Com, LL.B
5	A.F.M.M Samad Choudhury	Director	Member	Mechanical Engineer
6	Sharmi Noor Nahar	Company Secretary	Secretary	Chartered Secretary

The Audit Committee held four meetings during the year 2020. On invitation, Company's Managing Director, Chief Financial Officer (CFO), Head of Internal Audit and Compliance, Chief Risk Officer (CRO) and Head of Special Assets Management attended the meeting to meet the queries of the Audit Committee and take directives for improvement.


M. M. Alam
Chairman
Audit Committee



Hoque Bhattacharjee Das & Co.
Chartered Accountants



Report to the Shareholders of United Finance Limited on compliance of the Corporate Governance Code

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

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

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

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

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

Dhaka, March 31, 2021

Hoque Bhattacharjee Das & Co.
Chartered Accountants



Status on compliance of Corporate Governance code by BSEC

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1	Board of Directors'			
1.1	Board's Size	√		
1.2	Independent Director:			
1.2 (a)	One fifth (1/5) of the total number of directors	√		
1.2 (b)(i)	Does not hold any share or holds less than 1% share of the total paid-up shares	√		
1.2 (b) (ii)	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	√		
1.2 (b) (iii)	Who has not been an executive of the Company in the last two years	√		
1.2 (b) (iv)	Does not have any other relationship, whether or otherwise, with the Company or its subsidiary/associated companies	√		
1.2 (b) (v)	Not a Member, Director or Officer of any Stock Exchange or Trading Right Entitlement Certificate (TREC) holder	√		
1.2 (b) (vi)	Not a shareholder, Non-Independent Director, member or officer of any capital market intermediary	√		
1.2 (b) (vii)	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	√		
1.2 (b) (viii)	Not an Independent Director in more than 5 (five) listed companies	√		
1.2 (b) (ix)	Not been convicted of any crime, and not a loan defaulter	√		
1.2 (b)(x)	Not been convicted of any criminal offence involving moral turpitude	√		
1.2 (c)	Appointed by the Board of Directors and approved in the AGM	√		
1.2 (d)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days	√		
1.2 (e)	Tenure of office of an independent director shall be for a period of 3 (three) years and may be extended for one more term	√		
1.3	Qualification of Independent Director (ID):			
1.3 (a)	Knowledge of Independent Directors	√		
1.3 (b) (i)	Business leader	√		
1.3 (b)(ii)	Corporate leader	√		
1.3 (b) (iii)	Former government official	√		
1.3 (b)(iv)	University Teacher in Economics, Commerce or Business Studies or Law	√		
1.3 (b) (v)	Professional who is/was an accountant, secretary, advocate/ equivalent qualification	√		
1.3 (c)	The Independent Director shall have at least 10 (ten) years of experience	√		
1.3 (d)	Special cases for qualification			N/A
1.4	Duality of Chairperson of the Board and Managing Director /Chief Executive Officer			
1.4 (a)	The Chairperson and MD/CEO shall be filling by two different individuals	√		
1.4 (b)	MD/CEO of a listed Company shall not hold the same position in another listed company	√		
1.4 (c)	The Chairperson shall be elected from the non-executive directors	√		
1.4 (d)	The Board shall clearly define the roles and responsibilities of the Chairperson and MD/CEO	√		
1.4 (e)	In absence of Chairperson, the remaining members may elect one from non-executive directors as chairperson for that meeting	√		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1.5	The Directors' Report to Shareholders:			
1.5 (i)	Industry outlook and possible future developments in the industry	√		
1.5 (ii)	Segment-wise or product-wise performance	√		
1.5 (iii)	Risks and concerns	√		
1.5 (iv)	Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	√		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss	√		
1.5 (vi)	Basis for related party transactions	√		
1.5 (vii)	Utilisation 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	√		
1.5 (xi)	Fairness of Financial Statements	√		
1.5 (xii)	Proper books of accounts maintained	√		
1.5 (xiii)	Adoption of appropriate accounting policies and estimates	√		
1.5 (xiv)	Followed IAS/IFRS as applicable in Bangladesh in preparation of financial statements	√		
1.5 (xv)	The system of internal control sound in design & effectively implemented & monitored	√		
1.5 (xvi)	The minority shareholders have been protected from abusive actions of majority shareholders and that there are effective means of redress	√		
1.5 (xvii)	There is no significant doubt regarding the Company's ability to continue as a going concern	√		
1.5 (xviii)	Reporting of significant deviations from the last year's operating results	√		
1.5 (xix)	Key operating and financial data of at least preceding 5 (five) years	√		
1.5 (xx)	No dividend declared			N/A
1.5 (xxi)	Board's statement that no interim bonus share or stock dividend has been/shall be declared			N/A
1.5 (xxii)	Number of Board meeting held & attendance reporting	√		
1.5 (xxiii)	Pattern of shareholdings held by category	√		
1.5 (xxiii)(a)	Parent/Subsidiary/Associated Companies and other related parties	√		
1.5 (xxiii)(b)	Directors, CEO, CFO, CS, HIAC and their spouses and minor children	√		
1.5 (xxiii)(c)	Executives (five top executives other than CEO, CFO, CS, HIAC)	√		
1.5 (xxiii)(d)	10% or more voting interest	√		
1.5 (xxiv)	Appointment/re-appointment of director	√		
1.5 (xxiv)(a)	Resume of the director	√		
1.5 (xxiv)(b)	Expertise in specific functional areas	√		
1.5 (xxiv)(c)	Holding of directorship and membership of committees of the Board other than this Company	√		
1.5 (xxv)	Management discussion and analysis by CEO/MD covering the Company's position with a brief discussion of changes in the financial statements:	√		
1.5 (xxv)(a)	Accounting policies and estimation for preparation of financial statements	√		
1.5 (xxv)(b)	Changes in accounting policies and estimation	√		
1.5 (xxv)(c)	Comparative analysis of financial performance	√		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1.5 (xxv)(d)	Comparison of financial performance or results with the peer industry	√		
1.5 (xxv)(e)	Briefly explain the financial and economic scenario of the country and the globe	√		
1.5 (xxv)(f)	Risks and concerns related to the financial statements; explaining such risk and concerns mitigation plan	√		
1.5 (xxv)(g)	Future plan or projection or forecast for Company's operation, performance & position with justification	√		
1.5 (xxvi)	Declaration of CEO and CFO to the Board, annexure A attached	√		
1.5 (xxvii)	Certification by a practicing professional regarding compliance with Corporate Governance code and shall be disclosed in the Annual report, annexure B attached	√		
1.6	Meeting of the Board of Directors			
	Compliance under Bangladesh Secretarial Standards (BSS) as adopted by Institute of Chartered Secretaries of BD (ICSB)	√		
1.7	Code of Conduct for the Chairperson, other Board members and Chief Executive Officer			
1.7 (a)	The Board shall lay down a code of conduct for the Chairperson, Board members and CEO	√		
1.7 (b)	The code of conduct shall be posted in the website of the Company	√		
2	Governance of Board of Directors of Subsidiary Company			
2 (a)	Composition of the Board of Directors			N/A
2 (b)	At least (one) independent director to the subsidiary company			N/A
2 (c)	Submission of Minutes to the holding company			N/A
2 (d)	Review of Minutes by the holding company			N/A
2 (e)	Review of Financial Statement by the holding company			N/A
3	Managing Director (MD)/Chief Executive Officer, Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)			
3.1	Appointment			
3.1 (a)	The Board shall appoint MD/CEO, CS, CFO and HIAC	√		
3.1 (b)	The positions of the MD or CEO, CS, CFO and HIAC shall be filled by different individuals	√		
3.1 (c)	The MD/CEO, CFO, CS and HIAC of a listed company shall not hold any executive position in any other company at the same time	√		
3.1 (d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, CS and HIAC	√		
3.1 (e)	Position of MD/CEO, CFO, CS and HIAC shall not be removed without approval of the Board and immediate dissemination to BSEC and Stock exchange(s)	√		
3.2	Requirement to attend Board of Directors' Meetings			
3.2 (a)	The MD/CEO, CS, CFO and HIAC of the Company shall attend the meetings of the Board	√		
3.2 (a) (i)	Reviewed the truthfulness of the Financial Statements and certified to the Board by MD & CFO	√		
3.2 (a) (ii)	Reviewed compliance of the accounting standard by MD & CFO	√		
3.2 (b)	Reviewed the absence of fraudulent or illegal transactions or violation of the Company's Code of Conduct	√		
3.2 (c)	Certification of the Financial Statement by MD/CEO and CFO shall be disclosed in the Annual Report	√		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
4	Board of Directors' Committee			
4 (i)	Audit Committee (AC)	√		
4 (ii)	Nomination and Remuneration Committee (NRC)			<p>Financial Institutions are permitted to form only two sub Committees of Board; an Executive Committee and another Audit Committee as per Bangladesh Bank DFIM circular no. 18 dated October 26, 2011; whereas BSEC Notification No. BSEC/CMRRCD/2006-158/207/ Admin/80, dated June 3, 2018 directs to form NRC.</p> <p>This issue has been formally raised by the Bangladesh Leasing and Finance Companies Association (BLFCA) on behalf of the NBFi industry with Bangladesh Bank.</p> <p>United Finance Limited has also raised the issue directly with the Bangladesh Securities and Exchange Commission (BSEC).</p> <p>The guidance of both BSEC and Bangladesh Bank are still pending.</p>
5	Audit Committee			
5.1	Responsibility to the Board of Directors			
5.1 (a)	Sub-committee of the Board	√		
5.1 (b)	Assistance of the Audit Committee to the Board of Directors	√		
5.1 (c)	Responsibility of the Audit Committee	√		
5.2	Constitution of the Audit Committee			
5.2 (a)	At least 3 (three) members	√		
5.2 (b)	Appointment of members of the Audit Committee	√		
5.2 (c)	Qualification of Audit Committee members	√		
5.2 (d)	Term of service of Audit Committee members	√		
5.2 (e)	Secretary of the Audit Committee	√		
5.2 (f)	Quorum of the Audit Committee	√		
5.3	Chairperson of the Audit Committee			
5.3 (a)	Board of Directors shall select the chairperson	√		
5.3 (b)	In absence of Chairperson, the remaining members may elect one from non-executive directors as chairperson for that meeting	√		
5.3 (c)	Chairman of the Audit Committee shall remain present in the AGM	√		
5.4	Meetings of the Audit Committee			
5.4 (a)	At least four meetings in a financial year	√		
5.4 (b)	Quorum of Audit Committee, presence of 2 or 2/3 members whichever is higher	√		
5.5	Role of the Audit Committee			
5.5 (a)	Oversee the financial reporting process	√		
5.5 (b)	Monitor choice of accounting policies and principles	√		
5.5 (c)	Monitor Internal Control Risk management process	√		
5.5 (d)	Oversee hiring and performance of external auditors	√		
5.5 (e)	Hold meeting with the external auditor to review the annual financial statements	√		
5.5 (f)	Review the annual financial statements before submission to the Board for approval	√		
5.5 (g)	Review the quarterly and half yearly financial statements before submission to the Board for approval	√		
5.5 (h)	Review the adequacy of internal audit function	√		
5.5 (i)	Review the Management's Discussion and Analysis before disclosing in the Annual Report	√		
5.5 (j)	Review statement of all related party transactions	√		
5.5 (k)	Review Management Letters / Letter of Internal Control weakness issued by statutory auditors	√		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
5.5 (l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors	√		
5.5 (m)	Disclosure about the uses/applications of funds raised by IPO/RPO/Rights issue			N/A
5.6	Reporting of the Audit Committee			
5.6 (a)	Reporting to the Board of Directors	√		
5.6 (a)(i)	Activities of Audit Committee	√		
5.6 (a)(ii)(a)	Conflicts of Interest	N/A		No such event found
5.6 (a)(ii)(b)	Material defect in the internal control system	N/A		
5.6 (a)(ii)(c)	Infringement of laws, rules and regulations	N/A		
5.6 (a)(ii)(d)	Any other matter	N/A		
5.6 (b)	Reporting to the authorities	√		
5.7	Reporting to the Shareholders & General Investors	√		
6	Nomination and Remuneration Committee (NRC)			<p>Financial Institutions are permitted to form only two sub Committees of Board; an Executive Committee and another Audit Committee as per Bangladesh Bank DFIM circular no. 18 dated October 26, 2011; whereas BSEC Notification No. BSEC/CMRRCD/2006-158/207/ Admin/80, dated June 3, 2018 directs to form NRC.</p> <p>This issue has been formally raised by the Bangladesh Leasing and Finance Companies Association (BLFCA) on behalf of the NBFBI industry with Bangladesh Bank.</p> <p>United Finance Limited has also raised the issue directly with the Bangladesh Securities and Exchange Commission (BSEC).</p> <p>The guidance of both BSEC and Bangladesh Bank are still pending.</p>
6.1	Responsibility to the Board of Directors			
6.1 (a)	Sub-committee of the Board			
6.1 (b)	NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications			
6.1 (c)	The Terms of Reference shall be clearly set forth in writing			
6.2	Constitution of NRC			
6.2 (a)	The Committee shall comprise at least three members including an independent director			
6.2 (b)	All members of the Committee shall be non-executive directors			
6.2 (c)	Members of the Committee shall be nominated and appointed by the Board			
6.2 (d)	The Board shall have authority to remove and appoint any member of the Committee			
6.2 (e)	In casual vacancy the Board shall fill the vacancy within 180 days			
6.2 (f)	The Chairperson of the Committee may appoint or co-opt any external expert to the Committee as advisor			
6.2 (g)	The Company Secretary shall act as the secretary of the Committee			
6.2 (h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent director			
6.2 (i)	No member of the NRC shall receive, either directly or indirectly, any remuneration other than Directors' fees from the Company			
6.3	Chairperson of the NRC			
6.3 (a)	The NRC Chairperson shall be an independent director			
6.3 (b)	In absence of Chairperson, the remaining members may elect one from non-executive directors as chairperson for that meeting			
6.3 (c)	The Chairperson of the NRC shall attend the AGM			
6.4	Meeting of the NRC			
6.4 (a)	The Committee shall conduct at least one meeting in a financial year			
6.4 (b)	The Chairperson can call an emergency meeting upon request by any member of the NRC			
6.4 (c)	Quorum shall be two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must			
6.4 (d)	Minutes of each meeting shall be recorded and confirmed in the next meeting			



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
6.5	Role of the NRC			
6.5 (a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders			
6.5 (b)	NRC shall oversee, among others, the following matters and submit a report with recommendations to the Board			
6.5 (b)(i)(a)	Formulate the criteria regarding the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors to run the Company successfully			
6.5 (b)(i)(b)	The relationship of remuneration to performance is clear and meets appropriate performance benchmarks			
6.5 (b)(i)(c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance			
6.5 (b)(ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality			
6.5 (b)(iii)	Identifying persons who are qualified to become directors and top executives			
6.5 (b)(iv)	Formulating the criteria for evaluation of performance of independent directors and the Board			
6.5 (b)(v)	Identifying the Company's needs for employees at different levels - selection, transfer or replacement and promotion criteria			
6.5 (b)(vi)	Developing, recommending and reviewing annually the Company's HR and training policies			
6.5 (c)	The Company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC in its Annual Report			
7.	Engagement of External/Statutory Auditors			
7.1 (i)	Appraisal or valuation services or fairness opinions	√		
7.1 (ii)	Financial information systems design and implementation	√		
7.1 (iii)	Book keeping	√		
7.1 (iv)	Broker-dealer services	√		
7.1 (v)	Actuarial services	√		
7.1 (vi)	Internal audit services	√		
7.1 (vii)	Any service that the Audit Committee determines	√		
7.1 (viii)	Audit or certification services on compliance of Corporate Governance	√		
7.1 (ix)	Any other service that creates conflict of interest	√		
7.2	Audit firms shall not hold any share of the Company they audit at least during the tenure of audit	√		
7.3	Representative of external auditors shall be present in the AGM/EGM	√		
8	Maintaining a website by the Company			
8.1	The Company shall have an official website linked with the website of the Dhaka Stock Exchange	√		
8.2	The Company shall keep the website functional from the date of listing	√		
8.3	The Company shall make available the detailed disclosures on its website as required under the listing regulations	√		
9.	Reporting and Compliance of Corporate Governance			
9.1	Obtain certificate regarding compliance of conditions of Corporate Governance Code	√		
9.2	The professional who will certify on compliance of Corporate Governance code shall be appointed by the shareholders in the AGM	√		
9.3	Annexure C attached, in the Directors' Report	√		



Dividend Declaration & Distribution Policy

A. Policy Statement

The Board of Directors of United Finance Limited has adopted this Dividend Declaration & Distribution Policy pursuant to the requirements of Bangladesh Securities and Exchange Commission directive no. BSEC/CMRRCD/2021-386/03 dated January 14, 2021 and in consistency with the Articles of Association and Accounting Policy section on "Dividend" of United Finance Limited. The Dividend Declaration & Distribution Policy shall be disclosed in the Annual Report of the Company and placed on the Company website.

B. Policy Guidelines

1. Declaration of dividends

The Company shall declare dividends after complying with all applicable laws, rules, regulations and guidelines from all regulatory bodies.

The Company has a dividend policy that balances the objective of rewarding shareholders by providing a reasonable return on their investments and retaining sufficient earnings to support the future growth of the Company. Subject to these considerations, the dividends for any financial year shall be paid from:

- Current year's distributable profit net of any appropriations from net profit after tax as may be prescribed by relevant laws, rules and regulation and as considered appropriate by the Board of Directors;
- Accumulated retained earnings from previous financial years and general reserve.

The dividends payout shall be subject to consideration of the following financial, internal and external parameters:

Financial parameters	Internal parameters	External parameters
<ul style="list-style-type: none"> • Profit earned during the year • Profit available for distribution • Liquidity profile of the Company • Funding and lending requirements • Creation of contingency fund 	<ul style="list-style-type: none"> • Business expansion • Capital expenditure requirements • Need for conservation of cash • Trend of past dividends payout ratio 	<ul style="list-style-type: none"> • Economic environment • Market trends and industry practice • Statutory provisioning and appropriation guidelines • Tax matters and other contingent liabilities

2. Forms of Dividends

The Board in the meeting that considers and approves the annual financial statements may recommend final dividends for the approval of the shareholders in the Annual General Meeting.

Apart from the above, the Board may after considering the financial position of the Company also declare the following dividends:

- Interim dividends in a financial year;
- Special dividends as and when it deems fit.

3. Consideration of dividends payment to various classes of shares

As of the date of this policy, the Company had issued only one class of ordinary shares with equal voting rights. Dividends are declared on a per share basis on the ordinary shares of face value. The shareholders whose name appear in the Members Register on the record date shall be eligible to receive dividends after deduction of applicable income tax.

The Company may decide to issue any other classes of shares as it deems appropriate from time to time in which case the dividends payments shall be determined in accordance with the applicable rules and regulations of the respective terms of issue of such other class of shares.



4. Circumstances under which dividends may not be declared by the Company

The Company may not be in a position to distribute dividends under the following circumstances:

- In the event of inadequacy of profits earned;
- Any other reason as the Board may deem fit from time to time.

5. Utilisation of retained earnings

The Board may retain such earnings of the Company as it deems necessary to increase shareholder value. Utilisation of the retained earnings of the Company shall be dictated by the business growth plans, capacity building and modernisation initiatives, replacement of capital assets and any other long term strategic plans.

6. Dividends distribution procedure:

In accordance with the guidelines of Bangladesh Securities and Exchange Commission, the Company shall distribute dividends in the following manner:

- Pay off interim/final dividends (cash/stock) to all shareholders within the statutory time after approval in the Annual General Meeting, subject to any additional permission of regulatory bodies as may be applicable.
- Transfer cash dividends to the shareholder's bank account as prescribed in the BO account details maintained with the concerned Depository Participants (DP), or the bank account provided by shareholders in paper form, through Bangladesh Electronic Funds Transfer Network (BEFTN) or any bank transfer mechanism or electronic payment system recognised under the laws of Bangladesh.
- Transfer cash dividends of margin clients to the Consolidated Customer's Bank Account (CCBA) of their respective stock brokers, merchant bankers or portfolio managers.
- In cases where no bank account information of the concerned shareholder is available, issue dividends warrant and forward by registered or courier post to the shareholder.
- Directly credit stock dividends to the BO account or issue bonus share certificate of the shareholder within the statutory time after approval in the Annual General Meeting with the clearance of the stock exchanges and the Central Depository Bangladesh Limited (CDBL).
- Maintain all unclaimed stock dividends in the Suspense BO Account held under Block Module of CDBL.
- Unclaimed cash dividends or stock dividends shall not be forfeited till such time as the claim is barred under the applicable laws of Bangladesh.

7. Unclaimed Dividend History & Dividend Distribution Compliance report:

The summary of the Unclaimed Dividends shall be disclosed every year in the annual financial statements and shall be published on the Company website.

The Dividend Distribution Compliance report shall be published on the Company website after submission of the same to the Bangladesh Securities and Exchange Commission.

8. Review & Amendment:

The Policy shall be reviewed from time to time to ensure conformity with market and regulatory changes. In event of any conflict between requirements of this policy and any statutory rules or regulations, the statutory rules or regulation shall prevail and this policy will be appropriately amended.



Financial Statements



Independent Auditor’s Report To the Shareholders of United Finance Limited Report on the audit of the financial statements

Opinion

We have audited the financial statements of United Finance Limited, (the “Company”) which comprise the balance sheet as at 31 December 2020, and the profit and loss account, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the basis of accounting as explained in note # 2.1 and comply with the Financial Institutions Act, 1993, The rules and regulations issued by Bangladesh Bank, Companies Act, 1994 and other applicable Laws and Regulations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Bank and Bangladesh Securities and Exchange Commission (BSEC), together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below our description of how our audit addressed that matter is provided in that context.

We have fulfilled the responsibilities described in the auditors’ responsibilities for the audit of the financial statements section of our report, including in relation to those matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatements of the financial statements. These results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters	How the matters were addressed in our audit
01. Measurement of provision for loans and advances	
<p>The process for estimating the provision for loans and advances portfolio associated with credit risk is significant and complex. For the individual analysis, these provisions consider the estimates of future business performance and the market value of collateral provided for credit transactions. For the collective analysis, these provisions are manually processed that deals with voluminous databases, assumptions and calculations for the provision estimates of complex design and implementation. At year end 2020 the Company reported total gross lease, loans and advances BDT 15,136,211,313 (2019: BDT 14,989,346,647) and provision for lease, loans and advances BDT 476,763,287 (2019: BDT 452,415,760).</p>	<p>Our procedures, in relation to the key audit matter described, included, among others:</p> <ul style="list-style-type: none"> ● Tested the credit appraisal, loan disbursement procedures, monitoring and provisioning process; ● Identification of loss events, including early warning and default warning indicators; ● Reviewed quarterly classification of loans (FICL Statement); ● Reviewed the adequacy of the companies general and specific provisions; ● Assessed the methodologies on which the provision amounts based, recalculated the provisions and



Key audit matters	Our response to the risk
<p>See note 12.5 to the financial statements for relevant disclosure regarding provision.</p> <p>We have focused on the following significant judgments and estimates which could give rise to material misstatement or management bias:</p> <ul style="list-style-type: none"> ● Completeness and timing of recognition of loss events in accordance with criteria set out in FID circular no 08, dated 03 August 2002, FID circular no. 03, dated 03 May 2006 and FID circular no. 03 dated 29 April 2013 ● For individually assessed provisions, the measurement of the provision may be dependent on the valuation of collateral, estimates of exit values and the timing of cash flows; ● Provision measurement is primarily dependent upon key assumptions relating to probability of default, ability to repossess collateral and recovery rates; 	<p>the completeness and accuracy of the underlying information;</p> <ul style="list-style-type: none"> ● Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.
02. IT Systems and Controls	
<p>Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations and the reliance on automated and IT dependent manual controls. Our areas of audit focus included user access management and changes to the IT environment. These are key to ensuring IT dependent and application-based controls are operating effectively.</p>	<p>We assessed the design and tested the operating effectiveness of the Company’s IT access controls over the information systems that are critical to financial reporting.</p> <p>We tested IT general controls (logical access, changes management and aspects of IT operational controls). This includes testing that requests for access to systems were appropriately reviewed and authorised.</p> <p>We tested the Company's periodic review of access right and reviewed request of changes to systems for appropriate approval and authorisation. We considered the control environment relating to various configurations and other application layer controls identified as key to our audit.</p>

Information Other than the Financial Statements and Auditors’ Report Thereon

Management is responsible for the other information. The other information comprises the director’s reports, management discussion and analysis, statement of corporate governance, financial highlights, value added statement and certification on corporate governance but doesn’t include the financial statements and our auditors’ report. The directors’ reports, management discussion and analysis, statement of corporate governance, financial highlights, economic value added (EVA) statement, value added statement and certification on corporate governance are expected to be made available to us after the date of this auditors’ report.

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

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



When we read the annual report, if we conclude that there is a material misstatement therein, we will communicate the matter to those charged with governance of the Company.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with the basis of accounting as explained in note # 2.1 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Financial Institutions Act, 1993 and the Bangladesh Bank guidelines require the management to ensure effective internal audit, internal control and risk management functions of the Company. The Management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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

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

Other matter

The financial statements of the Company for the year ended 31 December 2019, were audited by another Chartered Accountancy Firm who expressed an unmodified opinion on those statements on 20 February 2020.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act, 1994 and the Securities and Exchange Rules, 1987, the Financial Institutions Act, 1993 and the 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 account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- III. the Company's balance sheet, profit and loss account together with annexed notes dealt with by the report are in agreement with the books of account and returns;
- IV. the expenditures incurred, and payments made were for the purposes of the Company's business.
- V. the financial statements of the Company have been drawn up in conformity with the Financial Institutions Act, 1993 and in accordance with the accounting rules and regulations which were issued by Bangladesh Bank to the extent applicable to the Company;
- VI. adequate provisions have been made for loans, advances, leases, investment and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;
- VII. the financial statements of the Company conform to the prescribed standards set in the accounting regulations which were issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- VIII. the records and statements which were submitted by the branches have been properly maintained and recorded in the financial statements;
- IX. statement sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;
- X. taxes and duties collected and deposited in the government treasury by the Company as per government instructions were found satisfactory based on test checking;
- XI. nothing has come to our attention that the Company has adopted any unethical means i.e. "window dressing" to inflate the profit and mismatch between the maturity of assets and liabilities;
- XII. proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions which were issued by Bangladesh Bank and other regulatory authorities have been complied properly as disclosed to us by management;
- XIII. based on our work as mentioned above under the auditors' responsibility section, the internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible material fraud, forgery and internal policies are being followed appropriately;
- XIV. the Company has complied with relevant laws pertaining to capital, reserve, net worth, cash & liquid assets and procedure for sanctioning and disbursing loans/leases were found satisfactory;
- XV. we have reviewed over 80% of the risk weighted assets of the Company and we have spent around 875 person hours for the audit of the books and accounts of the Company;



- XVI. the Company has complied with relevant instructions which were issued by Bangladesh Bank relevant to classification, provisioning and calculation of interest suspense account;
- XVII. the Company has complied with the "First Schedule" of the Financial Institutions Act, 1993 in preparing these financial statements; and
- XVIII. all other issues which in our opinion are important for the stakeholders of the Company have been adequately disclosed in the audit report.

Dhaka, Bangladesh

Dated: 18 March, 2021

For Nurul Faruk Hasan & Co.

Chartered Accountants

Registration Ref. No. 1/1/ICAB-2008(1)

Md. Faruk Uddin Ahammed

Partner

Enrollment No. 720

DVC: 2103280720AS899732



UNITED FINANCE LIMITED

Balance Sheet

as at 31 December, 2020

PROPERTY AND ASSETS	Notes	2020 BDT	2019 BDT
Cash	3		
In hand		1,290,000	1,290,000
Balance with Bangladesh Bank and its agent bank(s)		236,982,959	299,485,200
		238,272,959	300,775,200
Balance with banks and other financial institutions	4		
In Bangladesh		2,537,140,764	3,520,942,167
Outside Bangladesh		-	-
		2,537,140,764	3,520,942,167
Money at call and short notice	5	670,000,000	-
Investments	6		
Government		-	-
Others		623,768,086	719,063,714
		623,768,086	719,063,714
Lease, loans and advances	7		
Lease receivable		7,217,410,923	7,807,923,700
Loans, cash credits, overdrafts, etc.		7,918,800,390	7,181,422,947
		15,136,211,313	14,989,346,647
Fixed assets including land, building, furniture and fixtures	8	447,550,957	434,383,031
Other assets	9	1,906,710,805	1,765,316,317
Non - financial institutional assets		-	-
Total assets		21,559,654,884	21,729,827,076
LIABILITIES AND CAPITAL			
Liabilities			
Borrowing from banks, other financial institutions and agents	10	2,347,393,668	2,757,850,898
Deposits and other accounts	11		
Current deposits		-	-
Bills payable		-	-
Savings bank deposits		-	-
Term deposits		11,876,673,281	11,822,377,508
Bearer certificates of deposit		-	-
Other deposits		423,211,691	515,699,110
		12,299,884,972	12,338,076,618
Other liabilities	12	3,711,235,118	3,456,875,912
Total liabilities		18,358,513,758	18,552,803,428
Capital / Shareholders' equity			
Paid- up capital	13	1,871,146,140	1,871,146,140
Share premium	14	3,750,000	3,750,000
Statutory reserve	15	921,950,000	879,400,000
General reserve	16	225,000,000	225,000,000
Retained earnings	17	179,294,986	197,727,508
Total Shareholders' equity		3,201,141,126	3,177,023,648
Total liabilities and Shareholders' equity		21,559,654,884	21,729,827,076
Net asset value per share (NAV)	18	17.11	16.98
Restatement of NAV:			
Net asset		3,201,141,126	3,177,023,648
Number of outstanding shares (current year's)		187,114,614	187,114,614
NAV per share		17.11	16.98

**UNITED FINANCE LIMITED****Balance Sheet**

as at 31 December, 2020

OFF-BALANCE SHEET ITEMS**Contingent liabilities**

Acceptances and endorsements
Letters of guarantee
Irrevocable letters of credit
Bills for collection
Other contingent liabilities

Other commitments

Documentary credits and short term trade -related transactions
Forward assets purchased and forward deposits placed
Undrawn note issuance and revolving underwriting facilities
Undrawn formal standby facilities, credit lines and other commitments

Total Off-Balance Sheet items including contingent liabilities

Notes	2020 BDT	2019 BDT
19		
	-	-
	56,291,692	61,037,915
	-	-
	-	-
	-	-
	56,291,692	61,037,915
	-	-
	-	-
	-	-
	-	-
	56,291,692	61,037,915

The annexed notes 1 to 49 form an integral part of these financial statements.

Kaiser Tamiz Amin
Managing Director

A.F.M.M. Samad Choudhury
Director

C.K. Hyder
Director

Imran Ahmed
Chairman

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

Dhaka, March 18, 2021

For Nurul Faruk Hasan & Co.

Chartered Accountants

Registration Ref. No. 1/1/ICAB-2008(1)

Md. Faruk Uddin Ahammed

Partner

Enrollment No. 720

DVC: 2103280720AS899732



UNITED FINANCE LIMITED
Profit and Loss Account
for the year ended 31 December, 2020

Notes	2020 BDT	2019 BDT
OPERATING INCOME		
Interest income	21 1,998,444,556	2,405,287,927
Interest paid on deposits, borrowings, etc.	22 (1,271,602,366)	(1,526,999,212)
Net interest income	726,842,190	878,288,715
Investment income	23 75,524,717	80,947,907
Commission, exchange and brokerage	-	-
Other operating income	24 120,216,027	99,555,342
Total operating income (A)	922,582,934	1,058,791,964
OPERATING EXPENSES		
Salaries and allowances	25 419,820,014	408,367,688
Rent, taxes, insurance, electricity etc.	26 21,896,635	26,769,110
Legal expenses	27 11,633,300	13,784,031
Postage, stamp, telecommunication etc.	28 11,962,584	12,365,165
Stationery, printing, advertisements etc.	29 2,051,540	3,468,989
Managing Director's salary and benefits	30 10,595,000	11,145,645
Directors' fees	31 385,000	462,510
Auditors' fees	32 805,000	460,000
Charges on loan losses	-	-
Depreciation and repair of assets	33 74,447,146	77,041,850
Other expenses	34 41,478,437	50,545,972
Total operating expenses (B)	595,074,656	604,410,960
Profit before provision C=(A-B)	327,508,278	454,381,004
Provision for lease, loans and advances	35 55,895,893	69,034,166
Provision for diminution in value of investments	103,208	-
Other provisions	-	-
Total provision (D)	55,999,101	69,034,166
Operating profit before taxes E=(C-D)	271,509,177	385,346,838
PROVISION FOR TAXATION		
Current Tax	36 57,582,554	136,890,547
Deferred Tax	36 2,694,530	3,783,939
Total provision for taxation (F)	60,277,084	140,674,487
Net profit after taxation (E-F)	211,232,093	244,672,351
Appropriations		
Statutory reserve	15 42,550,000	50,000,000
General reserve	16 -	-
Dividends, etc.	-	-
	42,550,000	50,000,000
Retained surplus	168,682,093	194,672,351
Earnings per share (EPS)	37 1.13	1.31

The annexed notes 1 to 49 form an integral part of these financial statements.


Kaiser Tamiz Amin
Managing Director


A.F.M.M. Samad Choudhury
Director



C.K. Hyder
Director


Imran Ahmed
Chairman

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

Dhaka, March 18, 2021

For Nurul Faruk Hasan & Co.
Chartered Accountants
Registration Ref. No. 1/1/ICAB-2008(1)


Md. Faruk Uddin Ahammed
Partner
Enrollment No. 720
DVC: 2103280720AS899732


**UNITED FINANCE LIMITED****Cash Flow Statement**

for the year ended 31 December, 2020

Notes	2020 BDT	2019 BDT
A) Cash flows from operating activities		
Interest receipts	2,048,050,470	2,450,257,717
Interest payments	(1,149,908,036)	(1,547,975,334)
Dividend receipts	27,668,969	26,854,392
Amount realised from written off clients	12,566,366	67,471,244
7.7 (xi) d. Payments to employees	(416,327,894)	(423,077,096)
Payments to suppliers	(131,235,759)	(290,408,741)
Income taxes paid	9.3 (102,091,996)	(173,441,638)
Receipts from other operating activities	38 108,205,916	100,021,908
Payments for other operating activities	39 (92,405,633)	(110,240,864)
Cash generated from operating activities before changes in operating assets and liabilities		
304,522,402		
Increase / (decrease) in operating assets and liabilities		
Lease, loans and advances to customers	(174,821,689)	2,977,920,102
Other assets	(13,080,969)	5,708,325
Right-of-use assets	(11,732,720)	(188,442,592)
Term and other deposits	(38,191,646)	(2,831,455,039)
Accrued expenses and payables	36,968,417	43,342,165
Net draw down/(payment) of short term loan	(1,606,351,463)	277,646,530
Interest suspense	24,817,999	(10,062,645)
Deferred liability-employees gratuity	(1,294,802)	(1,934,596)
Other liabilities	90,181,574	292,211,925
(1,693,505,298)		
Net cash from operating activities		
(1,388,982,896)		
B) Cash flows from investing activities		
Investment in shares	(100,262,370)	(100,639,620)
Redemption/sale of shares	39,557,998	121,354,479
Redemption of commercial Bond	156,000,000	126,000,000
Purchase of fixed assets	(52,900,395)	(39,629,460)
Proceeds from sale of fixed assets	8,143,027	3,767,915
Net cash from investing activities		
50,538,260		
C) Cash flows from financing activities		
Receipts of long term loan	1,770,703,490	382,136,515
Repayments of long term loan	(590,225,914)	(532,278,177)
Dividend paid	(218,336,584)	(183,366,662)
Net Cash from financing activities		
962,140,992		
(333,508,324)		
D) Net increase in cash and cash equivalents (A+ B + C)	(376,303,644)	441,740,752
E) Effects of exchange rate changes on cash and cash equivalents	-	-
F) Cash and cash equivalents at beginning of the year	3,821,717,367	3,379,976,615
G) Cash and cash equivalents at end of the year (D+E+F)		
3,445,413,723		
3,821,717,367		
Cash and cash equivalents at end of the year		
Cash in hand	1,290,000	1,290,000
Balance with Bangladesh Bank and its agent bank(s)	236,982,959	299,485,200
Balance with banks and other financial institutions	2,537,140,764	3,520,942,167
Money at call and short notice	670,000,000	-
3,445,413,723		
3,821,717,367		
Net operating cash flows per share		
(7.42)		
3.55		

The annexed notes 1 to 49 form an integral part of these financial statements.


Kaiser Tamiz Amin
 Managing Director



A.F.M.M. Samad Choudhury
 Director


C.K. Hyder
 Director


Imran Ahmed
 Chairman

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

For Nurul Faruk Hasan & Co.
 Chartered Accountants
 Registration Ref. No. 1/1/ICAB-2008(1)


Md. Faruk Uddin Ahammed
 Partner
 Enrollment No. 720
 DVC: 2103280720AS899732



UNITED FINANCE LIMITED
Statement of Changes in Equity
for the year ended 31 December, 2020

Particulars	Paid-up Capital	Share Premium	Statutory Reserve	General Reserve	Retained Earnings	(Amount in BDT)	
						Total	
Balance as at 01 January, 2019	1,871,146,140	3,750,000	829,400,000	225,000,000	190,169,771	3,119,465,911	
Cash dividend paid for the year 2018	-	-	-	-	(187,114,614)	(187,114,614)	
Issuance of bonus share for the year 2018	-	-	-	-	-	-	
Net profit after tax for the year 2019	-	-	-	-	244,672,351	244,672,351	
Movement of general reserve	-	-	-	-	-	-	
Appropriation made during the year	-	-	50,000,000	-	(50,000,000)	-	
Balance as at 31 December, 2019	1,871,146,140	3,750,000	879,400,000	225,000,000	197,727,508	3,177,023,648	
Surplus / deficit on account of revaluation of properties	-	-	-	-	-	-	
Surplus / deficit on account of revaluation of investments	-	-	-	-	-	-	
Currency translation differences	-	-	-	-	-	-	
Net gains and losses not recognised in the income statement	-	-	-	-	-	-	
Issuance of bonus share for the year 2019	-	-	-	-	-	-	
Cash dividend for the year 2019	-	-	-	-	-	-	
Net profit after taxation for the year	-	-	-	-	(187,114,614)	(187,114,614)	
Movement of general reserve	-	-	-	-	211,232,093	211,232,093	
Appropriation made during the year	-	-	42,550,000	-	(42,550,000)	-	
Balance as at 31 December, 2020	1,871,146,140	3,750,000	921,950,000	225,000,000	179,294,986	3,201,141,126	

The annexed notes 1 to 49 form an integral part of these financial statements.

Kaiser Tamiz Amin
Managing Director

A.F.M.M. Samad Choudhury
Director

C.K. Hyder
Director

Imran Ahmed
Chairman

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

Dhaka, March 18, 2021

For Nurul Faruk Hasan & Co.
Chartered Accountants
Registration Ref. No. 1/1/ICAB-2008(1)

Md. Faruk Uddin Ahammed
Partner

Enrollment No. 720
DVC: 2103280720AS899732



UNITED FINANCE LIMITED
Liquidity statement

as at 31 December, 2020
 (Analysis of maturity of assets and liabilities)

Particulars	(Amount in BDT)					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	
Assets:						
Cash in hand	1,290,000	-	-	-	-	1,290,000
Balance with Bangladesh Bank and its agent bank(s)	236,982,959	-	-	-	-	236,982,959
Balance with banks and other financial institutions	417,140,764	1,300,000,000	820,000,000	-	-	2,537,140,764
Money at call and short notice	670,000,000	-	-	-	-	670,000,000
Investments	23,794,019	56,481,720	171,595,409	356,896,939	15,000,000	623,768,086
Leases, loans and advances	1,094,661,454	1,373,464,996	5,267,897,103	6,390,519,890	1,009,667,871	15,136,211,313
Fixed assets including land, building, furniture and fixtures	5,677,895	11,324,710	49,650,323	198,436,748	182,461,281	447,550,957
Other assets	21,381,404	14,962,674	278,966,019	796,847,361	794,553,346	1,906,710,805
Total assets (A):	2,470,928,494	2,756,234,100	6,588,108,854	7,742,700,938	2,001,682,498	21,559,654,884
Liabilities:						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	125,257,802	101,958,709	919,278,654	1,181,286,404	19,612,099	2,347,393,668
Term deposits	1,911,138,183	2,317,661,788	4,806,338,979	2,562,869,118	278,665,214	11,876,673,281
Other deposits	30,606,967	38,402,374	147,291,525	178,680,297	28,230,529	423,211,691
Other liabilities	137,074,579	114,743,395	788,886,477	1,952,128,640	718,402,028	3,711,235,118
Total liabilities (B):	2,204,077,530	2,572,766,266	6,661,795,635	5,874,964,459	1,044,909,869	18,358,513,758
Net liquidity gap (A - B):	266,850,964	183,467,834	(73,686,781)	1,867,736,479	956,772,629	3,201,141,126

The annexed notes 1 to 49 form an integral part of these financial statements.


Kaiser Tamiz Amin
 Managing Director


A.F.M. M. Samad Choudhury
 Director


C.K. Hyder
 Director


Imran Ahmed
 Chairman

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



United Finance Limited

Notes to the financial statements

for the year ended 31 December, 2020

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 Company was incorporated on 27 April 1989 under the Companies Act, 1994. Its registration number is C-18484(338)/89. 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 3 months to 11 years 3 months.

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

2.1 Statement of compliance

The Financial Reporting Act 2015 (FRA) was enacted in 2015 and subsequently the Financial Reporting Council (FRC) has been formed but yet to issue financial reporting standards for public interest entities such as non-banking financial institutes. Hence International Financial Reporting Standards (IFRSs) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) are still applicable.

Accordingly, the financial statements of the Company is continued to be prepared in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Financial Institutions Act, 1993, the rules and regulations issued by Bangladesh Bank (BB), the Companies Act, 1994. In case any requirement of the Financial Institutions Act, 1993 and regulations & circulars issued by Bangladesh Bank differ with those of IFRSs, the requirements of the Financial Institutions Act, 1993, and provisions and circulars issued by Bangladesh Bank shall prevail. Material deviations from the requirements of IFRS are as follows:

i) Investment in shares and securities

IFRS: As per requirements of IFRS 9: classification and measurement of investment in shares and securities will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Based on these factors it would generally fall either under "at fair value through profit and loss account" or under "at fair value through other comprehensive income" where any change in the fair value (as measured in accordance with IFRS 13) at the year-end is taken to profit and loss account or other comprehensive income respectively.

Bangladesh Bank: As per FID Circular No. 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.

Financial or presentation effect of the departure: Financial statements for 2020 and corresponding year 2019 have been prepared as per guideline (FID Circular No. 08 dated 03 August 2002) of Bangladesh Bank. During this year, investment provision of BDT 103,208 has been recognised in profit and loss Account (note-35).

ii) Provision for lease, loans and advances

IFRS: As per IFRS 9 an entity shall recognise an impairment allowance on loans and advances based on expected credit losses. At each reporting date, an entity shall measure the impairment allowance for loans and advances at an amount equal to the lifetime expected credit losses if the credit risk on these loans and advances has increased significantly since initial recognition whether assessed on an individual or collective basis considering all reasonable information, including that which is forward-looking. For those loans and advances for which the credit risk has not increased significantly since initial recognition, at each reporting date, an entity shall measure the impairment allowance at an amount equal to 12 months expected credit losses.



Bangladesh Bank: As per FID Circular No. 8 dated 3 August 2002, FID Circular No. 3 dated 3 May 2006 and FID Circular no 03 dated 29 April 2013 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.

Financial or presentation effect of the departure: Financial statements for 2020 and corresponding year 2019 have been prepared as per guideline (FID Circular No. 8 dated 3 August 2002, FID Circular No. 3 dated 3 May 2006 and FID Circular No. 03 dated 29 April 2013) of Bangladesh Bank. An amount of BDT 55.90 million has been charged as incremental provision for lease, loan and advances for 2020. As at 31 December 2020 accumulated provision for lease, loans and advances stand at BDT 476.76 million.

iii) Recognition of interest in suspense

IFRS: Loans and advances to customers are generally classified at amortised cost as per IFRS 9 and interest income is recognised by using the effective interest rate method to the gross carrying amount over the term of the loan. Once a loan subsequently become credit-impaired, the entity shall apply the effective interest rate to the amortised cost of these loans and advances.

Bangladesh Bank: As per FID Circular No. 3 dated 3 May 2006, 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.

Financial or presentation effect of the departure: Financial statements for 2020 and corresponding year 2019 have been prepared as per guideline (FID Circular No. 3 dated 3 May 2006) of Bangladesh Bank. At the year end, interest suspense account has increased to BDT 137.17 million from BDT 112.35 million resulting increase of BDT 24.82 million of interest suspense. This amount has been shown in other liabilities in note 12.2.

iv) Presentation and disclosure of Financial Statements and Financial Instruments

IFRS: Other comprehensive income (OCI) is a component of financial statements or the elements of OCI are to be included in a single other comprehensive income statement. IAS 32 and IFRS 7 require specific presentation and disclosure relating to all financial instruments.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements vide DFIM Circular No. 11, dated 23 December 2009 which will strictly be followed by all banks and NBFIs. The templates of financial statements issued by Bangladesh Bank neither include other comprehensive income (OCI) nor are the elements of Other Comprehensive Income allowed to include in a single comprehensive income statement. As per Bangladesh Bank guidelines, financial instruments are categorised, recognised and measured differently from those prescribed in IAS 39. As such some disclosure and presentation requirements of IFRS 7 and IAS 32 have not been made in the accounts.

Financial or presentation effect of the departure: Financial Statements for 2020 and corresponding year 2019 have been prepared as per guideline (DFIM Circular 11 dated 23 December 2009) of Bangladesh Bank.

v) Cash flow statement

IAS: 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.

Financial or presentation effect of the departure: Financial Statements for 2020 and corresponding year 2019 have been prepared as per guideline (DFIM Circular 11 dated 23 December 2009) of Bangladesh Bank.

vi) Cash and Cash equivalent

IAS: Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and only include those investments which are for a short tenure like: 3 months or less period. In the light of above, balance with Bangladesh Bank and fixed term deposits should be treated as investment asset rather than cash equivalent as it is liquid asset and not available for use in day to day operations.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements vide DFIM circular no. 11 dated 23 December 2009 which will strictly be followed by all NBFIs. The templates of financial statements provided detail presentation for statement of cash flows.



Financial or presentation effect of the departure: Financial Statements for 2020 and corresponding year 2019 have been prepared as per guideline issued through DFIM Circular 11 dated 23 December 2009 of Bangladesh Bank.

vii) Current/Non-current distinction

IAS: As per Para 60 of IAS 1: Presentation of Financial Statement, "An entity shall present current and non-current assets and current and non-current liabilities as separate classification in its statement of financial position".

"Bangladesh Bank: As per DFIM Circular No. 11, dated 23 December 2009, Bangladesh Bank has issued templates for financial statements which is applicable for all the Financial Institutions. In this templates there is no current and non-current segmentation of assets and liabilities".

Financial or presentation effect of the departure: Financial statements for 2020 and corresponding year 2019 have been prepared as per guideline (DFIM Circular No. 11 dated 23 December 2009) of Bangladesh Bank. Moreover, the liquidity statement shows the aging profile of all financial assets and liabilities from where current/non-current portion of assets and liabilities can be obtained.

viii) Off balance sheet items

IFRS and IAS: There is no concept of off-balance sheet items in any IFRS and IAS; hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.

Bangladesh Bank: As per DFIM Circular No. 11, dated 23 December 2009, off-balance sheet items (e.g. letter of credit, letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.

Financial or presentation effect of the departure: Financial statements for 2020 and corresponding year 2019 have been prepared as per guideline (DFIM Circular 11 dated 23 December 2009) of Bangladesh Bank. There is no financial impact in financial statements for this departure.

ix) Complete set of Financial Statements

IAS: As per IAS 1: Presentation of Financial Statements, complete set of financial statements comprises:

- i) a statement of financial position as at the end of the period;
- ii) a statement of profit or loss and other comprehensive income for the period;
- iii) a statement of changes in equity for the period;
- iv) a statement of cash flows for the period;
- v) notes, comprising significant accounting policies and other explanatory information;
- vi) comparative information in respect of the preceding period; and
- vii) a statement of financial position at the beginning of preceding period for retrospective restatement.

Bangladesh Bank: As per DFIM Circular No. 11 dated 23 December 2009 complete set of financial statements includes:

- i) balance sheet;
- ii) profit and loss account;
- iii) statement of changes in equity;
- iv) statement of cash flows;
- v) statement of liquidity; and
- vi) notes, comprising significant accounting policies and other explanatory information.

Financial or presentation effect of the departure: Financial statements for 2020 and corresponding year 2019 have been prepared as per guideline (DFIM Circular No. 11 dated 23 December 2009) of Bangladesh Bank. There is no financial impact in financial statements for this departure.

2.1 Basis of preparation of the financial statements

The financial statements of the Company have been prepared on a going concern basis following accrual basis of accounting except for cash flow statement and investment in marketable securities which are stated at market value in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) and as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh, except the circumstances where local regulations differ, and the Companies Act, 1994, the Financial Institutions Act, 1993, Securities and Exchange Rules, 1987 & the (Listing) Regulations, 2015 of Dhaka Stock Exchanges and other applicable laws and regulations.



2.3 Use of estimates

The preparation of the financial statements requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires disclosure of contingent assets and liabilities as at the date of the financial statements. The estimate and assumptions are based on previous experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis and the revisions to accounting estimates are recognised in the period in which the estimates are revised.

2.4 Reporting currency and level of exactitude

The figures in the financial statements have been stated in Bangladeshi Taka (BDT/Taka/Tk.) which is the functional currency of the Company and have been rounded off to the nearest integer.

2.5 Comparative information

Prior year figures and account titles have been rearranged to conform current year 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 18 March 2021.

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 has been prepared as per guidelines of DFIM Circular No. 11 dated 23 December 2009 of Bangladesh Bank.

2.9 Statement of changes in equity

Statement of changes in equity is prepared in accordance with IAS 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 IFRS 16: 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 comprises 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

Recognition

The Company recognises financial assets in its financial statements when, and only when, the entity becomes a party to the contractual position of the instrument.

Classification

The Company classifies financial assets on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Subsequent measurement

Investment in quoted and unquoted shares are revalued at the end of each reporting period at market price and are compared with book value. Provisions are made for any loss arising from diminution in value of the investment. In case of any unrealised gain, no such gain is recognised in order to comply with FID circular No. 8 dated 3 August 2002 of Bangladesh Bank.

2.11.4a Accounting for leases for office rent (IFRS-16)

United Finance, as a lessee, recognises a right-of-use (ROU) asset representing its right to use of the underlying leased assets and corresponding lease liability representing its obligation to make lease payments for office rent agreements with effect from 01 January 2019. The ROU asset and lease liability are recognised in the financial statements considering the incremental borrowing rate.

The ROU asset is depreciated using the straight line method from the beginning to the end of useful life of the ROU asset or end of the lease term (note-8) .

The lease liability is initially measured at the present value of the lease payments that are adjusted for monthly payments. Lease payments are recorded to profit and loss account as depreciation and finance charges (note-12, 22 & 33).

The ROU asset and lease liability will be re-measured when there is a change in future lease payments arising from a change in borrowing rate and corresponding adjustments will be recorded.

2.11.5 Fixed assets and depreciation

Recognition

The cost of an item of fixed assets is recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. The cost comprises purchase price and any directly attributable cost of bringing the asset to the location and condition for its intended use inclusive of duties and non-refundable taxes.

Subsequent costs of enhancement of existing assets are recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of such items can be measured reliably. All other expenditures are charged to the profit & Loss account during the financial period in which they are incurred.



Fixed assets acquired under lease are accounted for at the lower of present value of minimum lease payments under the lease agreements and the fair value of asset.

Depreciation

Depreciation is charged based on straight line method throughout the estimated span of useful life. For addition to fixed assets, depreciation is charged for the month in which it become available for use. No depreciation is charged for the month of disposal. The rates of depreciation shall be used as follows:

Furniture & Fixture	12.50%
Office Equipment	15.00%
Electrical Equipment	20.00%
Motor Vehicle	20.00%
Office Space	2.50%
Right-of-use assets	Different rates are charged on assets based on respective agreement tenures.

Derecognition

An item of fixed assets is de-recognised on its disposal. The gain or loss arising from de-recognition of an asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The gain or loss on de-recognition of an fixed asset is recognised in profit and loss account.

2.11.6 Account receivable

Account receivable at the balance sheet date is stated at amounts which are considered realisable. Specific allowance is made for receivables considered to be doubtful for recovery.

2.12 Liabilities and basis of their valuation

2.12.1 Provision for doubtful assets

Provisions, specific and general, are made on outstanding exposure on the basis of quarter end review by the management as per Bangladesh Bank's provision policy.

The Company has made excess provision than the regulatory requirement on the basis of management's assessment where there are possibilities of impairment in future.

2.12.2 Income taxes

Tax expenses comprise current tax and deferred tax.

Current tax

Provision for current tax has been made on taxable business income @ 37.5% considering allowable expenses and @ 20% on dividend income as per Income Tax Ordinance 1984.

Deferred tax

Deferred taxation is provided using the balance sheet approach for all temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Tax rate @ 37.5% is used to determine deferred tax.

2.12.3 Provision for accrued expenses

Provisions have been recognised in the balance sheet as follows:

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



2.12.4 Employee benefits

Short term benefits

Salaries, bonuses, allowances and non-monetary benefits are recognised as an expense when associated services are rendered by the employees of the Company.

Defined contribution plans

The Company operates a contributory Provident Fund Approped by National Board of Rebenue (NBR) for its permanent employees. The Provident Fund is administered by the Board of Trustees and is funded by equal contributions both by the permanent employees and the Company @10% of basic salary of the employees. The Company recognises the contribution to the defined benefit plan as an expense when associated services are rendered by employees in exchange for those contributions.

Defined benefit plans

The Company operates a funded Gratuity Scheme Approped by National Board of Rebenue (NBR) for its permanent employees. Employees are entitled to gratuity benefit after completion of five years of continuous service with the Company. Length of service is counted from the date of joining. Provision is made for the Gratuity Scheme in each month considering the employee's length of service, basic salary and applicable rate as per Gratuity Fund Rules. Provision for Gratuity Scheme is accounted for as an expense under salaries and allowances. Actuarial valuation was not made to determine the required provision gratuity scheme.

Other employee benefits

The Company operates a group life insurance scheme for its permanent employees. The premium of insurance scheme is accounted for as expenses in the financial year in which the associated services are rendered by the employees.

2.12.5 Contingent liabilities and contingent assets

The contingent liabilities and contingent assets 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 is 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

Lease income, that is 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 investments in equity shares is recognised during the period in which they are declared in the Annual General Meeting irrespective of receipt. 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 Banks and NBFIs)

Interests from short term deposits and fixed deposits are recognised on an accrual basis taking into account the principal outstanding and the effective rate over period of maturity.

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 amount of the fixed assets and intangible assets are reviewed at each reporting 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 arms-length basis with its related parties. Parties are considered as 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 43. 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 Earnings per share

Earnings per share has been calculated in accordance with IAS 33: Earnings Per Share and has been shown on the face of profit and loss account and computation is stated in note-37.

2.16 Events after the reporting period

The financial statements were authorised for issue on 18 March 2021 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 BDT 1.00 per share as cash dividend, 10% in its Board of Directors meeting held on 18 March, 2021. The proposed dividend is subject to shareholders' approval at the forthcoming Annual General Meeting (AGM). Except the fact as stated above, no circumstances have arisen since the Balance Sheet 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 is 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 Risk Management Forum is responsible for identifying operational risks and take steps to mitigate such risks. The Forum Comprises of the Managing Director, Chief Operations Officer, Chief Financial Officer, Chief Business Officer, Chief Customer Service Officer, Head of Credit and Head of Internal Control & Compliance. The Forum 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 compromising control. The re-engineered process is documented and disseminated among the stakeholders of the process. To ensure checks and balances, 'maker and checker' concept is implemented at every step of the operational processes. Also appropriate training is arranged 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)

3.1 Cash in hand

In local currency
In foreign currency

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)

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 and DFIM circular no. 03 dated 21 June, 2020.

The Cash Reserve Requirement on the Company's term deposits received from public at the rate of 1.5% 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 Bangladesh Bank, other Banks and Financial Institutions. Both the reserves maintained by the Company are in excess of the statutory requirements, as shown below:

a) Cash Reserve Requirement (CRR)

Actual reserve maintained (note-3.2)
Required reserve (1.5% on Public deposits)
Surplus

236,982,959	299,485,200
181,691,743	295,059,947
55,291,216	4,425,253

b) Statutory Liquidity Reserve (SLR)

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

749,005,344	728,957,786
2,775,413,723	3,821,717,367
2,026,408,379	3,092,759,581

The surplus for SLR mostly comprises of interest earnings deposits are maintained as FDR (Lien) BDT 1,820 million against secured overdraft & short term credit facility, BDT 206 million as short term placement 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)

1,290,000	1,290,000
236,982,959	299,485,200
2,537,140,764	3,520,942,167
2,775,413,723	3,821,717,367

4 Balance with banks and other financial institutions

In Bangladesh (note-4.1)
Outside Bangladesh

2,537,140,764	3,520,942,167
-	-
2,537,140,764	3,520,942,167

4.1 In Bangladesh

Current deposits

Nationalised Commercial Bank
Private Commercial Bank
Foreign Commercial Bank

374,527	263,381
128,619,447	139,094,465
9,852,196	467,076
138,846,170	139,824,922

Short-term deposit (STD)

Private Commercial Bank
Foreign Commercial Bank

10,286,772	146,888,234
27,007,822	42,229,011
37,294,594	189,117,245



Fixed deposits

Private Commercial Bank
Foreign Commercial Bank
Financial Institutions

2020 BDT	2019 BDT
2,020,000,000	2,370,000,000
100,000,000	100,000,000
241,000,000	722,000,000
2,361,000,000	3,192,000,000
2,537,140,764	3,520,942,167

4.2 Maturity grouping of balance with banks and other financial institutions

On demand
Up to 1 month
Over 1 month but not more than 3 months
Over 3 months but not more than 6 months
Over 6 months but not more than 1 year
Over 1 year but not more than 5 years
Over 5 years

176,140,764	333,942,167
241,000,000	60,000,000
1,300,000,000	1,727,000,000
820,000,000	970,000,000
-	430,000,000
-	-
-	-
2,537,140,764	3,520,942,167

5 Money at call and short notice

IDLC Finance Limited
DBH Finance Corporation Ltd
IPDC Finance Limited

250,000,000	-
200,000,000	-
220,000,000	-
670,000,000	-

6 Investments

Investment classified as per nature

a) Government securities:

National investment bonds
Bangladesh Bank bills
Government bonds
Prize bonds

-	-
-	-
-	-
-	-
-	-

b) Other investment:

Investment in ordinary shares (Notes 6.1)
Investment in preference shares (Notes 6.2)
Investment in bonds (Notes 6.3)

15,783,250	15,520,880
281,984,836	221,542,834
326,000,000	482,000,000
623,768,086	719,063,714
623,768,086	719,063,714

6.1 Investment in ordinary shares

United Insurance Company Limited
Silco Pharmaceuticals Limited
Coppertech Industries Limited
Sea Pearl Beach Resort & Spa Limited
Ring Shine Textiles Ltd.
Robi Axiata Limited

15,000,000	15,000,000
34,040	34,040
47,420	47,420
37,300	37,300
402,120	402,120
262,370	-
15,783,250	15,520,880

6.1a Investment in insurance sector

United Insurance Company Limited

The Company purchased 600,000 ordinary shares of United Insurance Company Limited, a listed public limited company, @ BDT 25 per share in 2001. Subsequently the Company received bonus shares in 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2016 and 2018.

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

	No. of shares
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
Bonus share received in 2016	200,000
Bonus share received in 2018	250,000
	4,450,000 Shares

As on December 31, 2020 the market value @ Tk. 55.00 (closing market price) of the above 4,450,000 shares was Tk. 244,750,000 against cost price of 600,000 shares (@ Tk. 25) at Tk.15,000,000.



6.1b Investment in other sector

Business Segment	No. of shares	Cost price	Market price
Pharmaceuticals	3,744	34,040	89,856
Metallic Industries	4,979	47,420	105,057
Hotel & Resorts	3,916	37,300	309,756
Telecommunication	26,237	262,370	781,863
Textile Industries	46,705	402,120	298,912
	85,581	783,250	1,585,443

Investments in marketable securities are valued at cost at the Balance Sheet date, if market price is lower than cost in that case required provision are kept in profit & loss account. Unrealised gain is not accounted for in financial statements.

As on December 31, 2020 the market value (closing market price) of the above shares was Tk. 1,585,443 against cost price of Tk. 783,250. Provision for diminution in value of investments in textile industries of Taka 103,208 is considered in profit & loss account due to decrease in market value than cost as on the balance sheet date.

6.2 Investment in preference shares

Preference share of Regent Energy and Power Ltd.
 Redeemable Cumulative Preference Share: Raj Lanka Power Company Ltd.
 Redeemable Cumulative Preference Share: Confidence Power Rangpur Limited
 Redeemable Cumulative Preference Share: Confidence Power Bogra Unit-2 Limited

2020 BDT	2019 BDT
23,794,019	24,558,139
58,190,817	96,984,695
100,000,000	100,000,000
100,000,000	-
281,984,836	221,542,834

6.3 Investment in bonds

Subordinate Bond-Mercantile Bank Ltd.
 Mudaraba Subordinate Bond- Social Islami Bank Ltd.
 Second Subordinate Bond- United Commercial Bank Ltd.
 Mudaraba Subordinate Bond- Al-Arafah Islami Bank Ltd.
 Subordinate Bond: Mutual Trust Bank Ltd.
 Subordinate Bond: Standard Bank Ltd.

20,000,000	40,000,000
26,000,000	52,000,000
40,000,000	60,000,000
80,000,000	120,000,000
120,000,000	160,000,000
40,000,000	50,000,000
326,000,000	482,000,000

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
 Over 6 months but not more than 1 year
 Over 1 year but not more than 5 years
 Over 5 years

-	-
23,794,019	8,558,139
56,481,720	30,219,350
29,698,470	71,698,470
141,896,939	129,396,939
356,896,939	464,190,817
15,000,000	15,000,000
623,768,086	719,063,714

7 Lease, loans and advances

7.1 Broad category-wise break up

Inside Bangladesh

Lease receivable (note-7.2)
 Loans (note-7.3)

7,217,410,923	7,807,923,700
7,918,800,390	7,181,422,947
15,136,211,313	14,989,346,647

Outside Bangladesh

-	-
15,136,211,313	14,989,346,647

7.2 Lease receivable

Net lease receivable (note-7.2.1)
 Advances for leases (note-7.2.3)
 Interest receivable

7,161,296,636	7,736,432,262
1,602,238	500,000
54,512,049	70,991,438
7,217,410,923	7,807,923,700

7.2.1 Net lease receivable

Gross lease receivable
 Less: Unearned lease income

8,194,707,759	8,958,696,436
(1,033,411,123)	(1,222,264,173)
7,161,296,636	7,736,432,262



7.2.2 Movement of net lease receivables

Balance as on January 01
Addition during the year
Realisation during the year

2020 BDT	2019 BDT
7,736,432,262	9,144,298,235
2,412,095,090	3,089,259,984
(2,987,230,715)	(4,497,125,957)
7,161,296,636	7,736,432,262

7.2.3 Advances for leases

This represent disbursements made to clients for procuring assets under lease and quarterly capitalised interest on disbursements. On execution, advances are transferred to lease finance.

7.3 Loans

Term loan
Home loan
Short term loan and CSF advances
Interest receivable

4,772,425,921	3,081,579,305
1,307,270,135	1,015,915,650
1,677,145,845	2,910,491,867
161,958,489	173,436,124
7,918,800,390	7,181,422,947

7.4 Maturity grouping of lease, loans and advances

On demand
Up to 1 month
Over 1 month but not more than 3 months
Over 3 months but not more than 1 year
Over 1 year but not more than 5 years
Over 5 years

-	-
1,094,661,454	1,374,823,378
1,373,464,996	1,459,976,312
5,267,897,103	5,472,768,542
6,390,519,890	5,871,783,066
1,009,667,871	809,995,349
15,136,211,313	14,989,346,647

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

4,398,238	7,235,793
-----------	-----------

b) Lease, loans and advances to Chief Executive and other Senior Executives

351,203	326,961
---------	---------

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	3,201,141,126	3,177,023,648
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	1,158,050,300	936,908,023
2. Industrial sector:		
a) Service industry	1,232,646,345	1,528,074,397
b) Food production/processing industry	1,859,123,761	1,433,143,979
c) Chemical & Pharmaceutical	593,729,299	1,021,316,925
d) Plastic industry	210,341,102	324,071,106
e) Garments	246,708,491	351,309,306
f) Textile	574,186,449	559,520,715
g) Paper, Printing and packaging industry	864,082,604	825,369,775
h) Iron, Steel & Engineering industry	640,929,815	720,363,235
i) Leather & leather products	253,253,137	94,675,428
j) Electronics and electrical industry	535,501,071	555,790,126
k) Telecommunication/Information Technology	44,170,997	91,618,147
l) Jute and jute products	455,407,084	276,521,307
m) Cement/Concrete and allied industry	225,911,875	315,933,582
n) Glass and ceramic industry	19,539,250	32,352,121
o) Ship Manufacturing Industry	-	-
3. Power, Gas, Water and sanitary service	188,534,841	109,590,983
4. Transport & Communication	1,029,110,405	1,025,516,681
5. Real Estate & Housing	1,320,483,510	1,027,470,669
6. Trade and Commerce	3,173,117,903	3,232,603,986
7. Others	511,383,076	527,196,157
15,136,211,313	14,989,346,647	



e) Geographical location-wise lease, loans and advances

Inside Bangladesh
Urban

Dhaka Division
Chattogram Division
Khulna Division
Rajshahi Division
Rangpur Division
Barishal Division
Mymensingh Division
Sylhet Division

Rural

Barishal Division
Rajshahi Division
Chattogram Division
Rangpur Division

Outside Bangladesh

	2020 BDT	2019 BDT
	8,426,810,512	9,238,208,507
	2,030,656,698	1,757,646,426
	1,304,147,381	1,085,450,702
	1,317,084,011	1,154,820,415
	1,056,568,564	808,135,105
	305,816,869	254,732,632
	377,344,623	346,764,732
	101,397,147	88,216,752
	14,919,825,804	14,733,975,271
	8,681,734	8,774,562
	1,761,749	1,909,565
	202,842,439	241,481,146
	3,099,587	3,206,103
	216,385,509	255,371,376
	15,136,211,313	14,989,346,647
	-	-
	15,136,211,313	14,989,346,647

7.6 Sector-wise lease, loans and advances

Public sector
Co-operative sector
Private sector

	-	-
	-	-
	15,136,211,313	14,989,346,647
	15,136,211,313	14,989,346,647

7.7 Particulars of lease, loans and advances

i) Leases, loans and advances considered good in respect of which the Company is fully secured

ii) Leases, loans and advances considered good in respect of which the Company is partially secured

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

v) Classified Leases, loans and advances against which no provision has been made

vi) Leases, loans and advances due by Directors, Officers of the Company or any of them either separately or jointly with any other persons

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.

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

xi) Classified lease, loans and advances

a) Classified lease, loans and advances on which interest has not been

b) Increase/(decrease) of specific provision against classified lease/loan

c) Amount of loan written off

d) Amount realised against loan previously written off

e) Provision kept against loans classified as bad/loss on the date of preparing the balance sheet (note-7.8)

f) Interest credited to Interest Suspense account (note-12.2)

	1,375,233,581	1,270,149,772
	8,118,376,577	7,532,025,495
	-	-
	5,642,601,155	6,187,171,380
	-	-
	15,136,211,313	14,989,346,647
	-	-
	4,398,238	7,235,793
	-	-
	-	-
	-	-
	-	-
	250,436,755	171,430,842
	17,864,267	50,145,934
	63,789,724	171,167,975
	12,566,366	67,471,244
	257,518,184	333,969,425
	137,171,416	112,353,417



xii) Written off lease, loans and advances

Opening Balance	983,991,579	812,823,604
During the year	63,789,724	171,167,975
Cumulative to-date	1,047,781,303	983,991,579
The amount of written-off leases, loans and advances for which law suits have been filed	1,047,781,303	983,991,579

7.8 Classification of lease, loans and advances

Unclassified

Standard	14,529,463,748	13,671,181,553
Special mention account (SMA)	131,572,215	711,024,256
	14,661,035,963	14,382,205,809

Classified

Sub-standard	124,254,703	173,082,770
Doubtful	93,402,464	100,088,643
Bad/Loss	257,518,184	333,969,425
	475,175,350	607,140,838
	15,136,211,313	14,989,346,647

	2020 BDT	2019 BDT
	983,991,579	812,823,604
	63,789,724	171,167,975
	1,047,781,303	983,991,579
	1,047,781,303	983,991,579
	14,529,463,748	13,671,181,553
	131,572,215	711,024,256
	14,661,035,963	14,382,205,809
	124,254,703	173,082,770
	93,402,464	100,088,643
	257,518,184	333,969,425
	475,175,350	607,140,838
	15,136,211,313	14,989,346,647
	125,245,787	122,460,397
	585,229	585,229
	144,775,864	106,987,330
	60,804,986	70,772,474
	177,890,411	177,890,411
	200,175,313	188,442,592
	709,477,590	667,138,433
	(261,926,632)	(232,755,401)
	447,550,957	434,383,031

8 Fixed assets including land, building, furniture and fixtures

Cost

Furniture and fixtures	125,245,787	122,460,397
Office equipment	585,229	585,229
Electrical equipment	144,775,864	106,987,330
Motor vehicles	60,804,986	70,772,474
Office space	177,890,411	177,890,411
Right-of-use assets	200,175,313	188,442,592

Less Accumulated depreciation

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

9 Other assets

Inside Bangladesh

Income generating:

Income receivable (note-9.1)	91,928,431	65,706,907
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Non-income generating:

Deferred tax assets (note-9.2)	2,609,073	5,303,604
Advance, deposit and prepaid expenses	42,098,734	33,178,209
Other receivables	454,074	1,629,812
Receivable from provident fund account (note-24.1)	8,030,711	-
Advance corporate tax (note-9.3)	1,761,589,781	1,659,497,785

Outside Bangladesh

	1,906,710,805	1,765,316,317
	-	-
	1,906,710,805	1,765,316,317

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

9.2 Deferred tax asset

Deferred tax has been recognised 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 International Accounting Standard (IAS) 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	286,590,695	290,482,777	3,892,083
Liability to employees gratuity fund	3,065,446	-	3,065,446
	289,656,140	290,482,777	6,957,529
Applicable tax rate			37.5%
Deferred tax asset as on 31 December, 2020			2,609,073
Deferred tax asset as on 31 December, 2019			5,303,604
Deferred tax expenses during the year 2020 (note-36)			(2,694,530)



9.3 Advance corporate tax

Balance as on January 01
Paid during the year

2020 BDT	2019 BDT
1,659,497,785	1,486,056,147
102,091,996	173,441,638
1,761,589,781	1,659,497,785

10 Borrowing from banks, other financial institutions and agents

In Bangladesh (note-10.1)
Outside Bangladesh

2,347,393,668	2,757,850,898
2,347,393,668	2,757,850,898

10.1 In Bangladesh

Bank overdraft

Private Commercial Bank
Foreign Commercial Bank

44,670,443	821,361,913
927,919	335,587,912
45,598,362	1,156,949,825

Short term loan

Foreign Commercial Bank

-	495,000,000
-	495,000,000

Call borrowing

Nationalised Commercial Bank

-	-
-	-

Long term loan

Bangladesh Bank (Refinance)
Kreditanstalt Für Wiederaufbau (KfW)
Non-Convertible Zero Coupon Bond (Note-10.1.1)

1,413,776,432	1,056,851,576
37,669,431	49,049,497
850,349,443	-
2,301,795,306	1,105,901,073
2,347,393,668	2,757,850,898

10.1.1 The Company issued non-convertible Zero Coupon Bond with face value of BDT 1,000 million (400 bonds with face value of BDT 2.5 million each) and discounted value of BDT 850,349,441 @ 7.5% interest which were fully subscribed as at 31 December, 2020.

10.2 Analysis by security against borrowing from banks, other financial institutions and agents

Secured (FDR pledged as security)
Secured (Corporate guarantee)
Unsecured

1,820,000,000	1,880,000,000
-	-
527,393,668	877,850,898
2,347,393,668	2,757,850,898

10.3 Maturity grouping of borrowing from banks, other financial institutions and agents

On demand
Up to 1 month
Over 1 month but within 3 months
Over 3 months but within 1 year
Over 1 year but within 5 years
Over 5 years

-	-
125,257,802	1,204,305,373
101,958,709	181,507,180
919,278,654	760,282,927
1,181,286,404	579,362,784
19,612,099	32,392,634
2,347,393,668	2,757,850,898

11 Deposits and other accounts

Current deposits & other accounts, etc.
Bills payable
Savings bank deposits
Term deposits (note -11.1)
Bearer certificates of deposit
Other deposits (note-11.2)

-	-
-	-
-	-
11,876,673,281	11,822,377,508
-	-
423,211,691	515,699,110
12,299,884,972	12,338,076,618

11.1 Term deposits

Deposits from banks and financial institutions
Deposits from other than banks and financial institutions

170,000,000	1,040,000,000
11,706,673,281	10,782,377,508
11,876,673,281	11,822,377,508

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
Other public
Foreign currency
Private

	2020 BDT	2019 BDT
Government	-	-
Banks and financial institutions	170,000,000	1,040,000,000
Other public	-	-
Foreign currency	-	-
Private	11,706,673,281	10,782,377,508
	11,876,673,281	11,822,377,508

11.1.2 Maturity analysis of term deposits

a) Maturity analysis of deposits from banks & financial institutions

Payable on demand
Up to 1 month
Over 1 month but within 3 months
Over 3 months but within 1 year
Over 1 year but within 5 years
Over 5 years but within 10 years
Over 10 years

Payable on demand	-	-
Up to 1 month	20,000,000	-
Over 1 month but within 3 months	150,000,000	640,000,000
Over 3 months but within 1 year	-	400,000,000
Over 1 year but within 5 years	-	-
Over 5 years but within 10 years	-	-
Over 10 years	-	-
	170,000,000	1,040,000,000

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

Payable on demand
Up to 1 month
Over 1 month but within 3 months
Over 3 months but within 1 year
Over 1 year but within 5 years
Over 5 years but within 10 years
Over 10 years

Payable on demand	-	-
Up to 1 month	1,891,138,182	1,567,425,570
Over 1 month but within 3 months	2,167,661,788	1,646,208,627
Over 3 months but within 1 year	4,806,338,979	5,700,279,843
Over 1 year but within 5 years	2,562,869,118	1,817,107,112
Over 5 years but within 10 years	278,521,016	51,093,012
Over 10 years	144,198	263,344
	11,706,673,281	10,782,377,508
	11,876,673,281	11,822,377,508

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.

Non-interest bearing deposit
Interest bearing deposit

Non-interest bearing deposit	387,634,203	481,572,134
Interest bearing deposit	35,577,488	34,126,976
	423,211,691	515,699,110

11.2.1 Maturity analysis of other deposits

Payable on demand
Up to 1 month
Over 1 month but within 3 months
Over 3 months but within 1 year
Over 1 year but within 5 years
Over 5 years but within 10 years
Over 10 years

Payable on demand	-	-
Up to 1 month	30,606,967	48,868,245
Over 1 month but within 3 months	38,402,374	51,895,015
Over 3 months but within 1 year	147,291,525	194,530,147
Over 1 year but within 5 years	178,680,297	199,013,869
Over 5 years but within 10 years	28,230,529	21,391,833
Over 10 years	-	-
	423,211,691	515,699,110

12 Other liabilities

Provision for gratuity
KFW interest differential fund (note-12.1)
Interest suspense account (note-12.2)
Accrued expenses and payables (note-12.3)
Lease liabilities (note-12.4)
Provision for lease, loans and advances (note-12.5)
Provision on investment
Provision on others (note-12.6)
Provision for income tax (note-12.7)
Provision on receivable from provident fund account (note-12.8)
Dividend payable (note-12.9)

Provision for gratuity	3,065,446	4,360,248
KFW interest differential fund (note-12.1)	4,826,739	9,760,958
Interest suspense account (note-12.2)	137,171,416	112,353,417
Accrued expenses and payables (note-12.3)	855,527,217	682,961,501
Lease liabilities (note-12.4)	174,076,712	168,191,694
Provision for lease, loans and advances (note-12.5)	476,763,287	452,415,760
Provision on investment	103,208	-
Provision on others (note-12.6)	20,000,000	20,000,000
Provision for income tax (note-12.7)	2,015,575,278	1,957,992,724
Provision on receivable from provident fund account (note-12.8)	6,508,175	-
Dividend payable (note-12.9)	17,617,639	48,839,609
	3,711,235,118	3,456,875,912

12.1 Kreditanstalt Fur Wiederaufbau (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
Addition during the year

Adjusted against training programme

Balance as on January 01	9,760,958	13,742,510
Addition during the year	1,951,176	2,451,086
	11,712,134	16,193,596
Adjusted against training programme	(6,885,395)	(6,432,638)
	4,826,739	9,760,958



2020 BDT	2019 BDT
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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	112,353,417	122,416,062
Add: Amount transferred to "interest suspense" account during the year	54,331,712	68,358,242
Less: Amount recovered from "interest suspense" account during the year	(9,838,721)	(51,378,528)
Less: Written off during the year	(19,674,991)	(27,042,359)
	137,171,416	112,353,417

12.3 Accrued expenses and payables

Liabilities for expenses	660,610,140	487,056,658
Liabilities other than expenses	194,917,077	195,904,843
	855,527,217	682,961,501

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 and VAT deducted at source from depositors, suppliers, employees and collection against leases, loans and advances etc.

12.4 Lease liabilities

Balance as on January 01	168,191,694	188,442,592
Addition during the year	76,084,805	-
Interest charged during the year	11,076,567	13,898,521
Disposal during the year	(47,352,097)	-
Office rent adjustment made during the year	(33,924,257)	(34,149,419)
	174,076,712	168,191,694

Movement of lease liabilities has been included due to implementation of IFRS-16 Leases (office rent)

12.5 Provision for lease, loans and advances

General provision on lease, loans and advances

Balance as on January 01	95,901,285	184,679,632
Provision made for the year (note-35)	34,053,846	(88,778,347)
	129,955,131	95,901,285

Specific provision on unclassified lease, loans and advances

Balance as on January 01	34,473,459	24,123,730
Provision made for the year (note-35)	(26,235,613)	10,349,728
	8,237,846	34,473,459

Specific provision on classified lease, loans and advances

Balance as on January 01	320,092,527	269,946,593
Fully provided debt written off during the year	(44,114,734)	(144,125,615)
Amount realised from written off clients	12,566,366	67,471,244
Provision made for the year (note-35)	49,412,635	126,800,305
	337,956,794	320,092,527

Provision on receivable others and off balance sheet item

Balance as on January 01	1,948,490	1,286,009
Provision made for the year (Note-35)	(1,334,973)	662,481
	613,517	1,948,490
	476,763,287	452,415,760

Provision surplus/(shortage):

	2020		2019	
	Required	Maintained	Required	Maintained
General provision on lease, loans and advances	96,012,383	129,955,131	95,311,457	95,901,285
Specific provision on unclassified lease, loans and advances	6,086,218	8,237,846	34,239,520	34,473,459
Specific provision on classified lease, loans and advances	249,686,464	337,956,794	317,859,402	320,092,527
Other provisions	613,517	613,517	1,948,490	1,948,490
	352,398,582	476,763,287	449,358,869	452,415,760
Total surplus		124,364,705		3,056,891

12.6 Provision on others

Balance as on January 01	20,000,000	-
Provision made for the year (note-35)	-	20,000,000
	20,000,000	20,000,000



12.7 Provision for income tax

Balance as on January 01
Add: Corporate tax for the year (note-36)
Less Settlement of previous year's tax liability (note-36)

2020 BDT	2019 BDT
1,957,992,724	1,821,102,177
105,075,971	136,890,547
(47,493,418)	-
2,015,575,278	1,957,992,724

12.8 Provision on receivable from provident fund account

Provision is kept due to uncertainty of realisation of the forfeited provident fund account balances against resigned employees who did not complete 5 years for the years 2015 to 2018. This is as per the income recognition described in note-24.1.

12.9 Aging analysis of dividend payable

i. Cash dividend payable

Upto 1 year	2,948,326	36,277,459
Over 1 year but within 3 years	3,613,070	2,319,622
Over 3 years but within 4 years	3,671,482	3,385,889
Over 4 years but within 5 years	5,298,724	5,261,840
Above 5 years	2,086,037	1,594,799
	17,617,639	48,839,609

ii. Stock dividend payable

Upto 1 year	-	-
Over 1 year but within 3 years	-	-
Over 3 years but within 4 years	-	-
Over 4 years but within 5 years	-	-
Above 5 years	386,519	386,519
	386,519	386,519

13 Share capital

13.1 Authorised capital

300,000,000 ordinary shares of BDT 10 each

3,000,000,000	3,000,000,000
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13.2 Issued, subscribed and fully paid-up capital

7,000,000 ordinary shares of BDT 10 each issued for cash
180,114,614 ordinary shares of BDT 10 each issued as bonus shares

70,000,000	70,000,000
1,801,146,140	1,801,146,140
1,871,146,140	1,871,146,140

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 Institutions should calculate capital adequacy ratio based on solo basis as well as consolidated basis.

A Eligible Capital :		
Tier-1 Capital	3,201,141,126	3,177,023,648
Tier-2 Capital	138,755,894	130,985,123
Total Eligible Capital (1+2) :	3,339,897,020	3,308,008,771
B Total Risk Weighted Assets (RWA):	17,643,824,956	18,202,484,658
C Capital Adequacy Ratio (CAR) (A ₃ / B)*100	18.93%	18.17%
D Core Capital to RWA (A ₁ / B)*100	18.14%	17.45%
E Supplementary Capital to RWA (A ₂ / B)*100	0.79%	0.72%
F Minimum Capital Requirement (MCR)	1,764,382,496	1,820,248,466
	1,575,514,524	1,487,760,305

Surplus

Core capital (Tier-I)

Paid up capital (note-13.2)	1,871,146,140	1,871,146,140
Share premium (note-14)	3,750,000	3,750,000
Statutory reserve (note-15)	921,950,000	879,400,000
General reserve (note-16)	225,000,000	225,000,000
Retained earnings (note-17)	179,294,986	197,727,508
	3,201,141,126	3,177,023,648

Eligible supplementary capital (Tier-II)

General provision maintained against unclassified loan	138,755,894	130,985,123
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)	-	-
	138,755,894	130,985,123



General provision (Unclassified+SMA+Off balance sheet exposure)
Limit up to 1.25% of RWA for Credit Risk would be eligible as Tier-II capital

Risk Weighted Assets (RWA)

- A Credit Risk
 - On- Balance sheet
 - Off-Balance sheet
 - B. Market Risk
 - C. Operational Risk
- Total: RWA (A+B+C)**

	2020 BDT	2019 BDT
General provision (Unclassified+SMA+Off balance sheet exposure)	138,755,894	130,985,123
Limit up to 1.25% of RWA for Credit Risk would be eligible as Tier-II capital	195,199,534	201,246,613
A Credit Risk	15,615,962,735	16,099,729,077
On- Balance sheet	15,545,598,120	16,023,431,683
Off-Balance sheet	70,364,615	76,297,394
B. Market Risk	475,875,808	516,606,110
C. Operational Risk	1,551,986,414	1,586,149,472
Total: RWA (A+B+C)	17,643,824,956	18,202,484,658

13.4 Percentage of shareholding at the closing date

	No. of shares		Percentage	
	2020	2019	2020	2019
(i) Sponsors				
Foreign	37,422,921	37,422,921	20.00	20.00
Domestic				
- Sponsor affiliated/related entities	40,324,483	40,324,483	21.55	21.55
- Other	3,754,942	3,754,942	2.01	2.01
	81,502,346	81,502,346	43.56	43.56
(ii) Financial Institutions and Companies				
Foreign (sponsor affiliated/related entities)	17,474,639	17,474,639	9.34	9.34
Domestic				
- Sponsor affiliated/related entities	7,222,662	7,222,662	3.86	3.86
- Other	33,909,191	31,896,870	18.12	17.05
	58,606,492	56,594,171	31.32	30.25
(iii) General public – Domestic	47,005,776	49,018,097	25.12	26.19
	187,114,614	187,114,614	100.00	100.00

Total number of shares held by the foreign sponsor and its affiliated/related entities (foreign and domestic) was 102,444,705 Shares of Tk. 10.00 each representing 54.75% of the total issued shares as of 31 December, 2020.

13.5 Shareholding range on the basis of shareholding as at 31 December, 2020

No. of shares	Number of Shareholders	Total number of shares	Percentage of total holdings
1 Less than 500	2,369	377,540	0.20
2 500 to 5,000	3,654	7,393,712	3.95
3 5,001 to 10,000	862	6,235,932	3.33
4 10,001 to 20,000	512	7,333,983	3.92
5 20,001 to 30,000	175	4,374,866	2.34
6 30,001 to 40,000	88	3,123,513	1.67
7 40,001 to 50,000	66	3,064,636	1.64
8 50,001 to 100,000	115	8,266,959	4.42
9 100,001 to 1,000,000	88	22,166,573	11.85
10 Above 1,000,000	15	124,776,900	66.68
	7,944	187,114,614	100.00

13.6 Composition of Shareholders' Equity:

Particulars	No. of shares	Face value per share	BDT
Paid-up Capital	187,114,614	10	1,871,146,140
Share Premium			3,750,000
Preference Share Capital			-
Statutory Reserve			921,950,000
General Reserve			225,000,000
Retained Earnings			179,294,986
Total Shareholders' Equity			3,201,141,126

Date of issue & other information:

Date	Types of paid-up capital	No. of shares	Face value per share	BDT
27-04-1989	Sponsors share capital	7,000	100	700,000
23-11-1989	Sponsors share capital	618,000	100	61,800,000
27-03-1994	Initial public offering	75,000	100	7,500,000
18-04-2005	Bonus (100%)	700,000	100	70,000,000
20-04-2006	Bonus (50%)	700,000	100	70,000,000
25-03-2008	Bonus (10%)	210,000	100	21,000,000
31-03-2009	Bonus (14.29%)	330,000	100	33,000,000
25-03-2010	Bonus (100%)	2,640,000	100	264,000,000
09-06-2011	Bonus (75%)	3,960,000	100	396,000,000
	Before split	9,240,000		924,000,000
	After split	92,400,000	10	924,000,000
09-04-2012	Bonus (20%)	18,480,000	10	184,800,000
28-03-2013	Bonus (15%)	16,632,000	10	166,320,000
10-04-2014	Bonus (10%)	12,751,200	10	127,512,000
23-04-2015	Bonus (10%)	14,026,320	10	140,263,200
21-04-2016	Bonus (10%)	15,428,952	10	154,289,520
27-04-2017	Bonus (5%)	8,485,923	10	84,859,230
26-04-2018	Bonus (5%)	8,910,219	10	89,102,190
	Paid up capital	187,114,614		1,871,146,140



2020 BDT	2019 BDT
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14 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 BDT 3,750,000.

15 Statutory reserve

Balance as at January 01	879,400,000	829,400,000
Addition during the year	42,550,000	50,000,000
	921,950,000	879,400,000

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 BDT 42,550,000 (2019: BDT 50,000,000) to the Statutory Reserve.

16 General reserve

Balance as on January 01	225,000,000	225,000,000
Transfer to retained earnings during the year	-	-
Transfer from retained earnings during the year	-	-
	225,000,000	225,000,000

17 Retained earnings

Balance as on January 01	197,727,508	190,169,771
Less: Cash dividend for last year	(187,114,614)	(187,114,614)
Less: Issue of bonus shares for last year	-	-
Add: Transfer from general reserve during the year	-	-
Balance remaining	10,612,894	3,055,157
Addition during the year		
Net profit after taxation	211,232,093	244,672,351
Transfer to general reserve during the year	-	-
Transfer to statutory reserve during the year	(42,550,000)	(50,000,000)
	179,294,986	197,272,508

Worker's Profit Participation Fund (WPPF)

As per Bangladesh Labor Act 2006 (as amended in 2013) all companies fall within the scope of Worker's Profit Participation Fund (which includes Non-Banking Financial Institutions) are required to provide 5% of its profit before charging such expenses to their eligible employees within the stipulated time.

Ministry of Finance (MoF) and Bangladesh Bank (BB) have reviewed the law and proposed to the Ministry of Labor to exclude Banks and Non-Banking Financial Institutions from the requirements of the law regarding the provision of Worker's Profit Participation Fund and accordingly Ministry of Finance issued a letter on 14 February 2017 to the Ministry of Labor to waive Banks and Non-Banking Financial Institutions from the purview of the requirement(s) of the Bangladesh Labor Act 2013.

However, United Finance Limited maintained adequate retained earnings to keep required provision for Worker's Profit Participation Fund (from the year 2014 to 2020) subject to the final clearance from the Ministry of Labor since the matter stands unresolved.

18 Net asset value per share (NAV)

Total assets	21,559,654,884	21,729,827,076
Total liabilities	18,358,513,758	18,552,803,428
Net assets	3,201,141,126	3,177,023,648
Number of share outstanding (current year's)	187,114,614	187,114,614
Net asset value per share	17.11	16.98
Restated NAV:		
Net assets	3,201,141,126	3,177,023,648
Number of ordinary shares as on 31 December	187,114,614	187,114,614
Restated NAV	17.11	16.98

19 Contingent liabilities

19.1 Letters of guarantee

Letters of guarantee (Local)	56,291,692	61,037,915
Letters of guarantee (Foreign)	-	-
Foreign counter guarantees	-	-
	56,291,692	61,037,915

Guarantees

The Company issues 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.



20 Profit and loss account

Income:

Interest, discount and similar income (note-20.1)
Dividend income (Note-23)
Other operating income (Note-24)

Expenses:

Interest, fee and commission etc. (Note-22)
Administrative expenses (note-20.2)
Other operating expenses (Note-34)
Depreciation on Company's fixed assets

20.1 Interest, discount and similar income

Interest on lease, loans, and advances (Note-21)
Interest on bonds (Note-23)
Discount income
Interest on debentures

20.2 Administrative expenses

Salaries and allowances
Rent, taxes, insurance, electricity etc.
Legal expenses
Postage, stamp, telecommunication etc.
Stationery, printing, advertisement etc.
Managing Director's salary and benefits
Directors' fees
Auditors' fees
Repairs and maintenance of the Company's assets

21 Interest income

Lease
Term loan and home loan
Short term financing
Total interest income

Interest on deposit/balance with banks and other financial institutions
Interest on deposits under lien for credit line facilities

22 Interest paid on deposits, borrowings etc.

a) Interest paid on deposits

Deposits from other than banks and financial institutions
Deposits from banks and financial institutions
Direct deposit expenses
Interest bearing security deposits

b) Interest paid for borrowing

Bank loans
Bangladesh Bank refinance and KFW
Call loan
Overdraft
Zero Coupon Bond

c) Interest expenses-lease liabilities

23 Investment income

Interest on bonds
Dividend on shares

	2020 BDT	2019 BDT
	2,040,213,421	2,463,190,872
	33,755,852	23,044,962
	<u>120,216,027</u>	<u>99,555,342</u>
	2,194,185,300	2,585,791,176
	<u>1,271,602,366</u>	<u>1,526,999,212</u>
	489,241,691	492,942,682
	41,478,437	50,545,972
	<u>64,354,528</u>	<u>60,922,306</u>
	<u>1,866,677,022</u>	<u>2,131,410,172</u>
	<u>327,508,278</u>	<u>454,381,004</u>
	1,998,444,556	2,405,287,927
	41,768,865	57,902,945
	-	-
	-	-
	<u>2,040,213,421</u>	<u>2,463,190,872</u>
	419,820,014	408,367,688
	21,896,635	26,769,110
	11,633,300	13,784,031
	11,962,584	12,365,165
	2,051,540	3,468,989
	10,595,000	11,145,645
	385,000	462,510
	805,000	460,000
	10,092,618	16,119,544
	<u>489,241,691</u>	<u>492,942,682</u>
	940,568,321	1,121,562,285
	604,255,312	589,787,821
	<u>266,331,018</u>	<u>450,991,407</u>
	<u>1,811,154,651</u>	<u>2,162,341,513</u>
	56,360,774	86,351,448
	<u>130,929,131</u>	<u>156,594,966</u>
	<u>1,998,444,556</u>	<u>2,405,287,927</u>
	1,064,120,102	1,029,581,938
	87,112,467	334,258,663
	19,790,908	22,014,523
	<u>1,679,701</u>	<u>1,710,609</u>
	<u>1,172,703,178</u>	<u>1,387,565,733</u>
	10,505,833	29,393,541
	59,861,986	63,016,751
	499,583	6,463,195
	16,318,673	26,661,471
	<u>636,546</u>	<u>-</u>
	87,822,621	125,534,958
	<u>11,076,567</u>	<u>13,898,521</u>
	11,076,567	13,898,521
	<u>1,271,602,366</u>	<u>1,526,999,212</u>
	41,768,865	57,902,945
	<u>33,755,852</u>	<u>23,044,962</u>
	<u>75,524,717</u>	<u>80,947,907</u>



24 Other operating income

Reimbursement - invoice processing and collection costs
 Early repayment premium
 Reimbursement - documentation costs
 Late payment charges
 Profit on sale of fixed assets
 Income from provident fund forfeited account (note-24.1)
 Miscellaneous earnings

	2020 BDT	2019 BDT
	11,897,101	16,821,443
	10,727,119	10,470,062
	36,130,541	43,312,323
	39,891,675	24,828,914
	4,032,382	142,003
	8,030,711	-
	9,506,498	3,980,597
	120,216,027	99,555,342

24.1 Income from provident fund forfeited account

The income is recognised as per section 1 of the Financial Reporting Council (FRC) circular no. 179 dated 07 July 2020. The amount comprises forfeited account balances of resigned employees who did not complete 5 years since 2015 to 2019. The corresponding accounts receivable is recognised under note-9.

The recognition of income from forfeited account balances of resigned employees who did not complete 5 years in the year 2020 is pending subject to verification and audit of the United Finance Limited Employee's Provident Fund.

25 Salaries and allowances

Basic salary, provident fund contribution and all other allowances
 Festival and incentive bonus

	379,863,659	369,943,976
	39,956,355	38,423,712
	419,820,014	408,367,688

26 Rent, taxes, insurance, electricity etc.

Rent, rate and taxes (note-26.1)
 Insurance
 Electricity, gas and water

	251,217	322,708
	14,084,623	17,397,222
	7,560,795	9,049,180
	21,896,635	26,769,110

26.1 Movement of Rent, rate and taxes

Rent expenses charged
 Less: Reclassification of rent (as per IFRS 16 Leases)
 Rent expenses reported

	34,175,474	34,472,127
	33,924,257	34,149,419
	251,217	322,708

Movement of Rent, rate and taxes have been included due to implementation of IFRS-16 Leases (office rent).

27 Legal expenses

Legal fees
 Professional fees

	8,350,412	12,668,814
	3,282,888	1,115,217
	11,633,300	13,784,031

28 Postage, stamp, telecommunication etc.

Stamp expenses
 Postage and courier
 Telephone, mobile and internet

	3,608,980	1,947,464
	511,449	667,974
	7,842,155	9,749,727
	11,962,584	12,365,165

29 Stationery, printing, advertisements etc.

Printing and stationeries
 Publicity and advertisements

	1,456,866	2,946,469
	594,674	522,520
	2,051,540	3,468,989

30 Managing Director's salary and benefits

Remuneration
 Other benefits

	7,475,000	7,656,000
	3,120,000	3,489,645
	10,595,000	11,145,645

31 Directors' fees

Directors' fees

	385,000	462,510
	385,000	462,510

Directors' fee include fees for attending the meeting by the non-executive Directors. Each Director was paid @ Tk. 5,000 per meeting as attendance fee after deduction of tax.

32 Auditors' fees

Statutory audit fees (including VAT)

	805,000	460,000
	805,000	460,000



33 Depreciation and repair of assets

Depreciation - (Annexure-A)

	2020 BDT	2019 BDT
Furniture and fixture	8,642,956	7,781,595
Office equipment	52,894	36,344
Electrical equipment	13,935,659	10,466,032
Motor vehicles	9,260,479	9,991,316
Office space	4,447,260	4,447,262
Right-of-use assets	28,015,280	28,199,757
	64,354,528	60,922,306
Repairs		
Maintenance of electrical equipment, office equipment, motor vehicle & other assets	10,092,618	16,119,544
	10,092,618	16,119,544
	74,447,146	77,041,850

Movement of depreciation and repair of assets (Right-of-use assets) have been included due to implementation of IFRS-16 Leases (office rent).

34 Other expenses

Training expenses	2,042,265	2,934,714
Books, magazines and newspapers etc.	52,449	98,097
Staffs' uniforms	1,115,691	1,487,462
Medical expenses	631,491	1,119,165
Fees and subscriptions	1,866,262	2,049,350
Bank charges	2,210,078	3,784,122
Excise duty expenses	1,608,450	1,623,950
Car expenses	1,052,265	1,987,974
Entertainment	2,474,001	3,559,475
Office expenses	2,487,746	4,365,681
Security services	8,975,771	8,698,777
Business promotion expenses	1,958,694	7,737,778
Annual General Meeting/Shareholder expenses	1,583,729	1,803,581
Travelling and conveyance expenses	6,911,370	9,295,846
Provision expense on receivable from provident fund account (note-12.8)	6,508,175	-
	41,478,437	50,545,972

35 Provision for lease, loans and advances

General provision on lease, loans and advances (note-12.5)	34,053,845	(88,778,347)
Specific Provision on unclassified lease, loans and advances (note-12.5)	(26,235,613)	10,349,728
Specific Provision on classified lease, loans and advances (note-12.5)	49,412,635	126,800,305
Provision on receivable others and off balance sheet item	(1,334,973)	662,481
Provision on others (note 12.6)	-	20,000,000
	55,895,893	69,034,166

36 Provision for taxation

Current tax

Corporate tax for the year on operating profit	105,075,971	136,890,547
Less: Settlement of previous year's tax liability	(47,493,418)	-
	57,582,554	136,890,547

Deferred tax

Deferred tax (note- 9.2)	2,694,530	3,783,939
	2,694,530	3,783,939
	60,277,084	140,674,487

Average effective tax rate

Operating profit before taxes	271,509,177	385,346,838
Provision for taxation	60,277,084	140,674,487
Effective rate	22.20%	36.51%

37 Earnings per share (EPS)

Net profit after tax	211,232,093	244,672,351
Number of ordinary shares outstanding	187,114,614	187,114,614
Earnings Per share (EPS)	1.13	1.31
Restatements of EPS:		
Net profit after tax	211,232,093	244,672,351
Number of ordinary shares as on 31 December	187,114,614	187,114,614
	1.13	1.31

Earnings per share (EPS) has been computed by dividing the basic earnings by the number of ordinary shares outstanding as of 31 December 2020 as per International Accounting Standard 33 Earnings Per Share.



38 Receipts from other operating activities

Reimbursement - invoice processing and collection costs
 Early repayment premium
 Reimbursement-documentation costs
 Late payment charges
 Miscellaneous earnings

2020 BDT	2019 BDT
11,897,101	16,821,443
10,727,119	10,470,062
36,130,541	43,312,323
39,891,675	24,828,914
9,559,480	4,589,166
108,205,916	100,021,908

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 subscriptions
 Medical expenses
 Directors' fees
 Books, magazines and newspapers etc.
 Training expenses
 Office expenses
 Security services
 Depreciation and repair of assets

21,895,403	26,586,377
11,312,780	15,575,088
6,911,370	9,295,846
1,583,729	1,803,581
2,474,001	3,559,475
3,818,528	5,408,072
1,866,262	2,049,350
631,491	1,119,165
385,000	462,510
52,449	98,097
2,042,265	2,934,714
2,487,746	4,365,681
8,929,329	8,783,151
28,015,280	28,199,757
92,405,633	110,240,864

40 Net Operating Cash Flow Per Share (NOCFPS):

Net cash flows from operating activities
 Number of shares outstanding

(1,388,982,896)	664,395,763
187,114,614	187,114,614
NOCFPS (7.42)	3.55
NOCFPS (Restated) (7.42)	3.55

Net operating cash flows per share decreased on 31 December, 2020 due to payment of short term loan compared to the same period of last year.

41 Reconciliation of Operating Activities of Cash Flows:

Net Profit After Tax
 Depreciation
 Provision for lease, loans and advances
 Provision for taxation
 Profit on sale of fixed assets
 Decrease in short term loans
 Increase in lease, loans and advances
 Income tax paid
 Decrease in deposit and other accounts
 Increase in other liabilities
 Increase in other assets
 Increase in right-of-use assets
Cash flows from operating activities

211,232,093	244,672,351
64,354,528	60,922,306
24,450,735	(7,620,204)
57,582,554	136,890,547
(4,032,382)	(142,003)
(1,606,351,463)	277,646,530
(146,864,666)	2,953,064,310
(102,091,996)	(173,441,638)
(38,191,646)	(2,831,455,039)
201,964,559	170,633,398
(39,302,492)	21,667,795
(11,732,720)	(188,442,592)
(1,388,982,896)	664,395,763

42 Number of employees

Number of employees who received less than BDT 3,000 per month
 Number of employees who received an aggregate amount more than BDT 36,000 for the whole year or part of the year

-	-
844	882
844	882

**43 Related Party Disclosures**

43.1 Particulars of Directors of the Company as on 31 December, 2020

Sl no.	Name of Directors	Designation	Shareholding status
1.	Imran Ahmed	Chairman	Nominated by Lawrie Group Plc.,UK having share of 20%
2.	Susan Ann Walker	Director	
3.	A. Rouf	Director	Nominated by United Insurance Co. Ltd. having share of 19.84%
4.	L. H. Khan	Director	
5.	A. F. M. M. Samad Choudhury	Director	
6.	C. K. Hyder	Director	Nominated by Surmah Valley Tea Co. Ltd. having share of 8.27%
7.	A. F. Nesaruddin	Director	
8.	M. M. Alam	Independent Director	Not applicable; no shareholdings.
9.	Mahbub Mustafizur Rahman	Independent Director	Not applicable, no shareholdings.
10.	Kaiser Tamiz Amin	Managing Director	Not applicable, Ex-officio capacity



43.2 Name of Directors and their interest in different entities as on 31 December, 2020

Sl No.	Name of Directors	Status with United Finance Limited	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 Warehouse 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	Director National Brokers Ltd.
5.	A. F. Nesaruddin	Director	Senior Partner, Hoda Vasi Chowdhury & Co., Chartered Accountants
6.	C.K. Hyder	Director	-
7.	A.F.M.M. Samad Choudhury	Director	-
8.	M. M. Alam	Independent Director	-
9.	Mahbub Mustafizur Rahman	Independent Director	Independent Director Aamra Networks Limited
10.	Kaiser Tamiz Amin	Managing Director	-



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

As on 31 December 2020 no such contract exists.

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

As on 31 December 2020 no such share issue exists.

43.5 Transactions with Directors and their related entities

Name of the Party	Name of Directors	Related by	Nature of transaction	Amount in BDT	Status of loan and advances
The Lungla (Sylhet) Tea Co. Ltd.	Imran Ahmed	Common Director	Lease	1,930,866	Regular
	Susan Ann Walker	-Do-	Term Deposit	36,290,021	
	A. Rouf	-Do-	Office rent	3,416,245	
Duncan Properties Ltd.	Imran Ahmed	-Do-	Term deposit	32,620,500	
	A. Rouf	-Do-	Office rent	123,648	
Macalms Bangladesh Trust	Imran Ahmed	Trustee	Term Deposit	30,048,415	
	A. Rouf	-Do-			
	A.F.M.M Samad Choudhury	-Do-			
National Brokers Limited	L. H. Khan	Common Director	Term Deposit	77,686,148	
Duncan Brothers (BD) Ltd.	Imran Ahmed	-Do-	Term Deposit	34,102,596	
	A. Rouf	-Do-	Office rent	2,443,564	
Eastland Camellia Ltd.	Imran Ahmed	-Do-	Term Deposit	44,214,952	
	A. Rouf	-Do-			
United Insurance Co. Ltd.	A. Rouf	Nominated Director	Lease	2,467,372	Regular
	L. H. Khan	-Do-	Insurance premium paid	8,988,545	
	A.F.M.M. Samad Choudhury	-Do-	Term Deposit	47,000,000	
Duncan Products Ltd.	A. Rouf	Common Director	Term Deposit	12,500,000	
	Imran Ahmed	-Do-	Drinking Water Bill	60,264	
Amo Tea Co. Ltd.	Imran Ahmed	-Do-	Term Deposit	125,644,347	
	Susan Ann Walker	-Do-			
	A. Rouf	-Do-			
The Chandpore Tea Co. Ltd.	Imran Ahmed	-Do-	Office rent	593,098	
	Susan Ann Walker	-Do-			
	A. Rouf	-Do-			
The Mazdehee Tea Co. Ltd	Imran Ahmed	-Do-	Office rent	593,099	
	Susan Ann Walker	-Do-			
	A. Rouf	-Do-			
Camellia Duncan Foundation	Imran Ahmed	Trustee	Term Deposit	34,788,476	
	A. Rouf	-Do-			



43.6 Lending policy to related parties

Related parties are allowed lease, loans and advance as per credit policy of the Company on arm's length basis.

43.7 Investment in the Securities of Directors and their related concerns

As on 31 December 2020 no such investment exists.

44 Commitment

Capital expenditure

Capital expenditure amounting to BDT 19.50 million was contracted for procurement of the new Core Banking Software (CBS) but not incurred during the period ended 31 December, 2020 (2019: nil). As at 31 December, 2020 an amount of BDT 9.75 million had been paid as advance for initiation of the project. The CBS came into full operation in January 2021; therefore the expenditure will be recognised in the year 2021. There was no other material capital expenditure authorised by the Board but not contracted for at 31 December, 2020 (2019: 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 2020, the Company had BDT 1,156,440,894 commitment with customers (2019:BDT 543,656,628).

45 Claim against Company not acknowledged as debt

Unsettled income tax returns/appeals are under process for assessments/settlement with the National Board of Revenue and honorable Supreme Court (High Court Division and Appellate Division). 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 2020.

46 Proposal of dividend

The Board of Directors has recommended a cash dividend of BDT 1.00 per ordinary share (2019: @ BDT 1.00 per ordinary share) i.e. a total of BDT 187.11 million for 187.11 million ordinary shares held on the record date 11 April, 2021.

47 Dividend Remitted to non-resident shareholders

An amount of Tk. 33,508,128.90 equivalent to GBP 300,386.90 (2018: Tk. 33,651,878.90 equivalent to GBP 299,303.14) was remitted to non-resident shareholder as dividend for the year 2019.

48 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.



49 Highlights on the overall activities

SI No.	Particulars		2020	2019	Growth (%)
1	Paid-up capital (note-13.2)	MBDT	1,871.15	1,871.15	-
2	Total Eligible capital (note-13.3)	MBDT	3,339.90	3,308.01	1%
3	Capital surplus (note-13.3)	MBDT	1,575.51	1,487.76	6%
4	Total assets	MBDT	21,559.65	21,729.83	-1%
5	Total Term deposits (note-11.1)	MBDT	11,876.67	11,822.38	0%
6	Total lease, loans and advances (note-7.1)	MBDT	15,136.21	14,989.35	1%
7	Total contingent liabilities and commitments (note-19)	MBDT	56.29	61.04	-8%
8	Loan to deposit ratio (note-7.1/note-11.1)		1.27	1.27	1%
9	Percentage of classified lease, loans and advances against total leases, loans and advances (note-7.8)	(%)	3.14	4.05	-22%
10	Profit after tax and provision	MBDT	211.23	244.67	-14%
11	Amount of loans classified during the year	MBDT	475.18	607.14	-22%
12	Provisions kept against classified loans (note-12.5)	MBDT	337.96	320.09	6%
13	Provision surplus (note-12.5)	MBDT	124.36	3.06	3968%
14	Cost of fund	(%)	8.23	9.66	-15%
15	Interest earning assets	MBDT	18,716.68	19,057.92	-2%
16	Non-interest earning assets	MBDT	2,842.97	2,671.91	6%
17	Return on Equity (i)	(%)	6.62	7.77	-15%
18	Net Return to total earning assets	(%)	1.13	1.28	-12%
19	Return on total assets (ii)	(%)	0.98	1.07	-9%
20	Income from investment in shares and bonds (note-23)	MBDT	75.52	80.95	-7%
21	Earnings per share (iii)	BDT	1.13	1.31	-14%
22	Net income per share (iv)	BDT	1.13	1.31	-14%
23	Price earning ratio (v)	Times	15.68	13.23	19%

MBDT= Bangladeshi BDT in Million, BDT= Bangladeshi BDT

- Return on equity is calculated based on average equity.
- Return on assets is calculated based on average assets.
- Restated EPS
- Since United Finance Limited does not have any minority interest, EPS and net income per share remain same.
- Based on December 31 market price of the respective year.

Kaiser Tamiz Amin
Managing Director

A.F.M.M. Samad Choudhury
Director

C.K. Hyder
Director

Imran Ahmed
Chairman



Annexure - A
(From note - 8)

Fixed assets including land, building, furniture & fixtures

	Furniture & fixture	Office equipment	Electrical equipment	Motor Vehicle	Office Space	Right-of-use assets	Total
Cost							
Balance at 01 January, 2020	122,460,397	585,229	106,987,330	70,772,474	177,890,411	188,442,592	667,138,433
Addition during the year	3,926,527	-	39,365,868	9,608,000	-	76,084,805	128,985,200
Disposal/adjustment	(1,141,137)	-	(1,577,334)	(19,575,488)	-	(64,352,084)	(86,646,044)
Balance at 31 December, 2020	125,245,787	585,229	144,775,864	60,804,986	177,890,411	200,175,313	709,477,590
Accumulated depreciation							
Balance at 01 January, 2020	74,427,414	377,225	75,328,928	45,156,951	9,265,127	28,199,757	232,755,401
Charge for the year	8,642,956	52,894	13,935,659	9,260,479	4,447,260	28,015,280	64,354,528
Disposal /adjustment	(1,005,666)	-	(1,499,113)	(15,678,535)	-	(16,999,987)	(35,183,301)
Balance at 31 December, 2020	82,064,704	430,120	87,765,475	38,738,896	13,712,387	39,215,050	261,926,632
WDV at 31 December, 2020	43,181,083	155,109	57,010,389	22,066,090	164,178,023	160,960,262	447,550,957
WDV at 31 December, 2019	48,032,983	208,004	31,658,402	25,615,523	168,625,284	160,242,835	434,383,031



Disclosures under Pillar-III Market Discipline

Scope of the Disclosure

Qualitative Disclosures:

The Company (United Finance Limited, or "UFL") does not have any subsidiaries. As such, this disclosure is applied on a solo basis.

Quantitative Disclosures:

Not Applicable

Capital Structure

Qualitative Disclosures

For the purpose of calculating capital under capital adequacy framework, total capital be classified into two tiers. The total regulatory capital will consist of sum of the following categories:

Tier 1 Capital ("Core Capital")	Tier 2 Capital ("Supplementary Capital")
1. Paid up capital <ul style="list-style-type: none"> a. Non-repayable share premium account b. Statutory reserve 	1. General provision up to a limit of 1.25% of Risk Weighted Asset (RWA) for Credit Risk <ul style="list-style-type: none"> a. Revaluation reserves b. 50% Revaluation reserves for Fixed Assets 2. 45% Revaluation reserves for Securities 3. All other preference shares <ul style="list-style-type: none"> a. In addition to the above condition of reserve requirements, the amount of Tier 2 Capital must be limited to 100% of the amount of Tier 1 Capital
2. General reserve	
3. Retained earnings	
4. Minority interest in subsidiaries	
5. Non-cumulative irredeemable preference shares	
6. Dividend equalisation account	

Quantitative Disclosures

The details of capital structure are provided as under

	Amount in Crore BDT
1. Fully Paid-up Capital/Capital lien with BB Statutory Reserve	187.11
2. Non-repayable share premium account	0.38
3. Statutory Reserve	92.30
4. General Reserve	22.50
5. Retained Earnings	18.48
6. Minority interest in subsidiaries	-
7. Non-Cumulative irredeemable preferences shares	-
8. Minority interest in subsidiaries	-
9. Non-Cumulative irredeemable preferences shares	-
a. Total Tier 1 Capital	320.77
a. Total Tier 2 Capital	13.88
b. Other deductions from Capital	-
Total Eligible Capital	334.64



Capital Adequacy (CAR)

Qualitative Disclosures

At present the Company CAR stands at 18.97% of the total Risk Weighted Assets (RWA), against the minimum regulatory requirement of 10% of RWA.

As the computation of the CAR requires the value of RWA to be determined on the basis of credit, market and operational risks, UFL identifies the capital charges of each of these respective risk categories, as per the methodology described by the regulatory body.

The following measures are taken to ensure that RWA remains under control:

1. Focusing on expanding investment in Small and Medium Enterprises (SME) on a nationwide scale and keeping lending to large corporate entities at a sustainable level.
2. Encouraging unrated corporate clients to be rated from External Credit Assessment Institutions (ECAIs) recognised by Bangladesh Bank and also notifying rated corporate clients to be reassessed before expiration.
3. Focusing on home loan financing as it is fully secured against residential property.
4. Monitoring overdue clients to minimise loans that are past due for 90 days or more through robust collection mechanisms.
5. Mitigating credit risk by taking eligible financial collateral against transactions.

Quantitative Disclosures

Capital Requirements for credit, market and operational risks, and CAR

	Amount in Crore BDT
Capital requirement for Credit Risk	1,561.60
Capital requirement for Market Risk	47.59
Capital requirement for Operational Risk	155.20
Total and Tier 1 Capital ratio:	
o CAR on Total capital basis (%)	18.97%
o CAR on Tier 1 capital basis (%)	18.18%

Credit Risk

Qualitative Disclosures

Definition of past due and impaired: The unsecured portion of any claim or exposure (other than claims secured by residential property) that is past due for 90 days or more, net of specific provisions (including partial write-off).

Description of approaches followed for specific and general allowances: UFL maintains 0.25% against Standard SME loans, 1% provision against Standard loans, 5% against SMA loans, 20% against Substandard loans, 50% against Doubtful loans and 100% against Bad/Loss loans.

Credit Risk Management policy: In UFL, Credit Risk is managed in three ways - (i) Pre-Emptive, (ii) Contemporaneous and (iii) Post-Facto through utilising policies and practices approved by the Board of Directors. These are described in more detail in the following paragraphs.

- Pre-Emptive Risk Management** involves risk management in the pre-disbursement stages.
 - o **Industry Analysis:** analyses of various industries of the country are done to create separate risk profiles for each industry, which are regularly updated and circulated to the Business and Credit divisions to ensure that sound lending decisions are made.
 - o **Credit Assessment:** an independent Credit team assesses every credit proposal in order to assess the credit risk associated with any financing proposal. In the assessment of the credit risk, they assess borrower's standing, business and market position, management



background and financial performance. Mandatory visits to each and every client are done before finalising the proposal.

- **Security Determination:** UFL has securitisation procedure whereby the security against each financing proposal is determined commensurate with the financing risk.
- ii. **Contemporaneous Risk Management** involves risk management during the disbursement as well as post disbursement stages.
 - **Credit Administration:** The Operations team of the Company ensures that all legal risks relating to documentation and security arrangements are complied with. UFL makes disbursement only after all documentation are in order and all security arrangements are completed.
 - **Credit Recovery:** A robust collection department monitors the payment performance of all the loan contracts to ensure timely recovery. The Special Asset Management team handles long overdue accounts, takes corrective measures to mitigate risks, takes legal actions, and ensures effective monitoring of Written-Off Accounts in a timely manner.
- iii. **Post-Facto Risk Management** takes place in the post disbursement stage through various portfolio level reviews and analyses.
 - **Periodic Credit and CRG Model Review:** There is a periodic review to update the overall credit approval process and the Credit Risk Grading (CRG) model to better reflect the updated market situation.
 - **Portfolio Analysis:** The Company has developed mechanisms to conduct portfolio level analyses of credit facilities considering loan repayment performance to maintain the quality of its portfolio.
 - **Internal Control & Compliance (ICC):** This department ensures that Company policies, procedures and practices adhere to relevant laws, regulations, industry standards, corporate values and ethics.

Quantitative Disclosures

Total gross credit risk exposures broken down by major types of credit exposure.

	Amount in Crore BDT
Lease finance	721.74
Term loan	444.65
Home loan	132.05
Short term loan	207.40
Loan against deposit	7.79
Total	1,513.62

Geographical distribution of exposures, broken down in significant areas by major types of credit exposure

	Amount in Crore BDT
Dhaka	835.21
Chattogram	223.35
Rajshahi	131.88
Khulna	130.41
Rangpur	105.97
Mymensingh	45.21
Barishal	31.45
Sylhet	10.14
Total	1,513.62

**Industry or counterparty type distribution of exposures, broken down by major types of credit exposure**

	Amount in Crore BDT
1. Agricultural sector	150.78
2. Industrial sector:	
a) Service industry	125.00
b) Food production/processing industry	166.68
c) Chemical & pharmaceutical	59.00
d) Plastic industry	15.16
e) Garments	23.92
f) Textile	57.42
g) Paper, printing and packaging industry	85.85
h) Iron, steel & engineering industry	38.71
i) Leather & leather products	25.33
j) Electronics and electrical industry	16.99
k) Telecommunication/information technology	0.66
l) Jute and jute products	32.17
m) Cement/concrete and allied industry	21.94
n) Glass and ceramic industry	2.00
o) Ship manufacturing industry	-
p) Power, gas, water and sanitary service	9.41
4. Transport & communication	103.74
5. Real estate & housing	167.20
6. Trade and commerce	311.86
7. Others	99.80
Total	1513.62

Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.

	Amount in Crore BDT
Up to 1 month	109.47
Over 1 month but not more than 3 months	137.35
Over 3 months but not more than 1 year	526.79
Over 1 year but not more than 5 years	639.05
Over 5 years	100.97
Total	1,513.62

Gross Non-Performing Assets (NPA)

	Amount in Crore BDT
Gross Non Performing Assets (NPAs)	47.50
Non-Performing Assets (NPAs) to outstanding loans & advances	3.14%

Movement of Non-Performing Assets (NPAs)

	Amount in Crore BDT
Opening balance	60.71
Additions	-
Reductions	(13.19)
Closing balance	47.52

**Movement of specific provisions for NPAs**

Amount in Crore BDT

Opening balance	60.71
Additions	-
Opening balance	32.00
Provisions made during the period	(4.41)
Write-off	1.26
Write-back of excess provisions	4.94
Closing balance	33.80

Equities: Banking Book Positions**Qualitative Disclosures**

The equity holdings of the Company include unquoted redeemable preferred shares and quoted shares. The redeemable preferred shares are not tradable and pay a fixed dividend per annum, thus there is no scope for any capital gains.

Quoted shares are valued at cost prices and if the total cost of a particular share is lower than the market value of that particular share, then provisions are maintained as per terms and conditions of regulatory authority. On the other hand, unquoted share is valued at cost price or book value as per the latest audited accounts.

Quantitative Disclosures

Amount in Crore BDT

Quoted shares	1.58
Unquoted shares*	28.20
Total	29.78

*Unquoted shares include redeemable preference shares

The cumulative realised gains (losses) arising from sales and liquidations in the reporting period: Nil

Amount in Crore BDT

Total unrealised gains (losses)	Not Applicable
Total latent revaluation gains (losses)	Not Applicable
Any amounts of the above included in Tier 2 capital	Not Applicable

Capital requirements broken down by appropriate equity groupings, consistent with the FI's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements: Not Applicable

Interest Rate in the Banking Book**Qualitative Disclosures**

UFL is in the business of lending and taking deposits with different maturities and interest rates. As such, the Company is exposed to movements in interest rates, which results in mismatches between lending rates and funding costs. UFL's Asset Liability Management Committee (ALCO) monitors the movements in the lending rates and borrowing costs on monthly basis and formulates strategies to manage changes in market conditions. In case of significant movement in the market emergency ALCO meetings are held to decide on the course of action.

Quantitative Disclosures

Magnitude of Shock	Minor 2%	Moderate 4%	Major 6%
Change in the Value of Bond Portfolio (BDT in Crore)	0.00	0.00	0.00



Magnitude of Shock	Minor 2%	Moderate 4%	Major 6%
Net Interest Income (BDT in Crore)	1.63	3.27	4.90
Revised Regulatory Capital (BDT in Crore)	336.28	337.91	339.54
Risk Weighted Assets (BDT in Crore)	1,764.38	1,764.38	1,764.38
Revised CAR (%)	19.06%	19.15%	19.24%

Market Risk

Qualitative Disclosures

Market Risk is the probability of losing assets in balance sheet and off- balance sheet position arising out of volatility in market variables (interest rate, exchange rate and prices of securities). The Company does not hold any position in the interest-rate related instruments or foreign exchange position.

In order to calculate the market risk for trading book purposes, the Company uses the Standardised (rule-based) approach where capital charge for market price of equities, interest rate risk and exchange rate risk are calculated separately.

Quantitative Disclosures

Capital requirements for	Amount in Crore BDT
Interest rate related instruments	-
Equities	4.76
Foreign exchange position (if any)	-
Commodities (if any)	-

Operational Risk

Qualitative Disclosures

Views of Board of Directors on system to reduce Operational Risk: All the policies have been approved by the Board and related guidelines have been approved by the subcommittees of the Board. The Board has delegated some of its authorities to the Executive Committee as per policy. The Audit Committee of the Board monitors the operational risk management process and reviews the adequacy of the internal audit function.

Potential external events: During the time of reporting, there were no external events which could have given rise to any operational risk.

Policies and processes for mitigating operational risk:

- **Internal Audit** team examines operational flaws of the Company generated from the lack of adequacy, effectiveness and efficiency of internal control mechanism. This department serves as an independent body within the Company that aims to add value to its various operations and processes.
- **Operational Risk and Systems Audit** Department investigates Company's process and identifies flaws/risks of the Company's operations. It also examines information technology infrastructure, policies and operations and data integrity and security.

Approach for calculating capital charge for operational risk: For calculating capital charge of operational risks, UFL uses the Basic Indicator Approach where capital charge is equivalent to 15% of the three year average positive annual gross income of UFL.

Quantitative Disclosures

Capital requirements for	Amount in Crore BDT
Interest operational risk	15.52



Sustainability Report



United Finance Limited is committed to pursuing sustainable business practices in every sphere of activity in the communities which it serves.

This report highlights the economic, environmental, and social impacts of the operations of United Finance Limited in Bangladesh for the calendar year 2020. It presents our values and governance model, and demonstrates the link between our strategy and commitment to contributing to a sustainable global economy.

In determining the content of this report, we have considered the material developments and issues that are likely to affect our operations in the future. Specifically, issues that have a strong bearing on the perception of our ability to fulfil the needs of our stakeholders – both internal and external – over the long term, such as economic performance, employment generation and capacity building are deemed to be material to this report.

United Finance within this report shows changes from previous reports and includes material topics and disclosures in accordance with GRI Sustainability Reporting Standards: Core Option, which United Finance has adopted in recent years.

Key Sustainability Objectives:

- i. Coordinate and work with our internal and external stakeholders to minimise negative environmental effects to ensure a sustainable business environment
- ii. Engage in environmentally friendly activities by reducing the internal carbon footprint, and financing ecologically sustainable ventures
- iii. Promote initiatives that take into account structural changes that affect our clients and the community as a whole
- iv. Provide products and services which contribute directly or indirectly to sustainability (as defined through the UN Sustainable Development Goals) by addressing environmental or social problems
- v. Create new businesses and transform existing businesses through adoption of new technology
- vi. Promote the development and active participation of a diverse workforce
- vii. Promote equal opportunities and diversity in the workforce
- viii. Ensure a safe, secure and healthy work environment for employees

I. Coordination with Stakeholders

The sustainability approach of United Finance spans three dimensions: economic, environmental and social. The key stakeholders from each stated dimension are determined by the degree to which each group is affected by the activities of the Company. Engagement mechanisms for each of these groups are stated in the following table.

<i>Sustainability Dimension</i>	<i>Stakeholders Identified</i>	<i>Primary Objectives of Engagement</i>	<i>Engagement Mechanisms</i>
Economic	Shareholders	<ul style="list-style-type: none"> • Preserve and enhance Company assets • Strengthen internal control systems through robust accounting and internal audit 	<ul style="list-style-type: none"> • Online Annual General meeting of shareholders • Dissemination of information through disclosures and the Company website
	Clients	<ul style="list-style-type: none"> • Provide customer with top class value addition services • Understand the needs of clients, and provide them with professional financial services tailored to their individual needs • Manage the assets of clients with due and diligent care • Supporting literacy initiatives for our clients 	<ul style="list-style-type: none"> • Dialogue with customers through our relationship managers • Call centres and customer helplines • Website providing access to important information • Expansion of formal sector financial inclusion • Provision of a wide array of value addition services
	Regulators	<ul style="list-style-type: none"> • Ensure compliance with all regulatory directives 	<ul style="list-style-type: none"> • Timely and appropriate statutory reporting as and when required



Sustainability Dimension	Stakeholders Identified	Primary Objectives of Engagement	Engagement Mechanisms
Environmental	Clients	<ul style="list-style-type: none"> Reduce the negative social impact of clients through the adoption of new technology 	<ul style="list-style-type: none"> Financing firms and initiatives that will have a positive impact on the environment (e.g. financing adoption of environmentally friend equipment or technology) Financing firms and sectors that have a track record of environmental awareness
Social	Employees	<ul style="list-style-type: none"> Help employees the opportunities to use their skills and develop their abilities Provide a congenial and healthy work environment 	<ul style="list-style-type: none"> Providing training and increasing awareness Robust grievance handling mechanisms Providing timely guidance and directives to deal with COVID-19 pandemic Facilitating employees with work from home technologies
	Local Communities	<ul style="list-style-type: none"> Adding value to the society Ensure operations in a manner as to minimise negative social effects 	<ul style="list-style-type: none"> Social contribution activities Contributed in Prime Minister’s Relief and Welfare Fund Presence in social media PR activities

Engagement activity – by the numbers	2020	2019
Surveys conducted to measure customer feedback	0	0
Grievances from stakeholders raised and handled	15	0

Memberships of Industry/Associations

- Bangladesh Association of Publicly Listed Companies
- Bangladesh Employers Federation
- Bangladesh Leasing and Finance Companies Association
- Bangladesh Money Market Dealers Association
- Foreign Investors’ Chamber of Commerce & Industry
- Metropolitan Chamber of Commerce & Industry

II. Environmentally Impactful Activities

Internal

The Company has adopted the following technical and infrastructural mechanisms in order to reduce its carbon footprint:

- Paperless recruitment and approval systems for efficient task handling and significant reduction of paper waste
- Video conferencing for both internal meetings and recruitment interviews.
- Restricted access to hardcopy printing; desks without printing access have been declared ‘green desks’.
- Scanning and electronic transmission of internal documents.
- Replacing conventional lighting systems with energy efficient LED lighting.
- Refurbishing and reusing old furniture and fixtures rather than replacing them.
- E-achieving of office documents to reduce paper waste

External

Climate change has shifted the business dynamic, both by increasing the inherent risk of operating in certain sectors and presenting opportunities in Green Financing through refinancing options available under new regulations.

The Company is cognisant of the effect its operations may have on individuals, institutions and the community at large. During the period its business activities led to the impacts outlined in the following section.



III. Initiatives that Affect Our Clients and the Community

Impact from the Company's Activities	2020	2019
Access to Finance		
Economic activity for the period (No. of new accounts)	804	313
Financial Inclusion – First Time Institutional Borrowers (No. of enterprises) ¹	345	106
Geographical Access (No. of districts) ²	64	64
Inclusion in Formal Banking System (No. of accounts) ³	-	-
Enterprise Development (No. of enterprises) ⁴	-	-
Financial Assistance received from Government (BDT millions) ⁵	920	282
Employment Generation		
Seasonal Employment as a result of Financing Activities (in persons) ⁶	6	27
Regular Employment as a result of Financing Activities (in persons) ⁷	936	868
Work Efficiency		
Increased Productivity/Month (BDT in millions) ⁸	15,345	12,493
Reduced Outsourcing Cost (BDT in millions) ⁹	94.5	85.8
Environmental		
Noise Reduction (in decibels) ¹⁰	-	-
Reduction in CO ₂ Emission (million gm CO ₂ /litre) ¹¹	-	-
Electricity Load Reduction (in KW) ¹²	-	-
Literacy		
Awareness Creation: Responsible Borrowing & Technical Booklet for Construction (Booklets Circulated) ¹³	-	-
Awareness Creation: Reduction of Child Labour in Business Enterprises (No. of undertakings) ¹⁴	-	-
Awareness Creation: Improvement of Hygiene in Food Industry in Business Enterprises (No. of undertakings) ¹⁵	3	1
Empowerment		
Breakout from Traditional Financing (%) ¹⁶	-	-
Women Entrepreneurship Financed (in persons) ¹⁷	233	180
Women Farmers Financed in Agricultural Financing (in persons) ¹⁸	12	15
Landless Farmers Financed in Agricultural Financing (in person) ¹⁹	10	10

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, ADB, Women, Green Finance and JICA's refinance scheme.
6. Measured as how many temporary employments are created from the agricultural financing activities.
7. Measured as how many employments are created from the 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.
10. 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.
11. In 2019, the calculation methodology was changed to gm CO₂/litre. Calculated through evaluating reduced energy consumption. 1 litre of diesel weighs 835 gram. Diesel consist for 86.2% of carbon, or 720 gram of carbon per litre diesel.



12. Calculated as financed equipment replaced the old equipment which will save the electricity load.
13. Measured as number of booklet circulated to create awareness of responsible borrowers of affordable home loans and technical knowhow of construction.
14. Awareness calculated as no. of business entities identified and addressed by issuing undertakings as having significant child labour or unhygienic environment in business operations.
15. Awareness calculated as number of business entities identified and addressed by issuing undertakings as having unhygienic environment in food industry in business operations.
16. Measured as number of person transferred from traditional financing (Mohajon) to formal financing (Bank/FI).
17. Measured as number of enterprise financed which are controlled/owned by women.
18. Measured as number of women entrepreneurs financed under agricultural financing.
19. Measured as number of landless farmers financed under agricultural financing.

IV. Active Participation of a Diverse Workforce

<i>Impact from the Company's Activities</i> ²⁰	2020	2019
Diversity of Workforce		
Permanent Employees ²¹	541	516
Male (in persons)	428	418
Female (in persons)	113	98
Non-Permanent Employees ²²	161	215
Male (in persons)	124	162
Female (in persons)	37	53
Full-time and Part-time Employee Comparison		
Total Full-time Employees (in persons) ²³	702	731
Total Part-time Employees (in persons) ²⁴	1	20
Ratio of Full-time Employees: Part-time Employees	702:1	~37:1
Employment Generation		
Permanent		
New Employees (male)	81	133
New Employees (female)	19	21
Total New Employees	100	154
Total Resignations ²⁵	90	49
Employment Generation	10	105
Non-Permanent		
New Employees (male)	35	129
New Employees (female)	6	29
Total New Employees	41	158
Total Resignations ²⁵	58	72
Employment Generation	-	86
Ratio of new employees by age (Under 30: 30-50: Over 50)	56:85:0	126:64:1
Employee Training		
Employees trained (in persons)	1,435	299
Total Employee Training Hours	8,006	1495
Training Ratio- Male: Female	3:1	7:3
Ratio of Training Hours (Employee: Manager: Senior Management)	54:5:1	57:1:1
Percentage of Employee Received Career Development Review (Male)	-	-
Percentage of Employee Evaluated Career Development Review (Female)	-	-
Maternity Leave		
Employees entitled to Maternity Leave (in persons)	6	6
Employees availing Maternity Leave (in persons)	6	5
Percentage of Women Employee Retention Rate after Maternity Leave	100%	100%
Percentage of Women Employee Retention Rate 12 months after Maternity Leave	100%	100%



20. Social aspects in terms of equality, fair play and development have been identified in this segment of report.
21. Permanent employees are those that are eligible for Provident Fund.
22. Non-permanent employees include employees hired for a specific time period, employees hired temporarily for doing certain tasks, and employees that are on probation.
23. Full time employees are those whose working hours per day, week, month, or year, are defined according to national legislation and practice regarding working time.
24. Part-time employees are those who are not full time employees.
25. Considers the effective date of resignation of employees, as opposed to the actual resignation date.



GRI Index

Disclosure No.	Requirements	Location	Page No.
Organisation Profile			
102-1	Name of organisation	United Finance Limited	-
102-2	a. A description of the organisation's activities. b. Primary brands, products, and services, including an explanation of any products or services that are banned in certain markets.	https://www.unitedfinance.com.bd/	-
102-3	Location of headquarters	https://www.unitedfinance.com.bd/Home/ContactUs	-
102-4	Number of countries where the organisation operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.	Countries served: Bangladesh	-
102-5	Nature of ownership and legal form.	Public Limited Company	-
102-6	Markets served including: i. Geographic locations where products and services are offered ii. Sectors served iii. Types of customers and beneficiaries	https://www.unitedfinance.com.bd/Home/ContactUs	-
102-7	Scale of the organisation, including i. Total number of employees ii. Total number of operations iii. Net sales (for private sector organisations) or net revenues (for public sector organisations) iv. Total capitalisation (for private sector organisations) broken down in terms of debt and equity v. Quantity of products or services provided.	Financial Statements	27-69
102-8	a. Total number of employees by employment contract (permanent and temporary), by gender b. Total number of employees by employment contract (permanent and temporary), by region c. Total number of employees by employment type (full-time and part-time), by gender d. Whether a significant portion of the organisation's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees e. Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries). f. An explanation of how the data have been compiled, including any assumptions made	Sustainability Report	80
102-9	A description of the organisation's supply chain, including its main elements as they relate to the organisation's activities, primary brands, products, and services.	No proper supply chain, given the nature of industry. Major suppliers restricted to suppliers of stationery, electronic assets, and third-party suppliers of personnel e.g. security guards	-



Disclosure No.	Requirements	Location	Page No.
102 - 10 ¹	<p>Significant changes to the organisation & supply chain, including</p> <ul style="list-style-type: none"> i. Changes in the location of, or changes in, operations, including facility openings, closings and expansions; ii. Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations) iii. Changes in the location of suppliers, the structure of the supply chain, or relationships with suppliers, including selection and termination. 	<p>https://www.unitedfinance.com.bd/Home/ShareholdingStructure</p> <p>Shareholding Structure</p>	-
102 - 11	Whether and how the organisation applies the Precautionary Principle or approach.	Yes, Precautionary Approach to Financing	-
102 - 12	A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes, or which it endorses.	No such charters	-
102 - 13	A list of the main memberships of industry or other associations, and national or international advocacy organisations.	Sustainability Report	78
Strategy			
102 - 14	A statement from the most senior decision-maker of the organisation (such as CEO, Chair, or equivalent senior position) about the relevance of sustainability to the organisation and its strategy for addressing sustainability.	Chairman’s Statement	4-6
Ethics and Integrity			
102 - 16	A description of the organisation's values, principles, standards, and norms of behaviour.	https://www.unitedfinance.com.bd/Home/VisionMissionGoals	-
Governance			
102 - 18	<ul style="list-style-type: none"> a. Governance structure of the organisation, including committees of the highest governance body. b. Committees responsible for decision-making on economic, environmental, and social topics. 	https://www.unitedfinance.com.bd/Home/Management	-
Stakeholder Engagement			
102 - 40	A list of stakeholder groups engaged by the organisation.	Sustainability Report	77-78
102 - 41	Percentage of total employees covered by collective bargaining agreements.	No employees covered	-

¹ Shareholding Structure is reported in every Annual Report



Disclosure No.	Requirements	Location	Page No.
102 -42	The basis for identifying and selecting stakeholders with whom to engage.	Sustainability Report	77-78
102 -43	The organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Sustainability Report	77-78
102 -44	Key topics and concerns that have been raised through stakeholder engagement, including: <ul style="list-style-type: none"> i. how the organisation has responded to those key topics and concerns, including through its reporting ii. The stakeholder groups that raised each of the key topics and concerns 	Sustainability Report	77-78
Reporting Practices			
102 -45	a. A list of all entities included in the organisation's consolidated financial statements or equivalent documents. b. Whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report.	Not Applicable	-
102 -46	a. An explanation of the process for defining the report content and the topic Boundaries. b. An explanation of how the organisation has implemented the Reporting Principles for defining report content.	Sustainability Report	77
102 -47	A list of the material topics identified in the process for defining report content.	Sustainability Report	77
102 -48	The effect of any restatements of information given in previous reports, and the reasons for such restatements.	Key Operating and Financial Data, Note 18 and 37 to the Financial Statements	10 59,62
102 -49	Significant changes from previous reporting periods in the list of material topics and topic Boundaries.	Management Discussion and Analysis	11-14
102 -50	Reporting period for the information provided.	01 January, 2020 to 31 December, 2020	-
102 -51	If applicable, the date of the most recent previous report.	07 July, 2020	-
102 -52	Reporting cycle	Annual	-
102 -53	The contact point for questions regarding the report or its contents.	Sharmi Noor Nahar, Company Secretary	-
102 -54	The claim made by the organisation, if it has prepared a report in accordance with the GRI Standards, either: <ul style="list-style-type: none"> i. 'This report has been prepared in accordance with the GRI Standards: Core option'; ii. 'This report has been prepared in accordance with the GRI Standards: Comprehensive option'. 	Sustainability Report This report has been prepared in accordance with the GRI Standards: Core option	-



Disclosure No.	Requirements	Location	Page No.
102 -55	<p>a. The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report.</p> <p>b. For each disclosure, the content index shall include:</p> <ul style="list-style-type: none"> i. The number of the disclosure (for disclosures covered by the GRI Standards) ii. The page number(s) or URL(s) where the information can be found, either within the report or in other published materials iii. If applicable, and where permitted, the reason(s) for omission when a required disclosure cannot be made. 	This table	-
102 -56	<p>a. A description of the organisation's policy and current practice with regard to seeking external assurance for the report.</p> <p>b. If the report has been externally assured:</p> <ul style="list-style-type: none"> i. A reference to the external assurance report, statements, or opinions. If not included in the assurance report accompanying the sustainability report, a description of what has and what has not been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process ii. The relationship between the organisation and the assurance provider iii. Whether and how the highest governance body or senior executives are involved in seeking external assurance for the organisation's sustainability report 	No external assurance sought	-
Material Topics			
Economic performance			
103 -1	<p>a. An explanation of why the topic is material</p> <p>b. The Boundary for the material topic.</p> <p>c. Any specific limitation regarding the topic Boundary</p>	Sustainability Report	77
103 -2	<p>a. An explanation of how the organisation manages the topic</p> <p>b. A statement of the purpose of the management approach</p> <p>c. A description of the following, if the management approach includes that component</p> <ul style="list-style-type: none"> i. Policies ii. Commitments iii. Goals and targets iv. Responsibilities v. Grievance mechanisms vi. Specific actions, such as processes and initiatives 	Chairman's Statement, Management Discussion and Analysis and Sustainability Report	4-6 11-14 77-78
103 -3	An explanation of how the organization evaluates the management approach.	Chairman's Statement and Management Discussion and Analysis	4-6 11-14



Disclosure No.	Requirements	Location	Page No.
201 -1	<p>a. Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organisation's global operations as listed below. If data are presented on a cash basis, report the justification for this decision in addition to reporting the following basic components:</p> <ul style="list-style-type: none"> i. Direct economic value generated: revenues; ii. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments; iii. Economic value retained: 'direct economic value generated' less 'economic value distributed'. <p>b. Where significant, report EVG&D separately at country, regional, or market levels, and the criteria used for defining significance.</p>	Notes to the Financial Statements	39-69
201 -2	Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure.	Sustainability Report	77-81
201 -3	<p>a. If the plan's liabilities are met by the organisation's general resources, the estimated value of those liabilities</p> <p>b. If a separate fund exists to pay the plan's pension liabilities</p> <ul style="list-style-type: none"> i. The extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them; ii. The basis on which that estimate has been arrived at iii. When that estimate was made <p>c. If a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, if any adopted by the employer to work towards full coverage, and the time scale, if any, by which the employer hopes to achieve full coverage.</p> <p>d. Percentage of salary contributed by employee or employer</p> <p>e. Level of participation in retirement plans, such as participation in mandatory or voluntary schemes, regional, or country-based schemes, or those with financial impact.</p>	Sustainability Report	77-81
201 -4	<p>a. Total monetary value of financial assistance received by the organisation from any government during the reporting period.</p> <p>b. The information in 201-4-a by country</p> <p>c. Whether, and the extent to which, any government is present in the shareholding structure</p>	Sustainability Report, Shareholding Structure, and Notes to the Financial Statements	77-81 39-69



Disclosure No.	Requirements	Location	Page No.
Employment and Training			
103 -1	a. An explanation of why the topic is material b. The Boundary for the material topic c. Any specific limitation regarding the topic Boundary	Sustainability Report	77
103 -2	a. An explanation of how the organisation manages the topic b. A statement of the purpose of the management approach c. A description of the following, if the management approach includes that component i. Policies ii. Commitments iii. Goals and targets iv. Responsibilities v. Grievance mechanisms vi. Specific actions, such as processes and initiatives	Chairman’s Statement, Management Discussion and Analysis Sustainability Report	5 11-14 77-78
103 -3	An explanation of how the organisation evaluates the management approach.	Chairman’s Statement, Management Discussion and Analysis Sustainability Report	5 11-14 77-78
401 -1 ²	a. Total number and rate of new employee hires during the reporting period, by age group, gender and region. b. Total number and rate of employee turnover during the reporting period, by age group, gender and region.	Sustainability Report	80
401 -2	Benefits which are standard for full-time employees of the organisation but are not provided to temporary or part-time employees, by significant locations of operation. These include, as a minimum: i. Life insurance ii. Health care iii. Disability and invalidity coverage iv. Parental leave v. Retirement provision vi. Stock ownership vii. Others	Notes to the Financial Statements	45
401 -3	a. Total number of employees that were entitled to parental leave, by gender. b. Total number of employees that took parental leave, by gender. c. Total number of employees that returned to work in the reporting period after parental leave ended, by gender. d. Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender. e. Return to work and retention rates of employees that took parental leave, by gender.	Sustainability Report	80
404 -1	Average hours of training that the organisation’s employees have undertaken during the reporting period, by: i. Gender; ii. Employee category.	Sustainability Report	80

² Turnover values may be calculated from the employment figures at the start and end of the reporting period



Disclosure No.	Requirements	Location	Page No.
404 -2	a. Type and scope of programs implemented and assistance provided to upgrade employee skills. b. Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.	Sustainability Report	80
404 -3	Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.	Sustainability Report	80



Stakeholders' Segment



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

A. F. M. Misfaqus Samad Choudhury

: United Insurance Company Limited

C. K. Hyder

: Surmah Valley Tea Company Limited

A. F. Nesaruddin

: Surmah Valley Tea Company Limited

Independent Directors

M. M. Alam

Mahbub Mustafizur Rahman

Managing Director

Kaiser Tamiz Amin

Chief Financial Officer

Zafar Ullah Khan

Company Secretary

Sharmi Noor Nahar



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
Issuance of first Non-Convertible Zero Coupon Bond (ZCB)	2020
Implementation of Core Banking Software	2020

Offices Opened

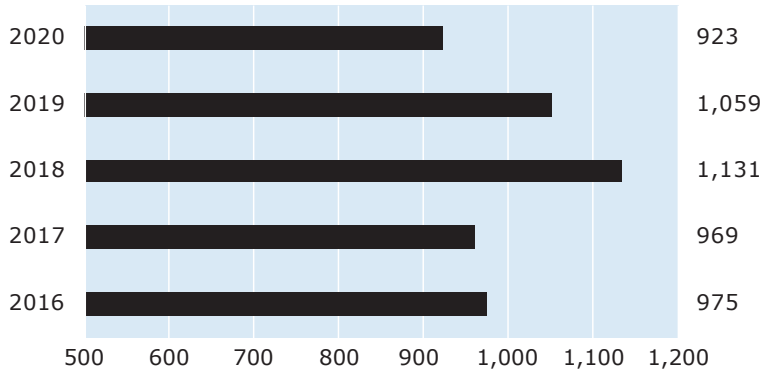
Chattogram, Agrabad	1994
Jashore, R.N. Road	2005
Gazipur, College Gate, Tongi	2006
Bogura, Borogola	2006
Sylhet, East Dargah Gate	2009
Belkuchi, Makundagati Bazar, Sirajgonj	2010
Rangpur, Station Road	2010
Chuadanga, Barabazar	2010
Bongshal, Siddique Bazar, North South Road	2011
Begumganj, Feni Road, Noakhali	2011
Barishal, Sadar Road	2011
Tejgaon, Gulshan-Tejgaon Link 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
Cumilla, Satipotti	2017
Pabna, Shalgaria	2017
Jinjira, Keranigonj	2018
Shyamoli, Mirpur Road	2018
Narsingdi, Pachdona	2018



PERFORMANCE INDICATORS

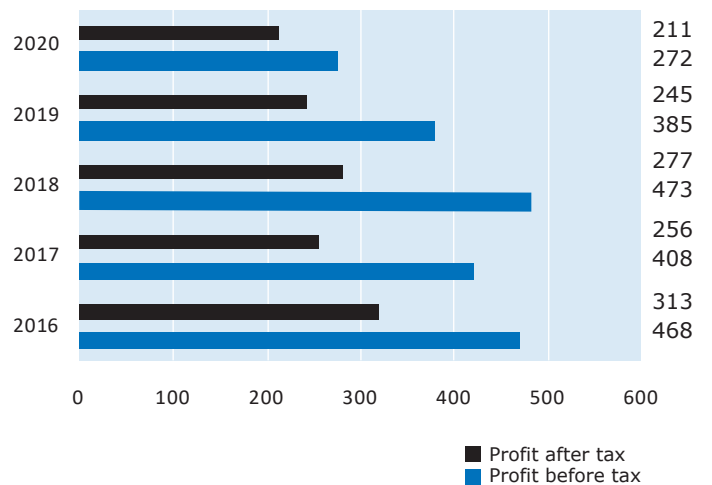
Operating income

BDT in million



Profit before & after tax

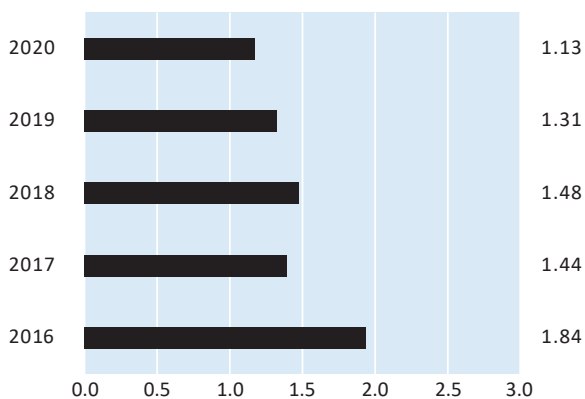
BDT in million



■ Profit after tax
■ Profit before tax

Earnings per share (EPS)

Amount in BDT

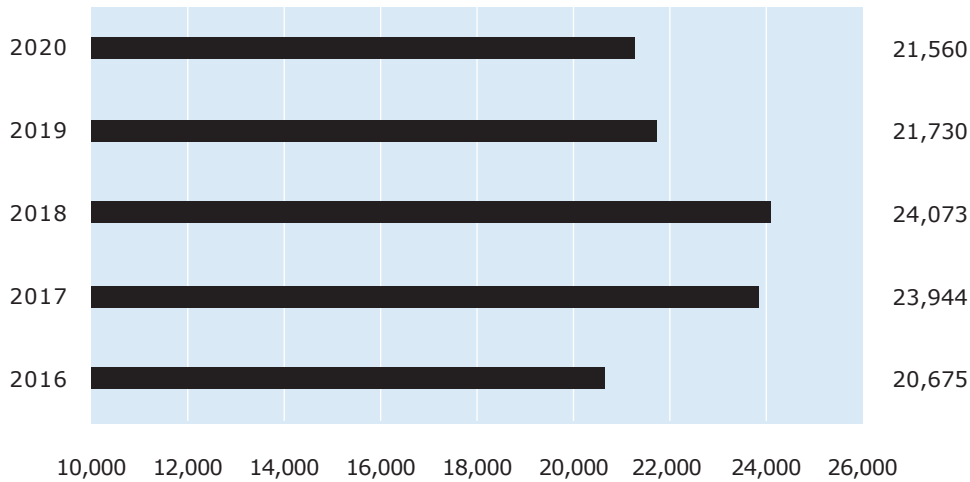




PERFORMANCE INDICATORS

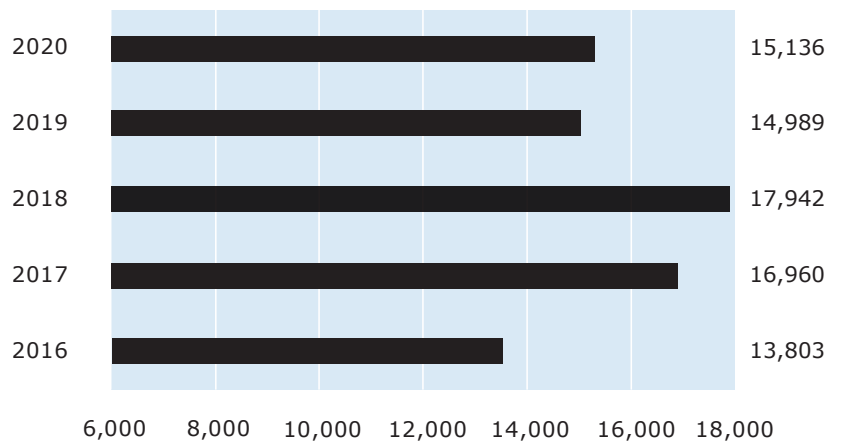
Total assets

BDT in million



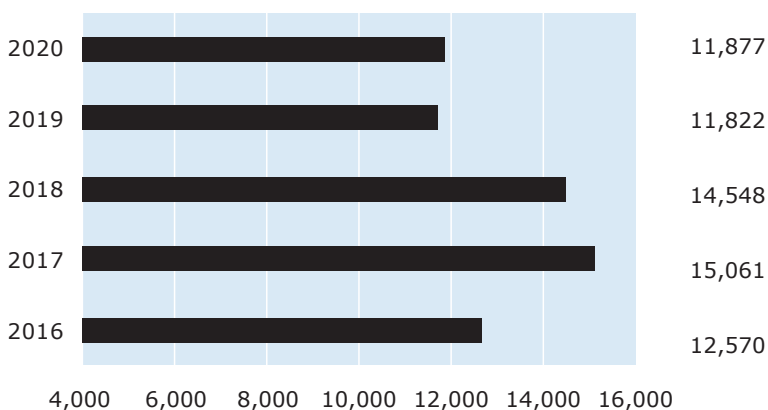
Lease, loans and advances

BDT in million



Term deposit

BDT in million

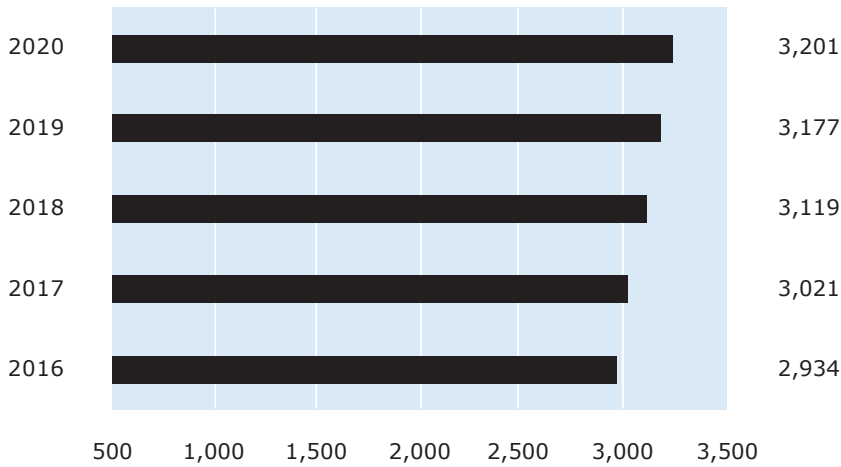




PERFORMANCE INDICATORS

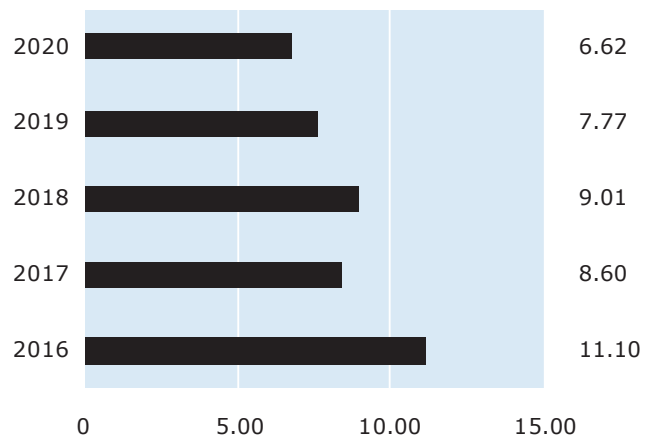
Shareholder's equity

BDT in million



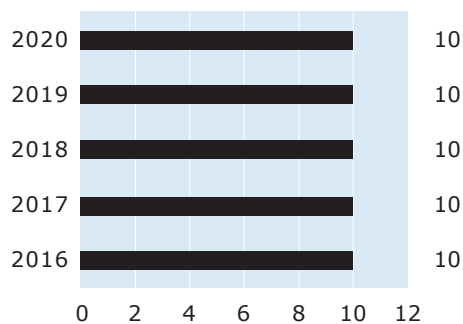
Return on equity

In percentage



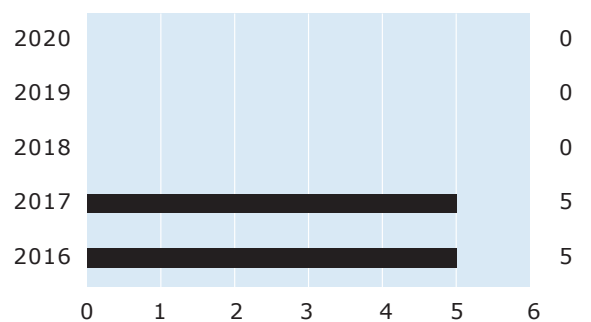
Cash dividend

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

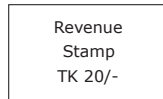
Mr. /Ms. of _____

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

of _____

as my/our proxy, to vote for me/us and on my/our behalf at the Thirty-Second Annual General Meeting of the Company through a digital platform to be held on Wednesday, May 05, 2021 at 3:00 p.m and at any adjournment thereof.

Signed this _____ day of _____ 2021



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 scanned and sent through email at least 48 hours before the meeting at investor.relations@unitedfinance.com.bd. 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.



Registered Office: Camellia House, 22 Kazi Nazrul Islam Avenue, Dhaka 1000, Bangladesh
Tel: 16354, Fax: +880-2-9662596, E-mail: webmail@unitedfinance.com.bd, www.unitedfinance.com.bd