Annual Report 2017

AMAR STOCK

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AMAR STOCK

NOTICE OF THE TWENTY NINTH ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Ninth Annual General Meeting of the shareholders of United Finance Limited will be held at the Dhaka Ladies Club, 36, Eskaton Garden Road, Ramna, Dhaka on April 26, 2018 at 10:00 a.m. to transact the following business:

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended December 31, 2017.
2. To declare Dividend for 2017.
3. To elect Directors as per Articles of Association of the Company.
4. To consider the appointment of Auditors for 2018 and fix their remuneration.

By order of the Board

Sharmi Noor Nahar
Company Secretary

Dated: Dhaka
22 February, 2018

Notes :

1. A Shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his/her stead. The proxy form must be affixed with a revenue stamp of Tk 20.00 and submitted to the Registered Office of the Company no later than 48 hours before the day of the Annual General Meeting.
2. March 18, 2018 is the Record Date.
3. Members are requested to update their respective BO Accounts with 12 digits Taxpayer's Identification Number (e-TIN) through Depository Participant (DP) latest by March 18, 2018, failing which Income Tax at source will be deducted from payable Dividend @ 15% (fifteen percent) instead of @ 10% (ten percent) as per amended IT Ordinance-1984 under section 54.
4. Shareholders are requested to submit their queries on the Directors' Report and Audited Accounts, if any, at the Registered Office of the Company by Tuesday, April 24, 2018.
5. Shareholders and proxies are requested to record their entry in the Annual General Meeting well in time.

N.B: In compliance with the Bangladesh Securities and Exchange Commission's Circular No. SEC/CMRRCD/2009-193/154 dated October 24, 2013, no Gift/Gift Coupon/Food Box shall be distributed at the 29th AGM.

CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the Board of Directors I welcome you to the 29th 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 performance of your Company during 2017.

Economy

The Bangladesh economy continued to expand with a GDP growth rate of 7.28% in FY 2017. This growth can be attributed to the rise in consumption due to increased disposable income and the strengthening of both public and private sector investment. The per capita national income increased from USD 1,465 to USD 1,610, and gross investment increased to 30.51% of GDP, 0.86 percentage points higher than in the preceding fiscal year. Achievement of the tax revenue target increased by 17.08%, placing the government in an advantageous position for taking on large infrastructure projects. Total revenue receipts reached 10.16% of GDP, up by 0.27 percentage points compared to the last fiscal year. However, in terms of the external sector, the balance of payments showed a current account deficit as exports rose by 1.72% with imports rising by 9% in FY 2017.

At the end of CY 2017, this gap further widened because of significant growth in import payments. Most of this growth was due to the import of consumer goods (26.85%, FY 2017). This deficit was accompanied by a continuous decrease in the workers' remittance inflow. In FY 2017, the remittance inflow decreased by 14.48%. The slowdown in the economies of the Middle East due to low oil prices and the geo-political situation in the region were primarily responsible for the slowing down of remittances. The overall impact of these deficits were offset by a surge in Foreign Direct Investment (FDI) from USD 2,502 to USD 2,985 million and a positive balance of USD 3,174 million in the Medium and Long-term Loans (MLT) account. At the end of CY 2017, the Taka depreciated by 5% with respect to the USD. With a steady rise in the import of consumer goods, the USD may continue to rise against the Taka despite the stabilising efforts of the central bank.

Financial Services Sector

The decreasing trend in both lending and deposit rates continued until the end of CY 2017, and this led to the weighted average lending rate of commercial banks decrease to 9.56% at the end of June 2016. On the other hand, the weighted average deposit rate of interest decreased to 4.84% at the end of June 2017 from 5.54% in the previous year. The interest rate spread decreased from 4.85% to 4.72% during FY 2016-17. This has impacted the overall profitability of banks and financial institutions.

Lower interest rates triggered an 18.13% growth in private sector lending in CY 2017 where as deposits grew merely by 10.8%. In response, Bangladesh Bank has adopted a contractionary monetary stance. This has led to tighter liquidity conditions in the market causing both deposit and lending rates to rise in the 4th quarter of CY 2017.

Both the stock exchanges of the country remained relatively stable during 2017 and the market capitalisation of the capital markets increased from BDT 3,412.44 billion in December, 2016 to BDT 4,228.95 billion in December, 2017.

Company Performance

I am pleased to inform you that in 2017 your Company registered a portfolio growth of 22.87%. However despite the significant portfolio growth, the operating revenue grew by only 2.85% from 2016 and the operating profit declined over the previous year due to reduced margins across the lending portfolio, higher operating costs and additional provisioning requirements.

On the basis of current number of shares, Earnings per Share (EPS) decreased from BDT 1.76 in 2016 to BDT 1.44 in 2017 and Net Asset Value (NAV) increased from BDT 16.47 in 2016 to BDT 16.95 in 2017.

Business

Deposit Products

In 2017, our public deposit portfolio, which consists of a broad array of products, grew by 14.17% to BDT 9.91 billion.

Asset Products

Your Company continued to deliver financial services in all 64 districts through its offices in 2017. To widen the nation wide service reach of the Company, two new branches were opened in Pabna and Comilla during the year. The Company's asset portfolio grew by 22.87% to BDT 16.96 billion from BDT 13.80 billion in the previous year. This portfolio consists of both short term revolving working capital and long term asset financing facilities.

- Long Term Financing

  Your Company offers a number of long term financing options which help to meet the requirements of a broad spectrum of clients. The long term portfolio constitutes 80% of the asset portfolio of the Company and primarily consists of lease and term financing facilities to businesses and home loans aimed at lower to middle income households. During the year this portfolio grew by 29.87%, reaching the BDT 13.5 billion mark.

- Working Capital Solutions

  The working capital solutions offered by the Company were well received by clients in 2017. This allowed your Company to further diversify its credit risk by penetrating multiple sectors and client bases. The unique service elements built into these products have been very successful as they help clients to transfer some of their operational activities to the Company. Working capital finance stands at BDT 3.47 billion or around 20% of the total asset portfolio.

  Credit-Sale Financing, with a growth rate of 8.92%, was one of the main contributors to the increase in the short term portfolio. The Distributor Finance portfolio, another mainstream working capital solution of your Company, has also grown by 4.49%. This product has gained popularity in smaller cities and towns amongst distributors who require working capital to procure goods from suppliers.

The rural business portfolio decreased by 14%, and the outstanding portfolio stood at BDT 334 million at the end of 2017. The total numbers of beneficiary farmers also decreased from 13,764 to 6,360. Successive crop failures due to adverse climatic conditions led your Company to adopt a more conservative lending approach in this sector during the year.

Cost Administration

Due to excess market liquidity at the beginning of 2017, deposits were collected at comparatively lower rates. Although the deposit portfolio grew by 14.18%, the financial cost of your Company increased by 8.33% only.

Salaries and allowances increased by 11.42% due to incremental human resources being deployed in key areas. Rental expenses increased by 5.76% due to the upward revision of rental terms for some branches, and the setting up of new branches. However, relocation of support units from rented space to Company-owned premises in the fourth quarter of 2017 will have a positive impact on rental expenses in the coming year. Other costs also increased in tandem with growing business volume and the impact of inflation. In all, total operating costs increased by 9.41%.

Risk Management

The Company addressed its three key risk management components during 2017 as follows:

Pre-emptive Risk Management

Standard Operating Procedures (SOP) were designed to bring efficiency in day to day operational activities. Business and operational processes were further strengthened during the year. These activities are helping to create a solid operational foundation which will enable your Company to achieve robust growth in its chosen areas in the future.

Your Company continued to enhance the capacity of its human resources in 2017. During the year, the Company provided in-house, local and foreign training equivalent to 1,139 man days to 402 employees.

Contemporaneous Risk Management

The loan collection, follow up and recovery activities of the Company were further strengthened by deployment of additional personnel at the branch level.

Post-facto Risk Management

Your Company's Research and Advisory services team conducted industry analyses to equip management with reliable input for sound decision making based on market realities. Risk grading models were updated to more accurately capture the relative risk profiles of borrowers.

Management information systems were improved for better reporting. Your Company's new initiative to use big data analytics in decision making and performance evaluation is expected to significantly improve its operational efficiency in the coming years.

Both Compliance and Internal Audit activities were bolstered by adopting more rigorous audit standards which have allowed the Board Audit Committee to exercise oversight over the activities of your Company.

Sustainability Initiatives

Your Company places great importance on environmental sustainability. This is reflected in both its financing and internal activities, as well as in a separate sustainability report that has been included in this Annual Report.

Post Balance Sheet Date Events

Subsequent to the balance sheet date, the Directors recommended 1 (One) share for every 20 (Twenty) shares held and cash dividend of Tk. 1 (One) per share. There were no circumstances in the Company in which non-disclosure affected the ability of the users of the financial statements to make proper evaluation and decisions.

Outlook

As we approach 2018, we expect Bangladesh Bank to take a more conservative monetary policy. The advance to deposit ratio requirements of banks is expected to be further decreased by the central bank to curb excessive lending. Similarly, government borrowing through National Savings Instruments as well as import payments in the first half of FY 2018 may exert a downward pressure on the value of the Taka against the USD, and further tighten market liquidity. These factors are likely to cause significant upward pressure in both lending and borrowing rates, and may impact both the portfolio growth and profitability of banks and financial institutions.

On the other hand, the World Bank has predicted that the Bangladesh economy will grow at 6.7% over the fiscal years 2018-2020 by capitalising on strong domestic demand as well as a vibrant export sector. Both private and public investment projects are poised to maintain their course. The inflow of remittances and government revenue receipts are both expected to improve.

In the financial sector, Bangladesh Bank is expected to continue facilitating the financial sector higher private investment whilst keeping inflation in check. The central bank is also likely to continue to monitor lending activities to check the growth of non-performing loans.

The key challenge of your Company in 2018 will be to improve its profitability on the heels of shrinking interest rate margins, intense competition and rising financial and operating costs compounded by a tighter monetary policy. Therefore, achieving sustainable balance sheet growth while building a healthy and profitable investment portfolio will continue to be the primary focus of your Company in the coming year. Your Company aims to tackle these challenges in 2018 by focusing on more remunerative market segments and by strengthening its capacity to deliver products and services with greater efficiency.

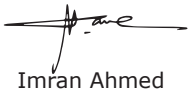
Acknowledgement

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

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

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

Sincerely,



Imran Ahmed
Chairman of the Board

BOARD OF DIRECTORS' REPORT

Dear Shareholders:

We are pleased to submit herewith the 29th annual report of the Company together with the audited financial statements for the year ended December 31, 2017 and the auditors' report thereon.

Principal activities

The principal activities of the Company are:

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

There was no significant change in the nature of these activities during the year 2017.

Financial results

The Company's before and after tax profit for the year 2017 were Tk. 408 million and Tk. 256 million compared to Tk. 468 million and Tk. 313 million respectively in the previous year.

The financial results are summarised below:

	2017 Taka	2016 Taka
Operating Income	969,064,568	974,897,628
Operating expenses and provision	(560,687,844)	(507,023,884)
Profit before tax	408,376,724	467,873,744
Provision for taxation	(152,175,640)	(154,833,298)
Profit after tax	256,201,085	313,040,446
Retained earning brought forward	1,207,258	5,444,520
Available Profit	257,408,343	318,484,966
Proposed transfer from General Reserve	64,000,000	-
Profit available for appropriation	321,408,343	318,484,966
Appropriation:		
Profit transferred to Statutory Reserve	51,300,000	62,700,000
Proposed cash dividend	178,204,403	169,718,472
Proposed bonus share	89,102,190	84,859,236
Un-appropriated profit carried forward	2,801,750	1,207,258
	321,408,343	**318,484,966**

Dividend

The Board of Directors of the Company is pleased to recommend the distribution of one bonus share for every twenty shares held on record date March 18, 2018 amounting to Taka 89.10 million.

The Board also recommended cash dividend of Taka one per ordinary share amounting to Taka 178.20 million for 178.20 million ordinary shares held on record date March 18, 2018 for the year ended December 31, 2017.

Directors

Surmah Valley Tea Company Limited withdrew the nomination of Mr. Md. Mustafizur Rahman and nominated Mr. C. K. Hyder and Mr. A. F. Nesaruddin to represent them in the Board of United Finance Limited. The Board accepted these nominations and they are eligible for election.

As per Articles 154, 155 and 156 the Articles of Association of the Company, Mr. Imran Ahmed representing Lawrie Group PLC, Mr. L.H. Khan and Mr. A.F.M. Misfaqus Samad Choudhury representing United Insurance Company Limited will retire by rotation from the office and are eligible for re-election

Auditors

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

The Board of Directors recommended for appointment of A. Qasem & Co, Chartered Accountants for 2018 and Bangladesh Bank accorded its consent in this regard. The matter will be placed before the shareholders in the Annual General Meeting.

Statement of Directors on Financial Reports

a) The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act, 1994 and Securities and Exchange Rules, 1987. These statements present fairly the Company's statement of affairs, the result of its operation, cash flow, and statement of changes in equity.

b) Proper books of accounts of the Company have been maintained.

c) Appropriate Accounting Policies have been consistently applied in preparation of the financial statements except those referred to in the financial statements and that the accounting estimates are based on reasonable and prudent judgment.

d) The presentation of Financial Statements has been made in accordance with the Bangladesh Bank DFIM circular no.11 dated December 23, 2009.

e) IAS/IFRS/BAS/BFRS, as applicable in Bangladesh, have been followed in preparation of the financial statements.

f) Internal Control System is sound in design and has been effectively implemented and monitored.

g) There are no significant doubts about the ability of the Company to continue as going concern.

h) There is no significant deviation from the operating result of the last year.

Board Meeting and Attendance

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

Shareholding Pattern

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

Key Operating and Financial Data

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

Segment-wise performance

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

Brief résumé of the directors who will seek re appointment in the AGM

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

Report on the Activities of Audit Committee

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

Certification on Compliance of Corporate Governance

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

Corporate Governance Compliance Report

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

Sustainability & Efficiency Statement

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

For and on behalf of the Board of Directors.

Imran Ahmed
Chairman of the Board

February 22, 2018

Annexure-1

Board meeting and attendance

Name of Directors	Meetings attended
Mr. Imran Ahmed	5
Mrs. Susan Ann Walker	4
Mr. A. Rouf	5
Mr. M. A. Wahed	5
Mr. Daud Khan Panni	5
Mr. L. H. Khan	5
Mrs. Shama Rukh Alam	5
Mr. Md. Mustafizur Rahman	1
Mr. C. K. Hyder*	1
Mr. A.F. Nesaruddin*	1
Mr. A.F.M.M Samad Choudhury	4
Mr. Syed Ehsan Quadir	5

*In all five (5) Board meetings were held during 2017. Leave of absence was granted in all cases of non-attendance. *Mr. C. K. Hyder and *Mr. A.F. Nesaruddin were appointed on December 21, 2017.*

Annexure-2

Shareholding pattern as at December 31, 2017

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

Sl. No	Name of shareholders	Number of shares	% of holdings
1	United Insurance Co. Ltd.	36,777,932	20.64
2	Lawrie Group Plc, U.K.	35,640,878	20.00
3	Surmah Valley Tea Co. Ltd.	14,744,040	8.27
4	Macalms Bangladesh Trust	1,823,109	1.02
5	Duncan Brothers (BD) Ltd.	1782,043	1.00
6	Octavius Steel & Co. of BD Ltd.	1,272,867	0.71
7	The Lungla (Sylhet) Tea Co. Ltd.	1,033,642	0.58
8	Camellia Duncan Foundation	361,276	0.20
9	The Chandpore Tea Co. Ltd.	124,605	0.07
10	Amo Tea Co. Ltd.	109,351	0.06
11	Chittaqonq Warehouses Ltd.	106,109	0.06
12	The Allynugger Tea Co. Ltd.	105,976	0.06
13	The Mazdehee Tea Co. Ltd.	105,897	0.06
14	Duncan Products Ltd.	105,840	0.06

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

Name	Status	Number of shares	% of holdings
Mr. A. Rouf	Director	12,705	0.007
Ms. Shama Rukh Alam	Director	18,546	0.010
Mrs. Khurshid Ara Rouf	Wife of Mr. A. Rouf, Director	31,883	0.017
Mr. Syed Ehsan Quadir	Chief Executive Officer	-	-
Mr. Zafar Ullah Khan	Chief Financial Officer	-	-
Ms. Sharmi Noor Nahar	Company Secretary	-	-
Mr. Sushil Kumar Mondal	Head of Internal Audit & Compliance	-	-

Shareholdings of top five executives other than directors

Name	Status	Number of shares	% of holdings
Mr. Kaiser Tamiz Amin	Deputy Managing Director	-	-
Mr. Jamal Mahmud Choudhury	General Manager	-	-
Mr. Quazi Nizam Ahmed	General Manager	-	-
Mr. Fahad Rahman	Assistant General Manager	-	-
Mr. Md. Ashfaqul Haque Chowdhury	Assistant General Manager	-	-

10% and above shareholdings of the Company

Name	Status	Number of shares	% of holdings
United Insurance Co. Ltd.	Sponsor	36,777,932	20.64
Lawrie Group Plc, U.K.	Sponsor	35,640,878	20.00

Annexure - 3

Key Operating and Financial Data

		2017	2016	2015	2014	2013
Operating Result						
Net Operating Income	MBDT	969	975	953	944	836
Profit before tax	MBDT	408	468	523	538	449
Provision for tax	MBDT	152	155	180	214	183
Profit after tax	MBDT	256	313	343	324	266
Balance Sheet						
Total investment portfolio	MBDT	16,960	13,803	11,939	10,727	9,841
Total assets	MBDT	23,944	20,675	19,375	15,847	13,929
Financial liabilities	MBDT	18,085	15,273	14,119	11,107	9,658
Total Liabilities	MBDT	20,923	17,741	16,676	13,421	11,764
Shareholders' equity	MBDT	3,021	2,934	2,699	2,425	2,165
Shares outstanding	MNos	178.20	169.72	154.29	140.26	127.51
Financial ratios						
Debt-equity ratio [1]	Times	6.9	6.0	6.2	5.5	5.4
Return on equity [2]	%	8.6	11.1	13.4	14.1	12.9
Financial expenses coverage [3]	Times	1.35	1.43	1.50	1.53	1.44
Provision on doubtful assets to total lease, loan and advances	%	2.5	3.0	3.9	4.7	4.8
Net asset value per share (NAV)	BDT	16.95	17.29	17.49	17.29	16.98
Earnings per share (EPS)	BDT	1.44	1.84	2.22	2.31	2.09
Cash dividend (per share)	%	10.0	10.0	5.0	5.0	5.0
Stock dividend (bonus share)		20:1	20:1	10:1	10:1	10:1
Number of offices	**Nos.**	**21**	**19**	**19**	**19**	**17**
Number of employees	**Nos.**	**452**	**463**	**468**	**315**	**281**
Restatements [4] :						
EPS	**BDT**	**1.44**	**1.76**	**1.93**	**1.82**	**1.49**
NAV	**BDT**	**16.95**	**16.47**	**15.14**	**13.61**	**12.15**

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

1. Debt-equity ratio is the ratio between total debt and total equity.
2. Return on equity is the ratio between net profit and average equity.
3. Financial expenses coverage is the ratio between profit before interest & tax and interest expenses.
4. Restatements have been calculated based on shares outstanding at the end of the year 2017 and accordingly restated for the previous years.

Annexure-4

Income segments

Segments	2017	2016	Growth
Net Interest income from Long term activities	614,691,512	585,262,524	5%
Net interest income from Short term activities	320,472,168	357,414,806	-10%
Investment income	33,900,888	32,220,298	5%

Annexure-5

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

Mr. Imran Ahmed

Mr. Imran Ahmed is the CEO & Managing Director of Duncan Brothers (Bangladesh) Limited and Chairman of Board of Directors of United Finance Limited. He has vast experience in tea and financial services sectors. He represents Lawrie Group Plc in the Board of United Finance Limited. He had been associated with Bangladesh Tea Association. Mr. Ahmed graduated from the University of Dhaka.

Mr. Lutful Hakim Khan

Mr. Lutful Hakim Khan is Chairman of National Brokers Limited. He has nearly 50 years' experience in tea broking. He joined National Brokers in 1965, became its Managing Director in 2006 and has been Chairman since 2010. He represents United Insurance Company Limited on the Board of Directors of United Finance Limited and is a member of Audit Committee. He has been associated with various social activities. He is also actively involved in Bhatyari Golf and Country Club. Mr. Khan is a graduate from the University of Dhaka.

Mr. A.F.M.M. Samad Choudhury

Mr. A.F.M.M. Samad Choudhury is a Mechanical Engineer, graduated in 1976 with advanced training on transport in Germany. In his early professional life, he has worked in private sector and then in Bangladesh Railway. Mr. Samad is involved in procurement and operation in Duncan Group. He joined Duncan Brothers group of companies in 1991. Mr. Choudhury is a Fellow of Institution of Engineers, Bangladesh and is an Executive Committee Member of Bangladesh Tea Association.

Mr. C. K. Hyder

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

Mr. A.F. Nesaruddin

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

Annexure-6

Report on the Activities of Audit Committee

During 2017, the Audit Committee discharged the following responsibilities:

- Reviewed the Company's draft financial statements for the year ended on December 31, 2016 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 2016.
- Advised the Board on appointment of new external auditors for the year 2017 and their audit fee.
- Advised the Board on appointment of professional for certification on compliance of Corporate Governance for the year 2016.
- Reviewed the quarterly reports on Compliance and Internal Audit.
- Reviewed the report on development of pending legal cases.
- Reviewed the quarterly financial statements and recommended that the same be placed to the Board for approval.
- Reviewed the Management Report of the external auditors for the year 2016 along with the management responses on the Company's internal control.
- Reviewed and revised the Compliance Calendar-2017.
- Reviewed and approved the Audit Calendar for 2018.

The Audit Committee comprised of:

Sl.	Name	Status in the Company	Status with Committee	Educational qualification
1	M. Abdul Wahed	Independent Director	Chairman	B.Sc. (Pharm.)
2	Daud Khan Panni	Independent Director	Member	Graduate
3	L. H. Khan	Director	Member	B.A.
4	Shama Rukh Alam	Director	Member	Chartered Accountant
5	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 2017. On invitation, Managing Director of the Company, Deputy Managing Director, Chief Financial Officer (CFO) and Head of Compliance and Internal Audit attended the meeting to meet the queries of the Audit Committee and take directives for improvement.

M. Abdul Wahed
Chairman
Audit Committee

ANNEXURE-7

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

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

We have reviewed the accompanying Status of Compliance with conditions of Corporate Governance Guidelines of the Bangladesh Securities and Exchange Commission (BSEC) by United Finance Limited (the Company) for the year ended December 31, 2017. Such compliance are the responsibilities of the Company as stipulated in the above-mentioned notification issued by Bangladesh Securities and Exchange Commission (BSEC).

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

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

Place: Dhaka
Dated: March 12, 2018

Hoque Bhattacharjee Das & Co
Chartered Accountants

ANNEXURE-8

Status on compliance of Corporate Governance

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

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

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

ANNEXURE-9

Sustainability & Efficiency Statement

As part of the business strategy of United Finance Limited, the Company strives to respond to national development needs by establishing sustainable business practices for itself and its stakeholders.

The sustainability report of United Finance publishes economic, environmental and social impacts caused by its everyday activities. It also presents the organization's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy. United Finance strives to achieve sustainability for both its internal and external stakeholders. Within the organisation it encourages employees to follow sustainable financing practices and operational processes.

The following report contains standard disclosures based on the GRI Sustainability Reporting Guidelines which United Finance has adopted in recent years.

Company's own activities:

1. Paperless recruitment and approval systems have been upgraded to handle tasks more effectively.
2. Video conferencing is used for both internal meetings and recruitment interviews.
3. Hard copy printing access has been restricted and desks without printing access have been declared as 'green desks'.
4. Internal documents are scanned and transmitted electronically to other locations.
5. Conventional lighting systems are being replaced by energy efficient LED lighting.
6. All old furniture and fixtures are refurbished and repaired for reuse.
7. A grievance handling mechanism is maintained that allows any stakeholder (customer, employee or job applicant) to raise complaints and expect quick resolution.

Company's financing activities:

The global awareness relating to the impact on environment from business activities provides an increasing number of new opportunities for financial institutions to finance business with "green" firms, projects and products. In 2017, United Finance has approved and disbursed BDT 7.5 million to 18 (Eighteen) new projects in various areas of Bangladesh. The funds have been utilised to set up biogas plants with a total capacity of 85.12 cubic meters. These financing activities will reduce hydro-carbon fuel consumption by house holds and at the same time it will provide protection against various diseases by creating a more hygienic environment. In 2017, your company has financed Tk. 111 million in financing fire fighting equipment and energy efficient machines and boiler in accordance with the central bank's sustainable financing criteria. This financing will enable the respective clients in reducing their energy consumption to a significant level.

Impact of Initiatives:

The following data have been captured to reflect the impact of our initiatives on ourselves and our society from January 01, 2017 to December 31, 2017. The activities have been divided into three broad categories: Economic, Environmental and Social.

a. Economic:

Impact from Company's Financing Initiatives	**2017**	**2016**
Access to Finance		
Financial Inclusion- First Time Institutional Borrowers (no. of enterprises)[1]	530	620
Geographical Access (no. of districts)[2]	64	64
Inclusion in Formal Banking System (no. of accounts)[3]	Nill	2,981
Enterprise Development (no. of enterprises)[4]	Nill	21
Financial Assistance Received from Government (BDT in millions)[5]	609	272
Employment Generation		
Regular Employment Generation (in person)[6]	2,654	2,571
Seasonal Employment Generation (in person)[7]	5,056	522,484
Work Efficiency		
Increased Productivity/Month (BDT in millions)[8]	4,346	2,025
Reduced Outsourcing Cost (BDT in millions)[9]	89	71

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

b. Environmental:

Impact from Company's Own Initiatives	2017	2016
Energy Consumption within the Organisation (BDT in millions)[10]	9.24	9.10
CO_2 Emission Saved from Office Vehicles (in gmCO_2e/km)[11]	8,144,333	7,138,588
Reduced Cost for Using Electronic Process (BDT in millions)[12]	4.90	3.45

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

Impact from Company's Financing Initiatives	2017	2016
Noise Reduction (Decibels)[13]	-	-
CO_2 Emission Saved (in gmCO_2e/km)[14]	2,669	5,316
Electricity Load Reduction (in KW)[15]	-	-

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

c. Social:

Impact from Company's Own Initiatives[16]	2017	2016
Employee Ratio (Male : Female)	4.46:1	3.97:1
Total no. of Employment Generation (no. of employee)	128	140
Total no. of Employees Trained for Skill Management (no. of employee trained)	402	335
Percentage of Women Employee Retention after Maternal Leave (in percentage)	100%	100%
No. of Grievance Handled from Stakeholders (no. of complaint addressed)	5	4

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

Impact from Company's Financing Initiatives	2017	2016
Customer Feedback		
No. of Survey Conducted to Measure Customer Feedback (no. of survey)[17]	3	12
Literacy		
Financial Capacity Building (in person)[18]	2,351	10,565
Awareness Creation- Responsible Borrowing & Technical Booklet for Construction (No. of Booklet Circulated)[19]	1,926	1,123
Awareness Creation- Reduction of Child Labor in Business Enterprises (no. of undertakings)[20]	-	1
Awareness Creation- Improvement of Hygiene in Food Industry in Business Enterprises (no. of undertakings)[21]	5	1
Empowerment	-	
Breakout from Traditional Financing (%)[22]	N/A	80%
Women Entrepreneurship Financed (in person)[23]	265	421
Women Farmers Financed in Agricultural Financing (in person)[24]	278	1,237
Landless Farmers Financed in Agricultural Financing (in person)[25]	Nil	1,069

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

Financial Statements

AMAR STOCK

AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED FINANCE LIMITED

We have audited the accompanying financial statements of United Finance Limited ("the Company") which comprise the balance sheet as at 31 December 2017 and the profit & loss accounts, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements of Company in accordance with Bangladesh Financial Reporting Standards (BFRSs) as explained in notes, the Financial Institution Act 1993, the rules and regulations issued by Bangladesh Bank, the Securities and Exchange Rules 1987, the Companies Act 1994 and other applicable laws and regulations 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards as explained in notes and comply with the Financial Institutions Act 1993, the rules and regulations issued by the Bangladesh Bank, the Securities and Exchange Rules 1987, the Companies Act 1994 and other applicable laws and regulations.

We also report that:

i. we have obtained all the information and explanation 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 and proper returns adequate for the purpose of our audit have been received from the branches not visited by us;

iii. the balance sheet and profit and loss account of the of the Company together with annexed notes from 1 to 47 dealt with by the report are in agreement with the books of account and returns;

iv. the expenditure incurred was for the purposes of the Company's business;

v. the financial statements of Company have been drawn up in conformity with prevailing rules, regulations and Bangladesh Financial Reporting Standards as explained in notes as well as with related guidance, circulars issued by Bangladesh Bank;

vi. adequate provisions have been made for loans, leases, advances and other assets which are, in our opinion, doubtful of recovery;

vii. the records and statements submitted by the branches have been properly maintained and recorded in the financial statements;

viii. the information and explanation required by us have been received and found satisfactory;

ix. the Company has complied with relevant laws pertaining to capital and reserves and found satisfactory;

x. we have reviewed over 80% of the risk weighted assets of the Company, and we have spent around 1,000 person hours for the audit;

xi. the internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible fraud, forgery and internal policies are being followed appropriately;

xii. proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions issued by Bangladesh Bank and other regulatory authorities have been complied properly;

xiii. taxes and other duties collected and deposited to Government Treasury by the Company as per Government instructions found satisfactory;

xiv. 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;

xv. the Company has complied prevailing policy or regulation while approving loan or leases to the Directors of the Company;

xvi. all other issues which are important for the stakeholders of the Company have been adequately disclosed in the audit report.

A. Qasem & Co.
Chartered Accountants

Dated: February 22, 2018
Dhaka

BALANCE SHEET as at 31 December, 2017

	Notes	2017 Taka	2016 Taka
PROPERTY AND ASSETS			
Cash	3		
In hand		248,000	380,000
Balance with Bangladesh Bank and its agent bank(s)		275,396,465	226,508,496
		275,644,465	**226,888,496**
Balance with banks and other financial institutions	4		
In Bangladesh		3,813,429,684	4,172,621,484
Outside Bangladesh		-	-
		3,813,429,684	**4,172,621,484**
Money at call and short notice	5	-	-
Investments	6		
Government		-	-
Others		1,180,822,451	938,000,000
		1,180,822,451	**938,000,000**
Lease, loans and advances	7		
Lease receivable		8,889,939,400	6,985,459,900
Loans, cash credits, overdrafts, etc.		8,069,880,245	6,817,751,735
		16,959,819,645	**13,803,211,635**
Fixed assets including furniture and fixtures	8	262,650,862	56,278,709
Other assets	9	1,451,964,278	1,478,419,027
Non - financial institutional assets		-	-
Total assets		**23,944,331,385**	**20,675,419,351**
LIABILITIES AND CAPITAL			
Liabilities			
Borrowing from banks, other financial institutions and agents	10	2,474,979,117	2,216,450,655
Deposits and other accounts	11		
Current deposits		-	-
Bills payable		-	-
Savings bank deposits		-	-
Term deposits		15,060,503,157	12,570,107,338
Bearer certificates of deposit		-	-
Other deposits		549,064,789	486,073,049
		15,609,567,946	**13,056,180,387**
Other liabilities	12	2,838,882,029	2,468,368,623
Total liabilities		**20,923,429,092**	**17,740,999,665**
Capital / Shareholders' equity			
Paid-up capital	13	1,782,043,950	1,697,184,720
Statutory reserve	14	774,000,000	722,700,000
Share premium	15	3,750,000	3,750,000
General reserve	16	255,000,000	255,000,000
Retained earnings	17	206,108,343	255,784,966
Total Shareholders' equity		**3,020,902,293**	**2,934,419,686**
Total liabilities and Shareholders' equity		**23,944,331,385**	**20,675,419,351**
Net asset value per share (NAV)	18	**16.95**	**16.47**
Restatement of NAV:			
Net asset		3,020,902,293	2,934,419,686
Number of outstanding shares (current year's)		178,204,395	178,204,395
NAV per share		**16.95**	**16.47**

AMARSTOCK

BALANCE SHEET as at 31 December, 2017

	Notes	2017 Taka	2016 Taka
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	19		
Acceptances and endorsements		-	-
Letters of guarantee		32,500,000	58,384,184
Irrevocable letters of credit		-	-
Bills for collection		-	-
Other contingent liabilities		-	-
		32,500,000	**58,384,184**
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		**32,500,000**	**58,384,184**

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

Syed Ehsan Quadir	**A. Rouf**	**M. A. Wahed**	**C.K. Hyder**
Managing Director	Director	Director	Director

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

Dhaka, February 22, 2018

A. Qasem & Co.
Chartered Accountants

PROFIT AND LOSS ACCOUNT for the year ended 31 December, 2017

	Notes	2017 Taka	2016 Taka
OPERATING INCOME			
Interest income	21	1,911,763,675	1,858,803,438
Interest paid on deposits, borrowings, etc.	22	(1,178,033,835)	(1,087,442,195)
Net interest income		**733,729,840**	**771,361,243**
Investment income	23	116,891,833	88,832,233
Commission, exchange and brokerage		-	-
Other operating income	24	118,442,895	114,704,152
Total operating income (A)		**969,064,568**	**974,897,628**
OPERATING EXPENSES			
Salaries and allowances	25	322,142,632	289,137,260
Rent, taxes, insurance, electricity, etc.	26	56,634,804	53,547,999
Legal expenses	27	14,452,152	11,386,247
Postage, stamp, telecommunication, etc.	28	8,624,481	8,746,745
Stationery, printing, advertisements, etc.	29	3,339,330	4,888,644
Managing Director's salary and benefits	30	9,321,172	8,668,116
Directors' fees	31	325,837	319,444
Auditors' fees	32	345,000	345,000
Charges on loan losses		-	-
Depreciation and repair of assets	33	44,769,670	40,449,939
Other expenses	34	48,592,073	47,304,378
Total operating expenses (B)		**508,547,151**	**464,793,771**
Profit before provision C=(A-B)		**460,517,417**	**510,103,857**
Provision for lease, loans and advances	35	52,140,693	42,230,113
Provision for diminution in value of investments		-	-
Other provisions		-	-
Total provision (D)		52,140,693	42,230,113
Operating profit before taxes E=(C-D)		**408,376,724**	**467,873,744**
PROVISION FOR TAXATION			
Current Tax	36	144,480,346	154,981,238
Deferred Tax	36	7,695,294	(147,941)
Total provision for taxation (F)		152,175,640	154,833,298
Net profit after taxation (E-F)		**256,201,085**	**313,040,446**
Appropriations			
Statutory reserve	14	51,300,000	62,700,000
General reserve	16	-	-
Dividends, etc.		-	-
		51,300,000	62,700,000
Retained surplus		**204,901,085**	**250,340,446**
Earnings per share (EPS)	37	**1.44**	**1.76**

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

Syed Ehsan Quadir	**A. Rouf**	**M. A. Wahed**	**C.K. Hyder**
Managing Director	Director	Director	Director

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

A. Qasem & Co.
Chartered Accountants

Dhaka, February 22, 2018

CASH FLOW STATEMENT for the year ended 31 December, 2017

	Notes	2017 Taka	2016 Taka
A) Cash flows from operating activities			
Interest receipts		1,927,673,418	1,940,063,672
Interest payments		(1,073,439,750)	(1,130,132,154)
Dividend receipts		35,251,276	13,561,112
Amount realised from written off client	7.7(xi)d	14,529,836	7,769,887
Payments to employees		(331,463,804)	(298,174,490)
Payments to suppliers		(261,360,376)	(222,497,039)
Income taxes paid		(151,703,916)	(178,025,529)
Receipts from other operating activities	38	117,489,049	114,016,356
Payments for other operating activities	39	(110,308,312)	(99,212,096)
Cash generated from operating activities before changes in operating assets and liabilities		**166,667,422**	**147,369,720**
Increase / (decrease) in operating assets and liabilities			
Lease, loans and advances to customers		(3,073,420,012)	(1,846,277,907)
Other assets		161,220,898	(39,318,703)
Term and other deposits		2,553,387,559	1,124,970,722
Accrued expenses and payables		61,824,209	(155,036,693)
Net draw down/(payment) of short term loan		8,961,478	(2,713,743)
Interest suspense		57,280,699	13,953,405
Deferred liability-employee gratuity		(3,034,486)	(1,959,985)
Other liabilities		147,732,303	96,781,864
		(86,047,352)	(809,601,040)
Net cash from operating activities		**80,620,069**	**(662,231,321)**
B) Cash flows from investing activities			
Investment in shares		(158,572,451)	(124,000,000)
Investment in Commercial Bond		(84,250,000)	-
Purchase of fixed assets		(234,461,774)	(15,697,261)
Proceeds from sale of fixed assets		4,976,954	1,612,331
Net cash from investing activities		**(472,307,271)**	**(138,084,930)**
C) Cash flows from financing activities			
Receipts of long term loan		608,825,950	271,792,651
Repayment of long term loan		(359,258,966)	(270,990,122)
Dividend paid		(168,315,614)	(76,347,026)
Net Cash from financing activities		**81,251,370**	**(75,544,497)**
D) Net increase in cash and cash equivalents (A+B+C)		(310,435,831)	(875,860,748)
E) Effects of exchange rate changes on cash and cash equivalents		-	-
F) Cash and cash equivalents at beginning of the year		4,399,509,980	5,275,370,728
G) Cash and cash equivalents at end of the year (D+E+F)		**4,089,074,149**	**4,399,509,980**
Cash and cash equivalents at end of the year			
Cash in hand	3.1	248,000	380,000
Balance with Bangladesh Bank and its agent bank(s)	3.2	275,396,465	226,508,496
Balance with banks and other financial institutions	4	3,813,429,684	4,172,621,484
Money at call and short notice		-	-
		4,089,074,149	**4,399,509,980**
Net operating cash flow per share		**0.45**	**(3.72)**

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

Syed Ehsan Quadir	**A. Rouf**	**M. A. Wahed**	**C.K. Hyder**
Managing Director	Director	Director	Director

Dhaka, February 22, 2018

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December, 2017

(Amount in Taka)

Particulars	Paid-up capital	Statutory reserve	Share premium	General reserve	Retained earnings	Total
Balance as at 01 January, 2016	**1,542,895,200**	**660,000,000**	**3,750,000**	**255,000,000**	**236,878,800**	**2,698,524,000**
Cash dividend paid for the year 2015	-	-	-	-	(77,144,760)	(77,144,760)
Issuance of bonus share for the year 2015	154,289,520	-	-	-	(154,289,520)	-
Net profit after tax for the year 2016	-	-	-	-	313,040,446	313,040,446
Movement of general reserve	-	-	-	-	-	-
Appropriation made during the year	-	62,700,000	-	-	(62,700,000)	-
Balance as at 31 December, 2016	**1,697,184,720**	**722,700,000**	**3,750,000**	**255,000,000**	**255,784,966**	**2,934,419,686**
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 2016	84,859,230	-	-	-	(84,859,230)	-
Cash dividend for the year 2016	-	-	-	-	(169,718,478)	(169,718,478)
Net profit after taxation for the year	-	-	-	-	256,201,085	256,201,085
Movement of general reserve	-	-	-	-	-	-
Appropriation made during the year	-	51,300,000	-	-	(51,300,000)	-
Balance as at 31 December, 2017	**1,782,043,950**	**774,000,000**	**3,750,000**	**255,000,000**	**206,108,343**	**3,020,902,293**

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

Syed Ehsan Quadir
Managing Director

A. Rouf
Director

M. A. Wahed
Director

C.K. Hyder
Director

Dhaka, February 22, 2018

AMARSTOCK

LIQUIDITY STATEMENT as at 31 December, 2017

(Analysis of maturity of assets and liabilities)

(Amount in Taka)

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Assets:						
Cash in hand	248,000	-	-	-	-	248,000
Balance with Bangladesh Bank and its agent(s)	275,396,465	-	-	-	-	275,396,465
Balance with banks and other financial institutions	1,623,429,684	1,780,000,000	410,000,000	-	-	3,813,429,684
Money at call and short notice	-	-	-	-	-	-
Investments	26,000,000	9,698,470	256,146,939	753,977,042	135,000,000	1,180,822,451
Leases, loans and advances	1,640,277,457	1,375,254,774	5,580,369,766	7,460,694,489	903,223,158	16,959,819,645
Fixed assets including furniture and fixtures	-	-	-	-	262,650,862	262,650,862
Other assets	25,926,502	40,637,227	13,942,851	294,815,610	1,076,642,088	1,451,964,278
Total assets (A):	**3,591,278,108**	**3,205,590,471**	**6,260,459,556**	**8,509,487,141**	**2,377,516,108**	**23,944,331,385**
Liabilities:						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	1,418,983,037	68,779,395	420,612,862	205,375,224	361,228,600	2,474,979,117
Term deposits	1,579,743,935	2,681,525,883	5,074,251,232	5,687,195,326	37,786,781	15,060,503,157
Other deposits	54,059,319	45,072,952	184,922,199	244,459,336	20,550,983	549,064,789
Other liabilities	116,880,375	157,371,431	267,061,788	1,779,915,131	517,653,303	2,838,882,029
Total liabilities (B):	**3,169,666,666**	**2,952,749,661**	**5,946,848,081**	**7,916,945,017**	**937,219,667**	**20,923,429,092**
Net liquidity gap (A - B):	**421,611,443**	**252,840,810**	**313,611,475**	**592,542,124**	**1,440,296,441**	**3,020,902,293**

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

Syed Ehsan Quadir
Managing Director

A. Rouf
Director

M. A. Wahed
Director

C.K. Hyder
Director

Dhaka, February 22, 2018

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December, 2017

1 General Information

1.1 Domicile and legal form

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

1.2 Nature of operations and principal activities

The Company provides financial services which includes lease finance for acquiring assets for industrial and commercial use, term loans for meeting long term funding requirement, short-term working capital solutions and home loans to cater the needs of its diverse client base. The Company offers various deposit investment opportunities of predefined tenure ranging from 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 statements of the Financial Institution are prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs) and the requirements of the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994. In case of any requirement of the Financial Institutions Act 1993, provisions and circulars issued by Bangladesh Bank differ with those of BFRSs, the requirements of the Financial Institutions Act 1993, provisions and circulars issued by Bangladesh Bank shall prevail. The differences are as follows:

i) Investment in shares and securities

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

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

Financial or presentation effect of the departure: Financial Statements for 2017 and corresponding year 2016 have been prepared as per guideline (FID circular 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

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

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

Financial or presentation effect of the departure: Financial Statements for 2017 and corresponding year 2016 have been prepared as per guideline (FID circular No. 8 dated 3 August 2002, FID circular No. 3 dated 3 May 2006 and FID circular no 03 dated 29 April 2013) of Bangladesh Bank. An amount of Tk. 52.14 million has been charged as incremental provision for lease, loan and advances for 2017. As at 31 December, 2017 accumulated

provision for lease, loan and advances stand at Tk. 422.31 million.

iii) Recognition of interest in suspense

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

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

Financial or presentation effect of the departure: Financial Statements for 2017 and corresponding year 2016 have been prepared as per guideline (FID circular No. 3 dated 3 May 2006) of Bangladesh Bank. At the year end, interest suspense account has increased to Tk. 122.51 million from Tk. 65.23 million resulting in increase of Tk. 57.28 million of interest suspense. This amount has been shown in other liabilities in note 12.2.

iv) Presentation and disclosure of Financial Statements and Financial Instruments

BFRS: 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.

BAS 32 and BFRS 7 require specific presentation and disclosure relating to all financial instruments.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements vide DFIM Circular No. 11, dated 23 December 2009 which will strictly be followed by all banks and NBFIs.

The templates of financial statements issued by Bangladesh Bank do not 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 BAS 39. As such some disclosure and presentation requirements of BFRS 7 and BAS 32 have not been made in the accounts.

Financial or presentation effect of the departure: Financial Statements for 2017 and corresponding year 2016 have been prepared as per guideline (DFIM Circular 11 dated 23 December 2009) of Bangladesh Bank.

v) Cash flow statement

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

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

Financial or presentation effect of the departure: Financial Statements for 2017 and corresponding year 2016 have been prepared as per guideline (DFIM Circular 11 dated 23 December 2009) of Bangladesh Bank.

vi) Cash and cash equivalents

BFRS: 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 equivalents 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 2017 and corresponding year 2016 have been prepared as per guideline (DFIM Circular 11 dated 23 December 2009) of Bangladesh Bank.

vii) Current/Non-current distinction

BFRS: As per Para 60 of BAS-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 2017 and corresponding year 2016 have been prepared as per guideline (DFIM Circular 11 dated 23 December 2009) of Bangladesh Bank. Moreover, the liquidity statement shows the aging profile of all financial assets and liabilities from where current/non-current portion of assets and liabilities can be obtained.

viii) Off balance sheet items

BFRS: There is no concept of off-balance sheet items in any BFRS; 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 2017 and corresponding year 2016 have been prepared as per guideline (DFIM Circular 11 dated 23 December 2009) of Bangladesh Bank. There is no financial impact in financial statements for this departure.

ix) Complete set of Financial Statements

BFRS: As per BAS 1 "Presentation of Financial Statements" complete set of Financial Statements are
i) statement of financial position;
ii)statement of profit or loss and other comprehensive income;
iii) statement of changes in equity;
iv)statement of cash flows;
v) notes, comprising significant accounting policies and other explanatory information
vi) statement of financial position at the begining of preceding period for retrospective restatement.

Bangladesh Bank: As per DFIM circular no 11 dated 23 December, 2009 complete set of Financial Statements are
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 2017 and corresponding year 2016 have been prepared as per guideline (DFIM Circular 11 dated 23 December 2009) of Bangladesh Bank. There is no financial impact in financial statements for this departure.

2.2 Basis of preparation of the financial statements

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

2.3 Use of Estimates

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

2.4 Reporting currency and level of exactitude

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

2.5 Comparative information

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

2.6 Authorisation for issue of the Financial Statements

The Board of Directors of the Company has authorised these financial statements for issue on 22 February 2018.

2.7 Materiality of financial statements

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

2.8 Cash flow statement

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

2.9 Statement of changes in equity

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

2.10 Liquidity statement (asset and liability maturity analysis)

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

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

2.11 Assets and basis of their valuation

2.11.1 Cash and cash equivalents

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

2.11.2 Accounting for leases

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

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

2.11.3 Accounting for loans

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

2.11.4 Accounting for investments

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

2.11.5 Fixed assets and depreciation

Recognition

The cost of an item of property, plant and equipments shall be recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity, and the cost of the item can be measured reliably. The cost comprise of its 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 shall be recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of such items can be measured reliably. All other expenditures are charged to the profit & Loss account during the financial period in which they are incurred.

Fixed asset acquired under finance lease shall be accounted for at the lower of present value of minimum lease payments under the lease agreements and the fair value of asset.

Depreciation

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

Furniture & Fixture	12.50%
Office Equipment	15.00%
Electrical Equipment	20.00%
Motor Vehicles	20.00%
Office Space	2.50%

Derecognition

An item of Furniture & Fixture, Office Equipment, Electrical Equipment, Motor Vehicle and Office Space 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.

2.11.6 Account receivable

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

2.12 Liabilities and basis of their valuation

2.12.1 Provision for doubtful assets

Provisions, specific and general, are made on outstanding exposure on the basis of quarter end review by the management as per Bangladesh Bank's provision policy.
The Company has made adequate provision in excess of regulatory requirement on the basis of management's assessment where there are possibilities of impairment in future.

2.12.2 Income taxes

Current tax

Current tax expense is provided on estimated taxable profit for the year at the tax rate applicable for the year.

Deferred tax

Deferred taxation is provided in full for all temporary differences arising between tax bases of assets and carrying amount of assets 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 prevailing at the Balance Sheet date 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

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

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

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

2.12.5 Contingent liabilities and contingent assets

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

2.12.6 Proposed dividend

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

2.13 Revenue recognition

2.13.1 Interest income

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

2.13.2 Lease income

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

2.13.3 Income from long term and short term finance

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

2.13.4 Income from dividend

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

2.13.5 Income from deposits (maintaining with Bank and NBFI)

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

2.13.6 Fee based income

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

2.13.7 Interest paid on deposits, borrowing, etc.

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

2.13.8 Impairment of assets

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

2.14 Related party disclosure

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

2.15 Earnings per share

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

2.16 Events after the reporting period

The financial statements were authorised for issue on 22 February 2018 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 Tk. 1 per share cash dividend and 5% stock dividend in its Board meeting held on 22 February 2018. The dividend proposal is subject to shareholders' approval at the forthcoming AGM. Except the fact as stated above, no circumstances have arisen since the statement of financial position date which would require adjustments, or disclosure in the Financial Statements.

2.17 Financial risk management policies and objectives

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

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

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

2.17.1 Credit risk

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

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

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

2.17.2 Liquidity risk

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

2.17.3 Market risk

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

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

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

2.17.4 Operational risk

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

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

2.17.5 Prevention of Money Laundering & Anti Terrorism

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

	2017 Taka	2016 Taka
3 Cash		
Cash in hand (note-3.1)	248,000	380,000
Balance with Bangladesh Bank and its agent bank(s) (note-3.2)	275,396,465	226,508,496
	275,644,465	**226,888,496**
3.1 Cash in hand		
In local currency	248,000	380,000
In foreign currency	-	-
	248,000	**380,000**
3.2 Balance with Bangladesh Bank and its agent bank(s)		
In local currency (with Bangladesh Bank)	275,396,465	226,508,496
Sonali Bank as agent of Bangladesh Bank (local currency)	-	-
	275,396,465	**226,508,496**

3.3 Statutory deposits

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

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

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

a) Cash Reserve Requirement (CRR)		
Required reserve (2.5% on public deposit)	244,708,588	222,978,000
Actual reserve maintained (note-3.2)	275,396,465	226,508,496
Surplus	**30,687,877**	**3,530,496**

Surplus reserve is maintained for Bangladesh Bank refinance installment payment.

b) Statutory Liquidity Reserve (SLR)		
Required reserve (5% on average total liabilities)	606,177,905	550,867,450
Actual reserve maintained including CRR (note-3.4)	4,089,074,149	4,399,509,980
Surplus	**3,482,896,244**	**3,848,642,530**

The surplus for SLR mostly comprises of interest earnings deposits are maintained as FDR (Lien) Taka 1,620 million against Secured Overdraft & Short Term Credit Facility, Taka 1,863 million as short term placement are maintained with different Banks and Financial Institutions.

3.4 Actual reserve maintained (including CRR)

Cash in hand	248,000	380,000
Balance with Bangladesh Bank and its agent bank(s)	275,396,465	226,508,496
Balance with banks and other financial institutions (note-4)	3,813,429,684	4,172,621,484
	4,089,074,149	**4,399,509,980**
4 Balance with banks and other financial institutions		
In Bangladesh (note-4.1)	3,813,429,684	4,172,621,484
Outside Bangladesh	-	-
	3,813,429,684	**4,172,621,484**

	2017 Taka	2016 Taka
4.1 In Bangladesh		
Current deposits		
Nationalised Commercial Bank	4,975,780	3,402,970
Private Commercial Bank	126,363,695	126,240,139
Foreign Commercial Bank	576,281	2,360,407
	131,915,756	**132,003,516**
Short-term deposit (STD)		
Private Commercial Bank	86,079,616	156,064,111
Foreign Commercial Bank	434,312	846,357
	86,513,928	**156,910,468**
Fixed deposits		
Private Commercial Bank	2,030,000,000	2,080,000,000
Foreign Commercial Bank	100,000,000	300,000,000
Financial Institutions	1,465,000,000	1,503,707,500
	3,595,000,000	**3,883,707,500**
	3,813,429,684	**4,172,621,484**
4.2 Maturity grouping of balance with banks and other financial institutions		
On demand	131,915,756	132,003,516
Up to 1 month	1,491,513,928	1,351,910,468
Over 1 month but not more than 3 months	1,780,000,000	1,825,000,000
Over 3 months but not more than 6 months	410,000,000	863,707,500
Over 6 months but not more than 1 year	-	-
Over 1 year but not more than 5 years	-	-
Over 5 years	-	-
	3,813,429,684	**4,172,621,484**
5 Money at call and short notice	-	-
6 Investments		
Investment classified as per nature		
a) Government securities:		
National investment bonds	-	-
Bangladesh Bank bills	-	-
Government bonds	-	-
Prize bonds	-	-
	-	-
b) Other investment:		
Investment in ordinary shares (Note 6.1)	15,000,000	15,000,000
Investment in preference shares (Note 6.2)	372,572,451	214,000,000
Investment in bonds (Note 6.3)	793,250,000	709,000,000
	1,180,822,451	**938,000,000**
6.1 Investment in ordinary shares		
United Insurance Company Limited	15,000,000	15,000,000
	15,000,000	**15,000,000**

United Insurance Company Limited

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

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 shares received in 2007	180,000
Bonus shares received in 2008	220,000
Bonus shares received in 2009	1,500,000
Bonus shares received in 2010	500,000
Bonus shares received in 2011	300,000
Bonus shares received in 2012	330,000
Bonus shares received in 2013	370,000
Bonus shares received in 2016	200,000
	4,200,000

As on December 31, 2017 the market value @ Tk. 29.80 (closing market price) of the above 4,200,000 shares was Tk. 125,160,000 against cost price of 600,000 shares (@ Tk. 25) at Tk.15,000,000.

	2017 Taka	2016 Taka
6.2 Investment in preference shares		
Preference share of Regent Energy and Power Ltd.	48,000,000	64,000,000
Redeemable Cumulative Preference Share: Star Ceramics Limited	150,000,000	150,000,000
Redeemable Cumulative Preference Share: Raj Lanka Power Company Ltd.	174,572,451	-
	372,572,451	**214,000,000**
6.3 Investment in bonds		
Subordinate Bond-Mercantile Bank Ltd.	80,000,000	100,000,000
Subordinate Bond-The City Bank Ltd.	59,250,000	79,000,000
Mudaraba Sub-ordinated Bond- Social Islami Bank Ltd.	104,000,000	130,000,000
Second Subordinated Bond- United Commercial Bank Ltd.	100,000,000	100,000,000
Mudaraba Sub-ordinated Bond - Al-Arafah Islami Bank Ltd.	200,000,000	200,000,000
Subordinate Bond: Mutual Trust Bank Ltd.	200,000,000	100,000,000
Subordinate Bond: Standard Bank Ltd.	50,000,000	-
	793,250,000	**709,000,000**
6.4 Maturity grouping of investments		
On demand	-	-
Up to 1 month	26,000,000	26,000,000
Over 1 month but not more than 3 months	9,698,470	-
Over 3 months but not more than 6 months	36,000,000	36,000,000
Over 6 months but not more than 1 year	220,146,939	45,750,000
Over 1 year but not more than 5 years	753,977,042	735,250,000
Over 5 years	135,000,000	95,000,000
	1,180,822,451	**938,000,000**
7 Lease, loans and advances		
7.1 Broad category-wise break up		
Inside Bangladesh		
Lease receivable (note-7.2)	8,889,939,400	6,985,459,900
Loans (note-7.3)	8,069,880,245	6,817,751,735
	16,959,819,645	**13,803,211,635**
Outside Bangladesh	-	-
	16,959,819,645	**13,803,211,635**

	2017 Taka	2016 Taka
7.2 Lease receivable		
Net lease receivable (note-7.2.1)	8,835,803,914	6,948,422,541
Advance for leases (note-7.2.3)	5,779,000	28,200,000
Interest receivable	48,356,486	8,837,359
	8,889,939,400	**6,985,459,900**
7.2.1 Net lease receivable		
Gross lease receivable	10,224,740,037	8,119,230,853
Less: Unearned finance income	1,388,936,123	1,170,808,312
	8,835,803,914	**6,948,422,541**
7.2.2 Movement of net lease receivables		
Balance at January 01	6,948,422,541	5,999,470,356
Addition during the year	5,536,179,274	4,420,570,992
Realisation during the year	(3,648,797,901)	(3,471,618,807)
	8,835,803,914	**6,948,422,541**

7.2.3 Advance for leases

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

7.3 Loans		
Term loan	3,534,367,506	2,602,167,088
Home loan	1,003,411,134	738,995,198
Short term loan and CSF advances	3,390,498,806	3,378,655,522
Interest receivable	141,602,799	97,933,927
	8,069,880,245	**6,817,751,735**
7.4 Maturity grouping of lease, loans and advances		
On demand	-	-
Up to 1 month	1,640,277,457	1,583,915,484
Over 1 month but not more than 3 months	1,375,254,774	1,222,968,887
Over 3 months but not more than 1 year	5,580,369,766	4,635,303,557
Over 1 year but not more than 5 years	7,460,694,489	5,849,220,509
Over 5 years	903,223,158	511,803,198
	16,959,819,645	**13,803,211,635**
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	10,011,572	2,904,043
b) Lease, loans and advances to Chief Executive and other Senior Executives	-	-

		2017 Taka	2016 Taka
c)	Number of clients with outstanding amount and classified lease, loans and advances exceeding 15% of total capital of the Company is as follows:		
	Total capital of the Company	3,020,902,293	2,934,419,686
	Number of clients	Nil	Nil
	Amount of outstanding advances	Nil	Nil
	Amount of classified advances	Nil	Nil
	Measures taken for recovery	Not applicable	Not applicable
d)	Industry-wise distribution of lease, loans and advances:		
1.	Agricultural sector	1,485,345,736	1,042,175,464
2.	Industrial sector:		-
	a) Service industry	1,663,520,335	1,792,845,621
	b) Food production/processing industry	1,624,429,353	1,425,029,396
	c) Chemical & Pharmaceutical	1,150,914,988	1,116,633,081
	d) Plastic industry	644,993,191	803,030,704
	e) Garments	644,383,625	637,345,759
	f) Textile	676,584,512	237,290,346
	g) Paper, Printing and packaging industry	1,049,868,466	888,919,382
	h) Iron, Steel & Engineering industry	568,322,790	686,721,234
	i) Leather & leather products	95,394,958	79,057,759
	j) Electronics and electrical industry	423,324,915	159,902,599
	k) Telecommunication/information Technology	126,870,425	37,115,382
	l) Jute and jute products	306,792,738	251,008,763
	m) Cement/Concrete and allied industry	120,979,608	169,102,621
	n) Glass and ceramic industry	55,336,532	61,022,965
	o) Ship manufacturing industry	-	-
3.	Power, Gas, Water and sanitary service	180,077,209	160,691,935
4.	Transport & Communication	1,491,787,565	939,836,934
5.	Real Estate & Housing	1,089,204,009	829,940,937
6.	Trade and Commerce	3,429,378,814	2,379,857,231
7.	Others	132,309,874	105,683,524
		16,959,819,645	**13,803,211,635**
e)	Geographical location-wise lease, loans and advances		
	Inside Bangladesh		
	Urban		
	Dhaka Division	9,728,398,286	7,852,729,928
	Chittagong Division	2,361,115,661	2,432,273,355
	Khulna Division	1,436,782,204	928,198,199
	Rajshahi Division	1,276,390,837	907,694,808
	Rangpur Division	1,027,437,300	769,767,083
	Barisal Division	275,766,054	160,340,085
	Mymensingh Division	385,655,527	259,822,527
	Sylhet Division	134,193,464	103,098,040
		16,625,739,333	13,413,924,025
	Rural		
	Barisal Division	14,379,616	21,339,184
	Rajshahi Division	5,170,524	13,225,399
	Chittagong Division	301,463,763	325,409,532
	Rangpur Division	13,066,409	29,313,495
		334,080,312	389,287,610
		16,959,819,645	13,803,211,635
	Outside Bangladesh	-	-
		16,959,819,645	**13,803,211,635**

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	2017 Taka	2016 Taka
7.6 Sector-wise lease, loans and advances		
Public sector	-	-
Co-operative sector	-	-
Private sector	16,959,819,645	13,803,211,635
	16,959,819,645	**13,803,211,635**
7.7 Particulars of lease, loans and advances		
i) Leases, loans and advances considered good in respect of which the Company is fully secured	1,043,552,687	1,163,398,649
ii) Leases, loans and advances considered good in respect of which the Company is partially secured	9,177,380,608	5,343,730,626
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	6,738,886,350	7,296,082,359
v) Classified Leases, loans and advances against which no provision has been made	-	-
	16,959,819,645	**13,803,211,635**
vi) Leases, loans and advances due by Directors, Officers of the Company or any of them either separately or jointly with any other persons	-	-
vii) Leases, loans and advances due from Companies or firms in which the Directors have interest as Directors, Partners or managing agents Companies, as members.	10,011,572	2,904,043
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	607,304	607,304
b) Increase/(decrease) of specific provision against classified lease/loan	11,534,734	(7,802,876)
c) Amount of loan written off	74,726,822	121,281,712
d) Amount realised against loan previously written off	14,529,836	7,769,887
e) Provision kept against loans classified as bad/loss on the date of preparing the balance sheet (note-7.8)	344,404,385	183,217,677
f) Interest credited to Interest Suspense account (note-12.2)	122,511,091	65,230,392

	2017 Taka	2016 Taka
xii) Written off lease, loans and advances		
Opening Balance	562,938,259	441,656,547
During the year	74,726,822	121,281,712
Cumulative to-date	637,665,081	562,938,259
The amount of written-off leases, loans and advances for which law suits have been filed	637,665,081	562,938,259

7.8 Classification of lease, loans and advances

Unclassified		
Standard	16,114,619,724	13,106,694,588
Special mention account (SMA)	346,266,354	172,947,709
	16,460,886,078	13,279,642,297
Classified		
Sub-standard	86,435,754	283,496,379
Doubtful	68,093,429	56,855,282
Bad/Loss	344,404,385	183,217,677
	498,933,567	523,569,338
	16,959,819,645	**13,803,211,635**

8 Fixed assets including furniture and fixtures

Cost		
Office space	177,890,411	-
Furniture and fixtures	106,780,383	94,715,562
Office equipment	451,939	451,939
Electrical equipment	85,393,411	71,253,532
Motor vehicles	66,728,263	49,899,673
	437,244,407	**216,320,706**
Less: Accummulated depreciation	174,593,545	160,041,997
Net book value at the end of the year (Annexure - A)	**262,650,862**	**56,278,709**

9 Other assets

Inside Bangladesh		
Income generating:		
Income receivable (note-9.1)	72,041,975	88,979,742
Non-income generating:		
Deferred tax assets (note-9.2)	11,889,675	19,584,969
Advance, deposit and prepaid expenses	29,712,703	35,704,937
Advance for office space	-	143,100,704
Other receivables	1,318,570	5,751,236
Advance corporate tax (note-9.3)	1,337,001,355	1,185,297,439
	1,451,964,278	**1,478,419,027**
Outside Bangladesh	-	-
	1,451,964,278	**1,478,419,027**

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

9.2 Deferred tax asset

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

	Carrying amount at balance sheet	Tax base	Deductible temporary difference
Fixed assets at book value	262,650,862	291,342,151	28,691,289
Liability to employees gratuity	1,032,899	-	1,032,899
	263,683,761	291,342,151	29,724,188

Applicable tax rate	40.0%
Deferred tax asset as on 31 December, 2017	11,889,675
Deferred tax asset as on 31 December, 2016	19,584,969
Deferred tax charge during the year 2017 (Note 36)	(7,695,294)

		2017 Taka	2016 Taka
9.3	Advance corporate tax		
	Balance as on January 01	1,185,297,439	1,007,271,910
	Paid during the year	151,703,916	178,025,529
		1,337,001,355	**1,185,297,439**
10	**Borrowing from banks, other financial institutions and agents**		
	In Bangladesh (note-10.1)	2,474,979,117	2,216,450,655
	Outside Bangladesh	-	-
		2,474,979,117	**2,216,450,655**
10.1	In Bangladesh		
	Bank overdraft		
	Private Commercial Bank	729,250,301	676,753,240
	Foreign Commercial Bank	180,766,624	164,302,208
		910,016,925	**841,055,448**
	Short term loan		
	Foreign Commercial Bank	495,000,000	485,000,000
		495,000,000	**485,000,000**
	Call borrowing		
	Nationalised Commercial Bank	230,000,000	200,000,000
	Private Commercial Bank	-	100,000,000
		230,000,000	**300,000,000**
	Long term loan		
	Bangladesh Bank (Refinance)	769,752,486	510,354,974
	Kreditanstalt Für Wiederaufbau (KfW)	70,209,706	80,040,233
		839,962,192	**590,395,207**
		2,474,979,117	**2,216,450,655**
10.2	Analysis by security against borrowing from banks, other financial institutions and agents		
	Secured (FDR pledged as security)	1,620,000,000	1,620,000,000
	Secured (Corporate guarantee)	-	-
	Unsecured	854,979,117	596,450,655
		2,474,979,117	**2,216,450,655**
10.3	Maturity grouping of borrowing from banks, other financial institutions and agents		
	On demand	1,140,016,925	300,000,000
	Up to 1 month	278,966,111	1,348,100,754
	Over 1 month but within 3 months	68,779,395	51,266,253
	Over 3 months but within 1 year	420,612,862	127,125,567
	Over 1 year but within 5 years	205,375,224	312,400,713
	Over 5 years	361,228,600	77,557,368
		2,474,979,117	**2,216,450,655**

		2017 Taka	2016 Taka
11	**Deposits and other accounts**		
	Current deposits	-	-
	Bills payable	-	-
	Savings bank deposits	-	-
	Term deposits (note -11.1)	15,060,503,157	12,570,107,338
	Bearer certificates of deposit	-	-
	Other deposits (note-11.2)	549,064,789	486,073,049
		15,609,567,946	**13,056,180,387**
11.1	Term deposits		
	Deposits from banks and financial institutions	5,150,000,000	3,890,000,000
	Deposits from other than banks and financial institutions	9,910,503,157	8,680,107,338
		15,060,503,157	**12,570,107,338**

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	5,150,000,000	3,890,000,000
	Other public	-	-
	Foreign currency	-	-
	Private	9,910,503,157	8,680,107,338
		15,060,503,157	**12,570,107,338**
11.1.2	Maturity analysis of term deposits		
	a) Maturity analysis of deposits from banks & financial institutions		
	Payable on demand	-	-
	Up to 1 month	1,500,000,000	950,000,000
	Over 1 month but within 3 months	1,300,000,000	2,540,000,000
	Over 3 months but within 1 year	850,000,000	400,000,000
	Over 1 year but within 5 years	1,500,000,000	-
	Over 5 years but within 10 years	-	-
	Over 10 years	-	-
		5,150,000,000	**3,890,000,000**
	b) Maturity analysis of deposits from other than banks & financial institutions		
	Payable on demand	-	-
	Up to 1 month	79,743,935	391,854,588
	Over 1 month but within 3 months	1,381,525,883	124,667,410
	Over 3 months but within 1 year	4,224,251,232	4,825,669,083
	Over 1 year but within 5 years	4,187,195,326	3,296,011,937
	Over 5 years but within 10 years	37,786,781	41,904,320
	Over 10 years	-	-
		9,910,503,157	**8,680,107,338**
		15,060,503,157	**12,570,107,338**

	2017 Taka	2016 Taka

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	483,109,851	424,098,357
Interest bearing deposit	65,954,938	61,974,692
	549,064,789	**486,073,049**

11.2.1 Maturity analysis of other deposits

Payable on demand	-	-
Up to 1 month	54,059,319	57,583,425
Over 1 month but within 3 months	45,072,952	44,461,171
Over 3 months but within 1 year	184,922,199	168,516,979
Over 1 year but within 5 years	244,459,336	203,161,025
Over 5 years but within 10 years	20,550,983	12,350,449
Over 10 years	-	-
	549,064,789	**486,073,049**

12 Other liabilities

Provision for gratuity	1,032,899	4,067,385
Unclaimed dividend	11,904,852	10,501,994
KfW interest differential fund (note-12.1)	13,384,410	22,090,296
Interest suspense account (note-12.2)	122,511,091	65,230,392
Accrued expenses and payables (note-12.3)	640,361,892	469,744,556
Provision for lease, loans and advances (note-12.4)	422,312,606	413,840,066
Provision for income tax (note-12.5)	1,627,374,280	1,482,893,934
	2,838,882,029	**2,468,368,623**

12.1 KfW interest differential fund

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

Balance as on January 01	22,090,296	35,530,716
Addition during the year	3,380,624	3,812,465
	25,470,920	39,343,181
Adjusted during the year	(12,086,509)	(17,252,885)
	13,384,410	**22,090,296**

12.2 Interest suspense account

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

Balance as on January 01	65,230,392	51,276,987
Add:Amount transferred to "interest suspense" account during the year	142,002,226	163,277,144
Less:Amount recovered from "interest suspense" account during the year	(68,192,694)	(124,188,220)
Less: Written off during the year	(16,528,833)	(25,135,520)
	122,511,091	**65,230,392**

	2017 Taka	2016 Taka
12.3 Accrued expenses and payables		
Liabilities for expenses	545,320,029	438,705,188
Liabilities other than expenses	95,041,863	31,039,368
	640,361,892	**469,744,556**

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

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

12.4 Provision for lease, loans and advances

General provision on lease, loans and advances		
Balance at January 01	129,193,901	111,252,508
Provision made for the year (note-35)	(10,047,401)	17,941,393
	119,146,500	**129,193,901**
Specific Provision on unclassified lease, loans and advances		
Balance at January 01	38,701,857	94,986,566
Provision made for the year (note-35)	6,985,208	(56,284,709)
	45,687,065	**38,701,857**
Specific provision on classified lease, loans and advances		
Balance at January 01	245,944,307	253,747,183
Fully provided debts written off during the year	(58,197,989)	(96,146,192)
Amount realised from written off clients	14,529,836	7,769,887
Provision made for the year (note-35)	55,202,887	80,573,429
	257,479,041	**245,944,307**
	422,312,606	**413,840,066**

Provision surplus/(shortage):

	2017		2016	
	Required	Maintained	Required	Maintained
General provision on lease, loans and advances	106,772,749	119,146,500	90,611,058	129,193,901
Specific Provision on unclassified lease, loans and advances	16,814,978	45,687,065	8,145,811	38,701,857
Specific provision on classified lease, loans and advances	256,948,541	256,948,541	222,701,118	240,244,307
Other provisions	530,500	530,500	5,700,000	5,700,000
	381,066,768	422,312,606	327,157,987	413,840,066
Total surplus		**41,245,838**		**86,682,079**

12.5 Provision for income tax

Balance as on January 01	1,482,893,934	1,327,912,696
Add: Corporate tax for the year (note-36)	144,480,346	154,981,238
	1,627,374,280	**1,482,893,934**

		2017 Taka	2016 Taka
13	**Paid-up capital**		
13.1	Authorised capital		
	300,000,000 ordinary shares of Taka 10 each	**3,000,000,000**	**3,000,000,000**
13.2	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
	171,204,395 ordinary shares of Taka 10 each issued as bonus shares	1,712,043,950	1,627,184,720
		1,782,043,950	**1,697,184,720**
13.3	Capital adequacy ratio		

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

A	Eligible Capital :		
	Tier-1 Capital	3,020,902,293	2,934,419,686
	Tier-2 Capital	165,158,565	168,479,600
	Total Eligible Capital (1+2) :	3,186,060,858	3,102,899,286
B	Total Risk Weighted Assets (RWA):	18,563,671,911	16,403,678,661
C	Capital Adequacy Ratio (CAR) $(A_3 / B)*100$	17.16%	18.92%
D	Core Capital to RWA $(A_1 / B)*100$	16.27%	17.89%
E	Supplementary Capital to RWA $(A_2 / B)*100$	0.89%	1.03%
F	Minimum Capital Requirement (MCR)	1,856,367,191	1,640,367,866
Surplus		**1,329,693,667**	**1,462,531,420**
Core capital (Tier-I)			
Paid up capital (note-13.2)		1,782,043,950	1,697,184,720
Statutory reserve (note-14)		774,000,000	722,700,000
Share premium (note-15)		3,750,000	3,750,000
General reserve (note-16)		255,000,000	255,000,000
Retained earnings (note-17)		206,108,343	255,784,966
		3,020,902,293	2,934,419,686
Eligible supplementary capital (Tier-II)			
General provision maintained against unclassified loan		165,158,565	168,479,600
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)		-	-
		165,158,565	**168,479,600**
General provision (Unclassified+SMA+Off balance sheet exposure)		165,158,565	168,479,600
Limit up to 1.25% of RWA for Credit Risk would be eligible as Tier-II capital		213,943,267	187,099,813
Risk Weighted Assets (RWA)			
A	Credit Risk	17,115,461,388	14,967,985,065
	On- Balance sheet	17,074,836,388	14,904,600,881
	Off-Balance sheet	40,625,000	63,384,184
B.	Market Risk	-	-
C.	Operational Risk	1,448,210,524	1,435,693,596
	Total: RWA (A+B+C)	**18,563,671,911**	**16,403,678,661**

		No. of Shares		Percentage	
		2017	2016	2017	2016
13.4 Percentage of shareholding at the closing date					
(i) Sponsors -	Foreign	35,640,878	33,943,694	20.00	20.00
	Domestic	43,142,311	41,087,917	24.21	24.21
		78,783,189	75,031,611	44.21	44.21
(ii) Financial Institutions and Companies					
	Foreign	16,223,511	15,450,965	9.10	9.10
	Domestic	45,942,849	41,125,859	25.78	24.23
		62,166,360	56,576,824	34.88	33.34
(iii) General public – Domestic		37,254,846	38,110,037	20.91	22.45
		178,204,395	**169,718,472**	**100.00**	**100.00**

13.5 Shareholding range on the basis of shareholding as at 31 December 2017

	No. of shares	Number of Shareholders	Total number of shares	Percentage of total holdings
1	Less then 500	2,825	459,363	0.26
2	500 to 5,000	3,843	7,350,984	4.13
3	5,001 to 10,000	736	5,193,788	2.91
4	10,001 to 20,000	419	5,912,767	3.32
5	20,001 to 30,000	132	3,236,997	1.82
6	30,001 to 40,000	83	2,887,973	1.62
7	40,001 to 50,000	44	2,023,793	1.14
8	50,001 to 100,000	89	6,271,044	3.52
9	100,001 to 1,000,000	72	18,397,914	10.32
10	Above 1,000,000	16	126,469,772	70.97
		8,259	**178,204,395**	**100.00**

	2017 Taka	2016 Taka
14 Statutory reserve		
Balance as at January 01	722,700,000	660,000,000
Addition during the year	51,300,000	62,700,000
	774,000,000	**722,700,000**

As per section 9 of the Financial Institutions Act, 1993 and regulation 6 of the Financial Institutions Regulations 1994, every Non Banking Financial Institution (NBFI) is required to transfer at least 20% of its current year profit to the statutory reserve fund until such reserve fund and share premium (if any) equal to its paid up share capital. Accordingly during the year the Company has transferred Tk. 51,300,000 to the Statutory Reserve Fund.

15 Share premium

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

16 General reserve

Balance at January 01	255,000,000	255,000,000
Appropriation from current year's profit	-	-
	255,000,000	**255,000,000**

		2017 Taka	2016 Taka
17	**Retained earnings**		
	Balance at January 01	255,784,966	236,878,800
	Cash dividend for last year	(169,718,478)	(77,144,760)
	Issue of bonus shares for last year	(84,859,230)	(154,289,520)
		(254,577,708)	(231,434,280)
		1,207,258	5,444,520
	Addition during the year		
	Net profit after taxation	256,201,085	313,040,446
	Transfer to statutory reserve	(51,300,000)	(62,700,000)
	Transfer to general reserve	-	-
		204,901,085	250,340,446
	Transfer from general reserve	-	-
		206,108,343	**255,784,966**
18	**Net asset value per share (NAV)**		
	Total asset	23,944,331,385	20,675,419,351
	Total liabilities	20,923,429,092	17,740,999,665
	Net asset	3,020,902,293	2,934,419,686
	Number of share outstanding (current year's)	178,204,395	169,718,472
	Net asset value per share	**16.95**	**17.29**
	Restated NAV:		
	Net asset	3,020,902,293	2,934,419,686
	Number of ordinary shares as on 31 December 2017 is 178,204,395		
	Restated NAV	**16.95**	**16.47**
19	**Contingent liabilities**		
19.1	Letters of guarantee		
	Letters of guarantee (Local)	32,500,000	58,384,184
	Letters of guarantee (Foreign)	-	-
	Foreign counter guarantees	-	-
		32,500,000	**58,384,184**

Guarantees

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

		2017 Taka	2016 Taka
20	**Profit and loss account**		
	Income:		
	Interest, discount and similar income (note-20.1)	1,989,868,539	1,931,043,911
	Dividend income	38,786,969	16,591,760
	Other operating income	118,442,895	114,704,152
		2,147,098,403	2,062,339,823
	Expenses:		
	Interest, fee and commission etc.	1,178,033,835	1,087,442,195
	Administrative expenses (note-20.2)	436,407,983	397,435,805
	Other operating expenses	48,592,073	47,304,378
	Depreciation on Company's fixed assets	23,547,095	20,053,588
		1,686,580,986	1,552,235,966
		460,517,417	**510,103,857**
20.1	Interest, discount and similar income		
	Interest on loan, advances and leases	1,911,763,675	1,858,803,438
	Interest on bonds	78,104,864	72,240,473
	Discount income	-	-
	Interest on debentures	-	-
		1,989,868,539	**1,931,043,911**
20.2	Administrative expenses		
	Salaries and allowances	322,142,632	289,137,260
	Rent, taxes, insurance, electricity etc.	56,634,804	53,547,999
	Legal expenses	14,452,152	11,386,247
	Postage, stamp, telecommunication etc.	8,624,481	8,746,745
	Stationery, printing, advertisement etc.	3,339,330	4,888,644
	Managing Director's salary and benefits	9,321,172	8,668,116
	Directors' fees	325,837	319,444
	Auditors' fees	345,000	345,000
	Repairs and maintenance of the Company's assets	21,222,575	20,396,351
		436,407,983	**397,435,805**
21	**Interest income**		
	Lease	878,515,342	781,544,343
	Term loan and home loan	374,978,452	324,420,896
	Short term financing	401,057,203	424,588,924
	Total interest income	**1,654,550,996**	**1,530,554,163**
	Interest on deposit/balance with banks and other financial institutions	169,740,024	231,188,781
	Interest on deposits under lien for credit line facilities	87,472,655	97,060,494
		1,911,763,675	**1,858,803,438**

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		2017 Taka	2016 Taka
22	**Interest paid on deposits, borrowing etc.**		
	a) Interest paid on deposits		
	Deposits from other than banks and financial institutions	697,878,077	655,347,565
	Deposits from banks and financial institutions	340,085,180	288,394,028
	Direct deposit expenses	20,741,879	28,807,632
	Interest bearing security deposits	3,259,518	4,046,271
		1,061,964,654	**976,595,496**
	b) Interest paid for borrowing		
	Bank loans	31,531,713	35,125,431
	Bangladesh Bank refinance	42,699,936	31,141,288
	Call loan	26,066,333	28,774,832
	Overdraft	15,771,199	15,805,148
		116,069,181	110,846,699
		1,178,033,835	**1,087,442,195**
23	**Investment income**		
	Interest on bonds	78,104,864	72,240,473
	Dividend on shares	38,786,969	16,591,760
		116,891,833	**88,832,233**
24	**Other operating income**		
	Reimbursement - invoice processing and collection costs	16,307,077	16,532,537
	Early repayment premium	9,841,814	11,126,049
	Reimbursement-documentation costs	66,832,104	50,300,150
	Late Payment Charges	16,592,103	24,263,133
	Profit on sale of fixed assets	434,428	490,552
	Miscellaneous earnings	8,435,369	11,991,731
		118,442,895	**114,704,152**
25	**Salaries and allowances**		
	Basic salary, provident fund contribution and all other allowances	288,516,001	256,832,989
	Festival and incentive bonus	33,626,631	32,304,271
		322,142,632	**289,137,260**
26	**Rent, taxes, insurance, electricity etc.**		
	Rent, rate and taxes	36,446,545	37,150,015
	Insurance	13,407,131	9,595,291
	Electricity, gas and water	6,781,128	6,802,693
		56,634,804	**53,547,999**

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		2017 Taka	2016 Taka
27	**Legal expenses**		
	Legal expenses	14,452,152	11,386,247
		14,452,152	**11,386,247**
28	**Postage, stamp, telecommunication, etc.**		
	Postage, stamp and Internet	6,131,944	6,092,529
	Telephone - Mobile and T & T	2,492,537	2,654,216
		8,624,481	**8,746,745**
29	**Stationery, printing, advertisements, etc.**		
	Printing and stationery	2,186,525	2,731,574
	Publicity and advertisement	1,152,805	2,157,070
		3,339,330	**4,888,644**
30	**Managing Director's salary and benefits**		
	Remuneration	5,424,000	5,070,000
	Other benefits	3,897,172	3,598,116
		9,321,172	**8,668,116**
31	**Directors' fees**		
	Directors' fees	325,837	319,444
		325,837	**319,444**

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

32	**Auditors' fees**		
	Statutory audit fees (including VAT)	345,000	345,000
		345,000	**345,000**
33	**Depreciation and repair of assets**		
	Depreciation - (Annexure-A)		
	Furniture and fixture	8,707,637	8,706,496
	Office equipment	38,171	43,124
	Electrical equipment	6,120,799	6,109,281
	Motor vehicle	8,309,883	5,194,687
	Office space	370,605	-
		23,547,095	**20,053,588**
	Repairs		
	Maintenance of electrical equipment, office equipment & other assets	14,030,479	13,257,709
	Motor vehicles	7,192,096	7,138,641
		21,222,575	**20,396,351**
		44,769,670	**40,449,939**

		2017 Taka	2016 Taka
34	**Other expenses**		
	Training expenses	2,239,069	1,630,891
	Books, magazines and newspapers, etc.	78,129	78,873
	Staffs' uniforms	202,411	447,900
	Medical expenses	740,153	537,434
	Fees and subscription	1,940,678	2,558,168
	Bank charges	4,480,480	3,926,999
	Excise duty Expenses	1,601,300	1,612,500
	CNG, petrol, oil and lubricant	12,529,156	10,373,970
	Entertainment	2,182,841	2,080,898
	Office expenses	2,425,477	3,101,340
	Security Services	6,775,029	6,588,514
	Business promotion expenses	3,156,048	4,289,938
	Annual General Meeting/Shareholder expenses	2,216,234	2,300,119
	Travelling and conveyance expenses	8,025,068	7,776,834
		48,592,073	**47,304,378**
35	**Provision for lease, loans and advances**		
	General provision on lease, loans and advances (note-12.4)	(10,047,401)	17,941,393
	Specific Provision on unclassified lease, loans and advances (note-12.4)	6,985,208	(56,284,709)
	Specific provision on classified lease, loans and advances (note-12.4)	55,202,887	80,573,429
		52,140,693	**42,230,113**
36	**Provision for taxation**		
	Corporate tax for the year on operating profit	144,480,346	154,981,238
	Deferred tax (note- 9.2)	7,695,294	(147,941)
		152,175,640	**154,833,298**
37	**Earnings per share (EPS)**		
	Net profit after tax	256,201,085	313,040,446
	Number of ordinary shares outstanding	178,204,395	169,718,472
	Earnings per share (EPS)	**1.44**	**1.84**
	Restatements of EPS:		
	Net profit after tax	256,201,085	313,040,446
	Number of ordinary shares as on 31 December 2017 is 178,204,395		
		1.44	**1.76**

Earnings per share (EPS) has been computed by dividing the basic earnings by the number of ordinary shares outstanding as of 31 December 2017 as per Bangladesh Accounting Standard (BAS) -33. According to BAS 33, EPS for 2016 has been restated for the issues of bonus share in 2017.

		2017 Taka	2016 Taka
38	**Receipts from other operating activities**		
	Reimbursement - invoice processing and collection costs	16,307,077	16,532,537
	Early repayment premium	9,841,814	11,126,049
	Reimbursement-documentation costs	66,832,104	50,300,150
	Late Payment Charges	16,592,103	24,263,133
	Miscellaneous earnings	7,915,951	11,794,487
		117,489,049	**114,016,356**
39	**Payments for other operating activities**		
	Rent, taxes, insurance, electricity, etc.	56,770,454	46,508,304
	Repairs and maintenance	20,548,447	20,220,069
	Travelling and conveyance expenses	8,025,068	7,776,834
	Annual General Meeting/Shareholder expenses	2,216,234	2,300,119
	Entertainment	2,182,841	2,080,898
	Bank charges	6,081,780	5,539,499
	Fees and subscription	1,940,678	2,558,168
	Medical expenses	740,153	537,434
	Directors' fees	325,837	319,444
	Books, magazines and newspapers, etc.	78,129	78,873
	Training expenses	2,239,069	1,630,891
	Office expenses	2,425,477	3,101,340
	Security Services	6,734,145	6,560,223
		110,308,312	**99,212,096**
40	**Number of employees**		
	Number of employees who received less than Tk. 3,000 per month	0	0
	Number of employees who received an aggregate amount more than Tk. 36,000 for the whole year or part of the year	574	512
		574	**512**

41 Related Party Disclosures

41.1 Particulars of Directors of the Company as on 31 December, 2017

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

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41.2 Name of Directors and their interest in different entities as on 31 December, 2017

Sl no.	Name of Directors	Status with United Finance Ltd.	Entities where they have interest
1.	Imran Ahmed	Chairman	**Director** 1. Eastland Camellia Ltd. 2. Duncan Properties Ltd. 3. Octavius Steel & Co. of BD Ltd. 4. Duncan Brothers (BD) Ltd. 5. Duncan Products Ltd. 6. Chittagong Warehouse Ltd. 7. Surmah Valley Tea Co. Ltd. 8. The Lungla (Sylhet) Tea Co. Ltd. 9. The Allynugger Tea Co. Ltd. 10. Amo Tea Co. Ltd. 11. The Chandpore Tea Co. Ltd. 12. The Mazdehee Tea Co. Ltd.
2.	A. Rouf	Director	**Director** 1. The Lungla (Sylhet) Tea Co. Ltd. 2. The Allynugger Tea Co. Ltd. 3. Amo Tea Co. Ltd. 4. The Chandpore Tea Co. Ltd. 5. The Mazdehee Tea Co. Ltd. 6. Octavius Steel & Co. of BD Ltd. 7. Duncan Brothers (BD) Ltd. 8. Duncan Products Ltd. 9. Chittagong Warehouse Ltd. 10. Eastland Camellia Ltd. 11. Duncan Properties Ltd.
3.	Susan Ann Walker	Director	**Director** 1. The Lungla (Sylhet) Tea Co. Ltd. 2. The Allynugger Tea Co. Ltd. 3. Amo Tea Co. Ltd. 4. The Chandpore Tea Co. Ltd. 5. The Mazdehee Tea Co. Ltd. 6. Surmah Valley Tea Co. Ltd.
4.	L. H. Khan	Director	**Chairman** National Brokers Ltd.
5.	Shama Rukh Alam	Director	**Director** 1. Duncan Brothers (BD) Ltd. 2. Octavius Steel & Co. of BD Ltd. 3. Duncan Products Ltd. 4. Chittagong Warehouse Ltd. 5. Eastland Camellia Ltd. 6. Duncan Properties Ltd.
6.	A. F. Nesaruddin	Director	1. Independent Director of Singer Bangladesh Ltd. 2. A Member of Board of Khulna WASA (nominated by Govt. of Bangladesh) 3. Senior Partner of Hoda Vasi Chowdhury & Co. Chartered Accountants
7.	C.K. Hyder	Director	-
8.	A.F.M.M. Samad Choudhury	Director	-
9.	M. Abdul Wahed	Independent Director	-
10.	Daud Khan Panni	Independent Director	-
11.	Syed Ehsan Quadir	Managing Director	-

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

As on 31 December 2017 no such contract exists.

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

As on 31 December 2017 no such share issue exists.

41.5 Transactions with Directors and their related entities

Name of the Party	Name of Directors	Related by	Nature of transaction	Amount in Taka	Status of loan and advances
	Imran Ahmed	Common Director			
The Lungla (Sylhet) Tea Co. Ltd.	Susan Ann Walker	-Do-	Lease	5,255,957	Regular
	A. Rouf	-Do-	Term Deposit	133,732,937	
	Imran Ahmed	-Do-			
Duncan Properties Ltd.	A. Rouf	-Do-	Term deposit	30,000,000	
	Shama Rukh Alam	-Do-	Office rent paid	123,648	
		-Do-			
	Imran Ahmed	-Do-			
Macalms Bangladesh Trust	A. Rouf	-Do-	Term Deposit	26,155,198	
	Shama Rukh Alam	-Do-			
	A.F.M.M Samad Choudhury	-Do-			
National Brokers Limited	L. H. Khan	-Do-	Term Deposit	46,542,863	
Duncan Brothers (BD) Ltd.	Imran Ahmed	-Do-	Office rent paid	8,931,360	
	A. Rouf	-Do-			
	Shama Rukh Alam	-Do-			
Eastland Camellia Ltd.	Imran Ahmed	-Do-	Term Deposit	80,080,592	
	A. Rouf	-Do-			
	Shama Rukh Alam	-Do-			
United Insurance Co. Ltd.	A. Rouf	-Do-	Lease	2,580,791	Regular
	L. H. Khan	-Do-	Insurance premium paid	12,774,948	
	A.F.M.M. Samad Choudhury	-Do-	Office rent paid	273,509	
Duncan Products Ltd.	A. Rouf	-Do-	Lease	2,174,825	Regular
	Imran Ahmed	-Do-	Drinking Water Bill	298,158	
	Shama Rukh Alam	-Do-			
Camellia Duncan Foundation	Imran Ahmed	-Do-	Term Deposit	10,271,522	
	A. Rouf	-Do-			
Surmah Valley Tea Company Ltd.	Imran Ahmed	-Do-	Term Deposit	100,000,000	
	Susan Ann Walker	-Do-			
Amo Tea Company Ltd.	Imran Ahmed	-Do-	Term Deposit	500,000,000	
	Susan Ann Walker	-Do-			
	A. Rouf	-Do-			

41.6 Lending policy to related parties

Related parties are allowed lease, loans and advances as per credit policy of the Company.

41.7 Investment in the Securities of Directors and their related concerns

As on 31 December 2017 no such investment exists.

42 Commitment

Capital expenditure

There was no capital expenditure contracted but not incurred or provided for at 31 December, 2017 (2016: nil). There was no material capital expenditure authorised by the Board but not contracted for at 31 December, 2017 (2016: 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 2017, the Company had Taka 1,550,448,951 commitment with customers (2016:Taka 1,890,625,600).

43 Claim against Company not acknowledged as debt

An unsettled tax claim of Tk. 33,509,825 (Assessment year 2012-2013) is pending with the Honorable Supreme Court (High Court division). However, required tax provisions are available to cover the said amount, if any liability arises in future.
Excepting above, there were no such claims against the company which required to be acknowledged as debt at 31 December, 2017.

44 Proposal of dividend

The Board of Directors has recommended a cash dividend of Tk. 1.00 per ordinary share (2016: @ Tk. 1.00 per ordinary share) i.e. a total of Tk. 178.20 million for 178.20 million ordinary shares and 1 bonus share for every 20 shares (2016: 1 bonus share for every 20 shares) held on the record date 18 March, 2018.

45 Dividend remitted to non-resident shareholders

An amount of Tk. 30,492,235.60 equivalent to GBP 286,655.52 (2016:Tk 13,836,303.60 equivalent to GBP 129,796.83) was remitted to non-resident shareholder as dividend for the year 2016.

46 Foreign currency transactions

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

47. Highlights on the overall activities

Sl no.	Particulars		2017	2016
1	Paid-up capital (note-13.2)	MBDT	1,782.04	1,697.18
2	Total Eligible capital (note-13.3)	MBDT	3,186.06	3,102.90
3	Capital surplus (note-13.3)	MBDT	1,329.69	1,462.53
4	Total assets	MBDT	23,944.33	20,675.42
5	Total Term deposits (note-11.1)	MBDT	15,060.50	12,570.11
6	Total lease, loans and advances (note-7.1)	MBDT	16,959.82	13,803.21
7	Total contingent liabilities and commitments (note-19)	MBDT	32.50	58.38
8	Loan to deposit ratio (note-7.1/note-11.1)		1.13	1.10
9	Percentage of classified lease, loans and advances against total leases, loans and advances (note-7.8)	(%)	2.94	3.79
10	Profit after tax and provision	MBDT	256.20	313.04
11	Amount of loans classified during the year (note -7.8)	MBDT	498.93	523.57
12	Provisions kept against classified loans (note-12.4)	MBDT	257.48	245.94
13	Provision surplus (note-12.4)	MBDT	41.25	86.68
14	Cost of fund	(%)	7.72	8.13
15	Interest earning assets	MBDT	21,953.46	18,913.23
16	Non-interest earning assets	MBDT	1,990.87	1,762.19
17	Return on Equity i	(%)	8.60	11.11
18	Net Return to total earning assets	(%)	1.17	1.66
19	Return on total assets ii	(%)	1.15	1.56
20	Income from investment in Shares and Bonds (note-23)	MBDT	116.89	88.83
21	Earnings per share iii	BDT	1.44	1.76
22	Net income per share iv	BDT	1.44	1.76
23	Price earning ratio v	Times	16.55	12.42

MBDT= Bangladeshi Taka in Million, BDT= Bangladeshi Taka

i. Return on equity is calculated based on average equity.
ii. Return on assets is calculated based on average assets.
iii. Restated EPS
iv. Since United Finance Limited does not have any minority interest, EPS and net income per share remain same.
v. Based on 31 December market price of the respective year (2017 Tk. 23.80 and 2016 Tk. 22.90).

Syed Ehsan Quadir
Managing Director

A. Rouf
Director

M. A. Wahed
Director

C.K. Hyder
Director

Annexure - A
(From note - 8)

Fixed assets including furniture and fixture

	Furniture & Fixture	Office equipment	Electrical equipment	Motor Vehicles	Office Space	Total
Cost						
Balance at 01 January, 2016	94,715,562	451,939	71,253,532	49,899,673	-	216,320,706
Addition during the year	14,350,637	-	15,876,286	26,344,440	177,890,411	234,461,774
Disposal/adjustment	(2,285,816)	-	(1,736,408)	(9,515,850)	-	(13,538,074)
Balance at 31 December, 2017	**106,780,383**	**451,939**	**85,393,411**	**66,728,263**	**177,890,411**	**437,244,407**
Accumulated depreciation						
Balance at 01 January, 2016	69,908,156	310,594	58,803,997	31,019,250	-	160,041,997
Charge for the year	8,707,637	38,171	6,120,799	8,309,883	370,605	23,547,095
Disposal /adjustment	(1,987,257)	-	(1,601,108)	(5,407,183)		(8,995,548)
Balance at 31 December, 2017	**76,628,537**	**348,765**	**63,323,688**	**33,921,951**	**370,605**	**174,593,545**
WDV at 31 December, 2017	**30,151,846**	**103,174**	**22,069,722**	**32,806,312**	**177,519,806**	**262,650,862**
WDV at 31 December, 2016	**24,807,406**	**141,345**	**12,449,535**	**18,880,423**	-	**56,278,709**

Stakeholders' Segment

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BOARD OF DIRECTORS

Chairman		**Nominated by**
Imran Ahmed	:	Lawrie Group Plc of the U.K.

Directors

Susan Ann Walker	:	Lawrie Group Plc of the U.K.
A. Rouf	:	United Insurance Company Limited
L. H. Khan	:	United Insurance Company Limited
A. F. M. Misfaqus Samad Choudhury	:	United Insurance Company Limited
Shama Rukh Alam	:	Surmah Valley Tea Company Limited
C. K. Hyder	:	Surmah Valley Tea Company Limited
A. F. Nesaruddin	:	Surmah Valley Tea Company Limited

Independent Directors

M. Abdul Wahed
Daud Khan Panni

Ex- officio Director

Syed Ehsan Quadir, Managing Director

Chief Financial Officer

Zafar Ullah Khan

Company Secretary

Sharmi Noor Nahar

AMAR STOCK

MILESTONES

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

Offices opened

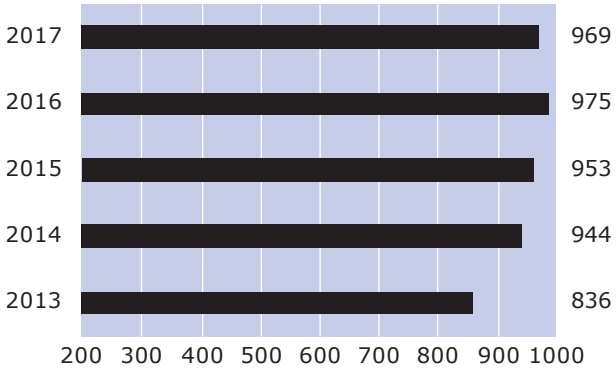
Chittagong, Agrabad	1994
Jessore, R.N. Road	2005
Gazipur, College Gate, Tongi	2006
Bogra, Jhawtola	2006
Sylhet, East Dargah Gate	2009
Belkuchi, Makundagati Bazar, Sirajgonj	2010
Rangpur, Station Road	2010
Chuadanga, Barabazar	2010
Bongshal, Shahid Syed Nazrul Islam Soroni	2011
Begumganj, Feni Road, Noakhali	2011
Barisal, Sadar Road	2011
Tejgaon, Gulshan-Tejgaon Link Road	2011
Rangamati, Banarupa	2012
Rajshahi, Saheb Bazar	2012
Khulna, Gagan Babu Road	2012
Mymensingh, Chotto Bazar	2013
Cox's Bazar, Main Road	2014
Dinajpur, South Munshipara	2014
Comilla, Satipotti	2017
Pabna, Shalgaria	2017

AMAR STOCK

PERFORMANCE INDICATORS

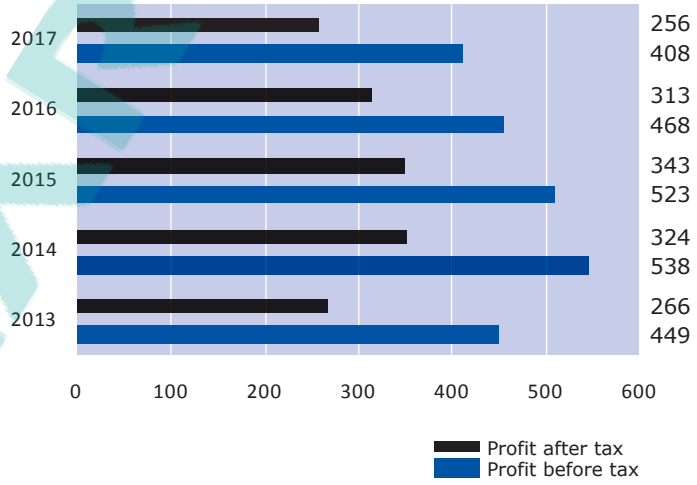
Operating income

Taka in million



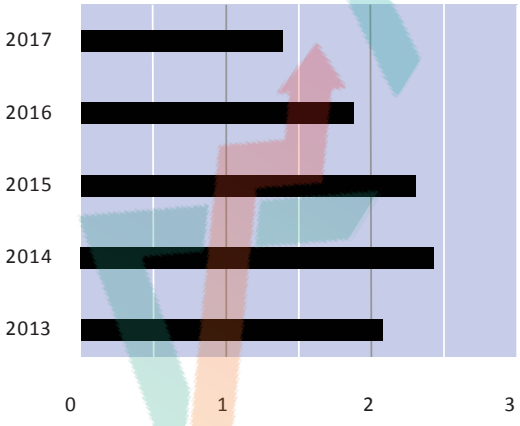
Profit before & after tax

Taka in million



Earnings per Share (EPS)

Amount in Taka

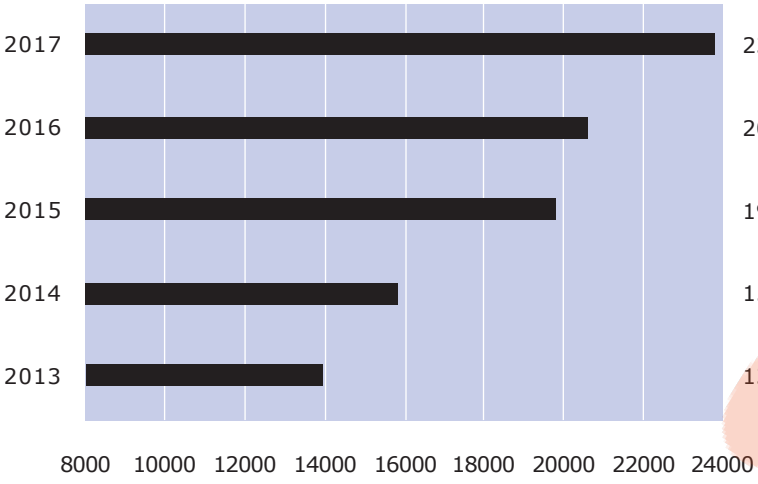


SMART STOCK

PERFORMANCE INDICATORS

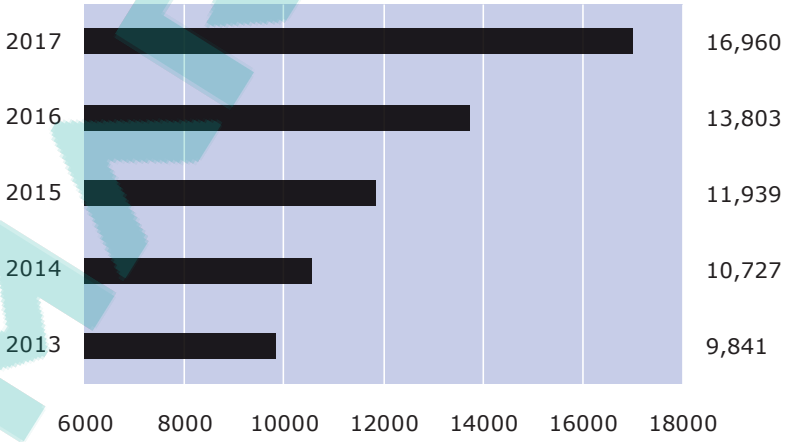
Total assets

Taka in million



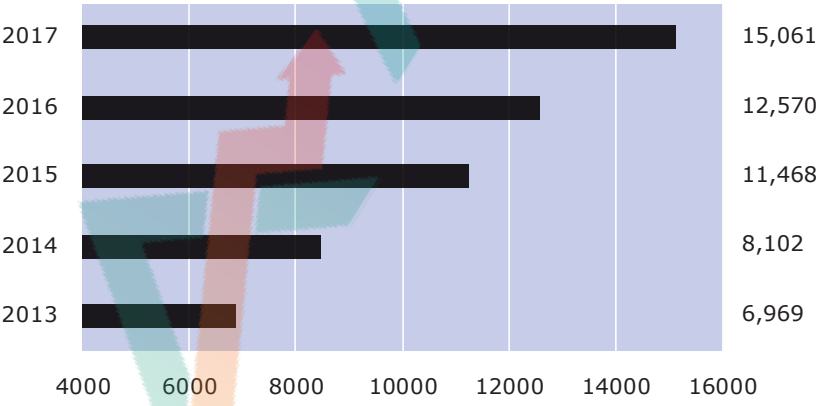
Lease, loans and advances

Taka in million



Term deposits

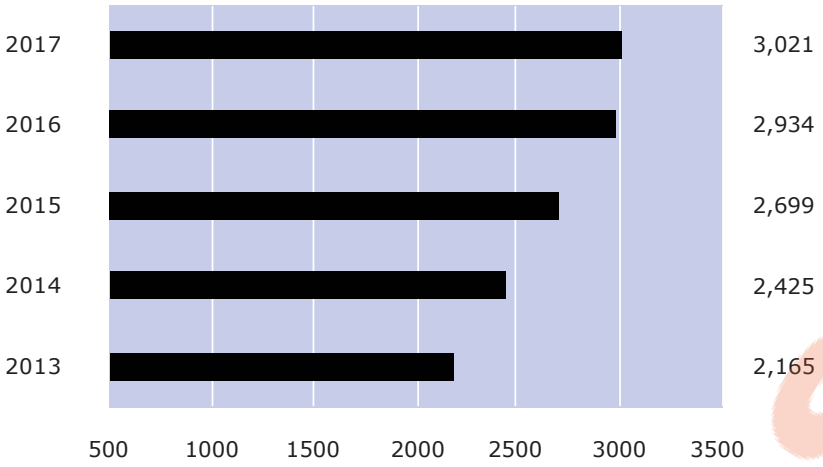
Taka in million



PERFORMANCE INDICATORS

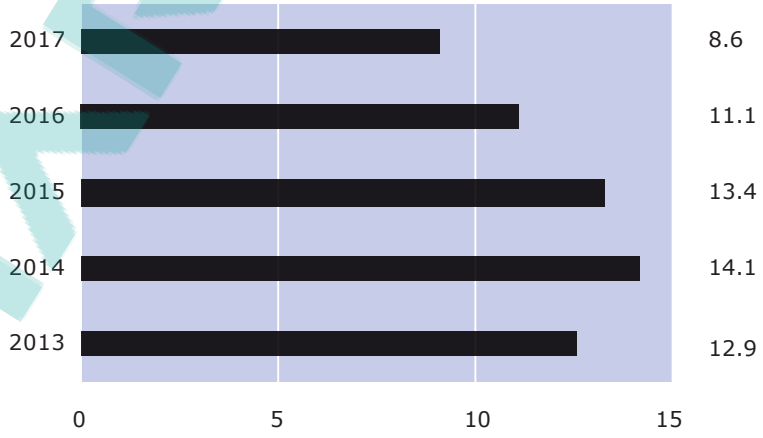
Shareholder's equity

Taka in million



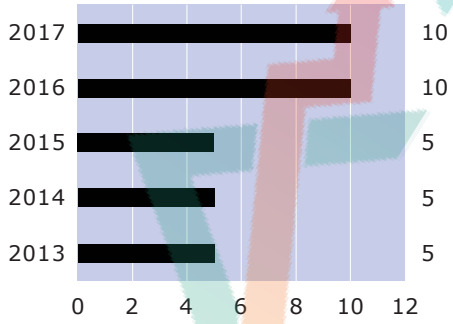
Return on equity

In percentage



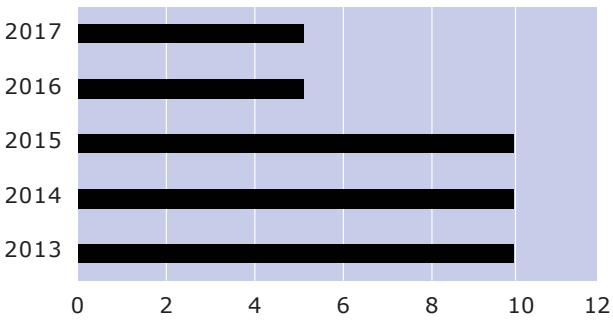
Cash dividend

In percentage



Stock Dividend

In percentage



AMAR STOCK

UNITED FINANCE LIMITED

Camellia House
22 Kazi Nazrul Islam Avenue, Dhaka-1000

PROXY FORM

I/We _____

of _____

being a member of United Finance Limited do hereby appoint

Mr. /Ms. _____

of _____

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

of _____

as my/our proxy, to vote for me/us and on my/our behalf at the Twenty Ninth Annual General Meeting of the Company to be held on April 26, 2018 at 10:00 a.m. and at any adjournment thereof or at any ballot to be taken in consequence thereof.

Signed this _____day of_____ 2018

Revenue Stamp TK 20/-

Signature of Shareholder_____
Folio/BO ID No_____
No. of Shares_____

_____
Signature of Proxy

N.B: IMPORTANT

(1) This Form of Proxy, duly completed, must be deposited at least 48 hours before the meeting at the Company's registered Office. Proxy is invalid if not singed and stamped as explained above.

(2) Signature of the Shareholder should agree with the specimen Signature registered with the Company and depository register.

UNITED FINANCE LIMITED

Camellia House
22 Kazi Nazrul Islam Avenue, Dhaka-1000

ATTENDANCE SLIP

I hereby record my attendance at the Twenty Ninth Annual General Meeting of the Company being held on Thursday, April 26, 2018 at 10:00 a.m. at the Dhaka Ladies Club, 36, Eskaton Garden Road, Ramna, Dhaka.

Name of Member/Proxy_____ Signature _____

Folio/BO ID No._____ Date _____

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

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

N.B: In compliance with the Bangladesh Securities and Exchange Commission's Circular No. SEC/CMRRCD/2009-193/154 dated October 24, 2013, no Gift/Gift Coupon/Food Box shall be distributed at the 29th AGM .

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Notes

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Notes

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