



UNITED FINANCE

ANNUAL REPORT 2023



Annual Report 2023



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NOTICE OF THE THIRTY FIFTH ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty Fifth Annual General Meeting (AGM) of the shareholders of United Finance Limited will be held on **Thursday, 13 June 2024 at 10:00 a.m.** through hybrid system at Samson H. Chowdhury Centre, The Dhaka Club Limited, Moulana Bhashani Road Ramna, Dhaka-1000, Bangladesh in accordance with the Bangladesh Securities and Exchange Commission (BSEC) order nos. BSEC/CMRRCD/2009-193/08 dated 10 March 2021 and BSEC/ICAD/SRIC/2024/318/09 dated 16 January 2024 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Directors' Report, Auditors' Report and Audited Accounts for the year ended 31 December 2023.
2. To declare Dividend for 2023.
3. To elect/re-elect Directors and to approve the appointment of Independent Director.
4. To consider the appointment of Statutory Auditors for the year 2024 and fix their remuneration.
5. To consider the appointment of Corporate Governance Compliance Auditors for the year 2024 and fix their remuneration.

Special Business:

To adopt the change of registered name of the Company to "United Finance PLC." from "United Finance Limited" as per provision of the Companies Act, 1994 (2nd amendment 2020) and to amend the relevant clauses of the Memorandum and Articles of the Articles of Associations of the Company by adopting the following special resolution:

Special Resolution:

"RESOLVED THAT the proposal of changing the registered name of the Company to "United Finance PLC." from "United Finance Limited" in accordance with the Companies Act 1994 (2nd amendment 2020) and amendment in the relevant clauses of the Memorandum and Articles of the Articles of Associations of the Company be and are hereby approved subject to approval of regulatory authorities. Accordingly, the old name of the Company will be replaced by the new name in all the statutory/title documents, licenses and other relevant documents".

By order of the Board

Sharmi Noor Nahar
Company Secretary

Dated: Dhaka
21 May 2024

Notes:

1. The shareholders whose name appeared in the Members'/Depository Register on Record Date i.e., 16 May 2024 will be eligible to attend/participate and vote in the Annual General Meeting through hybrid system 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 hybrid system 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 hybrid system meeting invitation.
5. Full login/participation process to the hybrid system meeting will also be available in the Company website www.unitedfinance.com.bd.
6. The soft form of Annual Report 2023 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 2023 and proxy form will be available in the Company website www.unitedfinance.com.bd.
7. Shareholders and proxies interested to attend physically are requested to record their entry in the venue of Annual General Meeting well in time.

N.B: In compliance with the requirements of Bangladesh Securities and Exchange Commission's Circular No. SEC/CMRRCD/2009-193/154 dated 24 October 2013, no Gift/Gift Coupon/Food Box shall be distributed at the 35th AGM.



CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the Board of Directors, I welcome you to the 35th Annual General Meeting of United Finance Limited. I take this opportunity to brief you on the state of the economy, the financial services sector and the Company's performance during 2023.

Global Economic Performance

In 2023, the global economy faced turbulence, grappling with challenges like inflation, rising interest rates, tight labour markets, and geopolitical shocks. These factors disrupted projections and created uncertainty, despite initial economic resilience earlier in the year. According to assessment by IMF, worldwide GDP growth decreased to 3.1% in 2023, below the historical average of 3.8% (2000–2019) and global inflation decreased to 6.8% in 2023 from 8.7% in 2022, driven by falling fuel prices and hawkish monetary policies. Long-term interest rates increased in advanced countries, indicating central banks' proactive measures to curb inflation. Despite global manufacturing slowdowns and geopolitical conflicts, according to World Trade Organisation (WTO) the global trade growth increased by 0.8% in 2023, down from 3% in 2022. The global economy has shown resilience, even though with disparities across regions and little margin for policy missteps.

Bangladeshi Economic Performance

In 2023, Bangladesh faced a complex economic landscape, marked by promising growth prospects intertwined with challenges such as persistent inflationary pressures and the dollar crisis, prompting a call for robust reforms to sustain progress. In FY23, GDP growth slowed to 5.78% from 7.10% in FY22, attributed to downturns in Industry and Service sector. The country grappled with escalating inflation, with the 12-month average climbing to 9.48% by December 2023, up from 7.70% a year earlier. Both the IMF and the World Bank underscored the urgency of reforms to combat inflation, address financial sector vulnerabilities, and enhance climate resilience to foster sustained growth and poverty reduction.

To address the dollar crisis, the Bangladesh Bank imposed restrictions on openings of LC for non-essential finished goods, impacting businesses engaged in international trade, reflected in a 24% decline in imports to \$61.9 billion, however exports rose by 2% to \$55.8 billion in 2023. Foreign loan repayment exceeded \$4 billion for the first time in FY2023, reaching \$4.78 billion, up by 32.8% from the previous year. Despite challenges, remittances increased by 3% to \$21.93 billion in 2023. As a result, current account deficit decreased by 139% year-on-year to a surplus of \$1,927 million during Jul-Dec period of FY24.

The government saw a commendable 9.89% rise in tax revenue collection in FY23; however, lower ADP utilisation (84%) led to a modest budget deficit of 1.82% of GDP. Bangladesh's economic resilience stemmed from its vibrant domestic market, demographic shifts, and progressive adoption of digital technologies, all contributing to inclusive growth trajectories amidst challenging times.

Financial Services Sector

In 2023, Bangladesh's financial sector encountered challenges due to tight liquidity and escalating borrowing costs, driven by high inflation, elevated import expenses, and the adoption of a contractionary monetary policy. The policy rate surged to 7.75% in 2023 from 5.75% the previous year, reflecting efforts by the central bank to address inflationary pressures. Non-Performing Loans (NPLs) remained persistently high, with banks' NPL ratio climbing to 9% by December 2023, while Non-Bank Financial Institutions (NBFIs) saw a comparable increase, reaching 27.65% by June 2023. Additionally, domestic credit growth slowed to 11.89% in 2023 from 14.98% in 2022, with both public and private sector credit growth rates declining.

In 2023, Bangladesh Bank introduced the Reference Lending Rate, known as 'SMART' (Six Months Moving Average Rate of Treasury Bills). This initiative aimed to implement market-based lending interest rates, resulting in widened interest rate spreads for banks and NBFIs.

Despite several challenges, Bangladesh's financial sector has demonstrated resilience and adaptability, undergoing rapid digital transformation and embracing FinTech models. Bangladesh Bank has taken proactive measures to foster digital banking initiatives, underscoring the sector's commitment to innovation and future growth amidst evolving economic conditions.



Company Performance

In view of the above noted conditions of national and international economies and the financial sectors, the year 2023 was very challenging for the Company. The Earnings per Share (EPS) of your Company remained stable at BDT 0.76 in 2023 from BDT 0.76 in 2022 and the Net Asset Value (NAV) per share increased from BDT 17.06 in 2022 to BDT 17.32 in 2023.

The Company registered a 2.85% decline in operating revenue from 2022 due to decrease in interest spread in the market. However, due to control in operating expenses, the net profit increased by 0.40% in 2023 after maintaining the provision requirements.

BUSINESS

Deposit Products

The overall deposit portfolio consisting mainly of individuals, corporate entities, and organisations decreased by 2.61% in 2023 which reflects the economic downturn and market competition.

Lease, Loans and Advances Products

The lease, loans and advances portfolio of the Company grew by 0.77% from BDT 20.2 billion to BDT 20.4 billion this year. The lending activities of your Company in 2023 were consciously focused on areas less vulnerable to national and international economic shocks, eligible for refinancing, contributing in sustainable development and identified by the government and central bank to be crucial to the economic recovery of the country.

Cost Administration

Operational costs decreased by 4.06% in 2023, attributable to meticulous expense management across various categories including stationery, printing, telecommunication, traveling, and conveyance expenses.

Risk Management

In 2023, the Company persisted in its risk management objective by adhering to a structured, data-driven approach aimed at managing risks and improving risk mitigation techniques. It established a robust early alert system to identify clients potentially facing cash flow difficulties for proactive account management.

Furthermore, the Company bolstered its Risk Management Forum (RMF) to broaden its oversight scope, ensuring risks remain within the Company's risk tolerance while obtaining a comprehensive view of the organisation's risk exposure. Regular stress tests were conducted to evaluate the Company's resilience against adverse economic conditions, covering credit, market, liquidity, and operational risks.

To safeguard its systems and data against cyber threats, the Company implemented rigorous cybersecurity measures, encompassing continuous monitoring, sharing threat intelligence, and planning for incident response.

The Company's risk management policies adhere to relevant guidelines set forth by the Bangladesh Bank and other regulatory authorities. These policies undergo regular updates to fortify the risk management process, establish proactive monitoring, and set appropriate control benchmarks across various risk levels.

Sustainability Initiatives

The Company remains committed in its dedication to sustainable business practices, which aim to protect and positively contribute to the communities where it operates. The tangible results of these efforts are detailed in the sustainability report, which is included as an appendix to this Annual Report. This report adheres to the globally recognised GRI (Global Reporting Initiative) standards, ensuring transparency and accountability in our sustainability initiatives.

Future Outlook

The IMF projects global growth to reach 3.1% in 2024 and 3.2% in 2025, sustained by robust performance in the United States, key emerging markets, and fiscal support in China. Bangladesh and India are anticipated to sustain growth rates exceeding 6% in 2024. With decreasing inflation rate and the economy growing steadily, the chance of a sudden economic downturn has decreased. Predictions indicate a decline in global inflation to 5.8% in 2024 and 4.4% in 2025. Geopolitical conflicts and supply disruptions pose risks, however, the World Trade Organisation (WTO) foresees a resurgence in world merchandise trade volume in 2024 with a growth rate of 3.3%.



In 2024, your Company aims for sustainable growth in resilient sectors, concentrating on areas less prone to economic fluctuations. Enhanced collection efforts will help mitigate impending economic threats, aiming to boost profitability. The primary challenge lies in achieving balanced business growth while controlling costs, maintaining asset quality, and ensuring superior customer service. Through operational optimisation and prioritising customer satisfaction, your Company is cautiously confident in navigating the economic landscape and achieving its financial goals, fostering sustainable growth and long-term shareholder value.

Acknowledgement

I wish to thank our valued shareholders, regulators, customer and other stakeholders for their continuous support and patronage during these uncertain times.

I would also like to thank my respected colleagues on the Board of Directors of the Company for their support rendered to me during the year in conducting the meetings of the Board of Directors and providing appropriate guidance to the management.

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

Sincerely,

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

Imran Ahmed
Chairman of the Board



BOARD OF DIRECTORS' REPORT

Dear Shareholders:

We are pleased to submit herewith the 35th annual report of the Company together with the audited financial statements for the year ended 31 December 2023 and the auditors' report thereon.

Principal activities

The Company's main activities are as follows:

- Providing mid-to-long-term financing in the form of leases, term loans, and home loans.
- Offering short-term loans to support small business financing needs.
- Accepting deposits through fixed-term deposits and DPS products.

In the year 2023, the principal activities of the Company was influenced by a dynamic external environment characterised by disruptions in the global supply chain, elevated inflation levels, and volatility in the foreign exchange market. The Company demonstrated resilience by proactively addressing all these challenges.

Strategic disbursement decisions were made with caution, prioritising sectors resilient to market fluctuations while consciously avoiding exposure to vulnerable segments. Notably, we directed our focus towards fostering investments in green and sustainable sectors, aligning with our commitment to responsible business practices.

In response to regulatory changes, particularly the Bangladesh Bank's adoption of a contractionary monetary policy, the Company adjusted lending and deposit interest rates accordingly. While this resulted in a marginal decrease in operating revenue, prudent cost management strategies led to a reduction in operating expenses.

Furthermore, the Company achieved ISO/IEC 27001:2022 Certification, reflecting our steadfast dedication to upholding the highest standards of information security.

Looking ahead, the Company remains focused on optimising resource productivity through strategic utilisation of technology, continuous staff training initiatives, and ongoing process refinement efforts. These initiatives underscore our commitment to driving operational efficiency, fostering sustainable growth, and delivering enduring value to our stakeholders.

Financial results

The Company's before and after tax profit for the year 2023 were BDT 226.58 million and BDT 143.10 million compared to BDT 161.99 million and BDT 142.54 million respectively in the previous year.

The financial results are summarised below:

	2023 BDT	2022 BDT
Operating income	1,067,295,455	1,098,616,051
Operating expenses and provision	(840,715,124)	(936,623,221)
Profit before tax	226,580,330	161,992,829
Provision for taxation	(83,476,609)	(19,455,932)
Profit after tax	143,103,721	142,536,897
Retained earnings brought forward	38,187,265	17,807,675
Profit available for appropriation	181,290,986	160,344,572
Appropriation:		
Profit transferred to statutory reserve	29,000,000	28,600,000
Profit transferred to general reserve	-	-
Proposed cash dividend	112,268,768	93,557,307
Proposed bonus share	-	-
Un-appropriated profit carried forward	40,022,218	38,187,265
	181,290,986	160,344,572

Dividend

The Board recommended cash dividend of Taka 0.60 per ordinary share amounting to BDT 112.27 million for 187.11 million ordinary shares held on record date 16 May 2024 for the year ended 31 December 2023.

Directors

Mr. A. Rouf, nominated by United Insurance Company Limited, shall retire from the office immediately after the 35th Annual General Meeting in order to comply with section 16(3) of the Finance Company Act 2023.

Mr. Imran Ahmed was nominated by Camellia Duncan Foundation to represent in the Board of United Finance Limited. The Board accepted his nomination and subsequently Bangladesh Bank has also approved his appointment in the Board on 13 June 2023. In accordance with Article 162 of the Articles of Association of the Company, he is eligible for election.

As per Articles 154, 155 and 156 of the Articles of Association of the Company, Mr. L. H. Khan, representing United Insurance Company Limited will retire by rotation from the office and is eligible for re-election. Afterwards approval of Bangladesh Bank as per DFIM Circular No. 01 dated 29 February 2024 and Finance Company Act 2023 shall be obtained.

The Board of Directors appointed Professor Dr. Mahfuzul Hoque as Independent Director upon approval from Bangladesh Securities and Exchange Commission and subsequently from Bangladesh Bank. The matter will be placed before the shareholders in the Annual General Meeting for ratification. A brief profile of Professor Dr. Mahfuzul Hoque is shown in annexure-7.



Managing Director

The Board appointed a new Managing Director, Mr. Mohammad Rafiqul Islam for a period of three years with effect from 1 November 2023 to 31 October 2026 with Bangladesh Bank approval in accordance with FID Circular No. 2 dated 25 March 2015 and DFIM Circular No. 11 dated 22 June 2022 issued by Bangladesh Bank.

Prior to this, the Board appointed Mr. Mohammed Abul Ahsan as the Acting Managing Director of the Company from 1 September 2022 till the joining of new Managing Director with the approval of Bangladesh Bank.

Statutory Auditors

The auditors of the Company, A. Qasem & Co., Chartered Accountants shall retire and, being eligible, have offered themselves for re-appointment.

The Board of Directors recommended the re-appointment of A. Qasem & Co., Chartered Accountants for the year 2024. The matter will be placed before the shareholders in the Annual General Meeting subject to approval from Bangladesh Bank.

Corporate Governance Compliance Auditor

As per the Corporate Governance Code of Bangladesh Securities and Exchange Commission dated 3 June 2018, a professional is required to be appointed for certifying compliance with Corporate Governance Code for the year 2024.

The Board of Directors recommended the appointment of Hoque Bhattacharjee Das & Co., Chartered Accountants for the year 2024. The matter will be placed before the shareholders in the Annual General Meeting for approval.

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, Securities and Exchange Rules, 1987 and rules and regulation from Bangladesh Bank. 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 23 December 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) There is no bonus share or stock dividend recommended by the Board of Directors of the Company as interim dividend.

Board Meeting and Attendance

During the year, nine (9) 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 3 June 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 3 June 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 3 June 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 3 June 2018 is shown in annexure-6.



Brief resume of the Directors who will seek re-appointment/approval 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 3 June 2018 and BSEC Notification No. BSEC/CMRRCD/2009-193/3/Admin/104 dated 5 February 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 3 June 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

24 April 2024

**Board meeting and attendance**

Name of Directors	Meetings attended
Mr. Imran Ahmed	8
Mrs. Susan Ann Walker	8
Mr. A. Rouf	9
Mr. L. H. Khan	9
Mr. M.M. Alam	5
Mr. A.F. Nesaruddin	9
Mr. Ormaan Rafay Nizam	8
Mr. A.F.M.M Samad Choudhury	9
Mr. Mahbub Mustafizur Rahman*	1
Professor Dr. Mahfuzul Hoque**	4
Mr. Mohammad Rafiqul Islam ***	2

In 2023 nine (9) Board meetings were held. Leave of absence was granted in case of non-attendance.*Mr. Mahbub Mustafizur Rahman resigned on 23 March 2023. **Professor Dr. Mahfuzul Hoque was appointed on 25 May 2023. ***Mr. Mohammad Rafiqul Islam was appointed as Managing Director with effect from 1 November 2023. Remuneration of Directors for meetings attended are detailed in note 31 of Notes to the Financial Statements.

Shareholding pattern as at 31 December 2023**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', Managing Director, Chief Financial Officer, Company Secretary, Head of Internal Audit & Compliance and their Spouses and Minor Children

Name	Status	Number of shares	% of holdings
Mrs. Shama Rukh Alam	Wife of Mr. M.M. Alam, Independent Director	19,449	0.010
Mr. Mohammad Rafiqul Islam	Managing Director	-	-
Ms. Sharmi Noor Nahar	Company Secretary	-	-
Mr. Khandaker Tanbir Islam	Head of Internal Audit & Compliance- Acting	2,124	0.001
Mr. Lingkon Mondal FCA	Chief Financial Officer	-	-

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

Name	Status	Number of shares	% of holdings
Mr. Mohammed Abul Ahsan	Deputy Managing Director	-	-
Mr. Md. Enayet Latif	Deputy General Manager	-	-
Mr. Md. Mahabubur Rahman Khan	Deputy General Manager	-	-
Mr. Zia Ul Alam Chowdhury	Deputy General Manager	-	-
Ms. Sabrina Mehnaz	Deputy 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



Annexure-3

Key Operating and Financial Data

Operating Result

		2023	2022	2021	2020	2019
Net operating income	MBDT	1,067	1,099	980	923	1,059
Profit before tax	MBDT	227	162	260	272	385
Provision for tax	MBDT	83	19	37	60	141
Profit after tax	MBDT	143	143	222	211	245

Balance Sheet

Total investment portfolio	MBDT	20,377	20,221	17,228	15,136	14,989
Total assets	MBDT	28,819	27,183	25,860	21,560	21,730
Financial liabilities	MBDT	21,427	20,245	19,044	14,647	15,096
Total liabilities	MBDT	25,577	23,992	22,623	18,359	18,553
Shareholders' equity	MBDT	3,241	3,192	3,236	3,201	3,177
Shares outstanding	Mn	187.11	187.11	187.11	187.11	187.11

Financial ratios

Debt-equity ratio ¹	Times	7.89	7.52	6.99	5.73	5.84
Return on equity ²	%	4.45	4.43	6.90	6.62	7.77
Financial expenses coverage ³	Times	1.17	1.13	1.23	1.21	1.25
Provision on doubtful assets to total lease, loan and advances	%	3.33	2.77	2.92	3.15	3.02
Net asset value per share (NAV)	BDT	17.32	17.06	17.30	17.11	16.98
Earnings per share (EPS)	BDT	0.76	0.76	1.19	1.13	1.31
Cash dividend (per share)	%	6.00	5.00	10.00	10.00	10.00
Stock dividend (bonus share)		-	-	-	-	-

Number of offices

Nos.	24	24	24	24	24
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Number of employees

Nos.	640	696	608	541	516
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Restatements⁴ :

EPS	BDT	0.76	0.76	1.19	1.13	1.31
NAV	BDT	17.32	17.06	17.30	17.11	16.98

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 2023 and accordingly restated for the previous years.

Annexure-4

Income segments

Segments

	2023	2022	Growth
Net Interest income from long term activities	923,133,705	1,003,226,972	-8%
Net interest income from short term activities	106,206,156	66,104,470	61%
Investment income	37,955,593	29,284,609	30%



Management Discussion and Analysis

1. Accounting Policies and Estimation

Financial Statements are prepared in accordance with International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), the Finance Company Act 2023, the Financial Institutions Regulation 1994, the Companies Act 1994, Securities and Exchange Rules 1987, the rules and regulations issued by Bangladesh Bank 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 requirement(s) prevailed. When any requirement of the Finance Company Act 2023, provisions and circulars issued by Bangladesh Bank differed from those of IFRSs, IASs and BSEC, the requirements of the Finance Company Act 2023, 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:

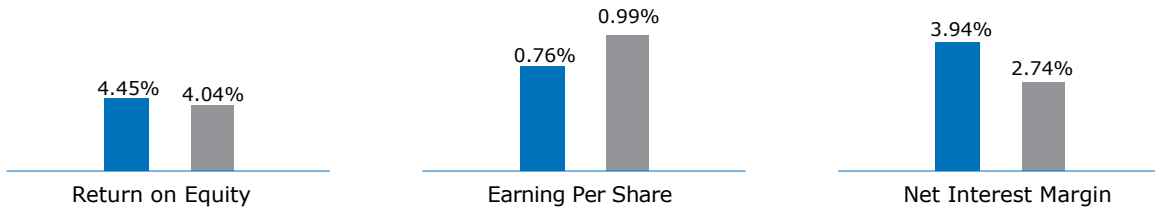
	Indicators	2023 over 2022 (% Change)	Explanation
Income Statement	Interest Income	3.18%	Increment of lending and borrowing rate subsequent to the introduction of SMART rate by regulator
	Interest paid on deposits, borrowings, etc.	10.82%	
	Investment Income	47.79%	Growth in investment in preference share portfolio
	Total operating expense	-4.06%	Optimisation of operating expenses through cautious planning and monitoring
Balance Sheet	Lease, loans and advances	0.77%	Despite various challenges like higher funding cost and reduced private sector credit growth, we were able to maintain our portfolio with marginal growth.
	Investments	47.92%	Higher level of investment in preference shares
	Borrowing from banks, other financial institutions and agents	27.84%	Increment of refinancing received from Bangladesh Bank
Cash Flow Statement	Cash flow from operating activities	106.10%	Slower growth of lease, loans and advances portfolio and increased uses of short term borrowing
	Cash flow from investing activities	61.91%	Increase in investment in preference shares
	Cash flow from financing activities	97.80%	Incremental refinancing received from Bangladesh Bank



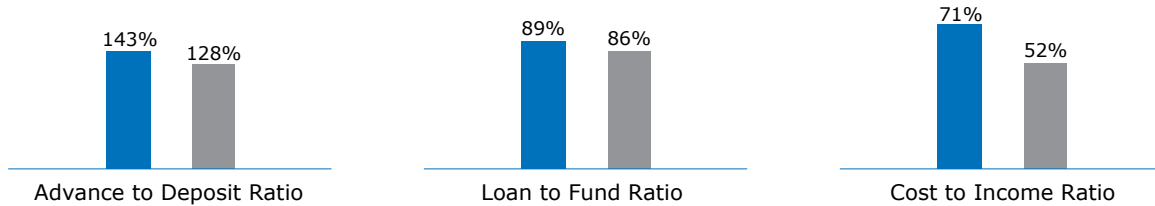
4. Comparison of Performance with Peers

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

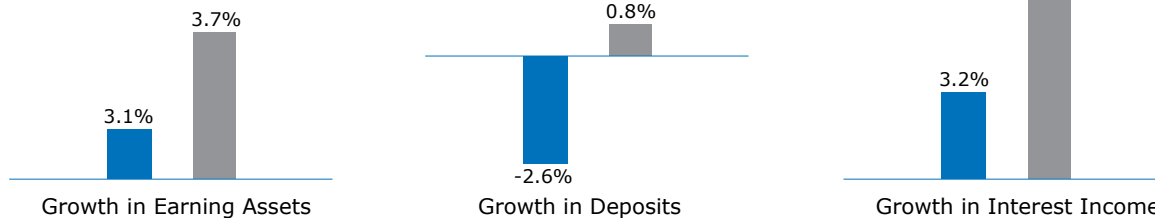
PROFITABILITY ANALYSES



EFFICIENCY ANALYSES



BUSINESS GROWTH ANALYSES



■ United Finance ■ Industry (upto Q3, 2023)*

* Based on Q3 reports available on peer companies’ official websites.

The Company remained competitive in terms of Net Interest Margin, Earning Asset Growth, Deposit Growth, and Growth in Interest Income compared to the peers. However, improvement of the Cost to Income ratio will be a priority in the coming years.

5. Financial and Economic Overview

5.1. Global Economic Condition

The global economy encountered various challenges in 2023 due to regional conflicts, leading to disruptions in supply chains, alongside ongoing issues from the aftermath of the pandemic and the impacts of climate change, which affected millions of lives and livelihoods, hindering progress towards sustainable development. However, the global economy demonstrated resilience amidst considerable monetary tightening and lingering policy uncertainties worldwide. While the United States and many emerging-market economies experienced robust growth, most European countries saw a slowdown, with China maintaining stable growth. Moreover, inflation gradually decreased in many regions, driven by lower energy and food prices, allowing central banks to ease their interest rate hikes. The IMF estimated a decline in global GDP to 3.1% in 2023 from 3.5% in 2022 due to inflation-fighting measures by central banks and reduced fiscal support amid high debt levels.

After increasing rapidly for two years, global inflation slowed in 2023 but remained higher than the average from 2010 to 2019. In 2023, global inflation decreased to 6.8% from 8.7% in 2022, with Advanced Economies experiencing a significant drop to 4.6% from 7.3%, while Emerging and developing economies saw a slower decline to 8.4% from 9.8%.

In 2023, the global unemployment rate was recorded at 5.1%, showing a slight improvement from the previous year's rate of 5.3%. However, wage growth failed to keep pace with inflation in most economies, exacerbating the cost-of-living challenges.



Rising borrowing costs and currency depreciations heightened debt sustainability risks in many developing countries due to tightening monetary policies by the central banks of major developed countries. Fiscal revenue either stagnated or declined during the post-pandemic period, while debt-servicing burdens continued to rise, especially in developing countries with higher levels of foreign currency-denominated debt. This poses a significant concern, particularly when additional external financing is needed to stimulate investment, address climate change risks, and accelerate progress towards the Sustainable Development Goals (SDGs). Least Developed Countries (LDCs) experienced a decrease in official development assistance, exacerbating the financing constraints. Global trade growth weakened significantly in 2023, dropping to an estimated 0.8%, a sharp decline from 3% in 2022.

5.2. Bangladesh Economy

Bangladesh made a strong recovery from the COVID-19 pandemic in 2022, but the post-pandemic recovery was disrupted in 2023 with rising inflation, exchange rate volatility and global economic uncertainty, along with global supply disruption caused by the regional conflicts. As a result of these adverse economic conditions, Bangladesh's GDP growth rate declined to 5.78% in FY2023, compared to 7.10% in FY2022. This decline was primarily driven by decreased performance in the service and manufacturing sectors, although the agriculture sector showed resilience.

Inflation rose from 7.7% in 2022 to 9.5% in 2023, mainly due to increased food and non-food prices resulting from supply disruptions, higher shipping costs, and the devaluation of the Bangladeshi Taka against the US Dollar. To address rising inflation, the Bangladesh Bank implemented tighter monetary policies.

Despite these challenges, Bangladesh's economy displayed resilience in 2023. Export earnings remained stable, reaching \$55.7 billion with a 2% increase, driven by more exports to non-traditional destinations and product diversification. Conversely, imports decreased by 24% to \$61.9 billion due to reduced demand locally and in export destinations, alongside import restrictions. Remittances grew by 3% in 2023, reaching \$21.9 billion. As a result, the current account deficit decreased by 139% year-on-year to a surplus of \$1,927 million during Jul-Dec period of FY24.

The continuous sale of dollars to stabilise the Forex market, resulted in a decline in foreign exchange reserves to around \$21 billion in 2023 from over \$26 billion in 2022. Additionally, Bangladesh's foreign loan repayment exceeded \$4 billion for the first time in FY2023, reaching \$4.78 billion, up by 32.8% from the previous year.

In 2023, Bangladesh demonstrated resilience and dynamism in its economic landscape amid domestic and global challenges. A notable trend was the significant role of the domestic market characterised by a large consumer base and expanding middle and affluent classes, driving economic growth despite external uncertainties. The digital revolution played a transformative role, facilitating advancements in finance, education, and government services, contributing to economic resilience and inclusive growth.

5.3 Bangladesh Financial Sector

In 2023, the financial sector experienced a tight liquidity situation and increased cost of funds, along with lower credit growth in both the public and private sectors due to continuous contractionary monetary policy taken by Bangladesh Bank to curb the inflationary pressure. The contraction in liquidity, intensified by the central bank's policy rate hikes, presented significant challenges for the financial sector. Additionally, there was a notable increase in non-performing loans, coupled with difficulties in meeting provision and capital requirements in the overall financial sector.

Throughout the year, the banking sector faced tight liquidity conditions, evident from the dwindling levels of excess liquidity which stands at Tk 1.63 trillion in December 2023. Despite this liquidity stress, banks sought increased support from the central bank, navigating through its contractionary monetary stance. The contractionary monetary policy led to a spike in borrowing costs, with the call money rate rising to 8.84% in December 2023 from 5.80% in December 2022, and the policy rate climbing to 7.75% by December 2023 from 5.75% a year earlier.

Interest rate spreads saw improvements for both banks and Non-Bank Financial Institutions (NBFIs) from July onwards, driven by the shift from a fixed interest rate framework to a more market-driven leading interest rate mechanism. This transition, marked by the introduction of Six-months Moving Average Rate of Treasury bill (SMART) and the removal of interest rate floors on term deposits, resulted in an increase in interest rate spreads.



In 2023, Bangladesh's banking sector witnessed an increase in default loans by Tk 25,000 crore, attributed to economic volatility and a dollar shortage, impairing borrowers' debt repayment abilities. Default loans surged to Tk 1.46 trillion by December 2023, comprising 9% of total loans, up from 8.16% a year earlier. Similarly, NBFIs experienced a rise in non-performing loans, reaching 27.65% in June 2023, compared to 23.88% in December 2022.

In response to these challenges, the Bangladesh Bank implemented measures aimed at enhancing discipline within the banking sector. These measures included bolstering regulatory oversight, strengthening corporate governance, combating political interference, and improving risk management practices. Additionally, the government introduced The Bank Company (Amendment) Bill 2023 and Finance Company Act, 2023 under which Bangladesh Bank allows banks to sell insurance products. Moreover, Bangladesh's financial sector has undergone rapid digital transformation, with the Bangladesh Bank actively fostering digital banking initiatives, indicating a positive outlook for future resilience and growth.

5.4 Risks and Concerns

In 2024, the domestic and global economy may encounter several challenges that could impact growth and stability. Slowdown in economic activities due to supply chain disruption may contribute to portfolio risk. As consumer spending wanes and investment activities slow down, our loan portfolio might face increased delinquencies, particularly in sectors sensitive to economic fluctuations.

Additionally, import restrictions due to depleting forex reserves present a pressing concern. With dwindling reserves impacting the availability of foreign currency for imports, businesses reliant on imported goods may face liquidity constraints, potentially leading to difficulties in servicing their debts.

Furthermore, the persistent inflation in Bangladesh may erode the purchasing power of borrowers, thereby affecting their disposable income. The implementation of tight monetary policy to combat inflation might exacerbate this risk by leading to liquidity stress and higher borrowing costs for borrowers, especially small and medium-sized enterprises. Additionally, the prevalence of non-performing loans within the financial sector underscores the importance of robust credit risk management practices to mitigate the risk of default. Moreover, the impact of negative news regarding the Non-Bank Financial Institutions (NBFI) industry, stemming from a few institutions, is further impacting the liquidity situation of the overall industry, compounding the existing risks associated with inflation and tight monetary policies.

In response to these challenges, your Company is always committed to enhancing its risk management processes as per the industry best practices. This includes further diversifying the loan portfolio across sectors and implementing rigorous credit risk assessment measures to mitigate concentration and portfolio risks. Additionally, proactive monitoring of economic indicators and borrowers' financial health will enable the Company to identify and mitigate potential non-payment risks. We are prioritising strengthening relationships with borrowers and implementing proactive collection strategies to minimise the impact of economic downturns on loan delinquencies and defaults.

Your Company's risk management process appended as Pillar III: Market Discipline disclosure to this Annual Report illustrates the details of how we are prepared to tackle such risks.

5.5 The Way Forward

Looking forward to 2024, United Finance will continue its journey of adaptation and growth. The Company is prioritising rigorous credit assessment and continuous monitoring alongside intensifying efforts to enhance operational efficiency and technological capabilities, facilitating quicker and more informed decision-making processes. This year, your Company's main focus will be on optimising funding and operational costs to support all growth initiatives. Furthermore, the Company will remain committed to strengthening internal controls and risk management systems to ensure stability and resilience. In essence, United Finance is prepared to move forward with determination, leveraging innovation and strategic planning to deliver value and drive success in the year ahead.

Sincerely yours,

Mohammad Rafiqul Islam
Managing Director



Declaration by Managing Director and Chief Financial Officer

24 April 2024

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, 2023.

Dear Sirs,

Pursuant to the condition No. 1(5)(xxvi) imposed vide the Commission's Notification No. BSEC/ CMRRCD/2006 -158/207/Admin/80, dated 3 June 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 31 December 2023 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's 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's 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 31 December 2023 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's 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,

Mohammad Rafiqul Islam
Managing Director

Lingkon Mondal, FCA
Chief Financial Officer



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

Mr. Imran Ahmed

Mr. Imran Ahmed represents Camellia Duncan Foundation on the Board of Directors of United Finance Limited. He is the Executive Chairman of Duncan Brothers group.

In 2001, he joined Duncan Brothers group of companies and has been a Director in Surmah Valley Tea Co. Limited, The Lungla (Sylhet) Tea Co. Limited, The Allynugger Tea Co. Limited, Amo Tea Co. Limited, The Chandpore Tea Co. Limited, The Mazdehee Tea Co. Limited, Eastland Camellia Limited, Octavius Steel & Co. of BD Limited, Chittagong Warehouse Limited, Duncan Products Limited and Duncan Properties Limited.

Mr. Ahmed started his career at Tea Holdings Limited in 1975. He joined Grindlays Bank Limited in 1980 and in his more than 20 years' association with the Bank, he held various positions including being a member of the Management Committee of the Bank. He is associated with the Bangladesh Tea Association, British Business Group, Foreign Investors' Chamber of Commerce & Industry, International Chamber of Commerce, Metropolitan Chamber of Commerce and Industry, Bangladesh Employer's Federation, Federation of Bangladesh Chambers of Commerce & Industries, and Shippers' Council of Bangladesh. Mr. Ahmed graduated from the University of Dhaka.

Mr. Lutful Hakim Khan

Mr. Lutful Hakim Khan represents United Insurance Company Limited on the Board of United Finance. He is also a member of the Board Audit Committee.

Mr. Khan is Director of National Brokers Limited. He has over 55 years of experience in tea broking. He joined National Brokers in 1965, became its Managing Director in 2006 and was Chairman from 2010 to 2019.

He is associated with various social activities and is actively involved in Bhatyari Golf and Country Club.

Mr. Khan is a graduate from the University of Dhaka.

Professor Dr. Mahfuzul Hoque

Professor Dr. Mahfuzul Hoque is an Independent Director on the Board of United Finance Limited.

Dr. Mahfuzul Hoque is a Professor of Accounting and Information Systems (AIS) at the Faculty of Business Studies, University of Dhaka. Dr. Hoque has over 30 years of experience in active teaching and research, consultancy, social development and community engagement activities.

Apart from holding current position as the Director of the Master of Professional Accounting (MPA) program, Dr. Hoque also successfully contributed in the roles of the Director of Master of Accounting in Taxation (MAT) program at the University of Dhaka. He played a crucial role in bridging the gap between the academia and the accountancy profession in Bangladesh while serving as the Director of Learning and Development, and as the Secretary of the Institute of Chartered Accountants of Bangladesh (ICAB) from 2011 to 2014. He was the Advisor of MBA, EMBA and MBM Programs, East West University, Bangladesh. Dr. Hoque is currently the Director on the Board of Power Grid Company of Bangladesh Limited. He is also the director of Japan Society of Organization and Accounting, General Body Member of Dushtha Shasthya Kendra, Member of Board of Studies and Technical Research Committee of ICAB, and Editor-in-Chief of the "Journal of Financial Markets and Institutions" published by BICM. As a special task assigned by the Government of Bangladesh, Dr. Hoque worked as a consultant for Delta Life Insurance Company Limited.

Dr. Hoque takes special interest in researching on institutionalisation of accounting and accountability in different organisations, especially in the context of public sector. An avid researcher and academician, he was awarded with MSc and PhD in Management Science and Engineering from the University of Tsukuba, Ibaraki, Japan.



Report on the Activities of Audit Committee


During 2023, 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 2022;
- Reviewed the Company's draft financial statements for the year ended on 31 December 2022 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 2022;
- Advised the Board on the appointment of external auditors for the year 2023 and their audit fee;
- Advised the Board on the appointment of professional for certification on compliance of Corporate Governance for the year 2023;
- Reviewed the management discussion and analysis and recommended that the same be placed to the Board for approval;
- Reviewed the quarterly financial statements and recommended that the same be placed to the Board for approval;
- 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 Management Report of the external auditors' for the year 2022 along with the management responses on the Company's internal control;
- Reviewed and approved the Operational Guidelines on Internal Control and Compliance;
- Reviewed and approved the Compliance Calendar-2024;
- Reviewed the Lease/Loan Write Off cases;
- Noted the following:
 - Successful achievement of ISO/IEC 27001:2022 Certificate for the first time as per the requirement of Bangladesh Bank;
 - Credit rating of AA-for long-term, ST-2 for short-term with Stable outlook for the period from 25 June 2023 to 24 June 2024.

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	Professor Dr. Mahfuzul Hoque	Independent Director	Member	MBA and Ph.D.
3	L.H. Khan	Director	Member	B.A.
4	Ormaan Rafay Nizam	Director	Member	Graduate, UK
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 2023. On invitation, Company's Managing Director, Deputy Managing Director, Chief Financial Officer (CFO), Head of Internal Audit and Compliance (Acting), Chief Risk Officer (CRO), 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 For the year ended on 31 December 2023

We have examined the compliance status to the Corporate Governance Code by United Finance Limited for the year ended on 31 December 2023. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 and Notification No. BSEC/CMRRCD/2009-193/66/PRD/148 dated 16 October 2023 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 thereof 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
Date: 16 May 2024

Avijit Bhattacharjee FCA
Partner
Enrollment Number: 824
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)	At least 2(two) directors or one fifth (1/5) of the total number of directors	√		
1.2 (b)	Independent Director means a director-			
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)	Who has not been reported as a defaulter in the latest Credit Information Bureau (CIB) report of Bangladesh Bank for nonpayment of any loan or advance or obligation to a bank or a financial institution and;	√		
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:	√		
	Provided that the Board shall appoint the independent director, subject to prior consent of the Commission,	√		
	after due consideration of recommendation of the Nomination and Remuneration Committee (NRC) of the company;			N/A
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 who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk.100.00 million or any listed company or a member of any national or international chamber of commerce or registered business association; or	√		
1.3 (b)(ii)	Corporate leader; or	√		
1.3 (b) (iii)	Former or existing official of government or statutory or autonomous or regulatory body in the position not below 5 th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or business or Law: In case of appointment of existing official as independent director, it requires clearance from the organization where he or she is in service; or	√		
1.3 (b)(iv)	University Teacher in Economics, Commerce or Business Studies or Law	√		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
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	√		
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 is 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	√		
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 MD,CFO,CS,HIAC)	√		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
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	√		
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 6;	√		
1.5 (xxvii)	Certification by a practicing professional regarding compliance with Corporate Governance code and shall be disclosed in the Annual report;	√		
1.5 (xxviii)	The Directors' report to the shareholders does not require to include the business strategy or technical specification related to products or services, which have business confidentiality	√		
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 (CEO), 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	√		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
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;	√		
	Provided that CFO or CS of any listed company may be appointed for the same position in any other listed or non-listed company under the same group for reduction of cost or for technical expertise, with prior approval of the Commission:			N/A
	Provided further that the remuneration and perquisites of the said CFO or CS shall be shared by appointing companies proportionately;			N/A
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	√		
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 # 18 dated 26 October 2011; whereas BSEC Notification No. BSEC/CMRRC/2006-158/207/ Admin/80, dated 3 June 2018 directs to form NRC.</p> <p>However, Bangladesh Bank has further advised through their letter ref. no. DFIM(P)1052/27/2021-2436 dated 4 November 2021 that the Financial Institutions are not allowed to form NRC.</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	√		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
5.2 (d)	When the term of service of the Committee member expires, Board shall appoint the new Committee member immediately or not later than 60 (sixty) days from the date of vacancy.	√		
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	√		
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			No such event found
5.6 (a)(ii)(b)	Material defect in the internal control system			
5.6 (a)(ii)(c)	Infringement of laws, rules and regulations			
5.6 (a)(ii)(d)	Any other matter			
5.6 (b)	Reporting to the authorities	√		
5.7	Reporting to the Shareholders & General Investors	√		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
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 # 18 dated 26 October 2011; whereas BSEC Notification No. BSEC/CMRRCD/2006-158/207/ Admin/80, dated 3 June 2018 directs to form NRC.</p> <p>However, Bangladesh Bank has further advised through their letter ref. no. DFIM(P)1052/27/2021-2436 dated 4 November 2021 that the Financial Institutions are not allowed to form NRC.</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)	At least 02 (two) 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			
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			



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
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 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	Directors statement on the Company's compliance with CGC conditions	√		



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 14 January 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 2023 and the profit and loss account, statement of changes in equity and cash flow statement 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 of the Company give a true and fair view of the financial position of the Company as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 2.1 and also comply with The Finance Company Act, 2023, The Company Act, 1994, the rules and regulations issued by the Bangladesh Bank, the rules and regulations issued by the Bangladesh Securities & Exchange Commission (BSEC) 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 Securities and Exchange Commission (BSEC) and Bangladesh Bank, and we have fulfilled our other ethical responsibilities in accordance with 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 auditor’s 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. The 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.

Description of key audit matters	Our response to key audit matters
Measurement of provision for lease, loans and advances	
<p>With reference to Note 12.6 to the Financial Statements, the process for calculating the provision for lease, loans and advances portfolio associated with credit risk is significant and complex. The Company calculates provision for lease, loans and advances by considering various factors such as rate of provision, loan category, expiry date, outstanding balance, interest suspense amount, value of eligible collateral as per DFIM Circular No. 04 dated 26 July 2021 and its subsequent amendments.</p> <p>Through DFIM Circular No. 10 dated 4 September 2022, Bangladesh Bank issued guidelines for rescheduling and classification of Loans and Advances.</p>	<p>We tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> ● Credit appraisal, loan disbursement procedures, monitoring and provisioning process; ● Identification of loss events, including early warning and default warning indicators; ● Review of quarterly Classification of Loans (CL). <p>Our substantive procedures in relation to the provision for lease, loans and advances portfolio comprised the following:</p> <p>For confirming the classification of rescheduled lease, loans and advances, we performed the following procedures:</p>



Description of key audit matters	Our response to key audit matters
<p>According to DFIM Circular Letter No. 33 dated 19 December 2021, NBFIs must keep an extra 2% (percent) special provision for the borrowers who have availed Payment by Deferral (PBD) facilities. The Company has kept a special provision of BDT 5.46 million as of 31 December 2023 to comply with the circular.</p> <p>Moreover, classification of rescheduled Lease, Loans and Advances was determined as per DFIM Circular Letter No. 33 dated 19 December 2021, as per direction of Bangladesh Bank after six monthly overdue or two quarterly overdue rescheduled lease, loans and advances will become BL for those lease, loans and advances that was rescheduled after the aforementioned circular.</p> <p>In Bangladesh, non-performing loans have been increasing day by day. NBFIs need to maintain provisions for additional non-performing loans in line with the Bangladesh Bank's guidelines. The Company identifies impaired loan accounts and calculates required provisions manually. Furthermore, management has an incentive to maintain lower provisions for loans and advances to overstate profit. Considering these factors, we have considered measurement of provision for lease, loans and advances as significant risk as well as a key audit matter.</p> <p>At the year-end of 2023, the Company reported total gross lease, loans and advances of BDT 20,376.74 million (2022: BDT 20,220.59 million) whereas at the year end of 2023 the Company reported total provision for lease, loans and advances of BDT 679.12 million (2022: BDT 559.73 million).</p>	<ul style="list-style-type: none">● We checked the no. of installment outstanding and compliance with DFIM Circular No. 10 dated 4 September 2022;● Obtained Bangladesh Bank Inspection report on FICL audit for the year ended 2023 and checked either the directions or recommendations thereon, have been addressed by the management or not;● Reviewed the adequacy of the general and specific provisions and loan classification disclosures in the financial statements in line with related Bangladesh Bank guidelines;● Tested the inputs in computation of provision in terms of testing the accuracy of underlying information;● Assessed the methodologies on which the provision amounts based (value of eligible securities, interest suspense), recalculated the provisions for lease, loans and advances;● Checked the adequacy of the Company's general and specific provisions;● Evaluated the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines;
See note no 12.6 to the financial statements	

**Adequacy of income tax provision and reversal of excess provision during the year**

At year end of 2023 the company reported provision for income tax of BDT 2,165.65 million (2022: BDT 2,075.51 million). Upon receiving the advice of consultant, the company has made a reversal entry for excess provision regarding 2010 of BDT 14.41 million. This has resulted in reduction in tax claim which were previously provided for, and accordingly a portion of these prior year excess income tax provision has been released through the profit and loss account during the year.

The Company has followed the legal procedures with regards to disputes arising between UFL and DCT, Appellate Tribunal and High Court. As a result, in the unfavorable situation additional tax provision might have been provided for against the respective order.

As this unsettled tax disputes and reversal of income tax provision constitute material balance and significant judgment is required to assess potential tax liability in relation to pending tax assessments, we consider this as a key audit matter.

- We obtained an understanding, evaluated the design and tested the operational effectiveness of the Company's key controls over the recognition and measurement of income tax provision and the assumptions used in estimating various allowable and disallowable items to determine taxable income.
- We also assessed the completeness and accuracy of the data used to prepare year-wise tax position summary for all pending tax assessments/appeals;
- We have reviewed the assessment/appeal orders by the respective authorities;
- We also reviewed the appeal ground of UFL;
- We also obtained a letter from tax consultant to ascertain tax provision;

See note no 12.8 to the financial statements

Recognition of interest income on lease, loans and advances

Recognition of interest income has a significant and wide influence on financial statements. Recognition and measurement of interest income have involved complex IT environments.

We identify recognition of interest income from lease, loans and advances as a key audit matter because this is one of the key performance indicators of the Company and therefore there is an inherent risk of fraud and error and overstatement in recognition of interest by management to meet specific targets or expectations.

Moreover, Bangladesh Bank has introduced SMART rate by DFIM Circular No. 07 dated 20 June 2023 and subsequent movement by DFIM Circular Letter No. 25 dated 29 November 2023 which has changed several times since inception.

We tested the design and operating effectiveness of key controls over recognition and measurement of interest on lease, loans and advances focusing on the following:

- Reviewing transfer of interests to the income account in line with the Bangladesh Bank's guideline;
- Reviewed the grounds for approval for the transfer of interest to the income account.

We performed a test of operating effectiveness on automated control in place to measure and recognize interest income.

We have also performed substantive procedure to check whether interest income is recognized completely and accurately in line with time-to-time movement of SMART rate published by Bangladesh Bank.

However, due to the current uncertainty of the overall economic situation both in Bangladesh and Globally there are inherent risk that the judgment applied by Management in assessing recoverability of interest income from classified loans may be different than the actual situation in future.

See note no 21 to the financial statements

**IT systems and controls**

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 daily and the reliance on automated and IT dependent manual controls.

Our areas of audit focus included user access management, developer access and changes to the IT environment. These are key to ensuring IT dependent and application-based controls are operating effectively.

We tested the design and operating effectiveness of the Company's IT access controls over the information systems that are critical to financial reporting.

We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were appropriately reviewed and authorized.

We tested the Company's periodic review of access rights and reviewed requests of changes to systems for appropriate approval and authorization.

We considered the control environment relating to various interfaces, configurations and other application layer controls identified as key to our audit.

We performed the Tests of IT General Controls to evaluate the Application Development and Database, Hosting Platforms and segregation of incompatible duties relevant to application and database change management.

Other Matter

The financial statements of the Company for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those statements on 23 March 2023.

Other information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditor's 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this audit's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with IFRSs as explained in note 2, 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.

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.



Auditor's 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 auditor's 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 omissions, 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.
- 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 the 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a 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 the financial statements of the current period and are therefore the key audit matters. We describe 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.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act, 1994, the Securities and Exchange Rules 2020, The Finance Company Act, 2023 and the rules and regulations issued by Bangladesh Bank, we also report that:

- i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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 balance sheet and profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- iv. the expenditures incurred were for the purpose of the Company's business for the year;
- v. the financial statements of the Company have been drawn up in conformity with The Finance Company Act, 2023 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 lease, loans & advances, 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. statements sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;
- x. taxes and other duties were collected to be and deposited in the Government treasury by the Company as per Government instructions 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 auditor's 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 and net worth, cash and liquid assets and procedure for sanctioning and disbursing loans/leases found satisfactory;
- xv. we have reviewed over 80% of the risk weighted assets of the Company and we have spent around 1,300 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;
- xvii. all other issues which in our opinion are important for the stakeholders of the Company have been adequately disclosed in the audit report financial.

A. Qasem & Co.

Chartered Accountants

Firm Registration No.: 2-PC7202

Ziaur Rahman Zia, FCA

Partner

Enrolment Number: 1259

DVC: 2404281259AS278789

Dhaka, Bangladesh

Dated: 24 April 2024



UNITED FINANCE LIMITED

Balance Sheet

as at 31 December 2023

	Notes	2023 BDT	2022 BDT
PROPERTY AND ASSETS			
Cash	3		
In hand		1,539,500	1,290,000
Balance with Bangladesh Bank and its agent bank(s)		247,918,039	291,849,869
		249,457,539	293,139,869
Balance with banks and other financial institutions	4		
In Bangladesh		3,873,994,182	3,031,275,489
Outside Bangladesh		-	-
		3,873,994,182	3,031,275,489
Money at call and short notice	5	-	-
Investments	6		
Government		-	502,665
Others		1,541,556,389	1,041,644,369
		1,541,556,389	1,042,147,034
Lease, loans and advances	7		
Lease receivable		6,488,211,561	6,817,143,448
Loans, cash credits, overdrafts, etc.		13,888,526,314	13,403,451,362
		20,376,737,875	20,220,594,810
Fixed assets including land, building, furniture and fixtures	8	384,735,163	446,603,481
Other assets	9	2,392,039,815	2,149,458,067
Non - financial institutional assets		-	-
Total assets		28,818,520,963	27,183,218,750
LIABILITIES AND CAPITAL			
Liabilities			
Borrowing from banks, other financial institutions and agents	10	7,181,251,670	5,617,589,299
Deposits and other accounts	11		
Current deposits and other accounts etc.		-	-
Bills payable		-	-
Savings bank deposits		-	-
Term deposits		13,697,882,363	14,178,306,705
Bearer certificates of deposit		-	-
Other deposits		548,199,357	448,968,336
		14,246,081,720	14,627,275,041
Other liabilities	12	4,149,950,446	3,746,663,698
Total liabilities		25,577,283,837	23,991,528,037
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	1,024,050,000	995,050,000
General reserve	16	190,000,000	190,000,000
Retained earnings	17	152,290,986	131,744,572
Total shareholders' equity		3,241,237,126	3,191,690,712
Total liabilities and shareholders' equity		28,818,520,963	27,183,218,750
Net asset value per share (NAV)	18	17.32	17.06
Restatement of NAV:			
Net asset		3,241,237,126	3,191,690,712
Number of outstanding shares (current year's)		187,114,614	187,114,614
NAV per share		17.32	17.06

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

as at 31 December 2023

OFF-BALANCE SHEET ITEMS

	Notes	2023 BDT	2022 BDT
Contingent liabilities			
Acceptances and endorsements	19	-	-
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		-	-

The annexed notes 1 to 50 form an integral part of these financial statements.

Mohammad Rafiqul Islam
Managing Director

Professor Dr. Mahfuzul Hoque
Independent Director

Ormaan Rafay Nizam
Director

L. H. Khan
Director

A. Qasem & Co.

Chartered Accountants
Firm Registration No.: 2-PC7202

Dhaka, Bangladesh
Dated: 24 April, 2024

Ziaur Rahman Zia, FCA
Partner
Enrolment Number: 1259
DVC: 2404281259AS278789



UNITED FINANCE LIMITED
Profit and Loss Account
for the year ended 31 December 2023

	Notes	2023 BDT	2022 BDT
OPERATING INCOME			
Interest income	21	2,153,534,957	2,087,240,968
Interest paid on deposits, borrowings, etc.	22	(1,353,422,091)	(1,221,276,143)
Net interest income		800,112,865	865,964,825
Investment income	23	112,795,800	76,321,715
Commission, exchange and brokerage		-	-
Other operating income	24	154,386,789	156,329,510
Total operating income (A)		1,067,295,455	1,098,616,051
OPERATING EXPENSES			
Salaries and allowances	25	547,561,360	544,280,541
Rent, taxes, insurance, electricity etc.	26	18,971,013	25,041,872
Legal expenses	27	25,888,550	21,245,777
Postage, stamp, telecommunication etc.	28	17,427,221	23,528,389
Stationery, printing, advertisements etc.	29	1,924,263	5,139,290
Managing Director's salary and benefits	30	1,250,000	8,786,250
Directors' fees	31	568,333	580,555
Auditors' fees	32	805,000	805,000
Charges on loan losses		-	-
Depreciation and repair of assets	33	98,972,758	101,325,687
Other expenses	34	38,569,220	53,027,114
Total operating expenses (B)		751,937,718	783,760,476
Profit before provision C=(A-B)		315,357,736	314,855,575
Provision for lease, loans and advances	35	88,777,406	132,862,745
Provision for diminution in value of investments		-	-
Other provision		-	20,000,000
Total provision (D)		88,777,406	152,862,745
Operating profit before taxes E=(C-D)		226,580,330	161,992,829
PROVISION FOR TAXATION			
Current Tax	36	90,131,515	18,558,188
Deferred Tax	36	(6,654,906)	897,744
Total provision for taxation (F)		83,476,609	19,455,932
Net profit after taxation (E-F)		143,103,721	142,536,897
Appropriations			
Statutory reserve	15	29,000,000	28,600,000
General reserve	16	-	-
Dividends, etc.		-	-
		29,000,000	28,600,000
Retained surplus		114,103,721	113,936,897
Earnings per share (EPS)	37	0.76	0.76

The annexed notes 1 to 50 form an integral part of these financial statements.

Mohammad Rafiqul Islam
Managing Director

Professor Dr. Mahfuzul Hoque
Independent Director

Ormaan Rafay Nizam
Director

L. H. Khan
Director

A. Qasem & Co.

Chartered Accountants
Firm Registration No.: 2-PC7202

Ziaur Rahman Zia, FCA
Partner
Enrolment Number: 1259
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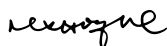


UNITED FINANCE LIMITED
Cash Flow Statement
for the year ended 31 December 2023


	Notes	2023 BDT	2022 BDT
A) Cash flows from operating activities			
Interest receipts		2,062,040,395	2,039,898,727
Interest payments		(1,331,326,793)	(1,173,729,763)
Dividend receipts		84,684,528	56,630,892
Amount realised from written off clients	7.8 (xi) d.	40,355,828	24,608,505
Payments to employees		(548,811,360)	(559,335,232)
Payments to suppliers		(267,187,753)	(267,518,423)
Income taxes paid	9.4	(84,472,587)	(106,233,751)
Receipts from other operating activities	38	106,684,990	156,691,395
Payments for other operating activities	39	(64,602,925)	(84,792,563)
Cash generated from operating activities before changes in operating assets and liabilities		(2,635,677)	86,219,788
Changes in operating assets and liabilities			
Lease, loans and advances		(115,301,761)	(2,957,355,873)
Other assets		(31,642,832)	7,037,067
Right-of-use assets		-	(12,212,852)
Term and other deposits		(381,193,320)	961,914,852
Accrued expenses and payables		140,647,395	14,820,273
Short term loan		290,167,472	(544,208,606)
Interest suspense		60,814,954	21,732,048
Deferred liability-employees gratuity		2,993,983	(1,472,821)
Other liabilities		178,443,341	89,835,258
		144,929,232	(2,419,910,652)
Net cash from/(used in) operating activities		142,293,554	(2,333,690,864)
B) Cash flows from investing activities			
Investment in shares		(703,200,000)	(500,575,420)
Investment in Govt. Securities		-	(98,483,300)
Redemption of Govt. Securities		502,665	98,982,189
Redemption/sale of shares		173,287,980	145,018,179
Redemption of commercial Bond		30,000,000	110,000,000
Purchase of fixed assets		(28,578,137)	(82,277,992)
Proceeds from sale of fixed assets		6,620,950	5,322,744
Net cash used in investing activities		(521,366,542)	(322,013,598)
C) Cash flows from financing activities			
Receipts of long term loan		4,228,182,926	2,832,271,148
Repayments of long term loan		(2,954,688,027)	(2,048,653,444)
Dividend paid		(95,385,548)	(188,004,013)
Net Cash from financing activities		1,178,109,351	595,613,691
D) Net increase/(decrease) in cash and cash equivalents (A + B + C)		799,036,364	(2,060,090,771)
E) Effects of exchange rate changes on cash and cash equivalents		-	-
F) Cash and cash equivalents at beginning of the year		3,324,415,358	5,384,506,129
G) Cash and cash equivalents at end of the year (D+E+F)		4,123,451,722	3,324,415,358
Cash and cash equivalents at end of the year			
Cash in hand		1,539,500	1,290,000
Balance with Bangladesh Bank and its agent bank(s)		247,918,039	291,849,869
Balance with banks and other financial institutions		3,873,994,182	3,031,275,489
Money at call and short notice		-	-
		4,123,451,722	3,324,415,358
Net operating cash flows per share		0.76	(12.47)

The annexed notes 1 to 50 form an integral part of these financial statements.


Mohammad Rafiqul Islam
Managing Director


Professor Dr. Mahfuzul Hoque
Independent Director


Ormaan Rafay Nizam
Director


L. H. Khan
Director



UNITED FINANCE LIMITED
Statement of Changes in Equity
for the year ended 31 December 2023

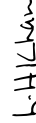
Particulars	Paid-up capital	Share premium	Statutory reserve	General reserve	Retained earnings	Amount in BDT	
						Total	
Balance as at 01 January, 2022	1,871,146,140	3,750,000	966,450,000	190,000,000	204,922,289	3,236,268,429	
Cash dividend paid for the year 2021	-	-	-	-	(187,114,614)	(187,114,614)	
Issuance of bonus share for the year 2021	-	-	-	-	-	-	
Net profit after tax for the year 2022	-	-	-	-	142,536,897	142,536,897	
Movement of general reserve	-	-	-	-	-	-	
Appropriation made during the year	-	-	28,600,000	-	(28,600,000)	-	
Balance as at 31 December, 2022	1,871,146,140	3,750,000	995,050,000	190,000,000	131,744,572	3,191,690,712	
Surplus / deficit on account of revaluation of properties	-	-	-	-	-	-	
Surplus / deficit on account of revaluation of investments	-	-	-	-	-	-	
Currency translation differences	-	-	-	-	-	-	
Net gains and losses not recognized in the income statement	-	-	-	-	-	-	
Issuance of bonus share for the year 2022	-	-	-	-	-	-	
Cash dividend for the year 2022	-	-	-	-	(93,557,307)	(93,557,307)	
Net profit after taxation for the year	-	-	-	-	143,103,721	143,103,721	
Movement of general reserve	-	-	-	-	-	-	
Appropriation made during the year	-	-	29,000,000	-	(29,000,000)	-	
Balance as at 31 December, 2023	1,871,146,140	3,750,000	1,024,050,000	190,000,000	152,290,986	3,241,237,126	

The annexed notes 1 to 50 form an integral part of these financial statements.


Mohammad Rafiqul Islam
Managing Director


Professor Dr. Mahfuzul Hoque
Independent Director


Ormaan Rafay Nizam
Director


L. H. Khan
Director

Dhaka, Bangladesh
Dated: 24 April 2024



UNITED FINANCE LIMITED
Liquidity statement

as at 31 December 2023


(Analysis of maturity of assets and liabilities)

(Amount in BDT)

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Assets:						
Cash in hand	1,539,500	-	-	-	-	1,539,500
Balance with Bangladesh Bank and its agent bank(s)	247,918,039	-	-	-	-	247,918,039
Balance with banks and other financial institutions	816,494,182	1,580,000,000	1,477,500,000	-	-	3,873,994,182
Money at call and short notice	-	-	-	-	-	-
Investments	43,794,019	57,762,370	257,500,000	1,167,500,000	15,000,000	1,541,556,389
Leases, loans and advances	1,021,946,494	1,787,090,662	6,114,692,439	8,785,885,315	2,667,122,965	20,376,737,875
Fixed assets including land, building, furniture and fixtures	-	-	-	-	384,735,163	384,735,163
Other assets	-	-	325,460,632	18,862,163	2,047,717,019	2,392,039,815
Total assets (A):	2,131,692,234	3,424,853,032	8,175,153,071	9,972,247,478	5,114,575,147	28,818,520,963
Liabilities:						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	197,509,960	857,847,543	3,942,669,554	2,179,268,695	3,955,917	7,181,251,670
Term deposits	1,595,558,309	1,991,570,514	2,889,175,315	7,199,243,562	22,334,661	13,697,882,362
Other deposits	28,732,579	50,537,994	1,72,908,068	236,271,442	59,729,274	548,199,357
Other liabilities	103,975,029	187,474,620	404,164,144	2,566,892,149	887,444,505	4,149,950,446
Total liabilities (B):	1,925,795,878	3,087,430,671	7,408,917,081	12,181,675,849	973,464,357	25,577,283,836
Net liquidity gap (A - B):	205,896,357	337,422,361	766,235,990	(2,209,428,371)	4,141,110,791	3,241,237,127

The annexed notes 1 to 50 form an integral part of these financial statements.


Mohammad Rafiqul Islam
Managing Director


Professor Dr. Mahfuzul Hoque
Independent Director


Ormaan Rafay Nizam
Director


L. H. Khan
Director

Dhaka, Bangladesh
Dated: 24 April 2024



United Finance Limited

Notes to the financial statements

As at and for the year ended 31 December 2023

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, 1913 (amended in 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 dematerialized 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 institutions. 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 Finance Company Act, 2023 (replacing Financial Institutions Act, 1993), the rules and regulations issued by Bangladesh Bank (BB), the Companies Act, 1994. In case any requirement of the Finance Company Act, 2023, regulations & circulars issued by Bangladesh Bank and FRA's requirement differ with those of IFRSs and FRC's requirements, the requirements of the Finance Company Act, 2023, 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 2023 and corresponding year 2022 have been prepared as per guideline (FID Circular No. 08 dated 03 August 2002) of Bangladesh Bank. During this year, there is no impact in the financial statements due to this departure as market price of share are more than cost price.

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 DFIM Circular No. 04 dated 26 July 2021, DFIM Circular no 10 dated 03 October 2021, DFIM Circular no 33 dated 19 December 2021, DFIM letter no DFIM(P)1052/27/2022-35 dated 02 January 2022 and DFIM Circular no 10 dated 04 September 2022 a general provision at 0.25% 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 2023 and corresponding year 2022 have been prepared as per guideline (DFIM Circular No. 04 dated 26 July 2021, DFIM Circular no 10 dated 03 October 2021, DFIM Circular no 33 dated 19 December 2021, DFIM letter no DFIM(P)1052/27/2022-35 dated 02 January 2022 and DFIM Circular no 10 dated 04 September 2022) of Bangladesh Bank. An amount of BDT 88.78 million has been charged as incremental provision for lease, loans and advances for 2023. As at 31 December 2023 accumulated provision for lease, loans and advances stand at BDT 679.12 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 becomes credit-impaired, the entity shall apply the effective interest rate to the amortised cost of these loans and advances.

Bangladesh Bank: As per DFIM Circular No. 04 dated 26 July 2021, once a loan reaches SMA status, 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 2023 and corresponding year 2022 have been prepared as per guideline (As per DFIM Circular No. 04 dated 26 July 2021) of Bangladesh Bank. At the year end, interest suspense account has increased to BDT 241.79 million from BDT 180.97 million resulting in an increase of BDT 60.81 million of interest suspense. This amount has been shown in other liabilities in note 12.3.

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 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 2023 and corresponding year 2022 have been prepared as per guideline (DFIM Circular No. 11 dated 23 December 2009) of Bangladesh Bank.

v) Cash flow statement

IAS: As per IAS 7: Statement of cash flows, 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 No. 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 2023 and corresponding year 2022 have been prepared as per guideline (DFIM Circular No. 11 dated 23 December 2009) of Bangladesh Bank.

vi) Cash and Cash equivalents

IAS: As per IAS 7: Statement of cash flows, 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 2023 and corresponding year 2022 have been prepared as per guideline issued through DFIM Circular No. 11 dated 23 December 2009 of Bangladesh Bank.

vii) Current/Non-current distinction

IAS: As per Para 60 of IAS 1: Presentation of Financial Statements, "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 2023 and corresponding year 2022 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) Intangible Assets

IAS: As per IAS 1: Presentation of Financial Statements, para 54: the statement of financial position shall include separate line item for intangible assets.

Bangladesh Bank: As per DFIM Circular No. 11, dated 23 December 2009, there is no option for separate line item for intangible asset in the balance sheet. We present intangible asset in the balance sheet as part of fixed assets and provide details in annexure-A as separate line item.

Financial or presentation effect of the departure: Financial Statements for 2023 and corresponding year 2022 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. There is no financial impact for this departure in the financial statements.

ix) Off-balance sheet items

IFRS and IAS: There is no concept of off-balance sheet items in any IFRS; 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 2023 and corresponding year 2022 have been prepared as per guideline (DFIM Circular No. 11 dated 23 December 2009) of Bangladesh Bank. There is no financial impact in the financial statements for this departure.

x) 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 2023 and corresponding year 2022 have been prepared as per guideline (DFIM Circular No. 11 dated 23 December 2009) of Bangladesh Bank. There is no financial impact in the financial statements for this departure.

2.2 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 Finance Company Act, 2023, 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 to current year's presentation in accordance with the Bangladesh Bank DFIM Circular No. 11 dated 23 December 2009.

2.6 Authorisation for issue of the financial statements

The Board of Directors of the Company has authorised these financial statements for issue on 24 April 2024.

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 remaining life;
- 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.

2.11.5 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.

2.11.6 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.

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 becomes available for use. No depreciation is charged for the month of disposal. The rates of depreciation are used as follows:

Furniture & Fixture	12.50%
Office Equipment	15.00%
Electrical Equipment	20.00%
Motor Vehicle	20.00%
Office Space	2.50%
Software	20.00% - 33.33%
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.

2.11.7 Intangible assets

Recognition

Intangible assets include the value of business and office operation softwares acquired separately and are recognised at cost and are carried at cost less accumulated amortisation.

Subsequent expenditure on intangible assets is 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 software can be measured reliably.

Amortisation

An intangible asset that is assessed as having a finite useful life is amortised on a straight line basis over a period of useful life based on the management best estimates of 3 or 5 years.

An intangible asset with indefinite useful lives will be tested for impairment annually or whenever there is an indication of impairment.

2.11.8 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 and @ 10% on capital gain on sale of marketable securities as per Income Tax Act 2023.

Deferred tax

Deferred tax 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:

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

2.12.4 Employee benefits

Short term benefits

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

Defined contribution plan

The Company operates a contributory Provident Fund approved by National Board of Revenue (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 the employees in exchange for those contributions.

Defined benefit plans

The Company operates a funded Gratuity Scheme approved by National Board of Revenue (NBR), for its permanent employees. Employees are entitled to gratuity benefit after completion of six months of continuous service with the Company. Length of service is counted from the date of joining. The Company is contributing to the fund as advised by the actuary in the actuarial valuation report. Provision for Gratuity Scheme is accounted for as an expense under salaries and allowances.

Other employee benefits

The Company operates a group life insurance scheme for its permanent employees. The premium of insurance scheme is accounted for as expense 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 Income from long term and short term finance

Income from long and short term finance is recognised as revenue when the interest is due. However, income accrued against loans with classification status of Special Mention Account (SMA) and below is not recognised as revenue but transferred to interest suspense account following DFIM Circular No. 04 dated 26 July 2021. Suspended interest is recognised as income only 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. However, income accrued against leases with classification status of Special Mention Account (SMA) and below is not recognised as revenue but transferred to interest suspense account following DFIM Circular No. 04 dated 26 July 2021. Suspended interest is recognised as income only when it is received.

2.13.3 Income from dividend

Dividend income from investments in listed 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.

2.13.4 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.

2.13.5 Fee based income

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

2.13.6 Interest paid on deposits, borrowing, etc.

Interest paid comprises of the interest payable on external borrowings and individual and institutional deposits and are recognized as they accrue.

2.13.7 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 24 April 2024 by the 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 0.60 per share as cash dividend (6%) in its Board of Directors meeting held on 24 April, 2024. 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 policy to optimise returns while maintaining a strong capital base and credit rating to support business growth and meet regulatory capital requirements at all times. A structured and hands-on risk management system is in place within the Company to address risks relating to credit, market, liquidity, operations, money laundering and terrorist financing, and other additional risks.

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 loan repayment obligations. The Company has segregated duties for the officers involved in credit-related activities. The major activities are divided amongst the Credit Department (credit evaluation), Credit Administration Department (credit administration), and Collection and Special Assets Management Department (credit monitoring and recovery).

A detailed Credit Risk Management Policy and guidelines exists adopting industry best practices and Bangladesh Bank guidelines to mitigate credit risks. This includes maintaining a policy for restricting maximum exposure to a single entity; a policy for risk-based pricing; and considerations of key industry parameters in the pre-financing phase. Furthermore, an internal risk-based approach in evaluating risks and credit reports from the Credit Information Bureau helps to minimize risk of default.

2.17.2 Market risk

Market risk can be defined as the risk of losses in on and off-balance sheet positions of an Financial Institution (FI) arising from adverse movements in market rates or prices such as interest rates, equity prices, foreign exchange rates, commodity prices and general credit spreads. The Company is exposed to market risk because of positions held in its lending portfolios and its non-interest investments.

Interest rate risk arises when the value of an FI's cash flows changes due to a change in the absolute level of interest rate. It is managed daily by Treasury department and reviewed monthly by Asset Liability Committee (ALCO) to monitor interest rate movements and devise alternatives to mitigate possible interest rate risks.

Equity risks can result from changes in the Company's non-interest income and reserves arising from changes in equity prices/income of the equity portfolio held by the Company. Such exposure may take the form of listed and unlisted equity. The type, nature and amount of equity exposure held by the Company is trivial compared to its exposure in other earning assets. The market value of the equity assets held by the Company at the balance sheet date is markedly higher than the cost price.

Finally, volatilities in markets where the Company operates – and the macroeconomic situation in general – are monitored by the Business Intelligence department, through analyses of macroeconomic data and government policies, and major market news and indicators.

2.17.3 Liquidity risk

Liquidity risk is the risk when the Company is unable to meet its financial obligations as they fall due. The Company's liquidity policy is designed to ensure that it can meet its financial obligations as they fall due at all times. Liquidity management focuses on overall balance sheet structure and the control of risks arising from the exposure due to the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent liabilities. The management of liquidity risk is carried out by the Treasury department under Board-approved policy guidelines.

Compliance in liquidity management is monitored and coordinated by Treasury both in respect of internal policy and the regulatory requirements. The liquidity management is monitored by ALCO on a regular basis, and contingency plans are prepared for managing stressed /extreme situations.

2.17.4 Operational risk

Operational risk of losses arises from failures of the processes, policies, and systems that disrupt the business. There are four main categories of operational risks: people risk, process risk, system risk, and legal/compliance risk.



People risk represents the inadequacies in human capital of the Company. The primary risk from failure to attract, manage, motivate, develop and retain competent resources and talent. The Human Resources function and respective department managers are always vigilant to mitigate all people risks.

Process risk arises from failed internal business processes. The Company retains a Business Process Re-engineering department to constantly improve on the effectiveness and robustness of its internal processes and guidelines.

System risk arises from failed internal systems. This encompasses risks related to branch connectivity, MIS & other banking solutions, as well as other technical systems. The Company undergoes regular system audit to identify potential weaknesses and vulnerabilities.

In addition to the above, the Risk Management Forum (RMF) is responsible for identifying operational risks and take steps to mitigate such risks. The Forum routinely reviews operational processes and evaluates the process in terms of efficiency and adequacy of the process to ensure adequate control.

2.17.5 Prevention of Money Laundering & Anti Terrorism

Money Laundering & Terrorist Financing risk is defined as the loss incurred as penalty and damages in reputation for being negligent in upholding Anti-Money Laundering & Anti-Terrorism Acts. In order to manage the risk, the Company has set up a strict program in line with Prevention of Money Laundering & Anti-Terrorism Act and Bangladesh Bank guidelines.

The Company has assigned a Chief Anti-Money Laundering Compliance Officer (CAMLCO) at the Head Office and Branch Anti-Money Laundering Compliance Officers (BAMLCO) at branches to independently review transactions of accounts to verify suspicious transactions. The Company developed guidelines to ensure proper and strict adherence to the terms of the Prevention of Money Laundering & Anti-Terrorism Act. In addition, continuous training is being imparted to officers and executives at all levels to enhance expertise in identifying suspicious activities and transactions.

2.18 Additional Risks

As per DFIM Circular No.03 of 2016, Integrated Risk Management Guidelines for Financial Institutions, there are additional risks that are addressed by the Company. Key risks among these are:

2.18.1 Reputation Risk

Reputation risks are risks that arise from negative publicity regarding the Company and its operations. The RMF of the Company has in place metrics to monitor all relevant non-financial reputational risks relating to the Company.

2.18.2 Strategic Risk

Strategic risks arise from poor business decisions, sub-par execution of strategy, or failure to respond to changes in business environment.

In mitigating Strategic Risk, the Company has increasingly been reliant on data-driven decision-making; with the creation of the Business Analytics wing to assist senior management by providing actionable intelligence and enabling informed strategic decision-making.

2.18.3 Compliance Risk

Compliance risk is the risk of legal sanction or material loss arising from the Company's failure to adhere to laws, its own regulations, codes of conduct, standards of best practices, or the possibility of incorrect interpretation of laws or regulations.

Compliance risk management is embedded in the day-to-day to operations of the Company. Relevant departments are informed of latest legal and regulatory requirements. Routine reviews of internal policies are conducted to ensure that they are in line with the prevailing laws and regulations.

2.18.4 Environmental & Social Risk

Environmental and Social Risk is becoming an increasingly more important part of the risk management framework. Physical risks arising from climate change are well-established, and pose a veritable cost of transition to individuals, corporations and societies alike. The Company is and has always been committed to ensuring the highest standards in its pursuit of sustainability in every avenue of its activities to reduce the harmful effects of its operations on the planet.

To ensure that every aspect of the Company remains socially responsible, the company ensures that it does not finance sectors that are deemed to have a negative impact on society by performing an Environmental and Social Due Diligence (ESDD) as part of its credit appraisal process. Emphasis is given to initiatives that are considered green and sustainable. With the help of an exclusion list, the Company is also able to avoid high environmental risks associated with any financing.

By subscribing to the Global Reporting Initiative's "Core Option", the Company reaffirms its commitment to a more equitable and resilient planet through bringing transparency in reporting of its own and financing operations' impact on the environment and society.



	<u>Notes</u>	2023 BDT	2022 BDT
3 Cash			
Cash in hand	3.1	1,539,500	1,290,000
Balance with Bangladesh Bank and its agent bank(s)	3.2	247,918,039	291,849,869
		249,457,539	293,139,869
3.1 Cash in hand			
In local currency		1,539,500	1,290,000
In foreign currency		-	-
		1,539,500	1,290,000
3.2 Balance with Bangladesh Bank and its agent bank(s)			
In local currency (with Bangladesh Bank)		247,918,039	291,849,869
Sonali Bank as agent of Bangladesh Bank (local currency)		-	-
		247,918,039	291,849,869
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 9 of the Finance Company Act 2023, 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 and DFIM circular no. 27 dated 23 August, 2021.			
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	3.2	247,918,039	291,849,869
Required reserve (1.5% on Public deposits)		215,676,058	202,979,788
Surplus		32,241,982	88,870,081
b) Statutory Liquidity Reserve (SLR)			
Actual reserve maintained including CRR	3.4	1,753,451,722	1,404,415,358
Required reserve (5% on average total liabilities)		871,737,605	827,588,954
Surplus		881,714,117	576,826,404
The surplus for SLR mostly comprises of interest earnings deposits maintained as fixed deposit (Free FDR) of BDT 825 million which were maintained with different Banks and Financial Institutions.			
3.4 Actual reserve maintained (including CRR)			
Cash in hand		1,539,500	1,290,000
Balance with Bangladesh Bank and its agent bank(s)		247,918,039	291,849,869
Balance with banks and other financial institutions (except lien FDR)		1,503,994,182	1,111,275,489
		1,753,451,722	1,404,415,358
4 Balance with banks and other financial institutions			
In Bangladesh	4.1	3,873,994,182	3,031,275,489
Outside Bangladesh		-	-
		3,873,994,182	3,031,275,489



4.1 In Bangladesh

Current deposits

Bank Al-Falah Limited
 Bank Asia Limited
 Brac Bank PLC.
 Citi Bank N.A.
 Dutch-Bangla Bank PLC.
 Eastern Bank PLC.
 IFIC Bank PLC.
 National Bank Limited
 One Bank PLC.
 Pubali Bank PLC.
 Sonali Bank PLC.
 Standard Bank PLC.
 Standard Chartered Bank
 City Bank PLC.
 United Commercial Bank PLC.

	2023 BDT	2022 BDT
	-	4,239
	13,147,426	178,682
	79,796,990	12,029,338
	98,765,506	-
	1,150,049	1,277,561
	7,196,896	9,583,183
	-	330,668
	-	259,500
	22,318,819	102,079,612
	6,536,229	87,327,467
	6,646	267,718
	7,826	7,906
	-	3,100,021
	306,354	217,458
	22,781,604	108,230,028
	252,014,344	324,893,379

Short-term deposit (STD)

Bank Asia Limited
 Dutch-Bangla Bank PLC.
 Mutual Trust Bank PLC.
 National Credit & Commerce Bank PLC.
 Standard Bank PLC.
 Standard Chartered Bank
 United Commercial Bank PLC.

	-	14,812,768
	-	1,393,670
	100,827,221	805,174
	-	149,629
	16,092,579	12,976,308
	4,657,813	31,666,372
	305,402,225	29,997,494
	426,979,838	91,801,414

Fixed deposits

AB Bank PLC.
 Brac Bank PLC.
 Commercial Bank Of Ceylon PLC
 Dhaka Bank PLC.
 Eastern Bank PLC.
 Mercantile Bank PLC.
 Mutual Trust Bank PLC.
 National Credit & Commerce Bank PLC.
 One Bank PLC.
 Pubali Bank PLC.
 Standard Bank PLC.
 City Bank PLC.
 United Commercial Bank PLC.
 IDLC Finance PLC.
 IPDC Finance Limited
 Bangladesh Industrial Finance Company Limited (BIFC)
 Fareast Finance & Investment Limited

	-	5,000,000
	400,000,000	200,000,000
	400,000,000	100,000,000
	-	150,000,000
	200,000,000	200,000,000
	-	35,015,000
	400,000,000	200,000,000
	-	160,000,000
	-	135,000,000
	350,000,000	354,565,695
	-	100,000,000
	370,000,000	-
	350,000,000	350,000,000
	200,000,000	100,000,000
	300,000,000	300,000,000
	115,000,000	115,000,000
	110,000,000	110,000,000
	3,195,000,000	2,614,580,695
	3,873,994,182	3,031,275,489

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

	252,014,344	416,694,794
	564,479,838	770,000,000
	1,580,000,000	1,224,615,695
	510,000,000	619,965,000
	967,500,000	-
	-	-
	-	-
	3,873,994,182	3,031,275,489

5 Money at call and short notice

	-	-
	-	-



6 Investments

Investment classified as per nature

a) Government securities:

- Treasury bill
- Treasury bond
- National investment bonds
- Bangladesh Bank bills
- Government bonds
- Prize bonds

b) Other investment:

- Investment in ordinary shares 6.1
- Investment in preference shares 6.2
- Investment in bonds 6.3

	2023 BDT	2022 BDT
	-	-
	-	502,665
	-	-
	-	-
	-	-
	-	-
	-	-
	502,665	502,665
	-	-
	15,262,370	15,350,350
	1,496,294,019	966,294,019
	30,000,000	60,000,000
	1,541,556,389	1,041,644,369
	1,541,556,389	1,042,147,034
	-	-
	15,000,000	15,000,000
	262,370	262,370
	-	87,980
	15,262,370	15,350,350

6.1 Investment in ordinary shares

- United Insurance Company Limited
- Robi Axiata Limited
- Islami Commercial Insurance Company Limited

6.1a Investment in 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 2019.

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 2019	250,000
	4,450,000 Shares

As on December 31, 2023 the market value @ Tk. 44.80 (closing market price) of the above 4,450,000 shares was Tk. 199,360,000 against cost price of 600,000 shares (@ Tk. 25) at Tk.15,000,000.

6.1b Investment in other companies

Business Segment	No. of shares	Cost price	Market price
Telecommunication	26,237	262,370	787,110
	26,237	262,370	787,110

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 and loss account. Unrealized gain is not accounted for in financial statements.

As of 31 December, 2023 the market value (closing market price) of the above shares was Taka 787,110 against cost price of Taka 262,370.



		2023 BDT	2022 BDT
6.2 Investment in preference shares			
	<u>Notes</u>		
Preference share: Regent Energy and Power Ltd.		23,794,019	23,794,019
Preference share: Confidence Power Rangpur Limited		60,000,000	60,000,000
Preference share: Confidence Power Bogra Unit-2 Limited		37,500,000	62,500,000
Preference share: City Sugar Industries Limited		75,000,000	100,000,000
Preference share: City Sugar Industries Limited		75,000,000	100,000,000
Preference share: H. Akberali & Co. Limited		90,000,000	120,000,000
Preference share: Premier Cement Mills Limited		175,000,000	200,000,000
Preference share: Paramount Textile Limited		80,000,000	100,000,000
Preference share: United Tank Terminal Ltd		180,000,000	200,000,000
Preference share: Epyllion Knitex Limited		200,000,000	-
Preference share: Sheltech Ceramics Limited		200,000,000	-
Preference share: Epyllion Style Limited		100,000,000	-
Preference share: Ananta Apparels Limited		200,000,000	-
		<u>1,496,294,019</u>	<u>966,294,019</u>
6.3 Investment in bonds			
Subordinate bond: Mutual Trust Bank Ltd.		20,000,000	40,000,000
Subordinate bond: Standard Bank Ltd.		10,000,000	20,000,000
		<u>30,000,000</u>	<u>60,000,000</u>
6.4 Maturity grouping of investments			
On demand		-	-
Up to 1 month		43,794,019	23,794,019
Over 1 month but not more than 3 months		57,762,370	32,850,350
Over 3 months but not more than 1 year		257,500,000	188,002,665
Over 1 year but not more than 5 years		1,167,500,000	782,500,000
Over 5 years		15,000,000	15,000,000
		<u>1,541,556,389</u>	<u>1,042,147,034</u>
7 Lease, loans and advances			
7.1 Broad category-wise break up			
Inside Bangladesh			
Lease receivable	7.2	6,488,211,561	6,817,143,448
Loans	7.3	13,888,526,314	13,403,451,362
		<u>20,376,737,875</u>	<u>20,220,594,810</u>
Outside Bangladesh		-	-
		<u>20,376,737,875</u>	<u>20,220,594,810</u>
7.2 Lease receivable			
Net lease receivable	7.2.1	6,393,846,507	6,742,951,655
Interest receivable		94,365,054	74,191,794
		<u>6,488,211,561</u>	<u>6,817,143,448</u>
7.2.1 Net lease receivable			
Gross lease receivable		7,241,328,823	7,559,620,409
Less: Unearned lease income		(847,482,316)	(816,668,754)
		<u>6,393,846,507</u>	<u>6,742,951,655</u>
7.2.2 Movement of net lease receivables			
Balance as on January 01		6,742,951,655	6,294,951,747
Addition during the year		2,702,993,725	3,642,644,930
Realisation during the year		(3,052,098,872)	(3,194,645,022)
		<u>6,393,846,507</u>	<u>6,742,951,655</u>
7.3 Loans			
Term loan		9,322,607,412	8,860,053,500
Home loan		3,283,991,959	3,242,644,652
Short term loan and CSF advances		1,029,631,997	1,069,126,306
Interest receivable		252,294,947	231,626,904
		<u>13,888,526,314</u>	<u>13,403,451,362</u>



7.4 Maturity grouping of lease, loans and advances

	2023 BDT	2022 BDT
On demand	-	-
Up to 1 month	1,021,946,494	1,056,344,585
Over 1 month but not more than 3 months	1,787,090,662	1,525,447,669
Over 3 months but not more than 1 year	6,114,692,439	6,693,884,425
Over 1 year but not more than 5 years	8,785,885,315	8,507,783,073
Over 5 years	2,667,122,965	2,437,135,058
	20,376,737,875	20,220,594,810

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	3,654,184	4,480,131
b) Lease, loans and advances to Chief Executive and other Senior Executives	-	-
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	3,241,237,126	3,191,690,712
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:		
a) Crop	129,754,418	131,454,662
b) Poultry and livestock	328,179,829	158,273,495
c) Fisheries	2,732,953	6,728,524
d) Others agriculture (Cold storage, biofuel, seed, feed, agri-related other institutions and services)	171,098,557	129,135,666
2. Industrial sector:		
a) Service industry	1,056,635,499	1,266,918,063
b) Food production/processing industry	2,400,467,825	2,284,760,055
c) Chemical and pharmaceutical	1,057,312,634	474,209,826
d) Plastic industry	727,436,271	453,355,048
e) Garments	479,552,983	459,880,274
f) Textile	297,492,824	396,925,525
g) Paper, printing and packaging industry	1,338,832,660	1,478,075,794
h) Iron, steel and engineering industry	948,400,457	794,845,877
i) Leather and leather products	264,567,667	207,563,400
j) Electronics and electrical industry	199,851,059	64,842,789
k) Telecommunication/Information Technology	65,243,348	834,034
l) Jute and jute products	229,657,781	458,290,312
m) Cement/concrete and allied industry	132,261,272	50,363,446
n) Glass and ceramic industry	203,563,344	10,387,505
3. Power, gas, water and sanitary service	48,688,397	52,363,007
4. Transport and communication	732,192,481	998,868,019
5. Real estate and housing	3,379,337,644	3,378,124,476
6. Trade and commerce	5,487,448,622	6,193,897,769
7. Others	696,029,347	770,497,245
	20,376,737,875	20,220,594,810
e) Geographical location-wise lease, loans and advances		
Inside Bangladesh		
Urban		
Dhaka Division	9,627,227,944	9,131,481,146
Chattogram Division	3,181,264,054	3,258,966,581
Khulna Division	1,880,026,726	1,999,892,419
Rajshahi Division	2,096,897,597	2,268,759,149
Rangpur Division	1,654,335,369	1,598,504,269
Barishal Division	749,220,237	715,665,704
Mymensingh Division	807,582,563	875,278,047
Sylhet Division	250,526,782	240,754,750
	20,247,081,272	20,089,302,065
Rural		
Barishal Division	6,371,812	6,222,600
Rajshahi Division	1,577,389	1,503,910
Chattogram Division	119,754,462	121,680,032
Rangpur Division	1,952,940	1,886,203
	129,656,603	131,292,746
	20,376,737,875	20,220,594,810
Outside Bangladesh	-	-
	20,376,737,875	20,220,594,810



7.6 Sector-wise lease, loans and advances

Public sector
Co-operative sector
Private sector

2023 BDT	2022 BDT
-	-
-	-
20,376,737,875	20,220,594,810
20,376,737,875	20,220,594,810

7.7 Size wise lease, loan portfolio concentration

Cottage, Micro, Small & Medium Enterprise Financing (CMSME)
Other than Cottage, Micro, Small & Medium Enterprise Financing (CMSME)

9,501,728,287	10,690,876,866
10,875,009,588	9,529,717,945
20,376,737,875	20,220,594,810

7.8 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 person.
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 charged
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-7.9)
f) Interest credited to interest suspense account (note-12.3)
xii) Written off lease, loans and advances
Opening balance
During the year
Cumulative to-date
The amount of written-off leases, loans and advances for which law suits have been filed

2,906,680,451	2,897,324,330
7,049,526,996	6,386,967,585
-	-
10,420,530,427	10,936,302,896
-	-
20,376,737,875	20,220,594,810
-	-
3,654,184	4,480,131
-	-
-	-
-	-
-	-
-	-
340,792,325	321,872,134
134,969,396	10,139,370
12,757,923	148,343,754
40,355,828	24,608,505
555,007,551	463,411,838
241,786,511	180,971,557
1,273,381,191	1,125,037,437
12,757,923	148,343,754
1,286,139,114	1,273,381,191
1,148,211,139	1,114,485,704

7.9 Classification of lease, loans and advances

Unclassified

Standard
Special mention account (SMA)

19,057,114,417	19,158,099,109
333,638,053	367,450,043
19,390,752,470	19,525,549,152

Classified

Sub-standard
Doubtful
Bad/Loss

180,296,916	129,115,460
250,680,938	102,518,360
555,007,551	463,411,838
985,985,405	695,045,658
20,376,737,875	20,220,594,810



	<u>Notes</u>	2023 BDT	2022 BDT
8 Fixed assets including land, building, furniture and fixtures			
Cost			
Furniture and fixtures		126,727,879	125,636,766
Office equipment		589,601	589,601
Electrical equipment		187,598,986	181,725,498
System software		46,283,157	44,808,157
Motor vehicles		58,207,786	52,759,756
Office space		177,890,411	177,890,411
Right-of-use assets		220,913,801	220,913,801
		818,211,620	804,323,989
Less: Accumulated depreciation		(433,476,458)	(357,720,508)
Net book value at the end of the year	Annexure - A	384,735,163	446,603,481

9 Other assets			
Inside Bangladesh			
Income generating:			
Income receivable	9.1	256,571,459	130,105,129
Non-income generating:			
Deferred tax asset	9.2	12,353,988	5,699,082
Advance, deposit and prepaid expenses		68,889,173	43,901,247
Receivable from provident fund account	9.3	6,508,175	6,508,175
Advance corporate tax	9.4	2,047,717,019	1,963,244,433
		2,392,039,815	2,149,458,067
Outside Bangladesh		-	-
		2,392,039,815	2,149,458,067

9.1 Income receivable amount represents interest receivable on investments other than lease, loans and advances and fixed deposits and charges receivable from lease loans and advances portfolio.

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 as per		Deductible
	Balance sheet	Tax base	temporary difference
Fixed assets at book value	278,653,104	301,647,642	22,994,538
Liability to employees gratuity fund	9,949,431	-	9,949,431
			32,943,969
Applicable tax rate			37.5%
Deferred tax asset as on 31 December, 2023			12,353,988
Deferred tax asset as on 31 December, 2022			5,699,082
Deferred tax income during the year 2023 (note-36)			6,654,906

9.3 The amount comprises forfeited account balances for the year 2015-2018 of resigned employees who did not complete required years of employment with the Company to be eligible to receive employer's contribution part. Realisation of this amount is pending subject to verification and audit of United Finance Limited Employees Provident Fund.

9.4 Advance corporate tax

Balance as on January 01	1,963,244,433	1,857,010,682
Paid during the year	84,472,587	106,233,751
	2,047,717,019	1,963,244,433

10 Borrowing from banks, other financial institutions and agents

In Bangladesh	10.1	7,181,251,670	5,617,589,299
Outside Bangladesh		-	-
		7,181,251,670	5,617,589,299



<u>Notes</u>	2023 BDT	2022 BDT
10.1 In Bangladesh		
Secured loans		
Secured long term loans	-	-
Secured short term loans		
Bank overdraft		
Brac Bank PLC.	-	73,410,257
Citi Bank N.A.	-	712,279
Commercial Bank Of Ceylon PLC	91,601,486	95,080,176
Dhaka Bank PLC.	-	130,176,331
Eastern Bank PLC.	105,528,753	170,715,352
Mutual Trust Bank PLC.	137,942,529	-
National Credit & Commerce Bank PLC.	-	82,528,438
One Bank PLC.	2,642,461	64,157,808
Pubali Bank PLC.	141,514,329	94,834,821
Standard Chartered Bank	37,158,541	-
City Bank PLC.	133,661,645	-
United Commercial Bank PLC.	312,629,841	156,802,312
Woori Bank	164,591,057	158,685,397
Total Bank overdraft loan	1,127,270,642	1,027,103,170
Short term loan		
Citi Bank N.A.	390,000,000	-
Total Short term loan	390,000,000	-
Total secured loan	1,517,270,642	1,027,103,170
Unsecured loans		
Unsecured long term loans		
Bangladesh Bank (Refinance)	3,753,706,566	3,921,840,101
Bangladesh Bank (Prefinance)	1,673,476,667	-
Kreditanstalt Für Wiederaufbau (KfW)	-	13,173,847
Non-Convertible Zero Coupon Bond	236,797,796	455,472,181
Total unsecured long term loans	5,663,981,028	4,390,486,129
Unsecured short term loans		
Short term loans		
IPDC Finance Limited	-	200,000,000
	-	200,000,000
Total unsecured short term loans	-	200,000,000
Total unsecured loans	5,663,981,028	4,590,486,129
Total borrowing from banks, other financial institutions and agents	7,181,251,670	5,617,589,299

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 850,349,443 @ 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)	1,517,270,642	1,027,103,170
Secured (Corporate guarantee)	-	-
Unsecured	5,663,981,028	4,590,486,129
	7,181,251,670	5,617,589,299

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

On demand	-	-
Up to 1 month	197,509,960	1,555,113,769
Over 1 month but within 3 months	857,847,543	300,874,080
Over 3 months but within 1 year	3,942,669,554	1,919,022,440
Over 1 year but within 5 years	2,179,268,695	1,831,944,365
Over 5 years	3,955,917	10,634,646
	7,181,251,670	5,617,589,299



Notes	2023 BDT	2022 BDT
11 Deposits and other accounts		
Current deposits and other accounts etc.	-	-
Bills payable	-	-
Savings bank deposits	-	-
Term deposits	11.1 13,697,882,363	14,178,306,705
Bearer certificates of deposit	-	-
Other deposits	11.2 548,199,357	448,968,336
	14,246,081,720	14,627,275,041

11.1 Term deposits

Deposits from banks and financial institutions	-	930,000,000
Deposits from other than banks and financial institutions	13,697,882,363	13,248,306,705
	13,697,882,363	14,178,306,705

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	-	930,000,000
Other public	-	-
Foreign currency	-	-
Private	13,697,882,363	13,248,306,705
	13,697,882,363	14,178,306,705

11.1.2 Maturity analysis of term deposits

a) Maturity analysis of deposits from banks & financial institutions

Payable on demand	-	-
Up to 1 month	-	130,000,000
Over 1 month but within 3 months	-	800,000,000
Over 3 months but within 1 year	-	-
Over 1 year but within 5 years	-	-
Over 5 years but within 10 years	-	-
Over 10 years	-	-
	-	930,000,000

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

Payable on demand	-	-
Up to 1 month	1,595,558,309	2,016,345,444
Over 1 month but within 3 months	1,991,570,514	1,354,402,702
Over 3 months but within 1 year	2,889,175,316	3,038,669,125
Over 1 year but within 5 years	7,199,243,562	6,801,470,799
Over 5 years but within 10 years	22,334,661	37,260,170
Over 10 years	-	158,463
	13,697,882,363	13,248,306,705
	13,697,882,363	14,178,306,705

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	365,871,263	411,228,349
Interest bearing deposit	182,328,094	37,739,987
	548,199,357	448,968,336

11.2.1 Maturity analysis of other deposits

Payable on demand	-	-
Up to 1 month	28,752,579	18,650,738
Over 1 month but within 3 months	50,537,994	35,471,388
Over 3 months but within 1 year	172,908,068	156,892,389
Over 1 year but within 5 years	236,271,442	191,713,548
Over 5 years but within 10 years	59,729,274	46,240,273
Over 10 years	-	-
	548,199,357	448,968,336



	<u>Notes</u>	<u>2023 BDT</u>	<u>2022 BDT</u>
12 Other liabilities			
Provision for gratuity	12.1	9,949,431	6,955,448
KFW interest differential fund	12.2	-	71,030
Interest suspense account	12.3	241,786,511	180,971,557
Accrued expenses and payables	12.4	870,977,741	712,193,951
Lease liabilities	12.5	131,873,733	158,798,185
Provision for lease, loans and advances	12.6	679,119,377	559,733,148
Provision on others	12.7	40,000,000	40,000,000
Provision for income tax	12.8	2,165,645,673	2,075,514,158
Provision on receivable from provident fund account	12.9	6,508,175	6,508,175
Unpaid/unclaimed dividend	12.10	4,089,805	5,918,046
		4,149,950,446	3,746,663,698
12.1 Net defined benefit obligation - Employees' Gratuity Fund			
Defined benefits obligation	12.1.1	75,720,634	76,109,990
Less: Fair value of plan assets	12.1.2	(65,771,203)	(69,154,542)
		9,949,431	6,955,448
12.1.1 Defined benefits obligation			
Balance as on January 01		76,109,990	80,479,802
Interest cost/income		8,539,541	7,162,702
Current service cost		7,614,597	9,487,646
Actuarial loss/(gain) arising from:			
Demographic assumptions		375,616	-
Financial assumptions		(10,240,227)	(8,074,764)
Experience adjustments		7,336,332	10,591,499
Benefits paid		(14,015,214)	(24,184,160)
Expenses/adjustments*		-	647,265
Balance as on December 31		75,720,634	76,109,990
* Benefits unpaid as at the date of valuation			
12.1.2 Fair value of plan assets			
Balance as on January 01		69,154,542	72,051,534
Interest cost/income		4,389,288	4,327,633
Contribution paid by the employer		6,955,448	17,227,914
Benefits paid		(14,015,214)	(24,184,160)
Expenses/adjustments		(712,861)	(268,379)
Balance as on December 31		65,771,203	69,154,542
12.1.3 Plan assets			
Cash at bank		1,072,038	286,182
Investment in fixed deposit receipts		64,699,166	68,868,359
		65,771,203	69,154,542
12.1.4 Principal actuarial assumptions			
Discount rate and expected rate of return on plan assets		11.22%	8.90%
Future salary growth rate		7.90%	6.50%
Withdrawal rate			
Age till 30 years		9.00%	9.00%
Age from 30 to 40 years		5.00%	5.00%
Age from 40 to 50 years		0.50%	0.50%
Age above 50 years		0.00%	0.00%
12.1.5 Sensitivity analysis			

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions constant, would have affected the defined benefit obligations by the amounts shown below.

	<u>2023</u>		<u>2022</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Discount rate (1% movement)	(9,674,333)	11,553,732	(10,773,883)	13,038,183
Future salary growth (1% movement)	11,823,300	(10,030,955)	13,225,233	(11,088,646)



<u>Notes</u>	2023 BDT	2022 BDT
12.2 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	71,030	1,246,186
Addition during the year	247,712	875,120
Adjusted against training programme	(318,742)	(2,050,276)
	-	71,030

12.3 Interest suspense account

This represents interest receivable for lease, term finance, short term finance and investment with status of SMA and below as per Bangladesh Bank guidelines.

Balance as on January 01	180,971,557	159,239,508
Add: Amount transferred to interest suspense account during the year	82,725,252	83,941,358
Less: Amount recovered from interest suspense account during the year	(18,890,880)	(14,526,616)
Less: Written off during the year	(3,019,418)	(47,682,693)
	241,786,511	180,971,557

12.4 Accrued expenses and payables

Liabilities for expenses	526,233,022	508,096,628
Liabilities other than expenses	344,744,719	204,097,323
	870,977,741	712,193,951

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.

12.5 Lease liabilities

Balance as on January 01	158,798,185	164,893,404
Addition during the year	-	21,317,745
Interest charged during the year	12,420,067	12,063,983
Disposal during the year	-	(1,639,699)
Office rent adjustment made during the year	(39,344,518)	(37,837,248)
	131,873,733	158,798,185

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

12.6 Provision for lease, loans and advances

General provision on lease, loans and advances

Balance as on January 01	126,082,983	93,703,810
Provision made for the year	484,670	32,379,174
	126,567,653	126,082,983

Special provision 2% (15% payment of deferral clients)

Balance as on January 01	8,586,105	12,059,572
Provision made for the year	(3,130,907)	(3,473,467)
	5,455,198	8,586,105

Specific provision on unclassified lease, loans and advances

Balance as on January 01	18,415,946	622,454
Provision made for the year	(2,652,895)	17,793,493
	15,763,051	18,415,946

Specific provision on classified lease, loans and advances

Balance as on January 01	406,540,913	396,401,544
Fully provided debt written off during the year	(9,738,505)	(100,661,060)
Amount realised from written off clients	40,355,828	24,608,505
Provision made for the year	94,076,538	86,191,925
	531,234,774	406,540,913



	Notes	2023 BDT	2022 BDT
<u>Provision on receivable others and off balance sheet item</u>			
Balance as on January 01		107,200	135,579
Adjustment during the year		(8,500)	-
Provision made for the year	35	-	(28,379)
		98,700	107,200
		679,119,377	559,733,148

Provision surplus	2023		2022	
	Required	Maintained	Required	Maintained
General provision on lease, loans and advances	126,418,694	126,567,653	117,871,300	126,082,983
Special provision 2% (15% payment of deferral clients)	5,455,198	5,455,198	8,586,105	8,586,105
Specific provision on unclassified lease, loans and advances	15,744,500	15,763,051	17,216,530	18,415,946
Specific provision on classified lease, loans and advances	531,064,291	531,234,774	402,224,826	406,540,913
Other provisions	98,700	98,700	107,200	107,200
	678,781,383	679,119,377	546,005,961	559,733,148
Total surplus		337,994		13,727,187

12.6.1 Base for provision for lease, loans and advances

Status	Base for provision	Rate (%)	Required Provision	Kept Provision
General provision				
Loans and leases SME-STD	8,482,883,343	0.25%	21,207,208	21,232,197
Loans and leases STD (excluding SMA)	10,521,148,581	1.00%	105,211,486	105,335,456
Loan/lease to the subsidiaries/ sister concerns, brokerage houses, merchant banks, stock dealers	-	2.00%	-	-
Special mention account (SMA)	314,889,991	5.00%	15,744,500	15,763,051
			142,163,194	142,330,704
Special reserve				
Extra provision for providing COVID related advantage-STD	-	2.00%	-	-
Extra provision for providing COVID related advantage-SS	-	2.00%	-	-
Extra provision for providing COVID related advantage	272,759,893	2.00%	5,455,198	5,455,198
			5,455,198	5,455,198
Specific provision				
Sub-standard	202,522,926	20.00%	40,504,585	40,552,312
Doubtful	208,363,329	50.00%	104,181,664	104,304,421
Bad/ Loss	386,378,042	100.00%	386,378,042	386,378,042
			531,064,291	531,234,775
Provision for loans, advances and leases			678,682,683	679,020,677
Other provision				
Off-balance Sheet	-	1.00%	-	-
Other asset	98,700	100.00%	98,700	98,700
			98,700	98,700
Total provision			678,781,383	679,119,377

12.7 Provision on others

Balance as on January 01	40,000,000	20,000,000
Provision made for the year	-	20,000,000
	40,000,000	40,000,000

12.8 Provision for income tax

Balance as on January 01		2,075,514,158	2,056,955,970
Add: Corporate tax for the year	36	104,540,150	72,942,469
Less: Settlement of previous year's liability	36	(14,408,635)	(54,384,281)
		2,165,645,673	2,075,514,158

12.9 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 required years of employment with the Company to be eligible to receive employer's contribution part for the years 2015 to 2018.



12.10 Aging analysis of unpaid/unclaimed dividend

i. Cash dividend payable

	2023 BDT	2022 BDT
Upto 1 year	753,791	1,493,594
Over 1 year but within 3 years	3,336,014	4,424,452
Over 3 years but within 4 years	-	-
Over 4 years but within 5 years	-	-
Above 5 years	-	-
	4,089,805	5,918,046

Unclaimed cash dividends for the year 2018 amounting to Tk 22,09,496 was transferred on December 19, 2022 to the Capital Market Stabilization Fund (CMSF) according to Clause no. 9(1) of the Capital Market Stabilization Fund (CMSF) Rules, 2021.

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	-	-
	-	-

13 Share capital

13.1 Authorized 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	70,000,000	70,000,000
180,114,614 ordinary shares of BDT 10 each issued as bonus shares	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	3,241,237,126	3,191,690,712
Tier-2 Capital	142,330,704	144,498,930
Total Eligible Capital (1+2) :	3,383,567,831	3,336,189,642
B Total Risk Weighted Assets (RWA):	19,566,693,498	19,096,874,453
C Capital Adequacy Ratio (CAR) (A ₃ / B)*100	17.29%	17.47%
D Core Capital to RWA (A ₁ / B)*100	16.57%	16.71%
E Supplementary Capital to RWA (A ₂ / B)*100	0.73%	0.76%
F Minimum Capital Requirement (MCR)	1,956,669,350	1,909,687,445
Surplus	1,426,898,481	1,426,502,197

Core capital (Tier-I)

Paid up capital	13.2	1,871,146,140	1,871,146,140
Share premium	14	3,750,000	3,750,000
Statutory reserve	15	1,024,050,000	995,050,000
General reserve	16	190,000,000	190,000,000
Retained earnings	17	152,290,986	131,744,572
		3,241,237,126	3,191,690,712

Eligible supplementary capital (Tier-II)

General provision maintained against unclassified loan	142,330,704	144,498,930
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)	-	-
	142,330,704	144,498,930



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)

	2023 BDT	2022 BDT
	142,330,704	144,498,930
	219,760,714	214,765,553
	17,580,857,120	17,181,244,240
	17,580,857,120	17,181,244,240
	-	-
	418,687,553	420,822,800
	1,567,148,825	1,494,807,413
	19,566,693,498	19,096,874,453

13.4 Percentage of shareholding at the closing date

	No. of shares		Percentage	
	2023	2022	2023	2022
(i) Sponsors:				
-Foreign	37,422,921	37,422,921	20.00	20.00
-Foreign sponsor affiliated/related entities	40,324,483	40,324,483	21.55	21.55
-Domestic	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	26,541,308	26,289,735	14.18	14.05
	51,238,609	50,987,036	27.38	27.25
(iii) General public - Domestic	54,373,659	54,625,232	29.06	29.19
	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 2023.

13.5 Shareholding range on the basis of shareholding as at 31 December 2023

	No. of shares	Number of shareholders	Total number of shares	Percentage of total holdings
1	Less than 500	2,298	383,480	0.20
2	500 to 5,000	4,151	8,203,691	4.38
3	5,001 to 10,000	881	6,691,756	3.58
4	10,001 to 20,000	545	7,923,317	4.23
5	20,001 to 30,000	179	4,534,074	2.42
6	30,001 to 40,000	105	3,756,340	2.01
7	40,001 to 50,000	84	3,938,745	2.10
8	50,001 to 100,000	118	8,741,277	4.67
9	100,001 to 1,000,000	87	20,949,973	11.20
10	Above 1,000,000	16	121,991,961	65.20
		8,464	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	10.00	1,871,146,140
Share premium			3,750,000
Preference share capital			-
Statutory reserve			1,024,050,000
General reserve			190,000,000
Retained earnings			152,290,986
Total shareholders' equity			3,241,237,126

Date of issue and other information:

Date	Types of paid-up capital	No. of shares	Face value per share	Total face value
27-04-1989	Sponsors share capital	7,000	100.00	700,000
23-11-1989	Sponsors share capital	618,000	100.00	61,800,000
27-03-1994	Initial public offering	75,000	100.00	7,500,000
18-04-2005	Bonus (100%)	700,000	100.00	70,000,000
20-04-2006	Bonus (50%)	700,000	100.00	70,000,000
25-03-2008	Bonus (10%)	210,000	100.00	21,000,000
31-03-2009	Bonus (14.29%)	330,000	100.00	33,000,000
25-03-2010	Bonus (100%)	2,640,000	100.00	264,000,000
09-06-2011	Bonus (75%)	3,960,000	100.00	396,000,000
	Before split	9,240,000		924,000,000
	After split	92,400,000	10.00	924,000,000
09-04-2012	Bonus (20%)	18,480,000	10.00	184,800,000
28-03-2013	Bonus (15%)	16,632,000	10.00	166,320,000
10-04-2014	Bonus (10%)	12,751,200	10.00	127,512,000
23-04-2015	Bonus (10%)	14,026,320	10.00	140,263,200
21-04-2016	Bonus (10%)	15,428,952	10.00	154,289,520
27-04-2017	Bonus (5%)	8,485,923	10.00	84,859,230
26-04-2018	Bonus (5%)	8,910,219	10.00	89,102,190
	Paid up capital	187,114,614		1,871,146,140

2023 BDT	2022 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	995,050,000	966,450,000
Addition during the year	29,000,000	28,600,000
	1,024,050,000	995,050,000

As per section 8 of the Finance Company Act, 2023 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 29,000,000 (2022: BDT 28,600,000) to the Statutory Reserve.

16 General reserve

Balance as on January 01	190,000,000	190,000,000
Transfer to retained earnings during the year	-	-
Transfer from retained earnings during the year	-	-
	190,000,000	190,000,000

17 Retained earnings

Balance as on January 01	131,744,572	204,922,289
Less: Cash dividend for last year	(93,557,307)	(187,114,614)
Less: Issue of bonus shares for last year	-	-
Add: Transfer from general reserve during the year	-	-
Balance remaining	38,187,265	17,807,675
Addition during the year		
Net profit after taxation	143,103,721	142,536,897
Transfer to general reserve during the year	-	-
Transfer to statutory reserve during the year	(29,000,000)	(28,600,000)
	152,290,986	131,744,572



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 2023) subject to the final clearance from the Ministry of Labor since the matter stands unresolved.

	<u>Notes</u>	2023 BDT	2022 BDT
18 Net asset value per share (NAV)			
Total assets		28,818,520,963	27,183,218,750
Total liabilities		25,577,283,837	23,991,528,037
Net assets		3,241,237,126	3,191,690,712
Number of share outstanding (current year's)		187,114,614	187,114,614
Net asset value per share		17.32	17.06
Restated NAV			
Net assets		3,241,237,126	3,191,690,712
Number of ordinary shares as at 31 December		187,114,614	187,114,614
Restated NAV		17.32	17.06
19 Contingent liabilities			
19.1 Letters of guarantee			
Letters of guarantee (Local)		-	-
Letters of guarantee (Foreign)		-	-
Foreign counter guarantees		-	-
		-	-
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	20.1	2,156,527,226	2,099,797,887
Dividend income	23	109,803,530	63,764,796
Other operating income	24	154,386,789	156,329,510
		2,420,717,546	2,319,892,194
Expenses			
Interest, fee and commission etc.	22	1,353,422,091	1,221,276,143
Administrative expenses	20.2	628,873,310	648,601,732
Other operating expenses	34	38,569,220	53,027,114
Depreciation on Company's fixed assets		84,495,189	82,131,629
		2,105,359,809	2,005,036,619
		315,357,736	314,855,575
20.1 Interest, discount and similar income			
Interest income	21	2,153,534,957	2,087,240,968
Interest on government security	23	17,893	1,539,900
Interest on bonds	23	2,974,376	11,017,019
Discount income		-	-
Interest on debentures		-	-
		2,156,527,226	2,099,797,887



20.2 Administrative expenses	Notes	2023 BDT	2022 BDT
Salaries and allowances		547,561,360	544,280,541
Rent, taxes, insurance, electricity etc.		18,971,013	25,041,872
Legal expenses		25,888,550	21,245,777
Postage, stamp, telecommunication etc.		17,427,221	23,528,389
Stationery, printing, advertisement etc.		1,924,263	5,139,290
Managing director's salary and benefits		1,250,000	8,786,250
Directors' fees		568,333	580,555
Auditors' fees		805,000	805,000
Repairs and maintenance of the Company's assets		14,477,569	19,194,058
		628,873,310	648,601,732
21 Interest income			
Lease		640,708,799	669,355,526
Term loan and home loan		1,216,224,116	1,160,610,311
Short term financing		96,005,384	115,306,575
Total interest income		1,952,938,298	1,945,272,412
Interest on deposit/balance with banks and other financial institutions		53,826,722	54,066,870
Interest on deposits under lien for credit line facilities		146,769,936	87,901,686
		2,153,534,957	2,087,240,968
22 Interest paid on deposits, borrowings etc.			
a) Interest paid on deposits			
Deposits from other than banks and financial institutions		1,033,193,006	866,822,321
Deposits from banks and financial institutions		16,402,778	103,425,694
Interest bearing security deposits		3,582,209	1,889,042
		1,053,177,993	972,137,058
b) Interest paid for borrowing			
Bank loans		59,273,179	43,737,014
Bangladesh Bank refinance, prefinance and KFW		129,457,109	117,298,284
Call loan		-	3,346,319
Overdraft		67,768,128	24,589,706
Zero coupon bond		31,325,615	48,103,779
		287,824,031	237,075,103
c) Interest expenses-lease liabilities		12,420,067	12,063,983
		12,420,067	12,063,983
		1,353,422,091	1,221,276,143
23 Investment income			
Interest on government security		17,893	1,539,900
Interest on bonds		2,974,376	11,017,019
Dividend on shares		109,803,530	63,764,796
		112,795,800	76,321,715
24 Other operating income			
Reimbursement - invoice processing and collection costs		11,985,377	13,356,267
Early repayment premium		9,190,294	25,808,221
Reimbursement - documentation costs		65,626,439	81,547,096
Supervision charge		41,533,532	-
Late payment interest		13,159,978	21,016,426
Profit on sale of fixed assets		669,684	779,988
Profit on sale of share		328,309	1,315,112
Income from provident fund forfeited account	24.1	441,701	5,734,615
Miscellaneous earnings		11,451,475	6,771,786
		154,386,789	156,329,510

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 required years of employment with the Company to be eligible to receive employer's contribution for the period 1 January 2023 to 30 June 2023.



	<u>Notes</u>	2023 BDT	2022 BDT
25 Salaries and allowances			
Basic salary, provident fund contribution and all other allowances		514,997,519	531,598,226
Festival and incentive bonus		32,563,842	12,682,315
		547,561,360	544,280,541
26 Rent, taxes, insurance, electricity etc.			
Rent, rate and taxes	26.1	519,929	436,857
Insurance		8,578,575	15,368,110
Electricity, gas and water		9,872,509	9,236,905
		18,971,013	25,041,872
26.1 Movement of rent, rate and taxes:			
Rent expenses charged		39,864,448	38,274,105
Less: Reclassification of rent (as per IFRS 16 Leases)		39,344,518	37,837,248
Rent expenses reported		519,929	436,857
Movement of rent, rate and taxes have been included due to implementation of IFRS-16 Leases (office rent).			
27 Legal expenses			
Legal fees		20,888,689	16,051,801
Professional fees		4,999,861	5,193,976
		25,888,550	21,245,777
28 Postage, stamp, telecommunication etc.			
Stamp expenses		8,117,352	8,190,006
Postage and courier		795,795	901,437
Telephone, mobile and internet		8,514,074	14,436,946
		17,427,221	23,528,389
29 Stationery, printing, advertisements etc.			
Printing and stationeries		1,901,925	4,539,161
Publicity and advertisements		22,338	600,129
		1,924,263	5,139,290
30 Managing Director's salary and benefits			
Remuneration		1,000,000	7,616,250
Other benefits		250,000	1,170,000
		1,250,000	8,786,250
Bangladesh Bank approved the appointment letter of Mr. Mohammad Rafiqul Islam as the Managing Director of the Company vide letter no. DFIM(C)1054/55/2023-3595 dated 17 October 2023. Mr. Mohammad Rafiqul Islam joined the Company with effect from 1 November 2023.			
31 Directors' fees			
Directors' fees		568,333	580,555
		568,333	580,555
Directors' fee include fees for attending meetings 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	805,000
		805,000	805,000
33 Depreciation and repair of assets			
Depreciation	Annexure-A		
Furniture and fixture		8,120,446	8,507,612
Office equipment		39,440	36,432
Electrical equipment		23,906,648	22,413,006
System software		11,721,938	9,478,592
Motor vehicles		8,028,297	8,852,768
Office space		4,447,260	4,447,260
Right-of-use assets		28,231,160	28,395,958
		84,495,189	82,131,629
Repairs			
Maintenance of electrical equipment, office equipment, motor vehicle and other assets		14,477,569	19,194,058
		14,477,569	19,194,058
		98,972,758	101,325,687

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



	<u>Notes</u>	2023 BDT	2022 BDT
34 Other expenses			
Training expenses		5,777	157,827
Books, magazines and newspapers etc.		74,287	67,315
Staffs' uniforms		454,480	942,030
Medical expenses		434,477	1,084,133
Fees and subscriptions		2,203,760	2,778,252
Bank charges		4,067,316	3,815,077
Excise duty expenses		2,830,891	3,797,100
Car expenses		901,587	870,990
Entertainment		2,885,127	4,093,001
Office expenses		2,347,235	3,077,133
Security services		3,648,480	8,573,668
Business promotion expenses		6,507,125	9,814,583
Annual general meeting expenses		1,228,870	1,422,800
Travelling and conveyance expenses		10,979,808	12,533,205
		38,569,220	53,027,114
35 Provision for lease, loans and advances			
General provision on lease, loans and advances		484,670	32,379,174
Special provision 2% (15% payment for deferral clients)		(3,130,907)	(3,473,467)
Specific provision on unclassified lease, loans and advances		(2,652,895)	17,793,493
Specific provision on classified lease, loans and advances		94,076,538	86,191,925
Provision on receivable others and off balance sheet item		-	(28,379)
		88,777,406	132,862,745
36 Provision for taxation			
<u>Current tax</u>			
Corporate tax for the year on operating profit		104,540,150	72,942,469
Less: Settlement of previous year's tax liability		(14,408,635)	(54,384,281)
		90,131,515	18,558,188
<u>Deferred tax</u>			
Deferred tax	9.2	(6,654,906)	897,744
		83,476,609	19,455,932
<u>Average effective tax rate</u>			
Operating profit before taxes		226,580,330	161,992,829
Provision for taxation		83,476,609	19,455,932
Effective rate	36.1	36.84%	12.01%
36.1 Reconciliation of effective tax rate			
		2023	2022
		Percentage	Percentage
		Taka	Taka
Profit before income tax as per profit and loss account		226,580,330	161,992,829
Income tax as per applicable tax rate	37.50%	84,967,624	60,747,311
Net inadmissible expenses (due to difference between accounting and tax depreciation, lease/loan provision, gratuity provision and others)	17.16%	38,878,429	23,715,653
Reduced tax due to tax rate being lower than business tax rate (dividend income @ 20% and capital gain on sale of shares @ 10%)	-8.52%	(19,305,903)	(11,520,495)
Settlement of previous years' tax liabilities	-6.36%	(14,408,635)	(54,384,281)
Deferred tax (income)/expense	-2.94%	(6,654,906)	897,744
		36.84%	12.01%
		83,476,609	19,455,932
37 Earnings per share (EPS)			
Net profit after tax		143,103,721	142,536,897
Number of ordinary shares outstanding		187,114,614	187,114,614
Earnings per share (EPS)		0.76	0.76
Restatements of EPS:			
Net profit after tax		143,103,721	142,536,897
Number of ordinary shares as on 31 December		187,114,614	187,114,614
		0.76	0.76

Earnings per share (EPS) has been computed by dividing the basic earnings by the number of ordinary shares outstanding as of 31 December 2023 as per International Accounting Standard 33 Earnings Per Share.



	Notes	2023 BDT	2022 BDT
38 Receipts from other operating activities			
Reimbursement - invoice processing and collection costs		10,638,065	13,356,267
Early repayment premium		9,190,294	25,808,221
Reimbursement-documentation costs		58,249,171	81,547,096
Supervision charge		2,556,314	-
Late payment charges		13,159,978	21,016,426
Profit on sale of fixed assets		669,684	779,988
Profit on sale of share		328,309	1,315,112
Income from provident fund forfeited account	24.1	441,701	5,734,615
Miscellaneous earnings		11,451,475	7,133,671
		106,684,990	156,691,395
39 Payments for other operating activities			
Rent, taxes, insurance, electricity etc.		19,009,997	25,041,872
Repairs and maintenance		13,942,337	17,753,371
Travelling and conveyance expenses		10,979,808	12,533,205
Annual general meeting/shareholder expenses		1,228,870	1,422,800
Entertainment		2,885,127	4,093,001
Bank charges		6,898,207	7,605,737
Fees and subscriptions		2,203,760	2,778,252
Medical expenses		434,477	1,084,133
Directors' fees		568,333	580,555
Books, magazines and newspapers etc.		74,287	67,315
Training expenses		5,777	157,827
Office expenses		2,347,235	3,077,133
Security services		4,024,710	8,597,362
		64,602,925	84,792,563
40 Net operating cash flow per share (NOCFPS)			
Net cash flows from operating activities		142,293,554	(2,333,690,864)
Number of shares outstanding		187,114,614	187,114,614
NOCFPS		0.76	(12.47)
NOCFPS (Restated)		0.76	(12.47)
41 Reconciliation of operating activities of cash flow statement			
Particulars			
Net profit after tax		143,103,721	142,536,897
Depreciation		84,495,189	82,131,629
Provision for lease, loans and advances		88,777,406	152,862,745
Written off during the year		(9,747,005)	(100,661,060)
Amount realised from written off clients		40,355,828	24,608,505
Provision for taxation		90,131,515	18,558,188
Profit on sale of fixed assets		(669,684)	(779,988)
Increase/(decrease) in short term loans		290,167,472	(544,208,606)
Increase in lease, loans and advances		(156,143,065)	(2,992,328,422)
Income tax paid		(84,472,587)	(106,233,751)
(Decrease)/increase in deposit and other accounts		(381,193,320)	961,914,852
Increase in other liabilities		195,597,245	72,247,753
Increase in other assets		(158,109,162)	(24,661,562)
Increase in right-of-use assets		-	(19,678,045)
Cash flow from operating activities		142,293,554	(2,333,690,864)
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		862	1,007
		862	1,007

**43 Related Party Disclosures**

43.1 Particulars of Directors of the Company as on 31 December, 2023

Sl no.	Name of Directors	Designation	Shareholding status
1.	Imran Ahmed	Chairman	Nominated by Camellia Duncan Foundation having share of 2.59%
2.	Susan Ann Walker	Director	Nominated by Lawrie Group Plc.,UK having share of 20%
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.	A. F. Nesaruddin	Director	Nominated by Surmah Valley Tea Co. Ltd. having share of 8.27%
7.	Ormaan Rafay Nizam	Director	Nominated by National Brokers Ltd. having share of 2.01%
8.	M. M. Alam	Independent Director	Not applicable; no shareholdings.
9.	Professor Dr. Mahfuzul Hoque	Independent Director	Not applicable, no shareholdings.
10.	Mohammad Rafiqul Islam	Managing director	Not applicable, Ex-officio capacity



43.2 Name of Directors and their interest in different entities as on 31 December, 2023

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. Octavius Steel & Co. of BD Ltd. 2. Duncan Brothers (BD) Ltd. 3. Duncan Products Ltd. 4. Chittagong Warehouse Ltd. 5. Eastland Camellia Ltd. 6. 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.	Ormaan Rafay Nizam	Director	Managing Director National Brokers Ltd. Director Chittagong Warehouse Ltd.
7.	A.F.M.M. Samad Choudhury	Director	-
8.	M. M. Alam	Independent Director	-
9.	Professor Dr. Mahfuzul Hoque	Independent Director	Director 1. Power Grid Company of Bangladesh Limited 2. Japan Society of Organization and Accounting
10.	Mohammad Rafiqul Islam	Managing Director	-



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

As on 31 December 2023 no such contract exists.

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

As on 31 December 2023 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	Status of loan and advances
The Lungla (Sylhet) Tea Co. Ltd.	Imran Ahmed	Common Director	Term Deposit	6,045,688	
	Susan Ann Walker	-Do-	Office rent	4,019,112	
Duncan Properties Ltd.	Imran Ahmed	-Do-	Office rent	123,648	
	A. Rouf	-Do-			
Macalms Bangladesh Trust	Imran Ahmed	Trustee	Term Deposit	35,970,065	
	A. Rouf	-Do-			
	A.F.M.M Samad Choudhury	-Do-			
National Brokers Limited	L. H. Khan	Common Director	Term Deposit	99,797,332	
	Ormaan Rafay Nizam	-Do-			
Duncan Brothers (BD) Ltd.	Imran Ahmed	-Do-	Office rent	2,874,788	
	A. Rouf	-Do-			
United Insurance Co. Ltd.	A. Rouf	Nominated Director	Lease	3,654,184	Regular
	L. H. Khan	-Do-	Term Deposit	25,642,000	
	A.F.M.M. Samad Choudhury	-Do-	Insurance premium	373,971	
Duncan Products Ltd.	A. Rouf	Common Director	Term deposit	8,210,000	
	Imran Ahmed	-Do-	Drinking Water Bill	33,408	
Amo Tea Co. Ltd.	Imran Ahmed	-Do-	Office rent	2,874,788	
	Susan Ann Walker	-Do-			
The Chandpore Tea Co. Ltd.	Imran Ahmed	-Do-	Office rent	697,770	
	Susan Ann Walker	-Do-			
The Mazdehee Tea Co. Ltd	Imran Ahmed	-Do-	Office rent	697,770	
	Susan Ann Walker	-Do-			
Camellia Duncan Foundation	Imran Ahmed	Trustee	Term Deposit	54,622,507	
	A. Rouf	-Do-			
Octavius Steel & Company of Bangladesh Limited	Imran Ahmed	Common Director	Term Deposit	13,591,688	
	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 2023 no such investment exists.

44 Commitment**Capital expenditure**

There was no capital expenditure contracted but not incurred or provided for at 31 December 2023 (2022: 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 2023, the Company had BDT 1,006,614,329 commitment with customers (2022: BDT 1,403,213,735).

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, no such final judgment/order has been received from honorable Supreme Court (High Court Division and Appellate Division) which may go against the Company.

Except above, there was no such claim against the Company which required to be acknowledged as debt at 31 December 2023.

46 Proposal of dividend

The Board of Directors has recommended a cash dividend of BDT 0.60 per ordinary share (2022: @ BDT 0.50 per ordinary share) i.e. a total of BDT 112.27 million for 187.11 million ordinary shares held on the record date 16 May 2024.

47 Dividend Remitted to non-resident shareholders

An amount of Tk. 16,581,564.45 equivalent to GBP 119,237.19 (2021: Tk. 33,421,878.90 equivalent to GBP 288,795.58) was remitted to non-resident shareholder as dividend for the year 2022.

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 Collection of Audited Financial Statements during sanction or renewal of Lease/Loan facility.

Bangladesh Bank in its DFIM Circular no 08 dated 17 August 2021 instructed the financial institutions to obtain and preserve audited financial statements for loans and advances sanctioned/renewed to public interest entity.

In 2023, United Finance sanctioned around 1,450 clients who are in the Cottage, Micro and Small segment. These segments were exempted from mandatory submission of Audited Financials up to December 2024 as per DFIM Circular letter No. 03 dated 13 February 2023.

In addition, United Finance also sanctioned around 243 clients in 2023 who are in the large segment. Out of this 243 clients, audited financial statements were obtained and preserved for 100 clients during sanction. Rest are yet to complete the statutory audit of their financial statements.

**50 Highlights on the overall activities**

Sl. No.	Particulars		2023	2022	Growth (%)
1	Paid-up capital (note-13.2)	MBDT	1,871.15	1,871.15	-
2	Total eligible capital (note-13.3)	MBDT	3,383.57	3,336.19	1.42%
3	Capital surplus (note-13.3)	MBDT	1,426.90	1,426.50	0.03%
4	Total assets	MBDT	28,818.52	27,183.22	6.02%
5	Total term deposits (note-11.1)	MBDT	13,697.88	14,178.31	-3.39%
6	Total lease, loans and advances (note-7.1)	MBDT	20,376.74	20,220.59	0.77%
7	Total contingent liabilities and commitments (note-19)	MBDT	-	-	-
8	Loan to deposit ratio (note-7.1/note-11.1)		1.49	1.43	4.31%
9	Percentage of classified lease, loans and advances against total lease, loans and advances (note-7.9)	(%)	4.84	3.44	40.77%
10	Profit after tax and provision	MBDT	143.10	142.54	0.40%
11	Amount of loans classified during the year	MBDT	985.99	695.05	41.86%
12	Provisions kept against classified loans (note-12.6)	MBDT	531.23	406.54	30.67%
13	Provision surplus (note-12.6)	MBDT	0.34	13.73	-97.54%
14	Cost of fund	(%)	6.41	6.41	0.00%
15	Interest earning assets	MBDT	25,199.48	23,647.25	6.56%
16	Non-interest earning assets	MBDT	3,619.04	3,535.97	2.35%
17	Return on equity (i)	(%)	4.45	4.43	0.32%
18	Net return to total earning assets	(%)	0.57	0.60	-5.79%
19	Return on total assets (ii)	(%)	0.51	0.54	-4.91%
20	Income from investment in shares and bonds (note-23)	MBDT	112.80	76.32	47.79%
21	Earnings per share (iii)	BDT	0.76	0.76	0.40%
22	Net income per share (iv)	BDT	0.76	0.76	0.40%
23	Price earning ratio (v)	Times	20.66	20.74	-0.40%

MBDT= Bangladeshi taka in Million, BDT= Bangladeshi taka

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

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

iii. Restated EPS.

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

v. Based on December 31 market price of the respective year.

Mohammad Rafiqul Islam
Managing Director

Professor Dr. Mahfuzul Hoque
Independent Director

Ormaan Rafay Nizam
Director

L. H. Khan
Director

Dhaka, Bangladesh
Dated: 24 April 2024


Annexure - A
 (From note - 8)

Fixed assets including land, building, furniture and fixtures

Particulars	Furniture and fixture	Office equipment	Electrical equipment	Software	Motor vehicle	Office Space	Right-of-use assets	Total
Cost								
Balance at 01 January 2023	125,636,766	589,601	181,725,498	44,808,157	52,759,756	177,890,411	220,913,801	804,323,989
Addition during the year	2,807,179	-	6,229,313	1,475,000	18,066,645	-	-	28,578,137
Disposal/adjustment	(1,716,065)	-	(355,825)	-	(12,618,615)	-	-	(14,690,505)
Balance at 31 December 2023	126,727,879	589,601	187,598,986	46,283,157	58,207,786	177,890,411	220,913,801	818,211,620
Accumulated depreciation								
Balance at 01 January 2023	92,893,724	426,595	108,562,799	14,738,842	31,891,057	22,606,908	86,600,583	357,720,508
Charge for the year	8,120,446	39,440	23,906,648	11,721,938	8,028,297	4,447,260	28,231,160	84,495,189
Disposal/adjustment	(1,689,908)	-	(340,495)	-	(6,708,836)	-	-	(8,739,239)
Balance at 31 December 2023	99,324,262	466,035	132,128,952	26,460,780	33,210,518	27,054,168	114,831,743	433,476,458
WDV at 31 December 2023	27,403,617	123,566	55,470,034	19,822,377	24,997,268	150,836,243	106,082,058	384,735,163
WDV at 31 December 2022	32,743,041	163,006	73,162,699	30,069,315	20,868,698	155,283,503	134,313,219	446,603,481



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

(i) 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	1. General provision up to a limit of 1.25% of Risk Weighted Asset (RWA) for Credit Risk
2. Non-repayable share premium account	a. Revaluation reserves
3. Statutory reserve	b. 50% Revaluation reserves for Fixed Assets
4. General reserve	2. 45% Revaluation reserves for Securities
5. Retained earnings	3. All other preference shares
6. Minority interest in subsidiaries	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
7. Non-cumulative irredeemable preference shares	
8. Dividend equalisation account	

(ii) 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	102.41
4. General Reserve	19.00
5. Retained Earnings	15.23
6. Minority interest in subsidiaries	-
7. Non-Cumulative irredeemable preferences shares	-
Total Tier 1 Capital	324.12
Total Tier 2 Capital	14.23
Other deductions from Capital	-
Total Eligible Capital	338.36



Capital Adequacy Ratio (CAR)

Qualitative Disclosures

On 31 December 2023, the Company CAR stands at 17.29% 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 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	1,758.09
Capital requirement for Market Risk	41.87
Capital requirement for Operational Risk	156.71
Total RWA	1,956.67
Total and Tier 1 Capital ratio:	
o CAR on Total capital basis (%)	17.29%
o CAR on Tier 1 capital basis (%)	16.57%

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 provision of 0.25% against Standard SME loans, 1% 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.



- **Credit Assessment:** an independent Credit team assesses every credit proposal in order to assess the credit risks associated with financing proposals. In the assessment of the credit risk, they assess borrower's economic and social standing, business and market position, management background, financial performance, and overall credit risk grading (CRG). Mandatory visits to every applicable 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 Credit Administration 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.
 - **Early Alert System:** A system of data collection and analysis exists that looks at clients' economic, financial and social factors to assess the possibility of delinquency. This enables the company to take a proactive stance in maintaining a healthy portfolio.
 - **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 such as legal actions to mitigate risks, 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, CRG Model, and Early Alert Model Review:** There is a periodic review to update the overall credit approval process and the CRG model, as well as the early alert model to better reflect the updated market situation.
 - **Portfolio Analysis:** For better management of the loan portfolio, the Company has developed mechanisms to conduct portfolio-level analyses of credit facilities considering loan repayment performance, concentration of risks by location, product, and sector, and portfolio at risk (PAR) analysis.
 - **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	639.38
Term Loan	932.26
Home Loan	328.40
Short Term Loan	102.96
Interest Receivable	34.67
Total	2,037.67

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

	Amount in Crore BDT
Dhaka	962.72
Chattogram	330.10
Rajshahi	209.85
Khulna	188.00
Rangpur	165.63
Mymensingh	80.76
Barishal	75.56
Sylhet	25.05
Total	2,037.67

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

	Amount in Crore BDT
1. Agricultural sector	63.18
2. Industrial sector:	
a) Service industry	105.66
b) Food Production/Processing industry	240.05
c) Chemical & Pharmaceutical	105.73
d) Plastic industry	72.74
e) Garments	47.96
f) Textile	29.75
g) Paper, Printing and Packaging industry	133.88
h) Iron, Steel & Engineering industry	94.84
i) Leather & Leather products	26.46
j) Electronics and Electrical industry	19.99
k) Telecommunication/Information Technology	6.52
l) Jute and Jute Products	22.97
m) Cement/Concrete and allied industry	13.23
n) Glass and Ceramic industry	20.36
3. Power, Gas, Water and Sanitary service	4.87
4. Transport & Communication	73.22
5. Real Estate & Housing	337.93
6. Trade and Commerce	548.74
7. Others	69.60
Total	2,037.67

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

	Amount in Crore BDT
Up to 1 month	102.19
Over 1 month but not more than 3 months	178.71
Over 3 months but not more than 1 year	611.47
Over 1 year but not more than 5 years	878.59
Over 5 years	266.71
Total	2,037.67

Gross Non-Performing Assets (NPA)

	Amount in Crore BDT
Gross Non Performing Assets (NPAs)	98.60
Non-Performing Assets (NPAs) to Outstanding Loans & Advances	4.84%

Movement of Non-Performing Assets (NPAs)

	Amount in Crore BDT
Opening balance	69.50
Additions	39.46
Reductions	(10.37)
Closing balance	98.60

Movement of specific provisions for NPAs

	Amount in Crore BDT
Opening balance	42.49
Provisions made during the period	9.14
Write-off	(0.97)
Write-back of excess provisions	4.04
Closing balance	54.70

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 or losses.

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 shares are valued as per the latest audited accounts.

Quantitative Disclosures

	Amount in Crore BDT
Quoted shares	1.53
Unquoted shares*	149.63
Total	151.16

*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 a monthly basis and formulates strategies to manage changes in market conditions. In case of significant movement in the market such as unexpected loan prepayments and unusual behaviour of non-maturity deposits, emergency ALCO meetings are held to decide on the course of action.

Quantitative Disclosures – Interest Rate Risk under Simple Sensitivity Analysis

Particulars in BDT Crores	Up to 3 months	3 months to 6 months	6 months to 1 year	Above 1 year
Rate Sensitive Assets (RSA)	497	290	470	1,047
Rate Sensitive Liabilities (RSL)	425	248	435	940
Net Gap [RSA-RSL]	72	43	34	106
Cumulative Gap	72	114	149	255

Impact of Net Interest Income

1% interest rate increase	0.72	1.14	1.49	2.55
1% interest rate Decrease	-0.72	-1.14	-1.49	-2.55
2% interest rate increase	1.43	2.28	2.97	5.10
2% interest rate Decrease	-1.43	-2.28	-2.97	-5.10

Quantitative Disclosures – Increase in Interest Rate

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
Net Interest Income (BDT in Crore)	2.97	5.94	8.91
Revised Regulatory Capital (BDT in Crore)	341.33	344.30	347.27
Risk Weighted Assets (BDT in Crore)	1,956.67	1,956.67	1,956.67
Revised CAR (%)	17.44%	17.60%	17.75%



Market Risk

Qualitative Disclosures

Views of BOD on trading/investment activities: 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. Every policy and guideline relating to the Market Risk are duly approved by the Executive Committee. The Committee also sets limits and reviews the compliance on a regular basis.

Methods used to measure Market Risk: In order to measure the market risk, the Company uses Standardised (rule based) Approach where capital charge for interest rate risk, price and foreign exchange risk is determined separately.

Policies and processes for mitigating Market Risk: All policies required for oversight and management of Market Risk are set by the Executive Committee. These policies are reviewed on a periodic basis.

Quantitative Disclosures

Capital requirements for	Amount in Crore BDT
Interest rate related instruments	-
Equities	4.19
Foreign exchange position (if any)	-
Commodities (if any)	-

Operational Risk

Qualitative Disclosures

Views of Board of Directors on system to reduce Operational Risk: Like the market risk guidelines, 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 processes and identifies flaws and risks of regular business operations. It also examines information technology infrastructure, policies & operations, and data integrity & security.

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

Quantitative Disclosures

Capital charge for	Amount in Crore BDT
Operational Risk	15.67



Sustainability Report



United Finance Limited remains committed to advancing sustainable business practices across all areas of its operations within the communities it serves. Our Sustainability Report for the year 2023 serves as an evidence to our dedication to sustainability, encompassing economic, social, and environmental dimensions. This report offers an insight into our key sustainability objectives, strategies for stakeholder engagement, impactful initiatives in environmental and social spheres, as well as our contributions to fostering workforce diversity.

In crafting this report, we meticulously consider developments and issues that could impact the environment and society where we operate. We prioritise topics that significantly influence stakeholders' perceptions of our ability to meet their long-term needs.

Aligned with the GRI Sustainability Reporting Standards: Core Option, we include material topics and disclosures that reflect our commitment to transparency and accountability in sustainability reporting.

Key Sustainability Objectives:

United Finance Limited has established the following objectives for in its sustainability activities:

- I. Collaborate with internal and external stakeholders to mitigate negative environmental impacts and encourage a sustainable business environment.
- II. Dedicate efforts to engaging in environmentally-friendly practices, including reducing internal carbon footprint and financing ecologically sustainable projects.
- III. Promote initiatives that take into account structural changes affecting its clients and the community as a whole.
- IV. Offer products and services that directly or indirectly contribute to sustainability, aligning with the United Nations Sustainable Development Goals by addressing environmental or social issues.
- V. Innovate by creating new businesses and transforming existing ones through the adoption of new technologies.
- VI. Foster the development and active participation of a diverse workforce.
- VII. Promote equal opportunities and diversity within the workforce, ensuring inclusivity across all levels.
- VIII. Maintain a persistent commitment to providing a safe, secure, and healthy work environment for all employees.

I. Coordination with Stakeholders

The sustainability approach of United Finance encompasses 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 mentioned in the following table.



Sustainability Dimension	Stakeholders Identified	Primary Objectives of Engagement	Engagement Mechanisms
Economic	Shareholders	<ul style="list-style-type: none"> • Preserve and enhance Company valuation • Ensure consistent return on equity 	<ul style="list-style-type: none"> • Online Annual General meeting of shareholders • Dissemination of information through disclosures and on the Company website
	Clients	<ul style="list-style-type: none"> • Provide customer with top-class 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 	<ul style="list-style-type: none"> • Dialogue with customers via relationship managers • Call centres and customer helplines • Website providing access to important information • Provision of a wide array of value added services • Increasing ease of access to services by moving towards a more robust digital platform
	Regulators	<ul style="list-style-type: none"> • Strengthen internal control systems through robust accounting and internal audit • Ensure compliance with all regulatory directives 	<ul style="list-style-type: none"> • Timely delivery of all regulatory and statutory reporting • Ad-hoc reporting as per directives of the regulators
Environmental	Clients	<ul style="list-style-type: none"> • Reduce the negative social impact of clients through the adoption of new technology • Ensure operations in a manner as to minimise negative social effects • Finance clients with a view to supporting socially responsible and sustainable clients 	<ul style="list-style-type: none"> • Financing firms and initiatives that have a positive impact on the environment (e.g. financing adoption of environmentally friend equipment/technology) • Financing firms and sectors that have a track record of environmental awareness
Social	Employees	<ul style="list-style-type: none"> • Help employees with the opportunities to use their skills and grow their careers • Provide a congenial and healthy work environment • Ensuring the present and future of the employees 	<ul style="list-style-type: none"> • Robust grievance handling mechanisms • Providing training to all levels of employees to better develop their skills and talents • Providing health insurance coverage for employees • Contributing equally (10%) in employee provident fund and maintaining surplus gratuity fund
	Local Communities	<ul style="list-style-type: none"> • To keep the local communities updated about the Company’s initiatives and achievements. • Helping underserved and vulnerable populations as part of our commitment to the society 	<ul style="list-style-type: none"> • Presence in social media • Activities undertaken as Company’s Corporate Social Responsibilities (CSR)



Engagement activity – by the numbers	2023	2022
Surveys conducted to measure customer feedback	3,079	0
Grievances from stakeholders raised and handled	16	11

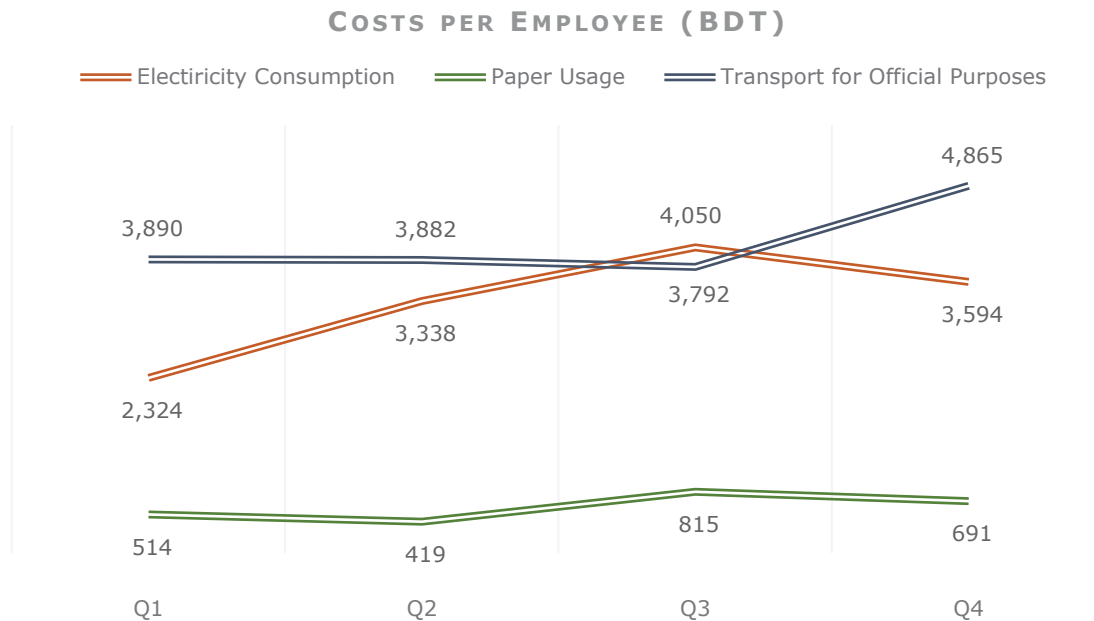
Memberships of Industry/Associations

1. Bangladesh Association of Publicly Listed Companies
2. Bangladesh Employers Federation
3. Bangladesh Leasing and Finance Companies Association
4. Bangladesh Money Market Dealers Association
5. Foreign Investors’ Chamber of Commerce & Industry
6. Metropolitan Chamber of Commerce & Industry

II. Environmentally Impactful Activities

Internal

The Company has been taking strides in minimising the negative impact of its operations on the environment. This has had a measurable impact on operations, as is outlined in terms of costs per employee in some of the major categories as outlined below:



In addition to this, other technical and infrastructural changes have been taken to reduce carbon footprint:

- 🔍 Moving towards a more robust online on-boarding mechanism of new clients to increase accessibility and reduce paper consumption
- 🔍 Paperless recruitment and approval systems for efficient task handling and significant reduction of paper waste
- 🔍 Video conferencing for both internal meetings and recruitment interviews
- 🔍 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-archiving of office documents to reduce paper waste
- ⊕ Usage of electronic equipment with inverter technology instead of the conventional ones to reduce carbon footprint and save electricity
- ⊕ Procurement of hybrid cars (combination of electric and fuel combustion system) instead of conventional fuel combustion cars

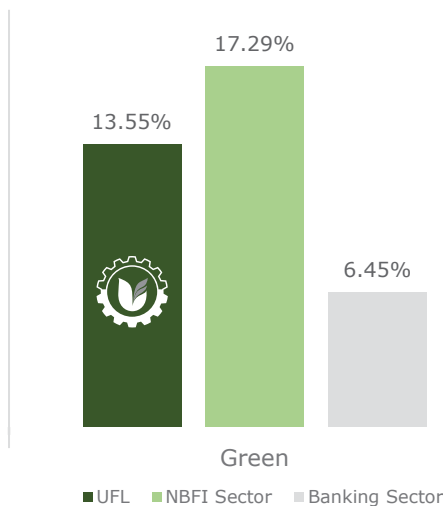
External

Bangladesh is highly vulnerable to natural disasters and environmental risks due to its unique geographic location and climate conditions. Recent data shows a notable rise in climate-related calamities like heavy rainfall, floods, cyclones, and storm surges. On average, tropical storms incur about USD 1 billion in damages annually, while severe floods could impact GDP by up to 9%. Without increased mitigation efforts, climate change could further amplify these risks, potentially costing Bangladesh an additional 2-9% of GDP by the century's end. Therefore, environmental consciousness is crucial for operating in Bangladesh.

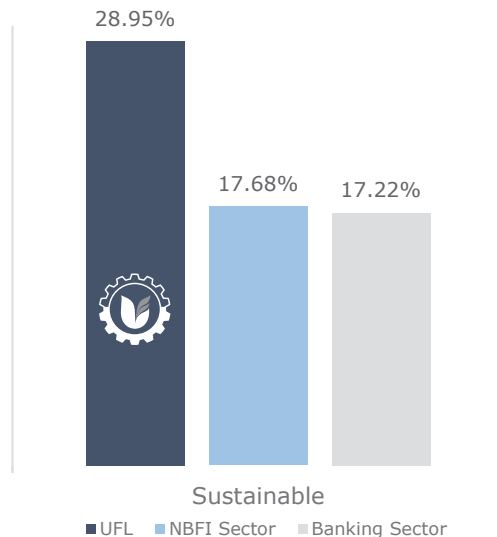
Social responsibility lies at the heart of United Finance Limited's values, with a strong commitment to integrating ESG factors into all aspects of its operations.

The company prioritises financing sustainable initiatives and projects that promote environmental responsibility, urging clients to embrace technologies for reducing carbon emissions. This dedication is evident in its performance this year.

GREEN FINANCING AS % OF TERM LOAN DISBURSEMENTS (2023)



SUSTAINABLE FINANCING AS % OF ALL DISBURSEMENTS (2023)



It is clear from the performance numbers of 2023 that United Finance Limited remains one of the industry leaders in terms of financing in green and sustainable ventures.

With a longstanding dedication to ESG matters, the company employs a robust framework to identify, evaluate, and mitigate ESG risks across its financing activities. Recognising the potential impact of its operations on individuals, institutions, and the broader community, United Finance Limited remains steadfast in its commitment to fostering a greener and more resilient society.



III. Initiatives that Affect Our Clients and the Community

Impact from the Company's Activities	2023	2022
Access to Finance		
Economic activity for the period (No. of new accounts)	2,300	2,330
Financial Inclusion – First Time Institutional Borrowers (No. of enterprises) ¹	155	599
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	4,228	2,832
Employment Generation		
Seasonal Employment as a result of Financing Activities (in persons) ⁶	-	-
Regular Employment as a result of Financing Activities (in persons) ⁷	835	1,176
Work Efficiency		
Increased Productivity/Month (BDT in millions) ⁸	21,270	18,200
Reduced Outsourcing Cost (BDT in millions) ⁹	102.37	110.00
Empowerment		
Breakout from Traditional Financing (%) ¹⁰	-	-
Women Entrepreneurship Financed (in persons) ¹¹	290	494
Women Farmers Financed in Agricultural Financing (in persons) ¹²	-	-
Landless Farmers Financed in Agricultural Financing (in person) ¹³	-	-

1. Measured as how many enterprises financed by the Company have never taken any prior loan/lease from any Non-banking Financial Institution or Bank.
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 much temporary employment was created from the agricultural financing activities.
7. Measured as how much employments was created from financing activities.
8. Increased productivity is calculated when 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. Measured as number of person transferred from traditional financing (Mohajon) to formal financing (Bank/FI).
11. Measured as number of enterprise financed which are controlled/owned by women.
12. Measured as number of women entrepreneurs financed under agricultural financing.
13. Measured as number of landless farmers financed under agricultural financing.

IV. Active Participation of a Diverse Workforce

Impact from the Company's Activities¹⁴	2023	2022
Diversity of Workforce		
Permanent Employees¹⁵		
Male (in persons)	640	696
Female (in persons)	537	575
Non-Permanent Employees¹⁶		
Male (in persons)	103	121
Female (in persons)	57	88
Full-time and Part-time Employee Comparison		
Total Full-time Employees (in persons) ¹⁷	697	784



Impact from the Company's Activities¹⁴	2023	2022
Total Part-time Employees (in persons) ¹⁸	0	0
Ratio of Full-time Employees: Part-time Employees	697:0	784:0
Employment Generation		
Permanent		
New Employees (male)	89	194
New Employees (female)	7	25
Total New Employees	96	219
Total Resignations ¹⁹	173	124
Employment Generation	0	95
Non-Permanent		
New Employees (male)	10	15
New Employees (female)	3	2
Total New Employees	13	17
Total Resignations ¹⁹	38	105
Employment Generation	-	-
Ratio of new employees by age (Under 30: 30-50: Over 50)	44:64:1	72:104:0
Employee Training		
Employees trained (in persons)	497	128
Total Employee Training Hours	10,386	2,160
Training Ratio- Male: Female	427:70	56:13
Ratio of Training Hours (Employee: Manager: Senior Management)	406:77:14	94:15:19
Percentage of Employee Received Career Development Review (Male)	-	-
Percentage of Employee Received Career Development Review (Female)	-	-
Maternity Leave		
Employees entitled to Maternity Leave (in persons)	9	10
Employees availing Maternity Leave (in persons)	9	10
Percentage of Women Employee Retention Rate after Maternity Leave	100%	80%
Percentage of Women Employee Retention Rate 12 months after Maternity Leave	100%	57%

14. Social aspects in terms of equality, fair play and development have been identified in this segment of report.
15. Permanent employees includes employees on probation and employees that are eligible for Provident Fund.
16. Non-permanent employees include employees hired for a specific time period, employees hired temporarily for doing certain tasks.
17. 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.
18. Part-time employees are those who are not full time employees.
19. Considers the effective date of resignation of employees, as opposed to the actual resignation date.



V. Corporate Social Responsibility

In the pursuit of our corporate values and commitment to social responsibility, United Finance Limited is delighted to present a comprehensive overview of our CSR initiatives for the fiscal year 2023. Aligned with our vision of serving Women, Youth, and the Underserved population, our CSR endeavors focused on critical areas, including climate, education, health, and broader societal concerns. These initiatives underscore our dedication to fostering sustainable development and contributing to the overall well-being of the communities we are privileged to serve.

Climate Initiatives:

Environmental stewardship is at the forefront of our CSR efforts. Recognising the urgent need for action, United Finance Limited has committed a significant portion of our CSR budget to climate initiatives. In collaboration with Amal Foundation, we undertook a project to establish solar panels for households and a school in Maijbari char, Rajshahi. This initiative not only contributes to environmental conservation but also empowers the community by providing sustainable electricity to beneficiaries.

Education Initiatives:

Education remains a core pillar of our CSR endeavors. Our partnership with JAAGO Foundation testifies our commitment to fostering educational opportunities in underprivileged communities. By sponsoring the education of underprivileged students at JAAGO Schools in Habiganj, Sylhet, we aim to make a positive impact on the lives of young individuals. Additionally, our support extends to MAA College in Noakhali district, where we contribute to educational infrastructure by establishing a library for the benefit of 200 students. Financial literacy programs have also been implemented across multiple divisions, reaching 137 individuals.

Health Initiatives:

Acknowledging the critical importance of healthcare, United Finance Limited allocated resources to support individuals facing various health challenges. Financial assistance has been extended to individuals confronting serious health issues, promoting well-being within our society. Furthermore, we have collaborated with Ispahani Islamia Eye Institute & Hospital to support healthcare services for disadvantaged individuals.

Other Initiatives:

Beyond specific categories, our CSR efforts have extended to address immediate societal concerns. Acknowledging the pressing challenges faced by communities, United Finance Limited provided relief to beneficiaries affected by floods in Bandarban and Rangamati districts.

Our CSR policy is guided by a vision that prioritises Women, Youth, and the Underserved population. United Finance Limited remains steadfast in its commitment to improving the lives of individuals and communities across Bangladesh. The CSR initiatives reflect our dedication to fostering sustainable development, addressing social challenges, and contributing to the well-being of the society we serve. We firmly believe that these initiatives not only fulfill our corporate responsibilities but also contribute to a more inclusive, resilient, and sustainable future for all.



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/en/Home/PersonalLoans https://www.unitedfinance.com.bd/en/Home/BusinessLoans	-
102-3	Location of headquarters	https://www.unitedfinance.com.bd/en/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/en/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, Notes to the Financial Statements, Sustainability Report	29-77 85-92
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	90-91
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	Significant changes to the organisation & supply chain, including <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 	https://www.unitedfinance.com.bd/en/Home/ShareholdingStructure	-
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	88
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/en/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/en/Home/Management	-
Stakeholder Engagement			
102 - 40	A list of stakeholder groups engaged by the organisation	Sustainability Report	86-87
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	87
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	87
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	87
Reporting Practices			
102 -45	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	86
102 -47	A list of the material topics identified in the process for defining report content	Sustainability Report	86
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 to the Financial Statements	11 67
102 -49	Significant changes from previous reporting periods in the list of material topics and topic boundaries	Management Discussion and Analysis	12-15
102 -50	Reporting period for the information provided	01 January 2023 to 31 December 2023	-
102 -51	If applicable, the date of the most recent previous report	3 May 2023	-
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	85-92



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	86
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 12-15 85-92
103 -3	An explanation of how the organisation evaluates the management approach	Chairman's Statement and Management Discussion and Analysis	4-6 12-15



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	42-77
201 -2	Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure	Sustainability Report	85-92
201 -3	<ul style="list-style-type: none"> a. If the plan's liabilities are met by the organisation's general resources, the estimated value of those liabilities b. If a separate fund exists to pay the plan's pension liabilities <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 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 d. Percentage of salary contributed by employee or employer 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 	Notes to the Financial Statements and Sustainability Report	42-77 85-92
201 -4	<ul style="list-style-type: none"> a. Total monetary value of financial assistance received by the organisation from any government during the reporting period b. The information in 201-4-a by country c. Whether, and the extent to which, any government is present in the shareholding structure 	Sustainability Report, Shareholding Structure in the Notes to the Financial Statements	85-92 42-77



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	86
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	4-6 12-15 85-92
103 -3	An explanation of how the organisation evaluates the management approach	Chairman’s Statement, Management Discussion and Analysis Sustainability Report	4-6 12-15 85-92
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	85-92
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	42-77
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	91
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	91

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	91
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	91



Stakeholders' Segment



BOARD OF DIRECTORS

Chairman

Imran Ahmed

Nominated by

: Camellia Duncan Foundation

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

A. F. Nesaruddin

: Surmah Valley Tea Company Limited

Ormaan Rafay Nizam

: National Brokers Limited

Independent Directors

M. M. Alam

Professor Dr. Mahfuzul Hoque

Managing Director

Mohammad Rafiqul Islam

Chief Financial Officer

Lingkon Mondal FCA

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

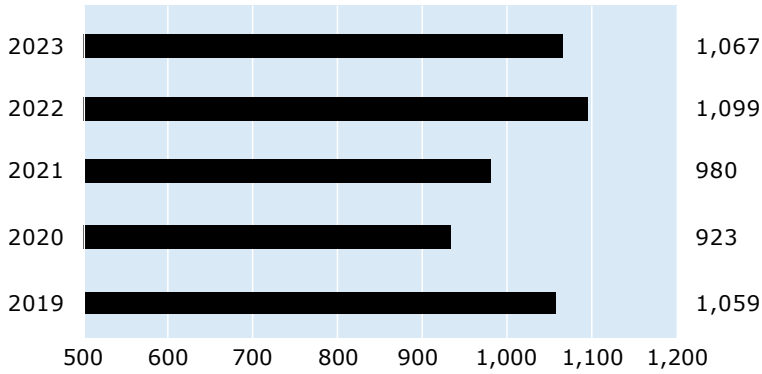
Chattogram, Agrabad	1994
Jashore, R.N. Road	2005
Gazipur, College Gate, Tongi	2006
Bogura, Borogola	2006
Sylhet, East Dargah Gate	2009
Belkuchi, Makundagati Bazar, Sirajgonj	2010
Rangpur, Station Road	2010
Chuadanga, Barabazar	2010
Bongshal, Siddique Bazar, North South Road	2011
Begumganj, Feni Road, Noakhali	2011
Barishal, Sadar Road	2011
Tejgaon, Gulshan-Tejgaon Link Road	2011
Rangamati, Banarupa	2012
Rajshahi, Saheb Bazar	2012
Khulna, KDA Avenue	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

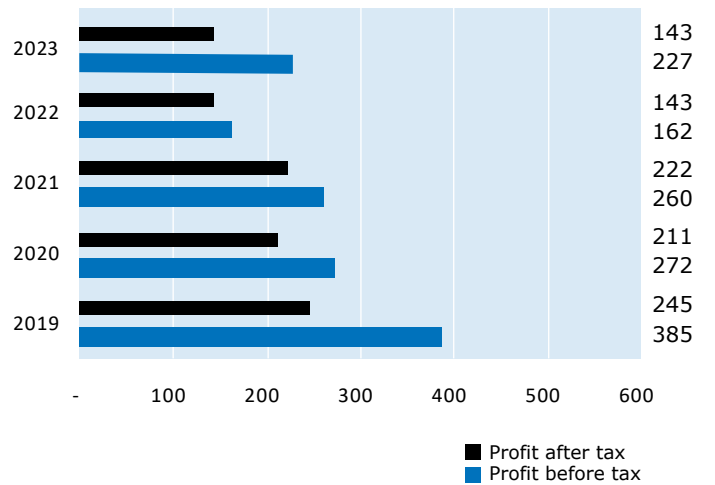
Operating income

BDT in million



Profit before & after tax

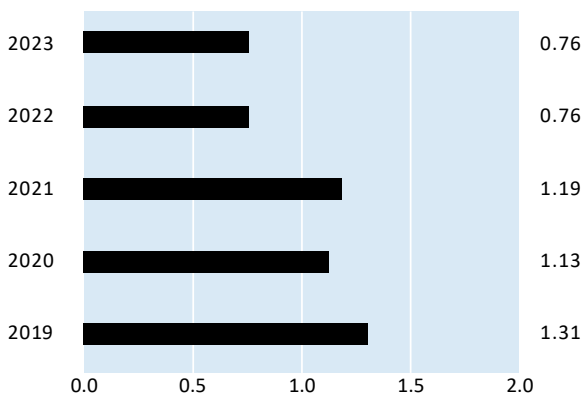
BDT in million



■ Profit after tax
■ Profit before tax

Earnings per share (EPS)

Amount in BDT

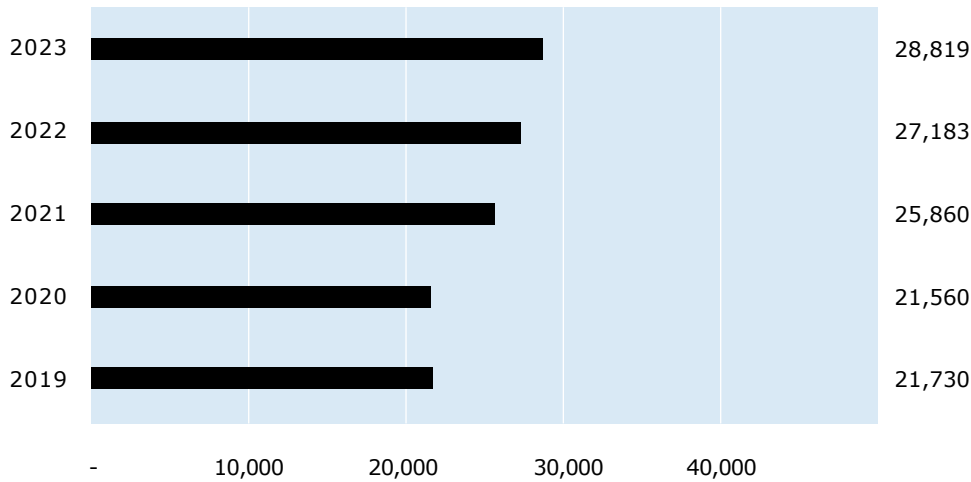




PERFORMANCE INDICATORS

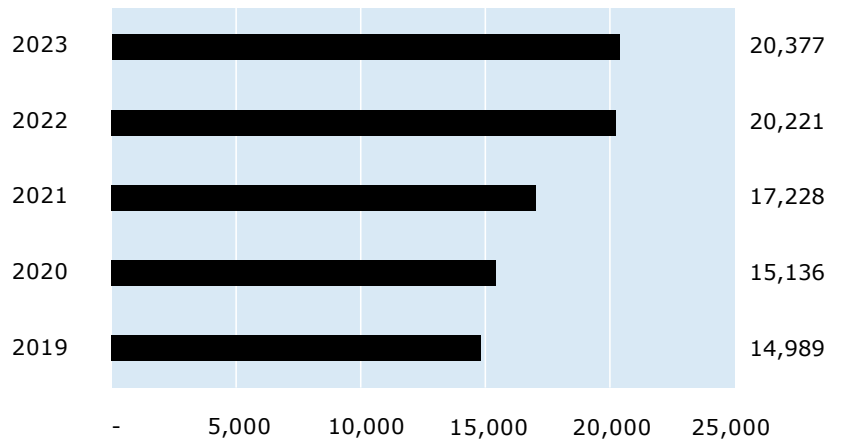
Total assets

BDT in million



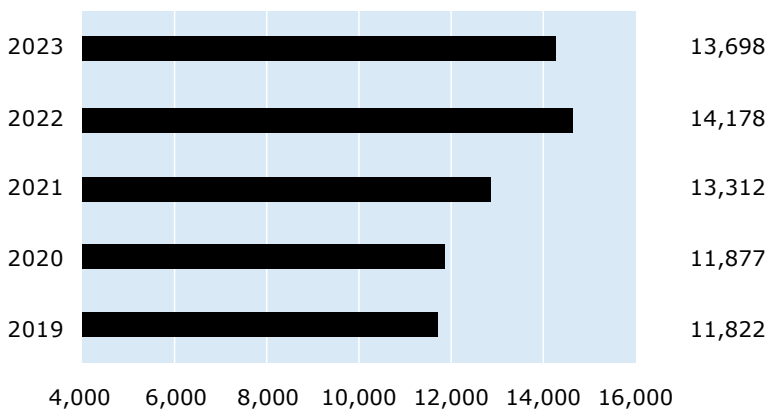
Lease, loans and advances

BDT in million



Term deposit

BDT in million

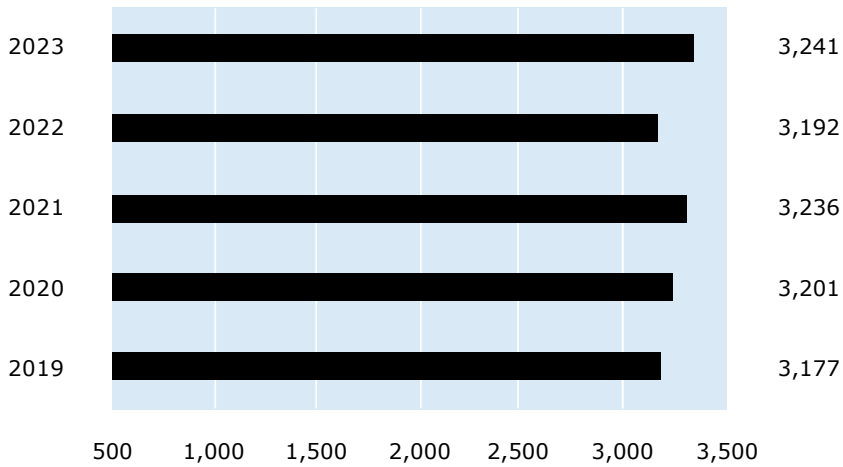




PERFORMANCE INDICATORS

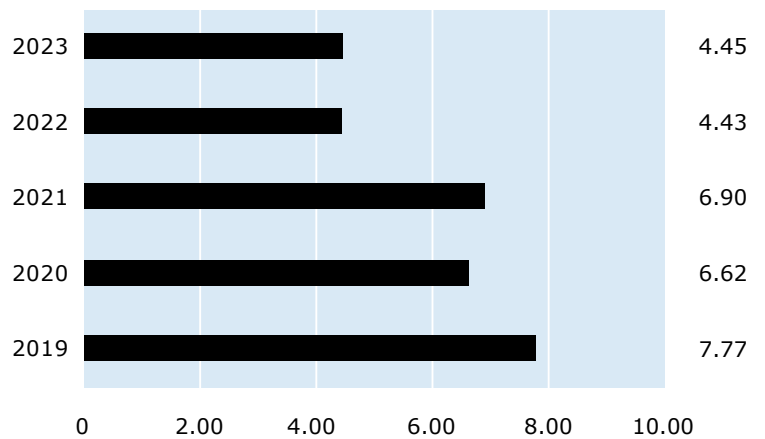
Shareholder's equity

BDT in million



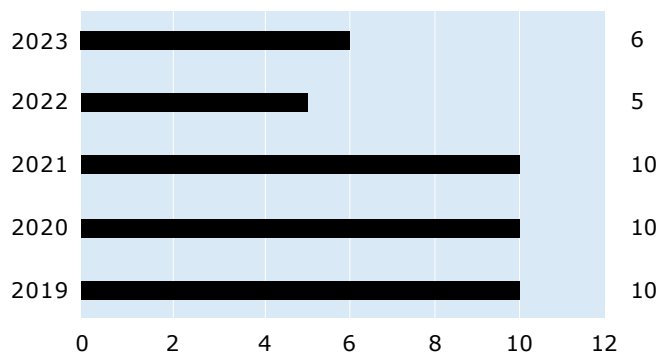
Return on equity

In percentage



Cash dividend

In percentage



**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-Fifth Annual General Meeting of the Company to be held through hybrid system on Thursday, 13 June 2024 at 10:00 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2024

Revenue
Stamp
TK 20/-

Signature of Shareholder _____

Folio/BO ID No. _____

No. of Shares _____

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

- (1) This Form of Proxy, duly completed, must be submitted at least 48 hours before the meeting in any of the following ways:
 - a) For virtual attendance: Scanned and sent through email at investor.relations@unitedfinance.com.bd
 - b) For physical attendance: Deposited at the Company's registered office.
- (2) Proxy is invalid if not signed and stamped as explained above.
- (3) Signature of the shareholder should agree with the specimen signature registered with the Company and depository register.

UNITED FINANCE LIMITEDCamellia House
22 Kazi Nazrul Islam Avenue, Dhaka-1000**ATTENDANCE SLIP**

I hereby record my attendance at the Thirty Fifth Annual General Meeting of the Company being held on Thursday, 13 June 2024 at 10:00 a.m. through hybrid system at Samson H. Chowdhury Centre, The Dhaka Club Limited, Moulana Bhashani Road, Ramna, Dhaka-1000, Bangladesh.

Name of Member/Proxy _____ Signature _____

Folio/BO ID No. _____ Date _____

- N.B: i) Shareholders attending the meeting in person or by Proxy are requested to complete the attendance slip and deposit the same at the entrance of the meeting hall.
- ii) Shareholders and proxies are requested to record their entry in the Annual General Meeting well in time.

N.B: In compliance with the requirements of Bangladesh Securities and Exchange Commission's Circular No. SEC/CMRRCD/2009-193/154 dated 24 October 2013, no Gift/Gift Coupon/Food Box shall be distributed at the 35th AGM .



Registered Office: Camellia House, 22 Kazi Nazrul Islam Avenue, Dhaka-1000, Bangladesh
Tel: 16354, +88-09613-852852, +88-02-41062031, Fax: +88-02-41062032
E-mail: q&a@unitedfinance.com.bd, Website: www.unitedfinance.com.bd