

United Finance Limited
Notes to the financial statements (Unaudited)
For the half year ended 30 June, 2020

1.0 General Information

1.1 Domicile and legal form

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

1.2 Nature of operations and principal activities

The Company provides financial services which includes lease finance for acquiring assets for industrial and commercial use, term loans for meeting long term funding requirement, short-term working capital solutions and home loans to cater the needs of its diverse client base. The Company offers various deposit investment opportunities of predefined tenure ranging from 3 months to 11 years 3 months.

2.0 Summary of significant accounting policies and basis of preparation of the financial statements:

2.1 Basis of preparation of the financial statements

The financial statements of the Company have been prepared on a going concern basis following accrual basis of accounting except for cash flows statement, investment in marketable securities 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, and the circumstances where local regulations differ, and the Companies Act, 1994, the Financial Institutions Act, 1993, Securities and Exchange Rules, 1987 & the (Listing) Regulations, 2015 of Dhaka Stock Exchanges and other applicable laws and regulations.

The presentation of the financial statements has been made as per the requirements of DFIM Circular no : 11 dated 23 December 2009 issued by the Department of Financial Institutions and Market (DFIM) of Bangladesh Bank. The activities and accounting heads mentioned in the prescribed form, which are not applicable for the financial institutions, have been kept blank in the financial statements.

2.2 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Financial Institutions Act, 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act, 1994. In case of any requirements of the Financial Institutions Act, 1993 and provisions and circulars issued by Bangladesh Bank differ with those of IFRSs, the requirements of the Financial Institutions Act, 1993, and provisions and circulars issued by Bangladesh Bank have been followed.

3.0 Comparative information

Prior year figures and account titles have been rearranged to conform current year presentation in accordance with the Bangladesh Bank DFIM Circular No. 11 dated 23 December 2009. Movement of Right of Use (ROU) Assets, Depreciation and Rent have been included due to implementation of IFRS-16 Leases (office rent).

4.0 Reporting currency and level of exactitude

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

5.0 Authorisation for issue of the financial statements

The Board of Directors of the Company has authorised these financial statements for issue on July 29, 2020.

	<u>30-Jun-20</u>	<u>31-Dec-19</u>
6.0 Cash		
Cash in hand	1,290,000	1,290,000
Balance with Bangladesh Bank and its agent bank(s)	183,370,885	299,485,200
	<u>184,660,885</u>	<u>300,775,200</u>
7.0 Balance with banks and other financial institutions		
In Bangladesh	2,818,542,706	3,520,942,167
Outside Bangladesh	-	-
	<u>2,818,542,706</u>	<u>3,520,942,167</u>
8.0 Money at call and short notice		
	-	-
	-	-



	<u>30-Jun-20</u>	<u>31-Dec-19</u>
9.0 Investments		
Investment classified as per nature		
a) Government securities:		
National investment bonds	-	-
Bangladesh Bank bills	-	-
Government bonds	-	-
Prize bonds	-	-
	<hr/>	<hr/>
b) Other investment:		
Investment in ordinary shares (9.1)	15,520,880	15,520,880
Investment in preference shares	302,145,895	221,542,834
Investment in bonds	416,000,000	482,000,000
	<hr/>	<hr/>
	733,666,775	719,063,714
	<hr/> 733,666,775 <hr/>	<hr/> 719,063,714 <hr/>

9.1 Investment in ordinary shares

Business Segment	No. of shares	Cost price	Market price
Insurance	4,450,000	15,000,000	154,415,000
Pharmaceuticals	3,744	34,040	83,866
Metallic Industries	4,979	47,420	103,065
Hotel & Resorts	3,916	37,300	309,756
Textile Industries	46,243	402,120	295,955
	<hr/> 4,508,882 <hr/>	<hr/> 15,520,880 <hr/>	<hr/> 155,207,642 <hr/>

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

As of 30 June, 2020 there was a unrealized gain of Taka 139,792,927 except investment in textile industries on investment in marketable securities. Provision for diminution in value of investments in textile industries of Taka 106,359 is considered in profit & loss account due to decrease in market value than cost as on the balance sheet date.

10.0 Lease, loans and advances

Lease receivable (note-10.1)	7,798,800,247	7,807,923,700
Loans (note-10.2)	6,947,896,696	7,181,422,947
	<hr/> 14,746,696,943 <hr/>	<hr/> 14,989,346,647 <hr/>

10.1 Lease receivable

Net lease receivable	7,614,656,797	7,736,432,262
Advances for leases	9,102,238	500,000
Interest receivable	175,041,212	70,991,438
	<hr/> 7,798,800,247 <hr/>	<hr/> 7,807,923,700 <hr/>

10.2 Loans

Term loan	3,758,876,304	3,081,579,305
Home loan	1,080,334,140	1,015,915,650
Short term loan	1,881,261,340	2,910,491,867
Interest receivable	227,424,911	173,436,124
	<hr/> 6,947,896,696 <hr/>	<hr/> 7,181,422,947 <hr/>

11.0 Fixed assets including land, building, furniture and fixtures

Cost

Furniture and fixtures	122,740,573	122,460,397
Office equipment	585,229	585,229
Electrical equipment	118,528,349	106,987,330
Motor vehicles	63,117,991	70,772,474
Office space	177,890,411	177,890,411
Right-of-use assets	188,442,592	188,442,592
	<hr/> 671,305,145 <hr/>	<hr/> 667,138,433 <hr/>
Less: Accumulated depreciation	(251,359,221)	(232,755,401)
	<hr/> 419,945,923 <hr/>	<hr/> 434,383,031 <hr/>



	<u>30-Jun-20</u>	<u>31-Dec-19</u>
12.0 Other assets		
Income generating:		
Income receivable	78,267,804	65,706,907
Non-income generating:		
Deferred tax assets (note-12.1)	3,519,440	5,303,604
Advance, deposit and prepaid expenses	43,324,093	33,178,209
Other receivables	1,898,417	1,629,812
Advance corporate tax	1,695,703,074	1,659,497,785
	<u>1,822,712,827</u>	<u>1,765,316,317</u>

12.1 Deferred tax asset

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

	Carrying amount at balance sheet	Tax base	Deductible temporary differences
Fixed assets at book value	274,060,291	283,220,083	9,159,791
Liability to employees gratuity	225,381	-	225,381
	<u>274,285,672</u>	<u>283,220,083</u>	<u>9,385,172</u>
Applicable tax rate			37.50%
Deferred tax asset as on 30 June, 2020			3,519,440
Deferred tax asset as on 31 December, 2019			5,303,604
Deferred tax expense for the first quarter ended 31 March, 2020			<u>(1,784,164)</u>

13.0 Borrowing from banks, other financial institutions and agents

In Bangladesh	1,263,420,445	2,757,850,898
Outside Bangladesh	-	-
	<u>1,263,420,445</u>	<u>2,757,850,898</u>

14.0 Deposits and other accounts

Current deposits	-	-
Bills payable	-	-
Savings bank deposits	-	-
Term deposits	12,166,980,059	11,822,377,508
Bearer certificates of deposit	-	-
Other deposits	503,098,463	515,699,110
	<u>12,670,078,522</u>	<u>12,338,076,618</u>

15.0 Other liabilities

Provision for gratuity	225,381	4,360,248
Dividend payable	15,187,730	48,839,609
KFW interest differential fund	9,760,958	9,760,958
Interest suspense account	193,539,442	112,353,417
Accrued expenses and payables	689,770,601	682,961,500
Lease liabilities	157,677,364	168,191,695
Provision for lease, loans and advances	478,424,869	452,415,760
Provision on investment	20,106,359	20,000,000
Provision for income tax	2,000,678,560	1,957,992,724
	<u>3,565,371,265</u>	<u>3,456,875,912</u>



30-Jun-2031-Dec-19**16.0 Share capital****16.1 Authorized capital**

300,000,000 ordinary shares of Taka 10 each 3,000,000,000 3,000,000,000

16.2 Issued, subscribed and fully paid-up capital

7,000,000 ordinary shares of Taka 10 each issued for cash 70,000,000 70,000,000
 180,114,614 ordinary shares of Taka 10 each issued as bonus shares 1,801,146,140 1,801,146,140
1,871,146,140 1,871,146,140

16.3 Composition of shareholders' equity

<u>Particulars</u>	<u>No. of shares in '000</u>	<u>Face value</u>	<u>Taka '000</u>
Paid-up capital	187,114,614	10	1,871,146,140
Share premium			3,750,000
Preference share capital			NIL
Statutory reserve			879,400,000
General reserve			225,000,000
Retained earnings			248,059,688
Total shareholders' equity			<u>3,227,355,828</u>

Date of issue & other information:

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



	<u>30-Jun-20</u>	<u>31-Dec-19</u>
17.0 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 Taka. 3,750,000.		
18.0 Statutory reserve		
Balance as at January 01	879,400,000	829,400,000
Addition during the year	-	50,000,000
	<u>879,400,000</u>	<u>879,400,000</u>
19.0 General reserve		
Balance at January 01	225,000,000	225,000,000
Transfer to retained earnings	-	-
Transfer from retained earnings	-	-
	<u>225,000,000</u>	<u>225,000,000</u>
20.0 Retained earnings		
Balance at January 01	197,727,508	190,169,771
Less: Cash dividend for last year	-	(187,114,614)
Less: Issue of bonus shares for last year	-	-
Add: Transfer from general reserve	-	-
	<u>197,727,508</u>	<u>3,055,157</u>
Addition made during the year		
Net profit after tax	50,332,179	244,672,351
Transfer to general reserve	-	-
Transfer to statutory reserve	-	(50,000,000)
	<u>50,332,179</u>	<u>194,672,351</u>
	<u>248,059,688</u>	<u>197,727,508</u>
21.0 Net Asset Value Per Share (NAV)		
Total Shareholders' equity	3,227,355,828	3,177,023,648
Number of shares outstanding	187,114,614	187,114,614
NAV per share	17.25	16.98
NAV per share (Restated)	17.25	16.98
22.0 Contingent liabilities		
Off-Balance sheet items		
Off-Balance Sheet items represent guarantees issued to banks for opening letter of credit for equipment and machinery.		
Letters of guarantee (Local)	65,923,952	61,037,915
Letters of guarantee (Foreign)	-	-
Foreign counter guarantees	-	-
	<u>65,923,952</u>	<u>61,037,915</u>



	<u>30-Jun-20</u>	<u>30-Jun-19</u>
23.0 Interest income		
Lease	462,659,737	563,240,019
Term loan and home loan	273,338,336	294,255,857
Short term financing	158,986,793	236,940,992
	<u>894,984,866</u>	<u>1,094,436,868</u>
Interest on balance with banks and other financial institutions	100,181,552	126,017,756
	<u>995,166,418</u>	<u>1,220,454,624</u>
24.0 Interest paid on deposits, borrowings etc.		
a) Interest paid on deposits		
Deposits from other than banks and financial institutions	551,978,371	487,626,188
Deposits from banks and financial institutions	48,087,555	182,075,702
Direct deposit expenses	10,658,192	10,572,954
Interest bearing security deposits	827,820	863,402
	<u>611,551,938</u>	<u>681,138,246</u>
b) Interest paid for borrowing		
Bank loans	10,505,834	24,414,722
Bangladesh Bank refinance	31,975,541	31,232,934
Call loan	499,583	5,762,500
Overdraft	11,374,278	19,768,739
	<u>54,355,236</u>	<u>81,178,895</u>
c) Interest expenses-lease liabilities	6,993,037	6,520,888
	<u>6,993,037</u>	<u>6,520,888</u>
	<u>672,900,211</u>	<u>768,838,029</u>
25.0 Investment income		
Interest on bonds	23,659,430	30,321,934
Dividend on shares	15,995,178	13,108,528
	<u>39,654,608</u>	<u>43,430,462</u>



	<u>30-Jun-20</u>	<u>30-Jun-19</u>
26.0 Other operating income		
Reimbursement - invoice processing and collection costs	5,575,437	9,036,893
Early repayment premium	5,279,491	4,807,586
Reimbursement-documentation costs	15,100,489	25,949,701
Late payment charges	20,340,759	8,227,122
Profit on sale of fixed assets	2,885,249	410,797
Miscellaneous earnings	2,889,293	2,055,427
	<u>52,070,718</u>	<u>50,487,526</u>
27.0 Salaries and allowances		
Basic salary, provident fund contribution and all other allowances	195,767,343	180,191,591
Festival and incentive bonus	23,204,680	18,101,623
	<u>218,972,023</u>	<u>198,293,214</u>
28.0 Rent, taxes, insurance, electricity etc.		
Rent, rate and taxes	106,137	22,331
Insurance	4,794,229	8,954,972
Electricity, gas and water	3,529,253	3,074,692
	<u>8,429,619</u>	<u>12,051,995</u>
Movement of Rent, rate and taxes have been included due to implementation of IFRS-16 Leases (office rent).		
29.0 Legal expenses		
Legal fees	2,001,424	5,312,162
Professional fees	942,638	637,200
	<u>2,944,062</u>	<u>5,949,362</u>
30.0 Postage, stamp, telecommunication etc.		
Stamp expenses	1,646,167	1,065,506
Postage and courier	167,299	358,681
Telephone, Mobile and internet	3,396,504	4,410,573
	<u>5,209,970</u>	<u>5,834,760</u>
31.0 Stationery, printing and advertisements etc.		
Printing and stationeries	1,495,868	2,465,430
Publicity and advertisements	131,694	378,926
	<u>1,627,562</u>	<u>2,844,356</u>
32.0 Managing Director's salary and benefits		
Remuneration	3,737,500	3,272,043
Other benefits	1,560,000	2,193,537
	<u>5,297,500</u>	<u>5,465,580</u>
33.0 Directors' fees		
Directors' fees	73,333	235,472
	<u>73,333</u>	<u>235,472</u>
34.0 Auditors' fees		
Statutory audit fees	287,502	229,998
	<u>287,502</u>	<u>229,998</u>



	<u>30-Jun-20</u>	<u>30-Jun-19</u>
35.0 Depreciation and repair of assets		
Depreciation:		
Furniture and fixture	4,337,235	3,745,057
Office equipment	26,447	14,808
Electrical equipment	6,247,648	4,999,469
Motor vehicles	5,282,715	5,068,239
Office space	2,223,630	2,223,630
Right-of-use assets	14,357,203	14,357,203
	<u>32,474,878</u>	<u>30,408,406</u>
Repairs of assets:		
Maintenance of electrical equipment, office equipment and other assets	3,224,989	4,721,149
	<u>3,224,989</u>	<u>4,721,149</u>
	<u>35,699,867</u>	<u>35,129,555</u>

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

36.0 Other expenses

Training expenses	1,672,365	1,333,526
Books, magazines and newspapers etc.	27,926	45,185
Staffs' uniforms	1,011,011	794,783
Medical expenses	348,341	647,944
Fees and subscriptions	1,130,219	995,176
Bank charges	1,000,675	2,081,863
Excise duty expenses	718,800	673,500
Car expenses	599,166	1,022,601
Entertainment	1,072,707	1,189,525
Office expenses	1,649,462	1,960,954
Security services	4,350,237	4,341,212
Business promotion expenses	2,123,785	5,301,652
Annual General Meeting/Shareholder expenses	169,050	1,024,965
Travelling and conveyance expenses	3,648,294	4,790,070
	<u>19,522,038</u>	<u>26,202,956</u>

37.0 Provision for lease, loans and advances

General provision on lease, loans and advances	12,817,055	(68,324,117)
Specific Provision on unclassified lease, loans and advances	(13,850,633)	(4,886,980)
Specific Provision on classified lease, loans and advances	22,004,238	88,362,549
Provision for investment	106,359	-
Provision on others	48,860	-
	<u>21,125,878</u>	<u>15,151,451</u>

38.0 Provision for taxation

<u>Current tax</u>		
Corporate tax for the year on operating profit	42,685,836	98,526,981
<u>Deferred tax</u>		
Deferred tax	1,784,164	6,884,129
	<u>44,470,000</u>	<u>105,411,110</u>
Calculation of Tax		
Business Income	109,996,711	255,747,401
Dividend Income	7,185,348	13,108,528
Tax on Business Income	37.50% 41,248,766	95,905,275
Tax on Dividend Income	20.00% 1,437,070	2,621,706
	<u>42,685,836</u>	<u>98,526,981</u>



	<u>30-Jun-20</u>	<u>30-Jun-19</u>
39.0 Earnings Per Share (EPS):		
Net profit after tax	50,332,179	132,734,775
Number of shares outstanding	187,114,614	187,114,614
EPS	0.27	0.71
EPS (Restated)	0.27	0.71

40.0 Net Operating Cash Flow Per Share (NOCFPS):

Net cash from operating activities	(863,800,235)	566,301,432
Number of shares outstanding	187,114,614	187,114,614
NOCFPS	(4.62)	3.03
NOCFPS (Restated)	(4.62)	3.03

Net operating cash flows per share decreased on 30 June, 2020 due to payment of short term loan and decreased accrued expenses and payable compared to the same period of last year.

41.0 Reconciliation of cash flows from operating activities:

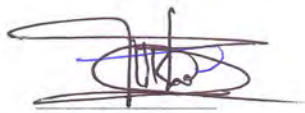
Particulars

Net profit after tax	50,332,179	132,734,775
Depreciation	32,474,878	30,408,406
Provision for lease, loans and advances	26,115,467	42,996,000
Provision for taxation	42,685,836	98,526,981
Profit on sale of fixed assets	(2,885,249)	(410,797)
Decrease in short term loans	(1,603,124,374)	(259,302,649)
Decrease in lease, loans and advances	242,649,704	1,160,020,845
Income tax paid	(36,205,289)	(83,787,398)
Increase/(decrease) in term deposit and other accounts	332,001,904	(393,868,085)
(Decrease)/increase in other liabilities	73,345,929	81,019,157
Increase in other assets	(21,191,222)	(53,593,212)
Increase in right-of-use assets	-	(188,442,592)
Cash flows from operating activities	(863,800,235)	566,301,432

42.0 Events after the reporting period

The World Health Organization (WHO) declared the COVID-19 as Pandemic on March 11, 2020. Bangladesh Government took a series of measures from March 26, 2020 to June 30, 2020. These measures have had an overall impact on the Company's business activities.

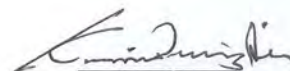
The Company shall continue to closely assess the impact of COVID-19 on its activities keep its stakeholders informed accordingly.



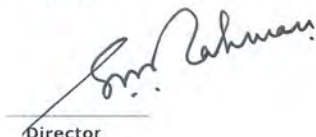
Chief Financial
Officer



Company
Secretary



Managing
Director



Director



Chairman

