Annual Report 2013







About UNION CAPITAL LIMITED

Established in 1998, UCL Financial Group is a diversified financial service provider based in Dhaka. UCL has operations in both the principal segments of financial market: Capital market and financing & investment activities. Together with its principal subsidiaries, UniCap Securities Limited and UniCap Investments Limited, UCL Group offers a wide range of complementary investment products like term/lease finance, SME finance, real estate finance, equity finance, etc., brokerage services, issue management, underwriting, portfolio management and corporate advisory services.

UCL has 5 offices located in Dhaka, Chittagong and Sylhet. UCL is a publicly traded company listed on both the Dhaka and Chittagong Stock Exchange.

UCL are a highly focused business with strong management and a clearly defined business plan creating value and delivering shareholder return from core operating business

UCL is a diversified company that creates value and delivers shareholder returns from core operating business

Our focus, our core competency and our competitive advantage... is driven by our team's depth of knowledge, experience and hands-on expertise

RATIONALE

This year's annual report cover gives an insight into the heart of UCL–its commitment to the economic, social and environmental sustainability of the communities we serve. We must act keeping the environment in mind meaning to be conscious of all the things we do on a daily basis. All of our actions affect others lives on the Earth, including other human beings. It's important to think before we act.

We believe that our success is directly linked to the sustainability of our communities and the natural environment. We also believe that actions speak louder than words, by establishing green initiatives within our organization we hope to do our part to create an even brighter future for our organization and the communities we serve. When we think about Green, we think about three R's: Reduce, Reuse and Recycle. This is the first step of living green.

GREEN BANKING

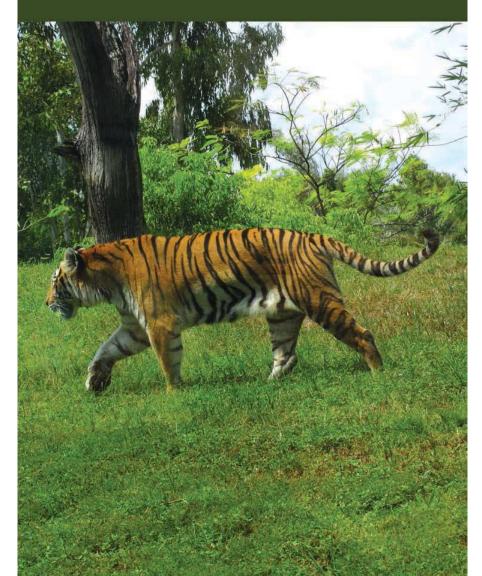
For sustainable economy

CL is proud to be a part of sustainable development in Bangladesh. We invest in the economic, social and environmental sustainability of the community we serve. As supporters of ecological sustainability, we understand that each individual and business must do their part to maintain our quality of life. We believe that our success is directly linked to the sustainability of our community and the natural environment. We also believe that actions speak louder than words by establishing green initiatives within our organization. We hope to do our part to create an even brighter future for our organization and the community we serve.

GREEN BANKING IS MORE THAN MONEY. OUR COMMITMENT TO GREEN GOES BEYOND MONEY. WE'RE COMMITTED TO HELPING THE ENVIRONMENT. WE ENCOURAGE TAKING STEPS TO REDUCE ENERGY & EMISSION, REUSE AND RECYCLE THE WASTES AND HELP IMPROVE OUR ENVIRONMENT

SAVE NATURE LIVE LONG

"Our task must be to free ourselves... by widening our circle of compassion to embrace all living creatures and the whole of nature and its beauty." Albert Einstein



An overview of the group and a description of vision, mission, values, strategic objectives, ethical principles and our business activities Message from our Chairman and Managing Director, an overview of our markets, the way we manage risk, how our operations performed, graphical presentation of

An introduction to the Board and its committees along with the Charters, group's approach to corporate governance and risk management, compliance status on the code of corporate governance, Directors and Management responsibilities in respect of financial reporting, management committees and their roles

performance indicators

CONTENTS | What's inside

OVERVIEW

BUSINESS REVIEW

GOVERNANCE AND RISK MANAGEMENT

Group Profile	4
Corporate Framework	5
Our Vision	6
Our Mission	7
Our Goals	8
Core Values	9
Overall Strategic Objectives	10
Business Principles	12
Ethical Principles	15
Products & Services	16
Statement from the Chairman	18
Statement from the Managing Director & CEO	20
Management Review & Financial Analysis	22
Five-years Financial Summary	40
Graphical Data of Business Performance	41
2013 Social Indicators	45
2014 Key Priorities	46

Board of Directors	48
Board Structure and its Operation	53
Charter of the Board and its Committees	55
Directors' Report	57
Audit Committee Report	79
Report on Internal Control	81
Directors' Responsibility in respect of the financial statements	84
Responsibility of CEO and CFO in respect of Financial Reporting	85
Report on Internal Control over Financial Reporting	86
Chairman's Statement on Corporate Governance	87
Corporate Governance	88
Ethical & Compliance Statement	103
Professional Certificate on Compliance of Conditions on Corporate Governance	107
Compliance Report on BSEC's Notification on Corporate Governance	108
Compliance Report on Bangladesh Bank's Guidelines on Corporate Governance	113
Report on Going Concern	115
Report on Risk Management	117
Senior Management	133
Management Committees	136
Organization Chart	138

	E	Framework for Responsible Business	140
Our approach to	OR	Corporate Social Responsibility	142
Our approach to	EP	Environment Initiative	148
sustainable development and human resource,	SUSTAINABILITY VELOPMENT REPORT	Corporate Culture	149
environment initiatives,	AB	Contribution to National Economy	151
human resource	JE	Human Resource Report	154
accounting and report on	IA	Human Resource Accounting	157
value added and its	JS.	Value Added Statement	160
distribution	SI	Market Value Added Statement	161
diotribution	DE	Economic Value Added	162
	Ι		
		Auditors' Report to the Shareholders	164
	S.	Consolidated Balance Sheet	166
	NID	Consolidated Profit and Loss Account	168
Audited financial	ROS	Consolidated Cash Flow Statement	170
statements of the	STATEMEN THE GROU	Consolidated Statement of Changes in Equity	171
Group and Union	HE	Balance Sheet of UCL	172
Capital Limited, key		Profit and Loss Account of UCL	174
accounting policies and	CIAL CL &	Profit and Loss Account (Merchant Banking Operation)	176
applicable BFRS	D D D	Cash Flow Statement of UCL	177
	FL	Statement of Changes in Equity of UCL	178
	NO N	Statement of Liquidity Analysis of UCL	179
	щ	Notes to the Financial Statements	180
		UniCap Securities Limited	004
	OF	Auditors' Report to the Shareholders	224
	ATEMENTS (COMPANIES	Statement of Financial Position	225
	AN	Statement of Comprehensive Income	226
Audited financial	IM	Statement of Cash Flows	227 228
statements, and	CO	Statement of Changes in Equity Notes to the Financial Statements	220
accounting policies of	ST/		229
UCL's subsidiaries	IAF	UniCap Investments Limited	
	D	Auditors' Report to the Shareholders	231
	ANG	Statement of Financial Position	232
	INANCIAL ST SUBSIDIARY		232 233
	FINANCIAL STATEMENTS SUBSIDIARY COMPANIE	Statement of Financial Position	
	FINANG	Statement of Financial Position Statement of Comprehensive Income	233
	FINANG	Statement of Financial Position Statement of Comprehensive Income Statement of Cash Flows	233 234
	FINANG	Statement of Financial Position Statement of Comprehensive Income Statement of Cash Flows Statement of Changes in Equity	233 234 235
	FINANG	Statement of Financial Position Statement of Comprehensive Income Statement of Cash Flows Statement of Changes in Equity	233 234 235
	FINANG SUBS	Statement of Financial Position Statement of Comprehensive Income Statement of Cash Flows Statement of Changes in Equity Notes to the Financial Statements	233 234 235 236
Invitations from the	I	Statement of Financial Position Statement of Comprehensive Income Statement of Cash Flows Statement of Changes in Equity Notes to the Financial Statements Letter of invitation from the Chairman	233 234 235 236 238
Invitations from the Chairman notice of AGM	I	Statement of Financial Position Statement of Comprehensive Income Statement of Cash Flows Statement of Changes in Equity Notes to the Financial Statements Letter of invitation from the Chairman Questions form Annual General Meeting	233 234 235 236 238 239
Chairman, notice of AGM,	I	Statement of Financial Position Statement of Comprehensive Income Statement of Cash Flows Statement of Changes in Equity Notes to the Financial Statements Letter of invitation from the Chairman Questions form Annual General Meeting Notice of 16th Annual General Meeting Form of Proxy Financial Calender 2013	233 234 235 236 238 239 241
	HOLDERS' LINFORMATION	Statement of Financial Position Statement of Comprehensive Income Statement of Cash Flows Statement of Changes in Equity Notes to the Financial Statements Letter of invitation from the Chairman Questions form Annual General Meeting Notice of 16th Annual General Meeting Form of Proxy Financial Calender 2013 Company Milestones	233 234 235 236 238 239 241 243 245 246
Chairman, notice of AGM, financial calender and	HOLDERS' LINFORMATION	Statement of Financial Position Statement of Comprehensive Income Statement of Cash Flows Statement of Changes in Equity Notes to the Financial Statements Letter of invitation from the Chairman Questions form Annual General Meeting Notice of 16th Annual General Meeting Form of Proxy Financial Calender 2013 Company Milestones Redressal of Investors complaint	233 234 235 236 238 239 241 243 245 246 247
Chairman, notice of AGM, financial calender and other useful informations	HOLDERS' LINFORMATION	Statement of Financial Position Statement of Comprehensive Income Statement of Cash Flows Statement of Changes in Equity Notes to the Financial Statements Letter of invitation from the Chairman Questions form Annual General Meeting Notice of 16th Annual General Meeting Form of Proxy Financial Calender 2013 Company Milestones Redressal of Investors complaint Other useful Information for Shareholders	233 234 235 236 238 239 241 243 245 246 247 248
Chairman, notice of AGM, financial calender and other useful informations and contact details for	I	Statement of Financial Position Statement of Comprehensive Income Statement of Cash Flows Statement of Changes in Equity Notes to the Financial Statements Letter of invitation from the Chairman Questions form Annual General Meeting Notice of 16th Annual General Meeting Form of Proxy Financial Calender 2013 Company Milestones Redressal of Investors complaint Other useful Information for Shareholders Definitions	233 234 235 236 238 239 241 243 245 246 247 248 250
Chairman, notice of AGM, financial calender and other useful informations and contact details for	HOLDERS' LINFORMATION	Statement of Financial Position Statement of Comprehensive Income Statement of Cash Flows Statement of Changes in Equity Notes to the Financial Statements Letter of invitation from the Chairman Questions form Annual General Meeting Notice of 16th Annual General Meeting Form of Proxy Financial Calender 2013 Company Milestones Redressal of Investors complaint Other useful Information for Shareholders	233 234 235 236 238 239 241 243 245 246 247 248



UCL is a financial services group operating in Bangladesh. UCL Group has two principal subsidiaries: UniCap Securities Limited and UniCap Investments Limited. Both the subsidiaries are providing capital market services while UCL is a non-banking financial institution provides a comprehensive financial services. UCL's ordinary shares are traded on both the Dhaka and Chittagong Stock Exchange since 2007.

GROUP PROFILE |

Sketch UCL's operational sphere

CL and its subsidiaries constitute one of the largest financial groups, which began its activities more than 15 years ago. UCL's predecessor, Peregrine Capital Limited was established in 1988 based in Hong Kong.

UCL is involved in a variety of financial and non-banking activities, in Bangladesh. The Group operates through UCL and its subsidiaries having 5 branch officess located in Dhaka, Chittagong, and Sylhet.

UCL's policy is to provide its customers with comprehensive financial solutions, high-level professional services, and a wide variety of products adapted to each customer's needs.

To implement its strategy, UCL operates through different business lines, with each business line providing financial services to a particular customer segment: Corporate Financial Services including leasing and term finance to SMEs and large enterprises of different sectors, Capital Market Services include issue management, share trading and portfolio management through its subsidiaries and Retail Customer Services include deposit schemes and personal lending.

THE GROUP PROVIDES

- Different deposit mobilization schemes
- Corporate and SME finance
- Investors portfolio management
- IPO and rights issue management
- Corporate advisory services
- Margin loan for investment in securities
- Share trading for retail and corporate investors

BUSINESS CLUSTERS

- Union Capital Limited (NBFI)
- UniCap Securities Limited (a member of DSE and CSE)
- UniCap Investments Limited (Full fledged merchant bank)

FOCUS

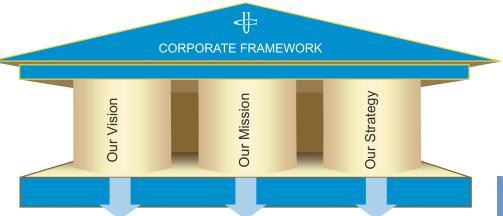
- Local Market
- Access to major areas of investment services
- Building strong investment portfolio
- Deliver legendary customer experiences
- Be an extraordinary place to work
- Operate with excellence
- Take only risks that we understand and can manage
- Enhance our brand image
- Increase shareholder value

LOCATION

- Registered office in Dhaka
- Major operating centres in Dhaka
- Branch network in Dhaka, Chittagong and Sylhet

CORPORATE FRAMEWORK | Outlines Vision, Missio and Guiding Principles

Outlines Vision, Mission, Strategy



Our vision is to be a sustainable financial institution with a special focus on enhancing value for all stakeholders through excellence in performance and good governance.

We are committed to returning superior value to our stakeholders through leadership in innovation, an absolute focus on customers and operational excellence, while costs need to be at least in line with our competitors.

Based on our vision, we have chosen to give priority to our overall strategic objectives that creates the foundation for strong growth and focuses on continuous value enhancement.

We follow our guiding principles to :

- Deliver legendary customer experience;
- Be an extraordinary place of work;
- Operate with excellence;
- Understand our business:
- Take only the risks we understand and can manage;
- Enhance our brand image;
- Increase shareholders' value.

Our leaders :

- Make an impact;
- Build for the future;
- Inspire the Will to win;
- Work effectively in teams:
- Live transparency;
- Show excellent judgement;
- Demonstrate unwavering integrity.

UCL Group's framework outlines our Vision, Mission and Strategy along with our Guiding Principles and expectations of leaders. It outlines in a simple way who we are, what we stand for and how we get things done. It's easy for employees to understand and incorporate in their day-to-day work. Most importantly, it applies to everyone at UCL Group.

OUR VISION | The overall aspiration of the business that sets out what we want to be

Vision possesses real power in setting directions, motivating action, and guiding decisions. It helps delivering quality services with measurable results and achievements; evolving quickly; communicating clearly; collaborating with partners; making decisions that are timely and focused; and innovating and looking forward



ur vision is to become a leading and sustainable financial institution providing integrated financial services that reflects its principles and values by aligning with our mission giving special focus on enhancing value through excellence in performance and good governance for our stakeholders.

Our Shareholders Maximizing shareholders' wealth achieving superior performance;

Our Customers Developing strong and mutual beneficial relationships working closely with our customers;

Our Emplyees Providing a safe and supportive working environment for our employees;

Our Community Be good citizens supporting community initiatives in health, education, arts and socio-economic development;

Our Environment Protecting our environment and benefit the community where we work.

OUR MISSION | The overall purpose of the business that sets out how we are going to achieve our vision

CL Group is a fast growing financial institutions in the community where we work. Our mission is to be the best run, customerfocused, integrated financial institution with a unique and inclusive employee culture. We are committed to returning superior value to our stakeholders. We will achieve this through leadership in innovation, an absolute focus on customers and operational excellence.

Shareholders Our responsibility to our shareholders is to effectively manage our physical, financial and human resources to increase shareholders' value through employee commitment to excellence.

Customers We are dedicated to serve our customers and we believe our first responsibility is to our customers. We will strive to meet our customers' need by providing high quality product and services of superior value. We believe our customers' success determines our future.

Employees We provide responsible leadership and a clear vision of the future to all of our employees. We expect our people to maximize their potential, to consistently achieve a high level of performance. We will provide a safe, productive work environment in which each employee will be treated as an individual with fairness, dignity and respect. We will recognize and reward creativity, individual initiative and superior achievement.

Community We provide quality products and services to meet the needs of the society. We will maintain high ethical standards, obey all laws, and respect local customs.

Environment We work together with all stakeholders to reduce our environmental impact by embedding the environment into our business and by involving our employees, our customer and our community. Our mission is supported by two fundamental principles that provide the foundation for all of our activities: Ethical principles and Core Values. Attaining our mission requires superior and continually improving performance in every area and at every level of the Group. Our performance will be guided by clear and concise strategic objectives for each business unit.

OUR OUALS

OUR GOALS | General statements of what business intends to achieve

ur goals is to enhance shareholders' value through deep understanding of our businesses and markets and by building sustainable competitive advantage in each business. In doing so, we will leverage the strengths of UCL e.g. talented people, outstanding innovation capabilities, a strong brand, leading market positions and a solid balance sheet - to deliver long-term shareholders' value through:

- Managing risk prudently;
- Building quality investment portfolio;
- Developing reliable and long-term relationship with our customers;
- Maintaining strong relationship with the development partners;
- Diversifying earnings stream through innovation;
- Striving for continuous improvement developing performance excellence in all we do.

strengths of UCL Group e.g. talented people, outstanding innovation capabilities, a strong brand, leading market positions and a solid balance sheet – to deliver long-term shareholders' value.

We will leverage the

CORE VALUES The basis of our success that sets out what we collectively believe in and guide our behaviours

e believe our strength is rooted in our core values: putting integrity first, building trust, working together, pursuing excellence, ensuring transparency, embracing challenge and serving our community. These values are our legacy and our future. We never lose sight of our founding principles and our proud heritage. Our business is always evolving but we'll always stay true to who we are. They always have been. They always will be. Since its inception, UCL Group has been governed by its core values. They shape the culture and define the character of our company. They guide how we behave and make decisions. This is just one of the many ways that we continually reinforce the values on which this company was built.

Integrity We are honest in everything we do. We work hard to make sure that the integrity remains a priority for everyone at UCL - every day, at every level of our Company.

Trust We work deligently to build a deeper level of trust with our clients and fund providers through appropriate investment ideas and value added services.

Teamwork We believe that highly qualified, motivated professionals working together in an entrepreneurial environment results in achieving UCL's vision, mission and goal.

Openness We are open, honest and fair in what we say and do and accountable to all including the community for our actions and inactions.

Transparency We are focused on the highest level of transparency providing timely and accurate information about company's performance and financial results to meet the stakeholders' expectation.

Excellence We aspire to achieve excellence in all that we do. We deliver what we promise and add value that goes beyond what is expected. We pursue continued growth and strive to achieve the highest levels of performance in all endeavors.

Resilience We welcome a challenge; we show strength of character, remain positive, even when things are tough; we see difficulty as an opportunity to demonstrate our ability.

Seven core values drive UCL employees and management in delivering results to our shareholders. clients and the community we operate in. Pursuing and living up to these values is a responsibility we take great pride in.

OVERALL STRATEGIC OBJECTIVES More precise and detail statements of the goals

DO BUSINESS

TO OUR MARKETS

More precise and detailed

ur strategic objectives are a medium term step in the journey towards the vision what we are doing over the next few years. We will build on our core regulated business based on financial discipline to deliver sustainable growth and superior financial performance. Based on our vision and target image, we have chosen to give priority to the following overall strategic objectives that creates the foundation for strong growth and focuses on continuous value enhancement.

INTENDING TO RANK AMONG THE TOP IN MARKETS WHERE WE

We offer leading services in the fields of financing and capital market. Our products facilitate solving both short term and long-term financial funding requirements. We deliver innovative solutions to cater customers'

As an integrated financial service provider, UCL Group operates in a dynamic market environment characterized by high pressure in terms of competition, innovation and costs. We counter this pressure foresightedly with our

corporate strategy.

diverse needs for our services. Our services lead the field in terms of quality and sophistication. In the area of capital market operations, we offer a broad, modular range of products - with well-engineered components like corporate reengineering, capital restructuring, exploring diverse funding sources, etc. The constant, ongoing development of our products in our selected markets, leasing, term finance, SME finance, real estate finance and issue management, underwriting, portfolio management, share trading and corporate advisory services through subsidiaries helps us to rank among the leading financial institutions. **GROWING STRONGLY COMPARED** We deliver innovative solutions to cater Our strength in innovation, our market customers' diverse

expertise, our focus on the constantly rising level of quality portfolio and our gearing towards SME markets shall allow us to achieve targeted revenue in the coming years. Assuming no further crashes in capital market, we anticipate considerable growth in revenue in coming years, even with a relatively small rise in macro economic indicators. Our growth course will be buoyed by the rising demand among the customers for products and services.

ENHANCING OUR EFFICIENCY AND PRODUCTIVITY

In recent times, we have made our presence even more efficient and productive providing services more in needs for our services. Our services lead the field in terms of quality and sophistication. In the area of capital market operations, we offer a broad, modular range of products - with well-engineered components like corporate reengineering, fund restructuring, exploring diverse funding sources. etc.

the areas that give better return. We will continue to pursue this policy systematically. The interaction of our growth, efficiency and productivity orientation allows us to offer competitive price always expected by our customers. Our cost discipline throughout the group extends across all stages of operations more particularly in the areas of fund mobilization and where possible, we utilize multi-sourcing and secure our volumes in the long term.

STRIVING FOR A BALANCED GROWTH OF REVENUES

In our two pillars - the financing operations and the capital market operations - we have a stable footing that should protect us from the cyclical fluctuations of the financial markets. This is why we are aiming to generate major revenue directly from financing activities and adequate amount from capital market operations in the medium term. Today, the share of revenue from financing activities is still higher than capital

10

market. We are pursuing three strategic directions in this regard: Firstly, we are investing specifically in the SME sector and large industries having good repayment track record and strong cash flow management; secondly, we are actively increasing our endeavors in managing our investment portfolio with the objective of minimizing the NPL at a threshold level; thirdly, we are boosting our business with customer-specific solutions. More importance will be attached to the growth of SME financing in this regard.

GROWING INTERNALLY AND EXTERNALLY

UCL has been growing organically and has also successfully integrated with its subsidiaries namely UniCap Securities Limited and UniCap Investments Limited. UCL operates as one family and pursues common goals with the help of a strong identity based on the values given on page 9 of this report, that creates the requirements for a competitive, highperformance culture. Our proven ability to achieve internal and external growth will aid our development in the future as well.

SAFEGUARDING OUR GROWTH IN THE LONG TERM WITH A SOLID FINANCING PROFILE

Our goal is to ensure that ongoing investment requirements are financed from the operating cash

We are well positioned in markets with attractive long-term growth prospects sustained by the continuing demand for financial services. We have a clear investment led growth strategy focused on building revenue momentum across all our businesses. flow. Other investment projects should be financed from new and additional debt to achieve a constant stabilization or improvement in the UCL's costs of capital. Owing in particular to our current investment climate and the effects of the lingering liquidity

problem on the financial markets as well, we are pursuing the target of maintaining the gearing ratio at a realistic level. If justified by special financing reasons or special market circumstances, we can rise above this level for an appropriate period.

REGARD OUR EMPLOYEES AS THE KEY FACTOR IN OUR SUCCESS

As an innovative company that plays a leading role in quality, the expertise of our employees is of enormous importance as it would not be possible to implement this strategy successfully without them. Utilizing comprehensive promotion and training activities, we strive to be seen as an employer of choice at all levels on the job market.

BUILDING REVENUE MOMENTUM, GOOD MARGIN IMPROVEMENT, HIGH CASH GENERATION, EARNINGS PER SHARE GROWTH AND GROWING RETURNS ON CAPITAL

We are well positioned in markets with attractive long-term growth prospects sustained by the continuing demand for financial services. We have a clear investment led growth strategy focused on building revenue momentum across all our businesses. This, together with improvements in cost efficiency and organizational effectiveness, will flow through to operating profitability and cash flow.

> Business strategy is concerned with deciding which markets and activities UCL should be involved in; where it wants to be; and how it is going to get there. Strategy is about making high-level decisions and forms the management game plan for ...

- Satisfying customers (meeting customer needs)
- Running the business (organizing resources in the most efficient and effective way)
- Beating the competition (strategies and tactics to gain competitive advantage)
- Achieving corporate objectives (building on our corporate framework)



BUSINESS PRINCIPLES |

The roadmap on how UCL operates and why we make our decision

c ertain principles are so fundamental to our success that we would like to follow in every business we operate. If we can adhere to these principles – and they are not in order of importance – we will reach our goal of becoming the best financial services provider in Bangladesh. We also hope those give us a roadmap on how and why we make our decisions.

We would like to create a financial group that all can be proud of, and we are confident that, working together, we will build one of the best financial services companies in Bangladesh.

ASPIRE TO BE THE BEST

Grow organically providing superior services in every business we operate

To be a great Company must have the ability to deliver good returns and solid growth over time. To achieve these results, we must provide our customers with a broad, complete and quality products and services. We must also demonstrate our ability to grow organically (e.g., new products, gaining market-share).

Consistently delivering the best products in a cost-effective way

We must offer outstanding products and services and being helpful, courteous, quick and consistent follow up in the customer's best interest. We need to be keenly aware of the competitive landscape and quick to act. We must exceed customers' expectations and constantly make it easier for them to do business with us.

Innovate in all actions we take

We need to build forward-looking ideas into every conversation, every analysis and every new product we look at for that we will take some calculated risks, knowing that some may fail.

Create strong brands that carry a commitment of quality and integrity

UCL Group is not only a promise to customers, but also a commitment we

make to ourselves about who we are and just how good we want to be. This commitment goes well beyond creating a name. To be powerful and trusted, our brands must be brought to life by the people who represent them for which we need to deliver on the promise every day.

We want to be one of the best financial services providers in Bangladesh. Because of our excellent platform, we believe this is within our reach. We cannot promise specific outcomes or risk-free results. What we can and will promise is to share the truth, and offer honest Business principles are so fundamental to the success that we would like to follow in every business we operate. If we can adhere to those principles we will reach our goal of becoming one of the best financial services provider in Bangladesh.

assessments of our businesses and our prospects; act with integrity and honor; do the right thing so that our shareholders, employees, customers and community can be proud.

EXECUTE MAGNIFICENTLY

Demand and maintain strong financial discipline

Financial discipline is foundation of great companies, particularly financial companies. Financial discipline – including sound accounting standards,

transparent public reporting and great management information systems – leads to high-quality earnings that are recurring and predictable in nature; yields high returns on capital; produces good margins; and provides reasonable risk relative to the capital deployed.

Financial discipline must be matched with superior–risk management. If we properly manage risk, we should get a good return through the cycle, not just during the good times. It is a trade-off we will always be prepared to make.

Create and maintain a strong financial condition

A strong balance sheet is critical to managing successful business. Having appropriate reserves, strong capital ratios and strong credit ratings allows us to withstand difficult events while giving us the flexibility to deploy our capital as we see fit – such as increasing our dividends, taking sectoral exposure, investing in subsidiaries, investing in our businesses, or simply doing nothing. We will deploy our capital wisely and in the shareholders' best interest. This is one of our most important goals.

To build a strong balance sheet, we must thoroughly understand all our assets and liabilities; make sure that we use sound, and appropriate accounting; and have strong controls in place.

Maintain the best systems and operations

Financially stong companies consistently build and develop the best infrastructure. The best systems and operations give them the ability to meet the needs of customers and exceed their expectations for service. Superior performance requires spending more and getting more from every amount we spend. We must relentlessly focus on integrating and upgrading technology, and on aggressively consolidating, streamlining and standardizing our operations, all of which help to push decision-making and authority to the field. We believe that efficient operations will be critical in the financial services business, and therefore we need to embrace and integrate them into everything we do. We need to continually strive to give our customers more, better and faster.

Eliminate bureaucracy

While appropriate rules and procedures are critical to the control and discipline of an entity, unnecessary rules translate into bureaucracy, which destroys initiative, neutralizes passion, stifles creativity, eliminates accountability, and makes it hard for people to do a good job and for managers to manage well.

Maintain good governance practices and internal controls

Good governance is vital for effective management. It ties together all our businesses we do with a common set of rules, expectations and oversight activities. These help safeguard our reputation, which we believe is one of our most important assets, and align the company's performance with the best interests of our shareholders.

Measure performance through a balanced scorecard

A mark of a winning company is its ability to outperform its competitors, regardless of economic conditions. A company may improve profitability in the short run by taking on additional risk and cutting back on investments but it may be the kind of growth one comes to regret. Our commitment is to build UCL Group that can thrive in any environment.

To reach that level of performance requires using a balanced scorecard that goes beyond earnings to address many questions, such as:

- Are we recruiting and developing talented people?
- Are we innovating better products?
- Are we relentlessly improving our core processes?
- Are we making good returns on capital?

As important as strategy is, we have got to execute to win. Execution involves every employee and every contact we have with customers. We must act quickly on problems; drive for results, not just activities; and ensure detailed follow-up so that we meet our commitments.

BUILD A GREAT AND WINNING CULTURE

Operate with the highest standards of integrity

Ethical behavior does not just happen rather it needs to be cultivated and repeatedly affirmed throughout the organization. Maintaining the highest standards of integrity involves being honest and doing the right thing for our customers, employees, shareholders and all other partners.

Train and retain great people

We need to continually hire and train talents. They always drive for superior performance, building teamwork within and across our group business. They act quickly on tough issues, relentlessly strive to improve performance, demonstrate a passion to win and develop their colleagues.

Be open and honest with ourselves, our colleagues, our shareholders and our community

We must build a culture based on truth, knowledge, constructive debate, a passion to win, and the courage to face and fix

mistakes. Our responsibility is to create a company that promotes this kind of constructive exchange. We believe this is the hardest part of leadership – we must have the fortitude and courage to take action and do the right thing. Leadership is an honor and a privilege, and carries the responsibility to set the

responsibility to set the right example. and the community can All our employees be proud.

All our employees must be engaged in

We cannot promise specific outcomes or risk-free results. What we can and will promise is to share the truth, and offer honest assessments of our businesses and our prospects; act with integrity and honor; do the right thing so that our shareholders, employees, customers

facing the challenges and solving problems. The key is to never stop learning, to share ideas and always

acknowledge mistakes. Our commitment is to create a self-sustaining culture that strives for continual improvement, which will ensure the health of this company in the coming years.

Fair share of performance

We want employees to think and act like owners and partners. We want to offer them an appropriate share of financial performance.

A successful Company always provides people with competitive compensation, the opportunity to benefit as the company grows and a rewarding career path.

Foster an environment of respect and inclusiveness

We need to constantly remind ourselves that the most important thing we can do for employees is to build a

As important as strategy is, we have got to execute to win. **Execution involves** every employee and every contact we have the company and the with customers. We must act quickly on problems; drive for results, not just activities; and ensure detailed follow-up so that we meet our commitments.

healthy and vibrant company that treats people with respect and creates opportunity. We have to remember that we all support one another. Above all, it means doing what is right for customers.

We strive to create a more inclusive work environment that develops the best talent. Building a diverse and inclusive work environment requires effort and perseverance, which is why we will make inclusiveness and diversity an integral part of how we manage the Group.

Give back to our society

We believe that building a strong and vibrant company, will eventually benefit not only our shareholders, but everyone we touch. It is what enables us to give back to our community. In one sense, we view ourselves as a small business. But we are striving to be as supportive as we can. We are committed to adding value by focusing on issues that are universally important, including education and community development.

Our greatest source of pride, however, is our employees, who contribute a good amount of time and talent to worthwhile causes of the society. Our employees continue to volunteer their participation in community work.

Eventually, it all comes down to people. Creating a winning team and a self-sustaining culture takes hard work, and there is no substitute for it. Teams win because they are disciplined, they work well together, they execute consistently and they have a passion to win.

We follow our guiding principles to:

- Deliver legendary customer experiences;
- Be an extraordinary place of work;
- Operate with excellence;
- Understand our business;
- Take only risk we understand and can manage;
- Enhance our brand;
- Increase shareholders' value



ETHICAL PRINCIPLES | The qualities of virtue, truth and justice that guides our decision making

he Company is committed to conducting business on the basis of morality and to create added value to its shareholders and also to put unwavering efforts to ensure that all stakeholders are fairly treated. It is the duty and responsibility of all Directors, Executives and staffs presence to faithfully follow the Business Ethics and comply with the policies and practices stated in this Code of Conduct. The Company's ultimate goal is to achieve its business objectives for the benefit of all stakeholders.

ETHICAL RESPONSIBILITIES TO THE CUSTOMERS

- We always think from the customers' point of view.
- We treat our customers with care and courtesy, and accommodate customer complaints and suggestions with humility.
- We safeguard customer assets.
- Management of customer assets is, in principle, done only with customer consent.
- Customer assets must not be used for the benefit of the Company, directors or employees.
- We handle personal and financial customer information as required by law.
- We avoid unfair dealing with customers.
- We do not accept gifts or entertainment from customers.
- Illicit monetary dealing with customers is not tolerated for whatever reason.

ETHICAL RESPONSIBILITIES TO THE SHAREHOLDERS

- We provide long-term, stable return to shareholders through sensible investment and prudent management.
- We prepare and retain financial records in accordance with BFRS and applicable rules, and provide company information to shareholders accurately and fairly.

ETHICAL RESPONSIBILITIES TO THE SOCIETY

- We comply with all applicable laws, rules, and regulations, and uphold the highest standard of business ethics and business principles.
- We compete fairly, relying on the merits of our products and services.
- We refrain from unreasonable business practices and create new standards for competition, to promote healthy growth of the industry.

ETHICAL RESPONSIBILITIES TO THE COMPANY

- We respect the dignity and rights of each other.
- We are a family committed to common values.
- Supervisors, subordinates, and co-workers all must work to build mutual trust and respect.
- Supervisors must not take advantage of their position to give unjust orders or demand gifts from subordinates. Any kind of harassment in the workplace is not tolerated.
- We safeguard corporate profits and property.
- We safeguard tangible and intangible company assets.
- Company assets must not be used for personal gain, and all reasonable measures must be taken to keep business information secure.

ETHICAL RESPONSIBILITIES TO THE PROFESSION

- We maintain professional competence and keep abreast of cutting edge information and knowledge, continually developing professional and financial expertise.
- We fulfill our fiduciary duty to customers, and faithfully do our part as members of UCL Group.

Behaving in an ethical manner can create positive business results. A business environment that promotes and upholds strong values is usually a happier and more productive workplace, and customers receive good service so they keep coming back.

15

PRODUCTS & SERVICES

The strength of diversity

A s a full service financial institution, UCL Group offers tailored product and services to meet appropriate and diverse needs of our customers, which include:

FINANCING AND INVESTMENT PRODUCTS

Lease Finance | Term Finance | Project Finance | Corporate Finance | Syndication Finance | SME Finance | Apartment Finance | Real Estate Finance | Bridge Finance | Construction & Renovation Finance | Unsecure Personal Loan | Car Finance | Student Finance | Professionals Loan | Venture Capital

CAPITAL MARKET SERVICES

IPO Management | Rights Issue Management | Underwriting | Portfolio Management | Margin Loan | Pre-IPO Placement | Share Trading | Investment Management | Corporate Restructuring | Corporate Advisory Services | Equity Investment | Fund Raising

DEPOSIT PRODUCTS

Fixed Term Deposit I Monthly Income Deposit I Periodic Income Deposit I Cumulative Income Deposit I Double Money Deposit I Triple Money Deposit I Millionaire Plus (MPlus) I Monthly Saving Scheme (MSS) I Profit First Deposit I Home Planning Deposit I Marriage Deposit I Education Deposit

business group, we offer a complete range of financial services to help clients achieve their goals. We provide strategic advice, lend money, raise capital, help manage funds and extend supports, and hold leadership positions in all of our major business areas.

Across our

16

BUSINESS REVIEW

IN THIS SECTION

Statement from the Chairman	18
Statement from the Managing Director & CEO	20
Management Review & Financial Analysis	22
Five-years Financial Summary	40
Graphical Data of Business Performance	41
2013 Social Indicators	45
2014 Key Priorities	46



We have passed another year of progress for UCL in which we have delivered solid investment portfolio and improved profit. We have achieved this against a tough economic backdrop and political uncertainty.

STATEMENT FROM THE CHAIRMAN

n a year that posted negative credit growth and increase in nonperforming loans in the overall financial sector of Bangladesh, Union Capital Limited has succeeded in i) increasing its investment portfolio by 45 percent; ii) reducing the percentage of its non-performing loans by almost half; and iii) increasing its net profit by a staggering 150 percent.

The year 2013 for Bangladesh was unfortunately marked by significant political unrest, which included about more than 85 days of strikes and blockades. This political turmoil left an adverse impact on the overall economy of Bangladesh, and the financial sector was no exception. There has been an overall decline in the credit growth of the financial industry coupled with an alarming increase in non-performing loans.

However, I am pleased to announce that Union Capital Limited prevailed against all odds and succeeded in delivering remarkable growth to its investment and profitability. Some of the highlights of the performance are as follows:

- Net profit before tax for 2013 was Tk. 208.59 million, almost 92 percent higher than the previous year. The operating profit also reflected a strong increase of 139.44 percent year on year, following strong operating revenue. The net profit after tax was Tk. 141.76 million registering a growth of 150 percent over last year.
- The overall investment portfolio of the Company increased by 45 percent, which was made possible by the relentless efforts of the management. I would like to assure you in the strongest possible terms that investment growth has not come at the cost of compromise on the asset quality. The Board and Management exercised highest level of diligence and scrutiny prior to approving any investment.
- The percentage of Non-performing Loan stood at 16.25 percent at the end of 2012. Owing to management's effort in boosting recovery of classified loans, a significant amount of bad loans were successfully recovered. In addition, due to the increase in the investment portfolio and writing-off selective NPL, the aggregate percentage of Non-performing loan for the year ended 2013 stands at 8.85 percent.

The achievements for the year have been possible due to the hard work of all employees led by our Managing Director, Md. Akter H. Sannamat FCA, FCS. Our employees are at the heart of our growth. They are passionate about what they do and are dedicated to the Company's sustainable growth. To build a sustainable financial institution, we are fostering the necessary culture and comprehensive approach in all of our operational areas. My

Good governance plays a critical role in ensuring that UCL remains a successful and sustainable company. A key element of this is ensuring that the Board has the right mix of individual non-executive directors with the experience and expertise, and who are provided with the right information and support, to constructively challenge and support the executive team. I am therefore pleased to report that the Board's balance of skills, expertise and attributes. including its diversity of perspective, are enhanced by the addition of two new Directors in the Board.

The Statement from the Chairman

appreciation goes to all employees in the UCL Group who in their own way, are shaping the UCL of the future.

In this age of immense competition, both balanced and sustainable growth are the key for financial institutions like Union Capital Limited. Keeping that in mind, UCL has recently started satisfactorily financing to SMEs. In fact, SMEs own the major chunk of pie in the graph of overall financing in Bangladesh. We believe it is not too late to give more focus on SME financing since it is more rewarding as well as socially viable than corporate lending. We recognize that we have many things to explore in this area. We have a good customer base. Our procedures are simple. We have an outstanding method for evaluation of a customer. Moreover, UCL has an automated work flow system for providing superior service to our SME clients. We are thus leveraging our strength to capitalize the opportunity for our long term and sustainable growth.

I am proud to announce that UCL was conferred recently a number of awards and recognitions in home and abroad. The Company has received the

The success of any

organization requires more than just a sound business strategy. I am personally committed to ensuring that ethical leadership continues to be embedded in our culture across our organization. UCL's culture is a key ingredient to our success. It has roots in the fundamental values we've held since our founding – things like putting customers first and always acting with respect and integrity.

First Prize in the **Financial Services** Sector category in SAFA countries. Your company has also been adjudged "Overall Winner" among all categories of SAFA countries in recognition of UCL's Best Presented Annual Report. SAFA - an apex body of the institutes of Professional Accountants in SAARC countries.

evaluates every year very few selected listed companies for its excellence in corporate reporting. In 2013, UCL has also been awarded Second Prize in ICAB Best Published Annual Reports 2012.

Winning such awards underscores UCL's commitment to excellence in financial and corporate disclosure and to the enhancement of best practices in all areas of corporate reporting. UCL's corporate reporting practices have continued to evolve to keep pace with the ever-increasing expectations of investors for greater transparency and better information on which to base their investment decisions.

I would like to thank my fellow Directors for their prudent guidance to, and supervision of, the management. Good governance plays a significant role in ensuring that UCL remains a successful and sustainable company. A key element of this is ensuring that the Board has the right mix of individual non-executive Directors with the experience and expertise, and who are provided with the right information and support, to constructively challenge and support the executive team. I would like to welcome Mr. Mohammad Nurun Nabi FCA the Independent Director and Capt. Minhazur Reza Chowdhury the Non-executive Director who joined on 9 February last.

Effective engagement with the shareholders is an important part of my role as Chairman. In this respect, I was pleased to meet a number of shareholders at last year's Annual General Meeting (AGM), and look forward to once again meeting many of you at this year's AGM. I am also, of course, available throughout the year to meet our larger shareholders on an individual basis.

Whilst UCL faced significant challenges in 2013, we continued to make strong progress towards achieving our long-term goals and in delivering diverse products and services to our customers. Whilst economic uncertainties remain and some of our markets will take time to recover, I believe that the key enablers of our strategy, together with our ongoing investment and restructuring of functional areas will support the continued growth of UCL in the years ahead.

In closing, let me express appreciation to my Board Members for their continued wise stewardship and strategic guidance. I would also like to thank them for their commitment and for giving their time generously over and beyond scheduled Board discussions. I also express my appreciation to our team of talented employees for their passion, loyalty and dedication, and to our customers and partners for their continued support.

I take this opportunity to thank our regulators Bangladesh Bank and Bangladesh Securities and Exchange Commission and Stock Exchanges for their continued guidance and support extended to us.

I conclude by reiterating my appreciation to all the shareholders of the Company who have taken the time and effort to attend the Annual General Meeting in person. The suggestions, advice and constructive criticism offered by our shareholders at the general meetings have always proved to be immensely helpful. I eagerly look forward to receiving your thoughtful inputs at this 16th Annual General Meeting which will help us to drive the Company towards excellence.

sd/-Chowdhury Tanzim Karim Chairman



We have acted decisively in the last year to realign our business and strengthen our competitive positions in the market where we do business. UCL is now better streamlined, further diversified and solidly positioned to reveal the corporate image that we have created as a part of our longterm strategy.

STATEMENT FROM THE MANAGING DIRECTOR & CEO

In today's emerging economy, building a sustainable financial institution is harder than ever especially for NBFIs. Leaders of NBFIs are facing critical and manifold challenges in finding new and better ways to increase top-line revenues, maintain necessary capital ratios, improve margins, strengthen balance sheet and enhance efficiency. Changes in regulatory policies, compliance, market volatility and issues involving distressed lending and infected assets added more concern.

Moreover, an unhealthy environment has emerged in the financing arena, where banks and NBFIs are competing across industries for the same pool of customers. This competition has intensified further with the entrance of new banks and FIs in this small economy. Thus, the financial services landscape is undergoing a fundamental change. Timely insight and clear focus has never been more critical. Focus is now a days being given more on regulatory challenges, innovation to meet the changing needs of customers, restructuring for growth, building trust and brand image to seize the revenue growth where there is an opportunity.

013 was a difficult year for the financial sector and for the UCL Group as well. While the first two quarters were not impressive, we ended the year with an earnings of Taka 1.29 per share. There were many challenges, and some of them were substantial. They included a sluggish economy, a decline in the quality of our assets, and the resultant provisions and charge-offs. We acknowledge all of these challenges, and those were the focus of our undivided attention and relentless efforts during the year 2013.

In the face of these challenges we had to restructure the operations and rebuilt the management team that had a significant outcome on the operational results of UCL. Consequently, UCL has emerged from 2013 with its unique resilient. We have enough capital that exceeds all regulatory requirements. We have the ability to rely almost entirely on core funding sources to fund our operations. Further, we have the opportunities that still remain with a footprint that encompasses all of diverse businesses that could well flourish as the economy is expected to grow in the coming years.

I joined UCL in the middle of 2012. While I saw a great many challenges ahead for UCL, from first-hand observation, I appreciated the great potential this company still has, and I wanted to be a part of it. I am honored and proud to be offered the opportunity to lead UCL into the next episode of its long and respected history.

FOCUSED ON CORE BUSINESS OBJECTIVES

The financial results demonstrate the value of the solid foundation we have built that has defined our company over these past years: a distinctive business model that generates multiple growth opportunities and the focused execution of a clearly defined operating strategy. We have established core business objectives to position ourselves for success and continue to deliver growing value for our shareholders:

- Maintain high quality of our portfolio and expand into new strategies;
- Attract and retain top talent to support our business;
- Capture greater market share; and
- Optimize our capital structure to position the company for further growth.

We accomplished each of these objectives and generated solid financial and operating results in 2013 with a focus on continuing to produce sustainable long-term value for our shareholders.

SUSTAINABLE BUSINESS MODEL

Every successful institution always looks to its core businesses for strength, balance and staying transparent, and these things are in place at UCL.

We're sharpening our understanding of what customers are looking for, how they want to do business with us and most importantly, why they need our help. There are big changes going on in our industry. We are intensely focused on execution and raising our performance to new levels. A strong executive management team has put in place various strategies to steer the company back towards its robust growth curve, focusing on operational excellence, disciplined expense

management, and superior performance in our core businesses. We believe, our business model is sustainable over the long term.

COMMITTED TO MEET CUSTOMERS' NEEDS

We constantly strive to meet our customers' present and future needs, and are determined to further develop our relationship with them. With the objective of delivering even more personalized solutions to each customer in a flexible, sensible manner, we have embarked on a process of simplification.

The objective is to reduce complexity in our operation and innovate in new solutions. We will simplify our business in terms of processes and products, focusing on the solutions that create the most value for our customers. This process of simplification will be a journey of constant improvement to the benefit of our customers and UCL.

Our strong customer focus and the relationship strategy will remain our guiding principle in our service

The past year has shown us that we can manage our business through the most significant of challenges and emerge stronger than ever. We believe this is a testament to the enduring strength of the franchise we have built, and bodes well for our ability to create additional value for our shareholders in the future.

towards becoming the future leader in financial service provider. In continued challenging times for our economies, we will contribute to stability and growth in investment and earnings by maintaining strong relationship with customers. Also, by pursuing high operational efficiency and better agility

in our products and services, we will ensure great customer experiences and achieve our aim of making it possible.

OUTLOOK

We don't expect to see any dramatic improvements in our economy for 2014; therefore the conditions we have to contend with to grow our business will still present challenges and opportunities for us. We will be re-doubling our efforts to expand our business, which, among other things, will include new financial services and products and improved marketing techniques. We realize that the future still contains many challenges that will require strong management oversight, and we are confident that we will meet these challenges; and in doing so UCL will have much to offer to our customers and shareholders. Their continued loyalty and support is what provides us the drive and determination for our continued success. We look forward to having the opportunity to serve our stakeholders and especially to earn their on-going trust and confidence.

Assuming that the economic and political landscape for the year ahead seems to be good, we have hardcoded values and experience and we believe that our business is now better

I am personally committed to ensuring that ethical leadership continues to be embedded in our culture across our organization.

streamlined, further diversified and solidly positioned to unmask the franchise value that we have created in pursuit of our long-term strategy.

The past year has shown us that we can manage through the most significant of challenges and emerge stronger than ever. We believe this is a testament to the enduring strength of the franchise we have built, and bodes well for our ability to create additional value for our shareholders in the future.

ACKNOWLEDGEMENTS

We have many people to thank for helping us to deliver our better results in 2013. A special thanks to all our customers for choosing UCL and allowing us to help them achieve their financial goals. We would like to thank our employees for embracing our commitment to hard work, integrity and placing the needs of our customers above all else. I extend my utmost gratitude to them for their united efforts, dedication and hard work in the face of difficult conditions – as well as for their willingness to embrace change. And we would like to thank our shareholders for their continued support. We also thank the Board and the regulators for their support and guidance during the past year.

And finally, I would also like to express my sincere gratitude to our lenders and depositors for their continued support and confidence in these challenging times that underpin our future success.

Thank you.

sd/-

Md. Akter Hossain Sannamat FCA, FCS Managing Director & CEO

MANAGEMENT REVIEW & FINANCIAL ANALYSIS

Outlines UCL's operations and financial condition

he Managing Director & CEO and the Chief Financial Officer have signed a statement which can be found on page 85 outlining management's responsibility for financial information in the annual consolidated financial statements.

This report describes UCL's operations and financial condition for the year ended 31 December 2013. This should be read in conjunction with our consolidated financial statements for the year ended 31 December 2013. Unless otherwise indicated, all amounts are stated in Bangladesh taka and have been derived from financial statements prepared in accordance with BFRS and other applicable regulatory requirements.

Certain prior year data has been reclassified to conform to the current year's presentation, including restatements arising from transaction of certain businesses between subsidiaries.

Index

- 23 Who we are provides an overview of UCL Financial Group.
- 23 **Our strategy and Priorities** outline our strategy and the context in which it is developed, as well as our priorities.
- 23 **Caution regarding forward-looking statements** advises readers about the limitations and inherent risks and uncertainties of forward looking statements.
- 24 **Factors that may affect future results** outline certain industry and company-specific factors that investors should consider when assessing UCL's earnings prospects.

Accounting matters and disclosure and internal control review critical accounting estimates and changes in accounting policies in 2013 and for future periods. It also outlines our evaluation of disclosure controls and procedures and internal control over financial reporting.

- 25 Changes in Accounting Policies and BFRS
- 26 Disclosure Controls and Procedures and Internal Control over Financial Reporting
- 27 Auditors Services and Fees
 - 2013 financial performance and financial condition review provides a detailed review of UCL's financial performance by major income statement category and segmental analysis and on our assets and liabilities by major balance sheet category.
- 27 Challenges in 2013
- 27 Major financial Indicators of 2013
- 27 Operating performance review
- 27 Financial condition review
- 32 Capital management
- 33 Cash flow analysis
- 33 **Risk management** outlines the specific risks that management perceives its impact on our business and the approach to managing those risk.

Other disclosures provide information which management deems useful for investors.

- 36 Regulations
- 37 Recent legislations
- 38 Competition
- 38 Communication with shareholders
- 38 Human Resources
- 39 Market for UCL's ordinary shares

The Managing Director & CEO and the Chief Financial Officer have signed a statement which can be found on page 85 outlining management's responsibility for financial information in the annual consolidated financial statements.

WHO WE ARE

Established in 1998, Union Capital Limited Financial Group is a diversified financial service provider based in Dhaka. UCL has operations in both the principal segments of financial market: capital market and financing & investment activities. Together with its principal subsidiaries, UniCap Securities Limited and UniCap Investments Limited, UCL Group offers a wide range of complementary investment products like term/lease finance, SME finance, real estate finance, equity finance, etc. brokerage services, issue management, underwriting, portfolio management and corporate advisory services. UCL has 5 offices located in Dhaka, Chittagong and Sylhet. UCL is a publicly traded Company listed in both the Dhaka and Chittagong Stock Exchange.

UCL's business planning process is rigorous and considers the prevailing economic conditions, customers' growing needs and the opportunities available across our lines of businesses. It includes clear and direct accountability for annual performance that is measured against internal and external benchmarks and progress towards our strategic priorities.

OUR STRATEGY

Changes in the economic environment and their effects on our customers are ongoing. UCL focuses on helping its customers and giving them confidence that they are making the right financial choices. It also drives the employees to deliver their best in all endeavors.

Recognizing that a company's first responsibility is to be well managed, we believe that the strength of our business model, balance sheet, risk management framework and leadership team will continue to generate sustainable growth. We remain steadfastly committed to our strategy, our customers, our shareholders, regulators, lenders and the society as a whole which we operate in.

OUR PRIORITIES IN 2014

- Drive quality earnings growth across all of our businesses by focusing on industry leading customer experience and enhancing operating efficiency;
- Accelerate the growth of our businesses by helping our broad range of customers' needs, particularly in SME segment addressing environmental risk while making new business relationships;
- Build deeper customers' relationships to deliver growth in net income and strong ROE, while maintaining an appropriate risk/return profile;
- Develop our business in selected markets to grow with our customers;
- Expand our capabilities and reach new customers;
- Sustain a culture that focuses on customers, high performance and our people;
- Become the employer of choice.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Our communications often include written or oral forward-looking statements. Statements of this type are included in this Annual Report, or in other communications are regarded as forward-looking statements. Forward-looking statements may involve, but not limited to, comments with respect to our objectives and priorities for 2014 and beyond.

Such forward looking statements may include, without limitation, statements relating to the following:

- our strategies, objectives, goals or business plans;
- our future economic performance or prospects;
- the probable effect on our future performance of certain contingencies; and
- assumptions underlying any such statements.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that our assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. We caution readers of this Annual Report not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward looking statements.

These factors include the followings but not limited to:

- general economic and market conditions of Bangladesh;
- strength of the regional and global economy;
- degree of competition in the business areas in which we operate;
- changes in laws or in supervisory regulations, guidelines including additional capital requirements, strict monitoring about interest rate and liquidity requirements and guidance;
- accuracy and completeness of the information we obtain with respect to our customers;
- changes to our credit ratings;
- general political environment;
- performance of our capital market;
- ability to maintain sufficient liquidity;
- market and interest rate fluctuations and interest rate levels;
- the ability of customers to meet their obligations to us;
- the effects of, and changes in fiscal, monetary and tax policies;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- the effects of changes in accounting policies or practices;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand image;
- the ability to increase market share and control expenses;
- technological changes;
- compliance with legal and regulatory requirements and

 our ability to anticipate and effectively manage risks associated with all of the foregoing factors.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors could adversely affect our actual performance.

For more information, please see the discussion below, which outlines in detail certain key factors that may affect our future results. When relying on forwardlooking statements to make decisions with respect to UCL, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. UCL does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by the Company or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the period ended on the dates presented, as well as our strategic priorities and objectives, and may not be appropriate for other purposes.

FACTORS THAT MAY AFFECT FUTURE RESULTS

As noted in the preceding caution regarding forwardlooking statements, all forward-looking statements and information, by their nature, are subject to inherent risks and uncertainties, both general and specific, which may cause actual results to differ materially from the expectations expressed in any forward-looking statement. The report on risk management starting on page 117 describes a number of risks, including credit, market, liquidity and funding, operational, legal and regulatory, business, strategic, reputation and environmental. Should our risk management framework prove ineffective, there could be a material adverse impact on our financial position. The followings outline some additional risks and uncertainties:

Company's business and earnings are affected by general business and political conditions

The performance of UCL is influenced by economic conditions prevailing in the country as well as global economy. Downturn in economies could result in a general reduction in business activity and a consequent fall in income of our Company. It could also cause a slow recovery of investments. Political instability also affects our earnings.

The financial performance of the Company is affected by customers' credibility

Risks arising from changes in portfolio quality and the recoverability of loans/leases are inherent in a wide range of our business. Adverse change in portfolio quality of our customers or deterioration in economies of Bangladesh and even global economic conditions, or events arising from systematic risks could affect the recoverability and value of Company's investments. This would deteriorate the asset quality and require an increase in the provision for doubtful losses resulting in lower profitability.

Changes in interest rates and other market factors may affect our business

Changes in interest rate levels, yield curves and spreads may affect our interest income. The

performance of financial markets, monetary and fiscal policy may cause changes in the value of Company's investments and portfolios. UCL has implemented risk management methods to mitigate and control these factors and other market risks to which the Company is exposed. However, it is difficult to predict with accuracy the likely changes in economic and market conditions and to anticipate the effects that such changes could have on the company's financial performance and business operations.

Operational risks are inherent in Company's business

Our businesses are dependent on the ability to process a very large number of transactions efficiently and accurately. Operational losses can results from fraud, errors by employees, failure to document transaction properly, failure to comply with regulatory requirements and code of business conduct and inadequacy in design of policies, procedures. Although, UCL has implemented risk controls and loss mitigation actions and substantial resources are devoted to developing efficient procedures and to staff training. It is only possible to be reasonably, but not absolutely, certain that such procedures will be effective in controlling each of the operational risks faced by our Company.

Each of the Company's business is subject to stringent regulations and regulatory overseeing

The Company is subject to laws, regulations and administrative actions of Bangladesh Bank, Bangladesh Securities and Exchange Commission, the Companies Act 1994, the Financial Institution Act 1993, the Income Tax Ordinance 1984, other applicable laws and regulations. Our capital market activities are also monitored by Stock Exchanges. This supervision and regulation, if changed could materially affect Company's business, the products and services offered or the value of assets.

Future growth of Company's earnings and shareholders' value depend on strategic decisions

The Company devotes substantial management and planning resources to the development of strategic plans for organic growth. If these strategic plans do not meet with success, the Company's earnings could grow more slowly or decline.

The risk of litigation is inherent in Company's operation

In the ordinary course of the Company's business, legal actions, claims by and against the Company may arise. The outcome of such legal proceedings could affect the financial performance of the Company.

The Company is exposed to the risk of changes in tax legislation and its interpretation

The Company's activities are subject to tax at various rates. Actions by the government to withdraw any tax benefit or impose additional taxes would affect the profitability of the Company. Revisions to tax legislation or its interpretation might also affect the Company's results in future.

A description on specific risks that UCL may likely to face is given in the last part of this section.

CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND BAS/BFRS

We did not adopt any new significant accounting policies during the year 2013. The following standards, interpretations and amendments thereto will be

relevant to UCL Group and all the amendments except IFRS 9: Financial Instruments have been adopted by ICAB. The Group's initial view of the impact of these accounting changes is outlined below:

Pronouncement	Nature of change	Effective date	Impact
Amendment to IAS 16, PPE and IAS 38, Intangible assets	Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated when an entity uses the revaluation model.	Financial periods beginning on or after 1 January 2014	The Group is assessing the impact of adopting the amended IAS 16 and IAS 38
Amendment to IAS 19: Employee benefits	The amendment clarifies the requirements that relate to how contributions from employees that are linked to service should be attributed to periods of service.	Financial periods beginning on or after 1 January 2014	The Group is assessing the impact of adopting the amended IAS 19
Amendment to IAS 24: Related party disclosures	The standard is amended to include as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity.	Financial periods beginning on or after 1 January 2014	The Group is assessing the impact of adopting the amended IAS 24
Amendment to IAS 32: Financial Instruments: Presentation	The amendment in IAS 32: Financial Instruments: Presentation requires to provide clarifications on the application of the offsetting rules.	Financial periods beginning on or after 1 January 2014	The Group is assessing the impact of adopting the amended IAS 32
Amendment to IAS 36: Impairment	The standard is amended to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.	Financial periods beginning on or after 1 January 2014	The Group is assessing the impact of adopting the amended IAS 36
Amendments to IAS 39	Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met.	Financial periods beginning on or after 1 January 2014	The Group is assessing the impact of adopting the amended IAS 39
Amendment to IAS 40: Investment property	The amendment clarifies that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists preparers to distinguish between investment property and owner-occupied property. IFRS 3 determines whether the acquisition of an investment property is a business combination.	Financial periods beginning on or after 1 July 2014	The Group is assessing the impact of adopting the amended IAS 40
Amendment to IFRS 1: First-time adoption of IFRS	The amendment clarifies that, when a new version of a standard is not yet mandatory but is available for early adoption, a first-time adopter may use either the old or the new version provided that the same standard is applied in all periods presented.	Financial periods beginning on or after 1 July 2014	The Group is assessing the impact of adopting the amended IFRS 1
Amendment to IFRS 2: Share- based payment	The amendment clarifies the definition of a vesting condition and separately defines performance and service conditions.	Financial periods beginning on or after 1 January 2014	The Group is assessing the impact of adopting the amended IFRS 2
Amendment to IFRS 3: Business combinations	As amended an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as a financial liability or as equity on the basis of the definitions in IAS 32. Non- equity consideration is measured at fair value at each reporting date, with changes recognized in the income statement.	Financial periods beginning on or after 1 January 2014	The Group is assessing the impact of adopting the amended IFRS 3

25

Pronouncement	Nature of change	Effective date	Impact
Amendment to IFRS 3: Business combinations	The amendment clarifies that IFRS 3 does not apply to the formation of any joint arrangement and that the scope exemption only applies in the financial statements of the joint arrangement itself.	Financial periods beginning on or after 1 July 2014	The Group is assessing the impact of adopting the amended IFRS 3
Amendment to IFRS 8: Operating segments	IFRS 13's consequencial amendment to IFRS 9 and IAS 39 led to a concern that entities could no longer measure short term receivables and payables at invoice amount where discounting is immaterials.	Financial periods beginning on or after 1 July 2014	The Group is assessing the impact of adopting the amended IFRS 8
Amendment to IFRS 13: Fair value measurement	The amendment clarifies that the Board did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.	Financial periods beginning on or after 1 January 2014	The Group is assessing the impact of adopting the amended IFRS 13
Amendment to IFRS 13: Fair value measurement	The amendment clarifies that the portfolio exception in IFRS 13, which allows fair value measurement of a group of financial assets and liabilities on a net basis, applies to all contracts within the scope of IAS 39 or IFRS 9.	Financial periods beginning on or after 1 July 2014	The Group is assessing the impact of adopting the amended IFRS 13

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Managing Director & CEO and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted as at 31 December 2013 by UCL Management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and the CFO have concluded that as at 31 December 2013, our disclosure controls and procedures are adequate, appropriate and effective both in terms of design, implementation and monitoring.

Internal Control over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with BAS/BFRS and the requirements of Bangladesh Bank and Bangladesh Securities and Exchange Commission and other applicable laws and regulations.

Management is responsible for designing, establishing and maintaining adequate internal control systems over financial reporting for UCL Financial Group. UCL's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of UCL;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with BAS/BFRS and the requirements of Bangladesh Bank, Bangladesh Securities and Exchange Commission, as applicable, and that receipts and expenditures of UCL are being made only in accordance with authorizations by management and directors of UCL; and
- provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of UCL's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements.

The Management, under the supervision of the CEO, the CFO and Head of ICC has evaluated the effectiveness of our internal control over financial reporting using the framework and criteria established in internal control. Based on this evaluation, management has concluded that internal control over financial reporting was appropriate and effective as at 31 December 2013.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting in 2013 that have materially

affected, or are reasonably or likely to materially affect, our internal control over financial reporting. The ongoing preparation of financial statements in accordance with the amendment in BAS/BFRS did not change company's internal control over financial reporting.

AUDITORS SERVICES AND FEES

The external auditors of UCL, M/S Hoda Vasi Chowdhury & Co., Chartered Accountants were not engaged to perform any of the following services other than annual statutory audit of the Company and the audit of one of its subsidiary namely, UniCap Securities Limited:

- Appraisal or valuation services or fairness opinions;
- Financial information systems design and implementation;
- Book-keeping or other services related to the accounting records or financial statements;
- Broker-dealer services;
- Actuarial services;
- Internal audit services.
- Audit/certification services on compliance of corporate governance.
- Any other service that the Audit Committee determines.

The auditors are paid an amount of Tk. 130,000 net of VAT for their audit of Union Capital Limited.

One of the subsidiaries of UCL Group, UniCap Investments Limited is audited by M/S S. F. Ahmed & Co., Chartered Accountants who were not engaged in the above mentioned services other than certification on the compliance by Union Capital Limited of the conditions on corporate governance as stipulated in and required by BSEC's notification no. SEC/CMRRCD/ 2006-158/134/ Admin/44 dated 7 August 2012. The auditors are paid Tk. 50,000 net of VAT for the certification services.

2013 FINANCIAL PERFORMANCE AND FINANCIAL CONDITION REVIEW

Challenges in 2013

- Economic slowdown;
- Political instability;
- Increased competition;
- Volatile capital market;

- Low demand for industrial credit;
- Lack of confidence of investors;
- Maintenance of asset quality;
- Higher corporate tax rate;

Major Financial indicators of 2013

Major performance indicators in 2013 were as under:

- Investment increased to Tk. 12,376.35 million from Tk. 9,170.70 million registering a momentous growth of 34.96 percent;
- Consolidated net profit for the year was Tk. 141.76 million as against Tk. 56.72 million of 2012 with noteworthy growth of 149.91 percent;
- Customers deposit increased by 70.43 percent to Tk. 7,836.86 million from Tk. 4,598.30 million of 2012;
- Shareholders' equity increased to Tk. 2,010.67 million from Tk. 1,868.91 million of 2012 with growth of 7.59 percent;
- Operating revenue increased to Tk. 1,663.80 million from Tk. 1,148.00 million representing growth of 44.93 percent over last year;
- Earnings per share increased to Tk. 1.29 as against Tk. 0.52 of 2012.

OPERATING PERFORMANCE REVIEW

Summary of Profit and Loss Account

Summary of Front and Loss Account						
(Figures in n 2013	nillion Taka) 2012	% of increase/ (decrease)	For the year ended 31 December			
2013	2012	(ueciease)	Tor the year ended of December			
1,428.77	897.15	59.26	Revenue from loans, advances & leases			
192.75	155.22	24.18	Revenue from capital market activities			
42.28	95.64	(55.79)	Other operating income			
1,663.80	1,148.00	44.93	Total revenue			
1,057.47	836.13	26.47	Financial expenses			
142.12	118.00	20.44	Management expenses			
255.62	85.19	200.06	Provision for doubtful losses			
1,455.21	1,039.32	40.02	Total expenses			
208.59	108.69	91.91	Profit before tax			
66.83	51.96	28.62	Provision for taxation			
141.76	56.72	149.93	Net profit after tax			

Revenue from loans, advances and leases

The following table shows the income generated from loans, advances and leases:

2	2013		2012	
Amount	%	Amount	%	(Figures in million Taka)
198.71	13.91	153.21	14.60	Income from lease finance
446.53	31.25	27.57	2.63	Income from term finance
66.71	4.67	21.12	2.01	Income from SME finance
592.39	41.46	599.46	57.13	Income from margin loan
124.43	8.71	0.86	0.08	Other operating income
1,428.77	100.00	1,049.22	100.00	Total

A substantial portion of Company's revenue is earned from financing activities like lease finance, term finance, SME finance and margin loan. Earnings from loans, advances and leases represent 85.87 percent of total revenue earned by the Company during 2013 (2012: 78.14 percent). Income from loans, advances and leases increased by 36.17 percent i.e. Tk. 379.55 million in 2013 compared with 2012 due to 60.69 percent growth in performing book as well as significant recovery from classified portfolio.

Financial expenses

In 2013 financial expenses has increased by 26.47 percent due to increase in volume of customer deposits by 70.43 percent and high money market environment. Interest on term loan at one stage soared up to 16 percent plus and sustained for quite long time.

UCL pays interest on funds mobilized from different sources like deposits from individuals and institutions, loan from banks, call loan and security deposit from customers. Interest rates vary depending on the nature of sources of funds. Interest expenses consist of 72.67 percent of total expenses (2012: 80.45 percent). In 2013 financial expenses were 63.57 percent of total operating revenue (2012: 72.83 percent). Income from margin loan was 1.18 percent lower than last year because of sluggish capital market throughout the year 2013.

Operating Expenses (Figures in million Taka) % of 2012 increase 1,057.47 26.47 836.13 **Financial expenses** 142.12 20.44 118.00 Management expenses 255.62 85.19 200.06 Provision for doubtful losses 1.455.21 1.039.32 40.02 **Total expenses**

Management expenses

Management expenses include salaries and allowances, office rent, promotional expenses, office maintenance expenses, depreciation on fixed assets, legal and professional fee etc. Details of the expenses are given in the Notes to the Financial Statements of this Annual Report. Management expenses increased by 20.44 percent to Tk. 142.12 million in 2013 (2012: Tk. 118.00 million) mainly due to increase in salary and allowances. During 2013, management expense was 8.58 percent of total revenue (2012: 10.28 percent).

Provision for doubtful losses

Provision for doubtful losses has been made as per guidelines of Bangladesh Bank. During the year total provision of Tk. 255.62 million has been provided which was Tk. 85.19 million in 2012.

FINANCIAL CONDITION REVIEW

(Figures in r 2013	nillion Taka) 2012	% of increase/ (decrease)	Assets and Investments
10,748.60	7,728.56	39.08	Loans, advances and leases
1,627.75	1,442.14	12.87	Investment in securities
18.24	22.71	(19.68)	Fixed assets
1,511.00	1,301.93	16.06	Cash & cash equivalent and other assets
13,905.59 10,495.35		32.49	Total assets and investments
			Shareholders' equity and liabilities
2,010.67	1,868.91	7.59	Shareholders' equity
7,836.86	4,598.30	70.43	Deposits
1,988.79	1,989.44	(0.03)	Borrowings from banks and NBFIs
2,069.27	2,038.70	1.50	Provisions and others liabilities
13,905.59	10,495.35	32.49	Total shareholders' equity & liabilities

Loans, advances and leases

Total outstanding balance of loans, advances and leases at 31 December 2013 were Tk. 10,748.60 million which is 39.08 percent higher than last year

(2012: Tk. 7,728.56 million).

Outstanding balance of loans, advances and leases as on 31 December 2013 and 2012 was as under:

Amount	2013 %	Amount	2012 %	(Figures in million Taka)
1,951.48	18.16	1,875.50	24.27	Lease finance
4,135.15	38.47	2,109.16	27.29	Term finance
4,507.67	41.94	3,570.53	46.20	Margin Ioan
154.30	1.44	173.37	2.24	Other finance
10,748.60	100.00	7,728.56	100.00	Total

In 2013, our total loans, advances and leases increased by 39.08 percent compared to 2012 mainly due to increase in term loan by 96.06 percent and margin loan by 26.25 percent. In 2013 we gave priority more in loans to SME sector keeping the quality of portfolio in corporate segment with an special focus on recovery of slow moving and stuck up lone/leases. Management has always been trying to concentrate on adding quality investments in its portfolio rather than achieving high target of business volume, keeping in mind our previous experiences in our financing activities.

Liquidity Statement

Maturity of assets and liabilities has been determined as per agreements with our customers and fund providers. Management always maintains long-term and short-term strategy to address the probable liquidity gap properly.

The Company meets its funding requirements through prudent liability management. Liability structuring is made in such a way so that it matches with the tenure of asset structure. Liquidity is monitored continuously

Loans, advances and leases

to ensure the company's ability to support investment growth, deposit encashment, meet contractual obligations, maintain reserve requirements and otherwise sustain operations. Union Capital maintains its liquidity in the form of readily encashable deposits with banks, collection of rentals/installments and investment in listed securities.

On the other hand, in order to meet company's urgent requirement UCL can, on the basis of its net assets, borrow significant amount in the form of call money, which is another point of liquidity support as far as fund management is concerned. Based on the net assets as of 31 December 2013, UCL can borrow from call money market to the tune of Tk.1,252.13 million. A statement of liquidity profile is sent to Bangladesh Bank on monthly basis. Management, however, believes that the Company's present position is adequate to meet its current and future liquidity requirements. Maturity analysis indicates that the Company maintains reasonable maturity gap between assets & liabilities in case of one year maturity buckets and above one year maturity buckets. Given below is the maturity table of investment activities:

(Figures in million Taka)	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Lease finance	136.90	312.24	409.81	936.41	156.12	1,951.48
Term finance	358.81	717.62	2,252.73	472.87	683.11	4,485.14
Margin loan	553.61	831.53	2,164.45	608.06	-	4,157.65
Loan against deposits	15.91	46.39	55.67	14.58	-	132.55
Staff loan	1.09	2.18	4.35	11.97	2.18	21.77
Total	1066.32	1909.96	4,887.01	2043.89	841.41	10,748.59

Maturity Table of borrowings and other liabilities are given below:

maturity rapie of borrowings and other habilities are given below.						
	Up to 1	1-3	3-12	1-5	Above 5	
(Figures in million Taka)	month	months	months	years	years	Total
Bank loan	24.03	75.34	292.04	583.25	-	974.66
SMESPD Fund	0.63	1.25	3.13	7.50	-	12.51
Fund from Bangladesh Bank	4.09	8.19	20.47	49.14	-	81.89
Short term loan	883.70	10.34	21.99	3.70	-	919.73
Total	912.45	95.12	337.63	643.59	-	1,988.79

Investment in shares

Union Capital Limited invested in diversified listed securities with highest investment in manufacturing companies represents 33.70 percent of total investment followed by investment companies (23.05 percent), insurance companies (19.80 percent) nonbanking financial institutions sector (16.29 percent) and banking companies (7.15 percent). UCL is exposed to market risk since it has a significant amount of investment in capital market and the fluctuation in the share price is a regular phenomenon of this market. We minimize this risk through diversification investing mostly in fundamentally strong securities. The market value of the securities at 31 December 2013 was Tk. 228.49 million (2012: Tk. 341.17 million). The following table shows the concentration of investment in major sectors of listed securities as at 31 December 2013 and 2012:

	2013	2	2012	(Figures in million Taka)
Amount	%	Amount	%	
24.66	7.15	54.75	10.48	Bank companies
56.16	16.29	96.69	18.51	Non Banking Financial Institution
68.25	19.80	41.70	7.98	Insurance companies
79.47	23.05	86.43	16.55	Investment companies
-	-	65.78	12.59	Fuel and power
116.18	33.70	177.04	33.89	Manufacturing companies and others
344.72	100.00	522.39	100.00	Total

Performance of Capital Market

We could not perform well in 2013 in our capital market activities as we expected at the beginning of the year. In all areas of this segment was effected mostly due to sluggish market throughout the year resulted from many factors including political instability, lack of investors' confidence, liquidity problem, lack of co-ordinations among the regulators etc.

In 2013, DSEX index gained only 4.30 percent. Over 2013, the DSEX gain only 176 points, closing at 4,266.55. Since there, it reversed and subsequently reached at 4,439.59 on 20 November 2013, which was the highest. In 2013 the turnover velocity ratio in DSE went down to 38.14 percent. In comparison to other developed capital markets, our velocity ratio is lower, showing that the DSE has room to grow and has leveraged on the opportunities available as reflected by the improvements achieved in the last few years.

During the year of 2013, DSEX gained by 176 points which resulted in a gain of 4.30 percent only. The DSE 30 Index (DS30) which comprises of the BLUE-Chip stocks clocked at its highest point at 1,654 on 16 July, 2013 while the lowest level of DS30 was recorded at 1,282 on 29 April, 2013 and the year end closing was 1,466.25.

NBFI sector also followed the overall market as evidenced by its around 2.79 percent growth in total capitalization. In line with the overall market and NBFI sector, market price of Union Capital Limited was quite volatile. UCL started its journey of 2013 on 01 January with the price of Tk. 27.40 in DSE and closed at Tk. 34.60 on 30 December 2013. The highest price was recorded at Tk. 36.90 on 18 July 2013 and the lowest was Tk. 19.70 on 24 April 2013.

Following table shows the capital market picture of DSE for the last three years:

2011	2012	2013	Change % (2012 Vs 2013)	
235	238	238	-	Total Trading Days
1,561	1,001	952.74	(4.82)	Total Turnover value (BDT in Billion)
6,642	4,206	4,003.12	(4.82)	Daily Average Turnover value (BDT million)
72	91	96.59	6.14	Average Volume (BDT million)
2,617	2,404	2,648	10.15	Market Capitalization (BDT in Billion)
501	515	529	2.72	Total Number of Listed Securities
14	14	17	21.43	Total Newly Listed Securities
33.23	26.27	25.51	(2.89)	Market Capitalization to GDP (Ratio)

Non-performing loans, advances & leases (NPL)

Loans, advances & leases are classified as nonperforming when it is marked as substandard category or worse even if there exist no reasonable doubts as to collectivity. Bangladesh Bank guidelines are strictly followed for determining the classification of loans, advances and leases. Interest accrued against overdue rental/installments of classified loans, advances and leases are not taken into profit and loss account rather kept in interest suspense account.

Moreover, interest accrued against overdue rentals of loans, advances and leases falling under the category of 'Special Mention Account (SMA)' accounts are also credited to interest suspense account instead of crediting to profit and loss account as per Bangladesh Bank's guidelines.

Non-performing assets as of 31 December 2013 and 2012 were as follows:

(Figures in million Taka)						
		2013			2012	
Outstanding		NPL	Outstanding		NPL	
amount	NPL	(%)	amount	NPL	(%)	
9,710.76	920.01	9.47	7,438.39	1,205.59	16.20	Loan/Lease finance
883.54	16.50	1.87	116.80	19.61	16.79	SME finance
154.30	-	-	173.37	-	-	Other finance
10,748.60	936.51	8.71	7,728.56	1,225.20	15.85	Total

Non-performing loans, advances and leases was recorded at Tk. 936.51 million in 2013 as against Tk.1,225.20 million of 2012, a significant downturn of 23.56 percent. The amount of classified loans, advances and leases decreased significantly due to write off of stuck up accounts to the tune of Tk. 284.36 million and a noteworthy recovery from legacy accounts followed by rigorous monitoring and follow up. Adequate provision has been made against the classified loan accounts as per Bangladesh Bank guidelines.

Coverage/reserve against non-performing loans, advances and leases

The following table summarizes the allocation of the provision and interest suspense against loans, advances and leases as of 31 December 2013 and 2012:

(BDT in million)	Provision for NPL	Interest suspense	Total	NPL	2013 % of Coverage	Provision for NPL	Interest suspense	Total	NPL	2012 % of Coverage
Lease finance	165.99	135.84	301.83	683.40	44.17	347.17	223.23	570.04	937.32	60.85
Term finance	48.31	38.86	87.17	253.11	34.44	41.90	39.65	81.55	287.88	28.33
Real estate finance	-	-	-	-	-	-	-	-	-	-
Margin loan	-	-	-	-	-	-	-	-	-	-
Loan against term depos	sit -	-	-	-	-	-	-	-	-	-
Total	214.30	174.70	389.00	936.51	41.54	389.07	262.88	651.69	1,225.20	53.21

-.21 e g d y Management Review & Financial Analysis

Union Capital has maintained total provision of Tk. 428.46 million against loans, advances and leases as of 31 December 2013 compared to Tk 468.25 million of last year. Provision against classified loan has decreased by 8.50 percent compared to 2012. The provision for doubtful losses decreased due to write off of legacy classified loans, advances and leases as well as oversize recovery from stuck up accounts. Management's periodic evaluation of the adequacy of the allowances is based on the companies past loss experience, known and inherent risk in the portfolio, adverse situations that may affect the clients' ability to repay and current economic conditions. Management has also taken the qualitative aspects while classifying an account.

We always adhere to the principle of classification as guided by Bangladesh Bank for making interest suspense and provisioning against loans, advances and leases. Interest amount is transferred to interest suspense account rather than showing as income in the profit & loss account when installments fall overdue for 2 months or more. Base for provision is made after deducting interest suspense and value of eligible security (considered 50 percent of market value of the security in case of mortgage of land, building and shares and 100 percent against cash security) from outstanding amount of a particular loan, advance and lease. Rate of provision for loans, advances and leases classified as Sub-standard, Doubtful and Bad & Loss is 20 percent, 50 percent and 100 percent respectively.

Coverage ratio of loans, advances and leases decreased. As at 31 December 2013 coverage was 41.54 percent compared to 53.21 percent of 2012. We believe coverage is satisfactory as the company maintain adequate provision as per guidelines of Bangladesh Bank.

Management has taken adequate measures to reduce the rate of classified loans, advances and leases by regular monitoring, examining, appraising, evaluating the position/status of the classified clients/customers. Appropriate legal action has been taken where necessary against the classified loan accounts where prospect of recovery from the customer through negotiation and amicable settlement is uncertain. Moreover, engagement of external recovery agents and formation of internal monitoring and recovery committee for effective monitoring and follow-up of problem accounts are the initiatives for improving recovery situation.

CREDIT MONITORING FUNCTION

A continuous monitoring of loan/leases is one of the most important tools for ensuring the quality of advances assets for any lending institution. UCL too has a well-established system of monthly monitoring of its loans, advances and leases accounts at various levels to prevent asset quality slippages and to take timely corrective steps to improve the quality of its overall portfolio. At UCL, a separate department, Special Asset Management (SAM), for monitoring function at the corporate level, has been functional. UCL has placed special focus on sharpening of the credit monitoring process for improving the asset quality, identifying the areas of concern and the branches requiring special attention. It has also worked out strategies to ensure implementation in a time-bound manner. The primary objectives of UCL's Special Asset Management Department at the corporate level are fixed as under:

- Identification of weakness/potential default/ incipient sickness in the account at an early stage;
- Initiation of suitable and timely corrective actions for preventing impairment in credit quality, whenever signals are noticed in any account, e.g. decline in credit rating, delay in servicing of rentals/installments etc;
- Prevention of slippage in the asset classification through a vigorous follow up;
- Identification of suitable cases for restructuring/ rescheduling/ rephasement;
- Taking necessary steps/regular follow up, for review of accounts and compliance of terms and conditions, thereby improving the quality of UCL's portfolio;
- Regular monitoring progress of classified accounts.

SHAREHOLDERS' EQUITY AND CAPITAL

Capital Management

Objective

UCL is committed to a disciplined approach to capital management that balances the interests and requirements of shareholders, regulators, depositors and rating agencies. Our objective is to maintain a strong capital position in a cost-effective structure that:

 is appropriate given our target regulatory capital ratios and internal assessment of required capital;

- is consistent with our targeted credit ratings;
- underpins our business strategies;
- is in line with our growth potentials; and
- builds depositors' confidence and long-term shareholder value.

Capital Management Framework

The principal and key elements of UCL's capital management framework are outlined in our capital management policy which includes the results of the internal capital adequacy assessment process.

This process evaluates capital adequacy, and is used to establish capital targets and capital strategies that take into consideration the strategic direction of the Company. The internal capital adequacy assessment process and capital plan are developed in conjunction with UCL's annual business plan, promoting alignment between our business and risk strategies, regulatory capital requirements. Stress testing framework and scenario analysis are also used to assess the impact of various stress conditions on UCL's risk profile and capital requirements. The framework seeks to ensure that we are adequately capitalized given the risks we take, and supports the determination of limits, goals and performance measures that are used to manage balance sheet positions, risk levels and capital requirements. Assessments of actual and forecast capital adequacy are compared to the capital plan throughout the year.

UCL uses regulatory capital to evaluate business performance and as the basis for strategic and transactional decision-making. This approach aims to protect our stakeholders from the risks inherent in our various businesses, while still allowing the flexibility to deploy resources to the high-return, strategic growth activities of our operational areas.

Governance

The Board of Directors and the Risk Management Committee provide ultimate oversight and approval of capital management, including our capital management policy and capital plan. We regularly review our capital position, capital adequacy and key capital management activities. The Risk Management Committee provides senior management oversight, and also reviews and discusses capital policies, issues and action items that arise in the execution of our strategy.

2013 Regulatory Capital Review

Regulatory capital requirements for UCL are currently determined on a the basis of guidelines of 'Capital Adequacy and Market Disciplines (CAMD), commonly known as Basel II accord issued by Bangladesh Bank. UCL's capital adequacy is determined based on risk weighted assets (RWA) in our portfolio. UCL's total consolidated RWA were Tk. 12,013.87 million at 31 December 2013, up from Tk. 11,645.29 million in 2012. The table below provides a breakdown of our RWA by risk type.

Risk-Weighted Assets (Consolidated)

BDT in millio	ns	
2013	2012	As at 31 December
10,923.25	9,089.98	Credit risk
456.97	1,484.84	Market risk
633.65	1,070.47	Operational risk
12,013.87	11,645.29	Total RWA

Basel II Regulatory Capital (in million Taka)

1,882.62	1,761.73	Total capital	
377.45	398.32	Tier 2 Capital	
1,505.17	1,363.41	Tier 1 Capital	

The above table details the components of regulatory capital. Tier 1 capital is primarily comprised of paid up share capital, and reserves and surplus. Our shareholders' equity and Tier 1 capital were Tk. 1,505.17 million as at 31 December 2013 compared to that of last year with a steady growth of 10.40 percent.

Total capital includes Tier 1 and Tier 2 capital, net of certain deductions. Tier 2 capital is primarily comprised of subordinated debt and a portion of the general allowance for credit losses. Deductions from Tier 2 capital primarily relate to our investments in subsidiaries. UCL does not have any subordinated debt. Total capital as of 31 December 2013 was Tk. 1,882.62 million.

Our objective is to maintain strong capital ratios that exceed regulatory requirements. The Equity Ratio, Tier 1 Capital Ratio and Total Capital Ratio are key measures of capital adequacy, and all remained adequate in 2013.

The Equity Ratio and the Basel II Tier 1 Capital Ratio, Tier 2 Capital Ratio, Total Capital Ratio and Capital to Assets multiple are the primary capital measurements. The ratios are as under:

2013	2012	As at 31 December
12.53	11.71	The Equity Ratio/Tier 1 Capital Ratio
3.14	3.42	Tier 2 Capital Ratio
15.67	15.13	Total Capital Ratio
1.57	1.51	Capital to Assets multiple

The Equity Ratio reflects shareholders' equity divided by RWA. The Tier 1 Capital Ratio reflects Tier 1 capital divided by RWA. The Total Capital Ratio reflects total capital divided by RWA. Total Capital Ratio of Union Capital Limited was 15.67 percent against the minimum capital adequacy ratio of 10 percent as per Bangladesh Bank guidelines. Therefore, the Company has surplus capital of 5.67 percent over the minimum rate of regulatory capital as per Basel II accord.

Borrowings from other banks and financial institutions

Total outstanding loan from banks and other financial institutions as at 31 December 2013 was Tk.1,988.79 million compared to Tk. 1,989.44 million in 2012. Interest on bank loans is paid on monthly/quarterly basis as per terms of loan arrangements. During the

year 2013, a total loan of Tk. 573.17 million was repaid. In addition, an amount of TK. 181.12 million was paid as interest.

Union Capital has been enjoying credit facility from Bangladesh Bank for SME financing, women entrepreneur finance and received JICA fund under the refinancing scheme.

Treasury Operation

In order to minimize the asset-liability mismatch. UCL always strives for mobilizing funds for longer term. In the current money market scenario it is difficult to mobilized deposit for a period of more than 12 months. For that reason, we need to borrow a large portion of our fund from banking sources which is of course a costlier source of fund. During the year 2013, an amount of Tk. 3,053.67 million has been received as term deposits from various sources which was Tk. 611.67 million in 2012. As at 31 December 2013, total outstanding amount of term deposit was Tk. 7,374.99 million compared to Tk. 4,321.42 million in 2012. Interest amounting to TK. 817.66 million was paid on term deposits during 2013 as against Tk. 535.88 million in 2012. The Company offers different deposit products which is available on page 16.

CASH FLOWS ANALYSIS

Union capital prepares its cash flow statement in line with the format prescribed by Bangladesh Bank. We manage our cash flow preparing statement for different maturity period i.e. within 7 days, 2 weeks, 1-12 months, between 1-3 years, 3-5 years, 5-10 years, 10-15 years, 15-20 years as per the situation demands.

A considerable portion of our total assets representing 14.48 percent is liquid in nature and consists mainly of cash and balance with various banks and financial institutions and investment in listed securities. The highly liquid nature of our assets provides us with flexibility in financing and managing our anticipated operating needs.

The company's asset and liability management policy is intended to manage Balance Sheet Risk, especially for managing of liquidity risk and interest rate risk. We manage the risk re-pricing the interest earning assets and interest-bearing liabilities though in some cases it is difficult to re-price the loans, advances and leases. The Company is maintaining the CRR and SLR as prescribed by the Bangladesh Bank.

Cash flow from operating activities

Union Capital maintained a positive net cash flow from its operating activities during the year 2013. Positive net cash flows from operating activities signifies that UCL Group generates sufficient cash flow from its operating activities to meet its operating expenses. Net cash inflows from operating activities was Tk. 344.26 million due to a significant amount of deposit collected from banks and financial institutions.

Cash flow from investing activities

Net cash outflows from investing activities were Tk. 248.38 million mainly due to investment in listed

securities. During the year, a total amount of Tk. 1,547.62 million (2012: Tk. 921.33 million) has been invested for purchase of listed securities while total sale of securities was Tk. 1,304.31 million (2012: Tk. 732.56 million).

Cash flow from financing activities

Net cash flow from financing activities shows a net cash outflow that means the repayment of loan was higher than the money borrowed from banks and other sources. During the year a total amount Tk. 590.56 million was paid to banks and financial institutions as repayment of short/long term loan while an amount of Tk. 589.91 million was taken as fresh loan.

SPECIFIC RISK AND ITS MANAGEMENT

Regulatory risk

This is the risk whereby the procedures implemented by UCL to ensure compliance to relevant statutory, regulatory and supervisory requirements are not adhered to and/or are inefficient and ineffective.

Impact on business

Could result in significant financial loss, impairment of shareholders' funds and/ or outright closure of business occasioned by sanction/fine on UCL, or loss/ suspension of banking license.

Mitigation measures

Proactive implementation of UCL's sound compliance programme that ensures compliance by all stakeholders to relevant laws and regulations. This includes continuous updates of UCL's policy guidelines as well as training of employees to understand regulatory obligations and the consequence of non-compliance.

Reputational risk

This is the risk whereby UCL might be exposed to negative publicity due to the contravention of applicable statutory, regulatory and supervisory requirements and/ or providing a service that does not comply with fit and proper industry standards.

Impact on business

Could result in loss of correspondent banking relationship, loss of investor community confidence significant financial loss; occasioned by damage to UCL's image as a result of negative publicity and eventual loss of business.

Mitigation measures

UCL has put in place adequate measures to know our customers and implement processes for combating money laundering and terrorist financing. In this regard, UCL continuously reviews its Anti Money Laundering and Terrorist Financing policy, incorporating any new regulatory guidelines for Know Your Customer (KYC)/ Know Your Customer's Business (KYB).

Responsibility

The primary responsibility for complying with regulatory requirements lies with all employees conducting particular transactions, or activity to which regulation applies. However, the Board of Directors is ultimately accountable for compliance through the Chief Compliance Officer.

CREDIT RISK

Credit

Default risk, performance risk, payment risk, diversion risk, managerial risk.

Impact on business

- Poor asset quality arising from high level of nonperforming loan/leases and ultimately low yield on risk assets;
- Financial loss due to increased provisions and charges on impaired assets;
- Could lead to impairment of shareholders' funds.

Mitigation measures

- Strong credit analysis to identify the risk;
- Clear loan covenants and transaction dynamics;
- Effective credit control and monitoring processes;
- Prompt identification of early sign of deterioration;
- Adequacy and realizability of collateral;
- Adoption of risk-based pricing for risk assets;
- Risk management systems and processes have been strengthened to optimize portfolio quality and to ensure appropriate pricing of risk assets.

Portfolio Concentration risk

Impact on business

Breaches of portfolio limits and regulatory provisions could lead to sanctions and increased financial loss.

Mitigation measures

Adherence to portfolio limits and regulatory requirements.

Responsibility

Business Units, Chief Risk Officer and Risk Management Committee.

MARKET AND LIQUIDITY RISK

Interest rate risk

Impact on business

Could result in significant financial loss, impairment of interest rate related instruments including fixed-rate instruments.

Mitigation measures

- Experienced Asset-liability Management Committee that meets regularly;
- Daily reporting to executive management;
- Strict adherence to UCL's internal policies such as the use of limits and management action triggers.

Investment risk

Impact on business

Could lead to diminution in the value of investments.

Mitigation measures

- Significant investments are approved by the Board and all others by the Board Executive Committee and the Management Committee;
- Experienced executives in the respective business units;
- Supervision by the parent company board on subsidiaries;
- Portfolio selection and diversification strategies.

Liquidity risk

Impact on business

Could lead to insolvency and eventual reputational risk.

Mitigation measures

- Efficient Asset and Liability Committee that oversees liquidity management;
- Diversified sources of funding;
- Contingent funding plan;
- Effective cash flow planning.

Responsibility

The primary responsibility for mitigating the above risks lies with the treasury department. However, the risk identification, measurement, monitoring, control and reporting lies with the ALCO and the Chief Risk Officer.

OPERATIONAL RISK

People risk

The risk of loss – financial, reputational or otherwise – arising from a failure to properly manage UCL's human capital. This could manifest in the form of staff fraud, high staff attrition, knowledge gaps and a demotivated and disgruntled workforce.

Impact on business

This would impact UCL by way of negative service experiences for our customers and the attendant loss in market share, financial loss and reputational damage and the cumulative effect of being unable to deliver strong business performance that meets or exceeds stakeholders' expectations.

Mitigation measures

- UCL has put in place comprehensive service rules to achieve a strong workplace;
- Effective background checks on new hires;
- Competitive remuneration package to attract and retain the best talent;
- Enforcement of strong supervisory control;
- Zero tolerance to staff integrity issues and fraud;

- A fully fledged HR Department to cater for the training and development needs of staff;
- A HR and Compensation Committee that deal with and resolve employee issues.

Operations risk

The risk for UCL to incur financial loss as a result of inadequacies or failures in operations processes, systems or staff. Operations risk additionally incorporates the risk arising from disruption of operations activities caused by external events. Examples are: failures in the customer intake and documentation process; failed mandatory reporting obligations; limit breach due to inadequate internal processes; inadequate reconciliation processes and manual intensive processes.

Impact on business

Impact on business ranges from negative customer impact and the attendant loss in market share, financial loss and reputational damage, and the cumulative effect of being unable to deliver strong business performance that meets or exceeds stakeholders' expectations.

Mitigation measures

- We have a operational guidelines that guide operational activities;
- There is a functional reporting structure for effective supervisory control on the operations of UCL;
- Automation of functional processes;
- Putting in place sound business continuity plan and disaster recovery programmes;
- Stepping up operational risk awareness training;
- Monitoring and managing key risk indicators (KRIs) in products/activities.

Environmental risk

Environmental risk is the risk of loss to financial, operational or reputational value resulting from the impact of environmental issues. It arises from our business activities and our operations. For example, the environmental issues associated with our clients' purchase and sale of contaminated property or development of large-scale projects may give rise to credit and reputation risk. Operational and legal risks may arise from environmental issues at our different offices or data processing centers. Failure to adequately manage environmental risk could adversely impact our results and/or significantly impact our reputation.

Impact on business

This could result in financial loss to the UCL in the form of non-repyament of loans by the borrowers due to discontinuation of business operations involving environmentally hazardous activities.

Mitigation measures

We have a robust risk assessment procedure at appraisal stage in case of any credit facility to any borrower involving any activities that is detrimental to the environment. UCL never extend any credit facility to environmentally hazardous operations. We have also adopted green banking policy that we follow in all of our business activities.

System or technology risk

The risk of failing to develop, implement or operate UCL's technology platforms and solutions to meet stakeholders requirements.

Impact on business

This could manifest in the form of: system downtime resulting in irate customers and tarnished reputation; software failures; systems change process management failures; seizure of technical support; hardware failures; obsolete hardware; and no support from the system providers.

Mitigation measures

- UCL has a Disaster Recovery Plan;
- UCL execute Service Agreement with IT service providers;
- Regular IT supervision and control;
- Hardware management covering hardware purchase, use, replacement and disposal;
- Extensive software selection process is in place covering purchase or design, use, enhancement and replacement;
- Building resilience into UCL's network platform through the installation of a back-up link.

Regulatory and compliance risk

This could lead to financial and reputational losses to UCL as a result of failure to comply with the laws, regulations or codes applicable to the financial services industry.

Impact on business

The impact of this risk category on UCL ranges from financial loss arising from fines and penalties; loss of revenue due to temporary suspension or ban from certain market activities; possible loss in share price and negative investors perception and suspension of operations.

Mitigation measures

- UCL has compliance team to drive and implement UCL's compliance framework;
- Effective monitoring of compliance with laws and regulations, its code of conduct, and corporate governance practices;
- UCL has a process for ensuring new and changed legal and regulatory requirements;
- Ensuring that regulatory requirements are incorporated in the operation where appropriate;
- Prompt submission of regulatory reports;
- Sound corporate governance practices and the setting of the right tone from the top with respect to regulatory issues.

Responsibility

The primary responsibility for mitigating the above operational risks lies with the risk-taking units of UCL, which include all the business units and support functions.

Information security risk

Confidentiality, integrity and availability of UCL operations and information assets.

Impact on business

Information assets are critical to UCL's operation and the confidentiality, integrity and availability of these assets are crucial to the effective and efficient delivery of service by UCL to its customers.

Disruption or interruptions to these assets would have dire consequences on UCL operations.

Mitigation measures

- Documenting and standardizing the processes within UCL while building appropriate controls into these processes;
- Classifying all information assets with appropriate priorities and assigning ownership for those assets;
- Developing awareness programme and making information security the responsibility of all UCL staff.

Responsibility

The primary responsibility for security of UCL information assets and applicable legislations lies with all employees, while the Executive Management has the overall responsibility to ensure that all information assets within UCL are protected and thus adequately secure.

Legal risk

Impact on business

Increased costs, loss of revenue, abuse and/or loss of intellectual property, distraction, negative brand equity, strained relationships with customers, depositors, employees, service providers, investors, regulators and other stakeholders, and possible disruption of business activities.

Mitigation measures

Consistent application of professional standards, transparency and fairness while transacting to reduce areas of possible conflicts, availability of a dependable record retention system, engagement of external counsel with proven competence in the prosecution of UCL's claims against third parties and in the conduct of UCL's defense, and exploring alternative dispute resolution mechanisms, among others.

Asset security cover risk

Impact on business

Loss of revenues, weak legal position in recovery efforts, increase in litigations and the attendant negative impact.

Mitigation measures

Thorough and experienced credit proposal reviews, use of independent experts for asset valuations, conduct of due diligence on assets subject matter of the security arrangements, legally defensible documentation protective of UCL's security interest and effective and proactive monitoring of credits.

Responsibility

The Legal Services Department, Credit Appraisal Unit, Credit Risk Management and all Relationship Managers.

REGULATIONS

UCL has been operating under the license from Bangladesh Bank. Our operations are subject to regulation, inspection, and supervision. This supervision and regulation is intended primarily to bring financial discipline in the functioning of NBFIs and for the protection of the depositors. We are required to provide reports on our activities on certain intervals some are regularly; some are weekly, monthly, quarterly, half-yearly, yearly and so on. Regulations applicable to UCL generally relate to lending and investment activities, maintenance of appropriate level of capital, maintenance of cash and liquidity reserve, appointment of Directors, Managing Director and auditors, loan to Directors and associates etc. Failure to comply with these regulations may be considered an unsafe and unsound practice and may result in the imposition of penalties by Bangladesh Bank. The company is required to submit periodic reports/statements to Bangladesh Bank describing its activities and financial conditions. Our capital market operations are also monitored and supervised by BSEC and Stock Exchanges. The periodic reports are required to submit to Bangladesh Bank, BSEC and Stock Exchanges are given below:

Reporting Type	Frequency
Schedule of Bangladesh Bank Reporting	ng
Statement of Shareholding information	Quarterly
Statement of Re-Schedulement of Lease/Loan A/C	Monthly
Statement of Write Off of Lease/Loan A/0	C Monthly
CIB return	Monthly
Statement of Business Activities	Quarterly
Statement of Industrial Loan	Quarterly
Statement on Money Laundering	Quarterly
Statement of Loans/Leases of Bank/FIs Directors	Quarterly
Statement of Top 10 Defaulters	Quarterly
Statement of Litigation cases	Half-Yearly
Statement of Large Loan/Lease	Quarterly
Risk Management Report	Monthly
Report on National Integrity Strategy	Quarterly
Call Money Transactions	Daily

Yearly

Report on Product and Services

Reporting Type	Frequency
Report on Green Banking	Quarterly
Statement of NBDC Return	Monthly
Unaudited Balance Sheet	Half-Yearly
Statement of Net Assets	Half-Yearly
Schedule of collection of	Than Touriy
fees/charges/commission	Half-Yearly
Inter Bank Transaction Matrix	Monthly
Statement of Corporate Social Responsibility	Half-Yearly
Classification of Leases & Loans (CL)	Quarterly
Sector wise Investment	Quarterly
BASEL II reporting	Quarterly
Stress Testing Report	Half-Yearly
Minutes of Board/Committee Meetings C	Occasionally
Statement of Cash Reserve Requirement	Monthly
Statement of Statutory Liquidity Reserve	Monthly
Statement of Lending/Deposit Rate	Quarterly
Liquidity Profile	Monthly
Branch wise information	Monthly
Audited Financial Statements & Management Report	Annually
Statement of SME Loan/Lease disbursement	Quarterly
Statement of SME Loan/Lease disbursement for Women Entrepreneur	Quarterly
Statement of SME Loan/Lease outstanding	ng Quarterly
Statement of SME Loan/Lease recovery/collection status	Quarterly
Statement of SME Loan/Lease cluster wise disbursement	Quarterly
Statement of SME Loan/Lease cluster wise outstanding	Quarterly
Segmentation Data	Quarterly
Statement of SME monitoring refinance scheme for Women Entrepreneur	Quarterly
Statement of SME target report	Yearly
Reporting to BSEC	
Quarterly Financial Statements (Q1)	Quarterly
	0 1 1

Quarterly Financial Statements (Q1)	Quarterly
Quarterly Financial Statements (Q3)	Quarterly
Shareholding position	Monthly
Half-Yearly report	Half-yearly
Daily Trade Report	Daily
Merchant Bank activities	Monthly
Merchant Bank activities	Quarterly

Dhaka & Chittagong Stock Exchange

Quarterly Financial Statements (Q1)	Quarterly
Quarterly Financial Statements (Q3)	Quarterly
Half-Yearly report	Half-yearly
Shareholding position	Monthly
Statement of free float shareholding	Monthly
Annual Report	Annually

RECENT LEGISLATIONS

- During the year 2013, Bangladesh Bank has issued certain guidelines which inter alia include as under:
- All NBFIs can mobilize customer deposits with minimum maturity period of 3 moths;
- Bangladesh Bank has issued a regulation allowing all NBFIs to maintain general provision @0.25 percent on SME finance falling under the classification of standard.
- A new reporting is required to be submitted to Bangladesh Bank by NBFIs on Inter Bank Transaction Matrix.
- Bangladesh Bank issued a guideline on Green Banking and required all NBFIs to submit a report on Green Banking on quarterly basis.
- A yearly report on product and services has to be submitted by Bangladesh Bank by NBFIs as per the revised guidelines on Product and Services.
- Bangladesh Bank issued a guideline on National Integrity Strategy to submit a report on quarterly basis.
- Financial Institutions are required to submit a Risk Management Paper to Bangladesh Bank covering all risk areas on monthly basis.
- Bangladesh Bank has instructed Non Banking Financial Institutions to submit a report on Base Rate System on monthly basis and introduced Cost of Fund Index (CoFI) of NBFIs.

The Securities and Exchange Commission has also issued guidelines for listed companies, which inter alia include as under:

- The Exchange Demutualization Act 2013 was passed 2 May 2013 which have separated the ownership and management of the Stock Exchanges that would ensure development & control of capital market, good governance of stock exchanges and safeguarding investors' interest.
- BSEC has issued a Notification dated 18 August 2013 imposing condition that no listed company will be able to issue right share if the issuing company fails to comply with the conditions contained in the notification no.
 SEC/CMRRCD/2006-158/Admin/44 dated 7 August 2012 regarding Corporate Governance Guidelines;
- BSEC has issued a Notification on 21 July 2013 amending condition no. 4 of the previous notification no. SEC/CMRRCD/2006-158/Admin/44 dated 7 August 2012 regarding Corporate Governance Guidelines, where the Company should not engage its external/statutory auditors to perform audit/certification services on compliance of corporate governance as required under clause (i) of condition no 7 of the notification;
- BSEC has issued a Notification no. SEC/CMRRCD/2009-193/150/Admin dated 18 July 2013 regarding procedure, recognitions, presentation and disclosure of revaluation of assets of listed companies.

COMPETITION

Union Capital faces intense competition in all the markets where it operates. Its principal competitors are the non-banking financial institutions. Because of involvement of banks in our core product i.e. leasing business, competitiveness in leasing has been intensified further. Some banks are also offering capital market related products like brokerage services, portfolio management etc.

COMMUNICATION WITH THE SHAREHOLDERS

The investor relation activities of the Company are designed to provide a balanced level of communication between the Company and its stakeholders. Established procedures are in place to ensure the timely release of price sensitive information. The Company also publishes its quarterly, half-yearly and annual results well within the time periods prescribed by the regulators.

The Company promotes the use of Company's website in all Company announcements. The website also contains corporate information which is updated on a regular basis and includes a corporate governance information which contains details of the Company's adherence to the guidelines and the full terms of reference of the Board and its Committees.

All the Directors normally attend the Annual General Meeting and shareholders are invited to ask questions during the meeting and to meet with Directors after the formal proceedings have been concluded. The Sixteenth Annual General Meeting will be held on 31 March 2014. All shareholders of the Company are invited to attend the Company's Annual General Meeting. An invitation latter has been given to the shareholders available on page 238 of this Annual Report.

The Directors appreciate the importance of general shareholders of the Company and use the Company's Annual General Meeting as further opportunities to communicate with them. UCL provides copies of its annual report in order that these are made available to them well in advance for detail and constructive discussion.

It is the company's policy to give the shareholders the opportunity at Annual General Meeting to ask questions about its activities and prospects. The Board also structures these meetings so that shareholders can vote separately on each matter, by proposing separate resolutions for each item to be considered.

In accordance with the provisions of the Companies Act, 1994, the notice of the Sixteenth Annual General Meeting was sent to shareholders more than 14 clear days before the meeting. Notice of AGM is also published in two widely circulated daily newspaper, one in English and the other in Bangla. Shareholders had the opportunity to vote separately on each proposal at the Annual General Meeting, either in person or by proxy. The proxy form is attached to the annual report to represent the original shareholder in the meeting and vote on his behalf in case of preoccupation or otherwise.

As in previous years, the Chairman of the Company will be available to answer questions from shareholders at the Annual General Meeting.

The Company maintains a corporate website www.unicap-bd.com containing a wide range of information of the Company.

HUMAN RESOURCES

Our human capital strategy focuses on attracting and retaining the key skills needed to achieve organizational objectives, improving individual capabilities, placing the right people in development programmes, increasing the focus on achieving organizational goals through performance management, identifying a pipeline of leaders needed by the organization now and in the future, improving change capability, fostering sound employee relations, and organizational transformation, improving employee engagement, promoting the wellbeing of our employees, and ensuring competitive rewards for employees.

In line with our objective of increasing ownership concept among employees, we introduced among others employee provident fund, gratuity, performance bonus, home loan facility, transport facility and so on. The total human resource strength of UCL Group as on 31 December 2013 was 127 including 19 support staff. Management considers relation amongst its employees is satisfactory. The list of senior executives of UCL is given below:

Name	Age on 31 Dec 2013 (years)	Executive since	Present Position
Md. Akter H. Sannamat FCA, FC	() /	July 2012	Managing Director & CEO
Abul Munim Khan	58	October 2009	EVP & Head of Business
Tauhidul Ashraf	35	August 2013	SVP & Company Secretary
Abdul Bareque	60	November 2013	SVP & Chief Risk Officer
A.N.M. Golam Shabbir	43	December 1998	VP & Head of HR & ICT
Fazle Karim Murad	40	June 2000	VP (Corporate Finance)
Mohammad Shafi Uddin	41	October 2010	AVP (In-charge Chittagong Br.)
Md. Israil Hossain	39	October 2012	AVP (Capital Market Operation)
Raihan Uddin Ahammad ACA	30	September 2013	AVP & Head of ICC
Md. Forhad Hossain ACA	34	September 2013	AVP & CFO (CC)
Md. Shohidul Islam	49	November 2010	AVP & Head of SME
Md. Abu Zubayer Bhuiyan	35	February 2007	Senior Manager
Shah Md. Julker Nine	30	April 2010	Senior Manager
Md. Rakibul Islam	51	August 2010	Senior Manager
Salamul Latif Choudhury	33	March 2005	Senior Manager
Md. Ali Faisal	34	July 2007	Manager
Mohammad Belayet Hossain	32	May 2010	Manager
Md. Kohinoor Hossain	36	August 2013	Manager
Ashraful Alam Mondol	35	July 2007	Manager
Shahidul Islam Tuhin	36	July 2013	Manager
Md. Moinul Islam Bhuiyan	33	November 2006	Manager
Deenesh Kumar Raha	31	December 2013	Manager
Jumaratul Banna	27	December 2013	Manager

OPERATIONAL HUB

The corporate head office of UCL is located at 73 Sonargaon Road, Dhaka. We provide financial services from our 5 offices including 4 branch offices, three of which are in Dhaka (Karwan Bazar, Motijheel and Gulshan), one is in Chittagong and Sylhet each. We conduct our merchant banking operations and securities trading activities through our subsidiary companies.

ANNUAL REPORT AND OTHER IMPORTANT DOCUMENTS AVAILABLE IN WEBSITE

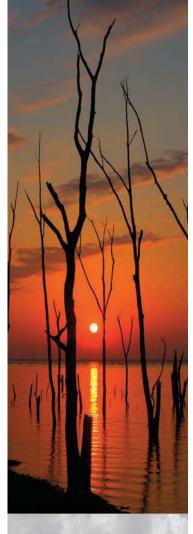
This Annual Report, prepared and presented on the basis of disclosure requirements by the regulatory authorities is made available on our website at www.unicap-bd.com as soon as reasonably practicable after furnishing the same to the Bangladesh Bank, Bangladesh Securities & Exchange Commission (BSEC), Stock Exchanges where the shares of the Company are traded.

MARKET FOR UCL'S ORDINARY SHARES

The ordinary shares of UCL are traded on the Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. under the symbol of 'UNIONCAP'. The following graph indicates the high and low prices for the shares of Union Capital, as reported by DSE during each quarter end of 2013 (in Taka):



39



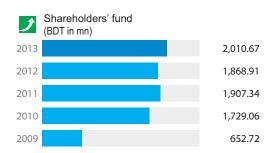


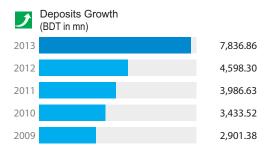
FIVE-YEARS FINANCIAL SUMMARY As of and for the year ended 31 December

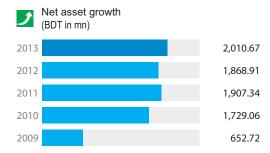
(BDT in million except ratios and per share data)

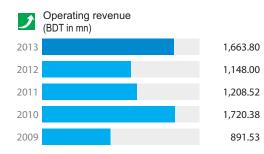
2013	2012	2011	2010	2009	OPERATING PERFORMANCE
1,663.80	1,148.00	1,208.52	1,720.38	891.53	Operating revenue
606.33	311.88	596.51	1,232.55	467.82	Operating profit
208.59	108.69	388.97	938.78	279.46	Profit before tax
141.76	56.72	178.28	570.85	163.16	Net profit after tax
1.29	0.54	1.70	10.50	3.90	Earnings per share (EPS)
					STATEMENT OF FINANCIAL POSITION
9,276.15	7,367.60	6,478.45	5,475.16	3,284.97	Current assets
13,905.59	10,495.34	9,892.53	8,373.22	6,090.26	Total assets
18.24	22.71	28.03	24.11	16.96	Property, plant and equipment
812.56	409.74	526.95	837.92	439.87	Net current assets
3,751.19	1,668.58	2,033.69	2,006.91	2,592.44	Long term liabilities
8,463.59	6,957.86	5,951.50	4,637.24	2,845.10	Current liabilities
11,894.92	8,626.44	7,985.19	6,644.15	5,437.54	Total liabilities
2,010.67	1,868.91	1,907.34	1,729.06	652.72	Shareholders' fund
5,441.99	3,537.48	3,941.03	3,735.98	3,245.16	Capital employed
					PROFITABILITY AND OTHER FINANCIAL RATIOS
36.44	27.17	49.36	71.64	52.47	Gross operating margin ratio (%)
1,275.48	954.62	1,011.19	1,433.16	708.04	Earning before interest, depreciation and tax
26.82	51.48	32.35	23.50	32.36	Price earnings ratio (Times)
1.10	1.06	1.09	1.18	1.15	Current ratio (Times)
7.31	3.07	9.87	25.13	8.61	Return on capital employed (%)
0.55	0.89	1.07	1.16	3.97	Debt/Equity (Times)
1.54	1.01	1.06	1.19	1.07	Financial expense coverage (Times)
8.52	4.94	14.75	33.18	18.30	Net profit margin (%)
10.00	5.00	20.00	75.00	30.00	Rate of dividend (%)
7.54	10.28	8.88	9.88	12.43	Operating expense to operating revenue (%)
		=	= 0.0		BUSINESS RATIOS
5.00	5.00	5.00	5.00	5.00	Statutory liquidity reserve ratio (%)
2.50	2.50	2.50	2.50	2.50	Cash reserve ratio (%)
3.47	0.58	2.98	2.84	2.02	Net interest income as a % of working funds
23.31	37.84	18.00	13.79	23.68	Cost/Income ratio (%)
1.01	0.56	1.95	7.89	3.21	Return on average assets (%)
18.29	17.85	20.04	31.80	15.60	Net asset value per share
1.87	1.14	3.97	11.31	4.74	Profit per employee
15.67	13.55	14.88	20.51	13.50	Capital adequacy ratio (%)
5.65	2.97	6.03	14.72	7.68	Operating profit as a percentage of working funds
1.29	1.08	0.94	1.40	1.30	Dividend cover ratio (Times)
8.85	15.55	9.25	9.25	9.34	Non-Performing Loans to Total Loans (%)
2 000 00	2 000 00	2 000 00	2 000 00	500.00	EQUITY STATISTICS
2,000.00	2,000.00	2,000.00	2,000.00	500.00	Authorized capital
1,099.09	1,046.76	951.60	543.77	418.28	Paid up share capital
109.91	104.68	95.16	54.38	41.83	Number of shares
2,010.67	1,868.91	1,907.34	1,729.06	652.72	Shareholders' equity
34.60	27.80	60.50	246.80	126.20	Year end market price
3,802.86	2,909.98	5,757.16 3,849.82	13,420.22	5,278.74	Market capitalization Market value addition
1,792.19	1,041.07	3,049.02	11,691.16	4,626.02	

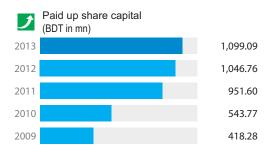
GRAPHICAL DATA OF BUSINESS PERFORMANCE

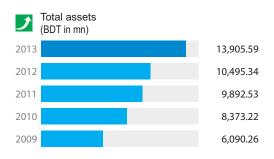


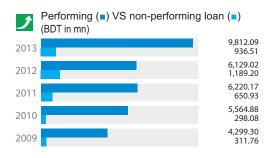


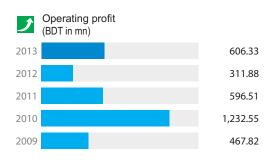


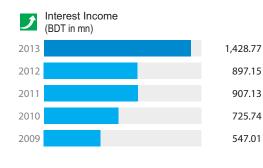


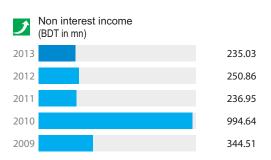


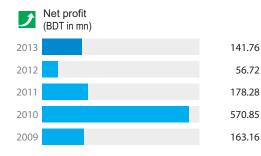


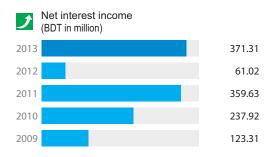












ſ	Net interest margin (in percentage)	
2013		
2012		
2011		
2010		
2009		

25.99

6.80

37.01

32.78

22.54

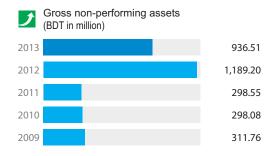
15.67

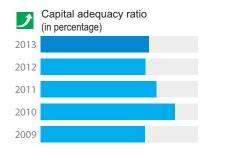
13.55

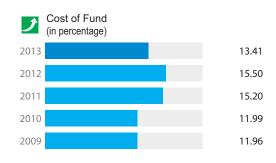
14.92

17.26

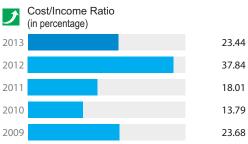
13.50











1.29

0.54

1.70

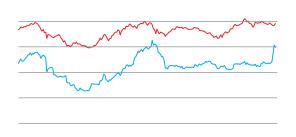
10.50

3.90

ſ	Investment mix	(BDT in mn)	(%)
Investment in securities		1,628	12.96
Investment in subsidiary		348	02.77
Lease finance		946	07.53
Term finance		4,691	37.34
SME finance		933	07.43
Margin loan		3,996	31.81
Staff loan		22	00.17

Sector-wise investment	(BDT in mn)	(%)
Trade & Commerce	1,074.76	10.15
Garments & Knitwear	210.69	1.99
Textile	945.64	8.93
Jute & Jute Products	24.91	0.24
Food Products & Processing Industry	441.92	4.17
Plastic Industry	185.51	1.75
Iron, Still & Engineering	664.75	6.28
Pharmaceuticals & Chemicals	352.48	3.33
Cement & Allied Industry	110.72	1.05
Telecommunication & Information Technology	3.72	0.04
Paper, Printing & Packaging	283.64	2.68
Ship Manufacturing Industry	320.06	3.02
Electronics & Electrical Products	12.72	0.12
Power, Gas, Water & Sanitary Service	548.78	5.18
Transport & Aviation	294.41	2.78
Housing	181.67	1.72
Portfolio Investors' loan	3,996.00	37.74
Others	934.56	8.83

STOCK PERFORMANCE

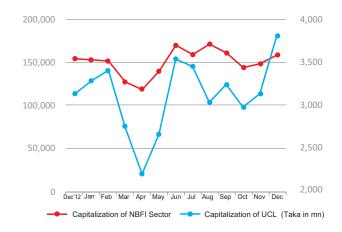


Movement in UCL's share price

Dhaka Stock Exchange introduces new Index DSEX in 2013. DSEX started its journey with 4,055.91 from 27 January 2013 while UCL's share price was Tk. 29.10. DSEX reached to its peak value of 4,439.59 on 20 November 2013 when UCL's share price was Tk. 29.80. At the end of 2013, the DSEX increased to 4,266.55 when the UCL's share price was Tk. 34.60.

UCL's market capitalization

There was a direct relation between the share price of UCL and that of the NBFI sector for the year 2013 though there was an inverse relationship at the month of August 2013. In the month of August 2013, the market capitalization of UCL decreased where as the market capitalization of NBFI increased. It was because of the fact that the movement in share price was driven mostly by the market forces. The highest market capitalization of UCL was Tk. 3.802.86 million at the end of December 2013 while it was Tk. 171,152 million for the NBFI sector at the end of August 2013.





UCL's share turnover

There was a direct relationship between the UCL's share price and its trade volume. UCL's share price has increased with the increase in the demand for its shares. In 2013, the highest turnover of UCL's share was Tk. 22.56 million on 21 July while the lowest turnover was Tk. 0.09 million on 23 October. As on that dates the share price of UCL was Tk. 35.30 and Tk. 28.20 respectively.

2013 SOCIAL INDICATORS

OF UNION CAPITAL LIMITED

STAFFING LEVEL	2013	2012
Management Cadre	32	18
Non Management Cadre	44	16
Support Staff	13	17
Total Work force	89	51
Male	79	44
Female	10	10
AVERAGE AGE OF EMPLOYEES		
Management Cadre	32.16	37.18
Non-management Cadre	29.56	29.17
Support Staff	31.11	32.07
SALARY & ALLOWANCE (IN MILLION TAKA)		
Total Salary	58.46	46.81
MD's Salary	7.08	3.96
Total Benefits	6.51	6.23
CHANGE IN STAFFING LEVEL		
Total employee at beginning	51	54
Recruitment during year	48	5
Departures		
Retirement	2	-
Resignation	8	8
Changes during the year	89	51
TRAINING		
Average number of days in training per employee	0.33	1.2
% of employees who participated in at least one	31.46	39.22%
No. of employees who participated in at least one training program during the year	28	20
	21	33

2014 KEY PRIORITIES | Outlines important actions for achieving strategic goals

A the beginning of year 2013, the Management of the Company deliberated and agreed on certain key priorities for UCL Group. These priorities will serve as the platform for driving the overall performance for the year 2014. They are:

STRENGTHENING OUR VALUE PROPOSITION

Strengthening our value proposition to our target customer segments including corporate, SME and retail customers with the objective of improving our share of businesses of financing operations and becoming an institution amongst the top performers in key areas.

CONSOLIDATING UCL AND ITS SUBSIDIARIES

Reinforcing our business in each of our operating segments in order to deepen our penetration, achieve positive contribution to the Group's profitability and deliver commensurate returns on working fund.

DRIVING FOR LOW COST TERM DEPOSIT

Augmenting our market share of low cost deposits by leveraging our superior reach and personalized to drive growth building a strong and dedicated team for deposit mobilization.

AGGRESSIVE INVESTMENT GROWTH

Improving our investment by creating quality investment portfolio with the customers having good repayment track record in key sectors of the economy as well as leveraging the opportunities linked to SME financing.

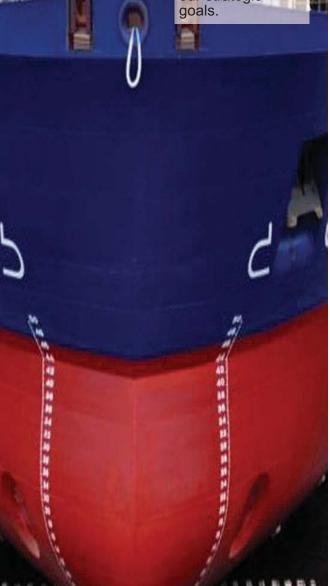
COMMITMENT TO LEAN GROWTH

Focusing on achieving aggressive revenue growth with minimal cost growth by leveraging our existing operational platform to improve our cost-to-income ratio.

PROCESS IMPROVEMENT

Removal of process, organizational and policy bottlenecks affecting efficiency improvements within the Group.

Stemming from the progress made on these key areas of priority in the last part of the year 2012, it is our belief that the Company has delivered a solid and steady performance in 2013 and laid a strong foundation for achieving better performance in 2014 and beyond.



earnings across all of our business by focusing on industry leading customer experience and enhancing operating efficiency we shall strive for achieving our strategic

Driving quality

GOVERNANCE AND RISK MANAGEMENT

IN THIS SECTION

Board of Directors	48
Board Structure and its Operation	53
Charter of the Board and its Committees	55
Directors' Report	57
Audit Committee Report	79
Report on Internal Control	81
Directors' Responsibility in respect of the financial statements	84
Responsibility of CEO and CFO in respect of Financial Reporting	85
Report on Internal Control over Financial Reporting	86
Chairman's Statement on Corporate Governance	87
Corporate Governance	88
Ethical & Compliance Statement	103
Professional Certificate on Compliance of Conditions on Corporate Governance	107
Compliance Report on BSEC's Notification on Corporate Governance	108
Compliance Report on Bangladesh Bank's Guidelines on Corporate Governance	113
Report on Going Concern	115
Report on Risk Management	117
Senior Management	133
Management Committees	136
Organization Chart	138

THE BOARD OF DIRECTORS



CHOWDHURY TANZIM KARIM Chairman (Nominated by EC Securities Ltd.)

First appointment to the Board 25 April 2011

Born in May 1985

Nationality Bangladeshi Committee Membership

Executive Committee

External Appointment Chairman UniCap Securities Limited; UniCap Investments Limited.

Qualification & Experience

Mr. Chowdhury is a full time practicing lawyer specialized in company, commercial, banking and securities law. He is the Head of Chamber at C. T. Karim & Partners, a Dhaka based law firm primarily engaged in dealing with civil matters. He has been providing legal services to a number of leading banks, financial institutions, merchant banks and asset management companies in Bangladesh. Mr. Karim was called to the Bar of England and Wales from the Honorable Society of Lincoln's Inn upon successful completion of Bar Vocational Course at Inns of Court, School of Law. He obtained his L.L.B degree from Cardiff University, UK and Diploma-in Law from University of London. Mr. Karim is enrolled as an Advocate of Supreme Court of Bangladesh and also a member of Dhaka Bar Association and Supreme Court Bar Association.



M. FAIZUR RAHMAN Director

First appointment to the Board 28 May 2002

Born in May 1939

Nationality Bangladeshi Committee Membership

Audit Committee Executive Committee

External Appointment

Chairman & Managing Director Asian Surveyors Ltd.

Director Pubali Bank Limited; Credit Rating Agency of Bangladesh Ltd. (CRAB); Tiger Tours Limited.

Qualification & Experience

Mr. Rahman comes of a nationally known & respectable family of Moulvibazar, Sylhet. He graduated from Dhaka University and then went to London for higher studies and training. In London, he was trained by the Commercial Union Assurance Co. Ltd. in 1962. He also studied in the Institute of Chartered Secretaries and Chartered Insurance Institution, London. He was one of the senior most executives of Insurance Company in the then East Pakistan. After the creation of Bangladesh, he started his own business and formed Asian Surveyors Ltd., one of the largest and globally renowned firms of surveyors, valuers and loss adjusters. He was the Director of National Tea Company Ltd. and Infrastructure Investment Facilitation Centre for many years. Mr. Rahman is also associated with many social and welfare oriented organizations.

48

NASIR A. CHOUDHURY Director

First appointment to the Board 22 April 2002

Born in December 1946

Nationality Bangladeshi

Committee Membership Executive Committee, Chairman

External Appointment Director DBH Finance Corporation Limited; Progressive Life Insurance Co. Limited; United Hospital Limited; NASCOM (PVT) Limited;

Chairman Green Delta Securities Limited; Green Delta Capital Limited. Advisor

Green Delta Insurance Company Limited;

NADEEM A. CHAUDHURY Director (Nominated by Enrilco Limited)

First appointment to the Board 22 November 2001

Born in May 1965

Nationality Bangladeshi

Committee Membership Audit Committeee

External Appointment

Director Enrilco Limited Green Delta Securities Ltd. Green Delta Capital Ltd.

Qualification & Experience

Mr. Choudhury has been in the insurance profession for around 55 years. For his outstanding contribution towards the development of the insurance industry, Mr. Choudhury received the DHL and the Daily Star life time achievement award 2009. After obtaining his Masters from the University of Dhaka, he started his career in Karachi in the executive cadre of the then Pakistan Insurance Corporation in 1958. Mr. Choudhury received advanced training for over 14 months in insurance and reinsurance from UK and Germany during 1961 and 1962. He was the Honorable Insurance Advisor of Bangladesh Biman and Bangladesh Shipping Corporation for decades. He was also the Chairman of Bangladesh Insurance Association from 2001 to 2005. Mr. Choudhury is an Executive Committee member of Federation of Afro-Asian Insurers & Reinsurers (FAIR). He is the President of Bangladesh Malaysian Chamber of Commerce & Industry (BMCCI), Committee Member, Metropolitan Chamber of Commerce & Industry of Bangladesh (MCCI), Executive Committee Member of Bangladesh Insurance Association and Member of the Governing Body of Bangladesh Insurance Academy.

Qualification & Experience

Mr. Nadeem A. Chaudhury is representing Enrilco Limited in the Board of Union Capital Limited. Mr. Chaudhury holds a Bachelor of Professional Science degree in Construction Management and Civil Engineering from Pratt Institute, New York, USA. He is also an MBA. He has been involved in the Infrastructure Development business internationally for over 20 years. He is also highly skilled contract negotiator with international concerns. Presently, he is the Chief Executive Officer of Bengal Development Corporation Ltd.

He was a Director of Green Delta Insurance Company Limited. He was also the Managing Director of Navana Pharmaceuticals Ltd, concern of Islam Group.

TAJRINA SIKDER

Director (Nominated by Palmal Garments Hosiery Ltd.)

First appointment to the Board 9 August 1998

Born in January 1974

Nationality Bangladeshi

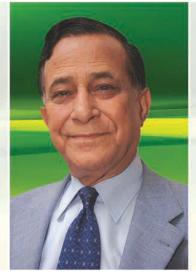
Committee Membership Audit Committee

External Appointment Director

Palmal Garments Hosiery Ltd.; Palmal Garments Washing Ltd.; Amazon Garments Ltd.; NKK Knitwear Ltd.; Max Speed Plastic Ltd.; Designer Line (Pvt.) Ltd.; The Dacca Dyeing Garments Ltd.; MNK Apparels Ltd.; South Bridge Real Estate Ltd.; UniCap Investments Limited.

Qualification & Experience

Mrs. Tajrina Sikder obtained BBA degree from ABAC University of Thailand. Subsequently, she involved herself with Palmal Group as a Director. As a businesswoman, Mrs. Sikder is associated with business activities in the area of apparels, fashion, accessories and packaging. She has traveled various countries for business purpose. She is also involved with many social work and welfare organization.







Directors Profile - continued







KAZI GOLAM SAMIUR RAHMAN Director

First appointment to the Board 9 August 1998

Born in March 1974 Nationality Bangladeshi

Committee Membership Executive Committee

External Appointment Managing Director

Totalgaz Bangladesh Group Representative & Country Manager Total Group

Qualification & Experience

Mr. Rahman has over 14 years of experience as an oil industry professional serving in various

M. A. SALAM Director

First appointment to the Board 9 August 1998

Born in November 1959

Nationality Bangladeshi

Committee Membership Nil

External Appointment

Chairman & CEO Ekushey Television Ltd., South Asia Energy Ltd., Sand Bangla Ltd.

Chairman Semisam International Ltd. SAS Fashion Wear Ltd. senior management positions in the Total Group including as Head of Finance & Corporate Affairs of Premier LP Gas Ltd., Chief Financial Officer of Total Oil Pakistan Ltd. and Managing Director of Total Vietnam Limited. He was a Senior Manager of Strategy and Development in Total's Asia Pacific Regional Office in Singapore. Mr. Rahman is the Vice-President of France-Bangladesh Chamber of Commerce and Industries, and member of the Power & Energy Sub-Committee as well as the Strategy & Planning Sub Committee of Foreign Investors' Chamber of Commerce & Industry (FICCI). Mr. Rahman obtained his MBA degree from Massachussetts, USA after graduating as an Electrical Engineer from India. He is involved in various social and educational development activities, including as Trustee of an orphanage set up by his family for under privileged children in his hometown.

Managing Director SAS Holdings Ltd.

Director American Super Speciallity Hospital Ltd. Bangladesh Mine & Energy Ltd. News Corp. Publications Ltd. Barisal Power Company Ltd.

Qualification & Experience

Mr. Salam is a well-known businessperson and a foremost entrepreneur of the Country started business in the year 1992. He has been involved himself in different line of businesses in the sector of finance, local & international trade, media & service and buying house & garments at home and abroad. He was also a sponsor Director of One Bank Ltd.

Qualification & Experience

Bachelor of Nautical Science, Master Mariner (Nautical), Associate Fellow of Nautical Institute (AFNI), UK

Master Mariner with over 14 years' experience in safe operations and commanding of ocean going vessels particularly container, multipurpose general cargo/bulk carrier and tanker. Currently, working as General Manager for three years at EC Bulk Carriers Limited and East Coast Shipping Lines Limited.

CAPT. MINHAZUR REZA CHOWDHURY Director (Nominated by EC Securities Ltd.)

First appointment to the Board 9 February 2014

Born in December 1975

Nationality Bangladeshi

Committee Membership Executive Committee

External Appointment General Manager East Coast Shipping Lines Ltd.

Union Capital Limited 2013 Annual Report

MEHERUNNESA HAQUE

First appointment to the Board 26 June 2004

Born in December 1954

Nationality Bangladeshi

Committee Membership Nil

External Appointment

Director Palmal Garments Hosiery Ltd.; Palmal Garments Ltd.; Palmal Knitwear Factory Ltd.; Palmal Garments Washing Ltd.; Palmal Styles Ltd.; Palmal Packaging Ltd.; Palmal Dresses Ltd.; N.K.K. Knitwear Ltd.; N.K.K. Sweaters Ltd.;

KAZI RUSSEL MAHBUB

Director (Nominated by Palmal Garments Hosiery Ltd.)

First appointment to the Board 21 May 2012

Born in October 1971

Nationality Bangladeshi

Committee Membership Nil

External Appointment Chairman Flora Accessories Ltd.

Qualification & Experience

Dr. Kazi Russel Mahbub graduated from Dhaka Dental College in 1996. After finishing his training in Dhaka,

N.H. KHAN

Independent Director

First appointment to the Board 10 November 2008

Born in May 1935

Nationality Bangladeshi

Committee Membership Audit Committee, Chairman

External Appointment Director UniCap Securities Limited

Independent Director Green Delta Insurance Company Ltd. Pragati Fashionwear Ltd.; Pragati Metalex (Pvt) Ltd.; Al-Hamra Garments Ltd.; Amazan Garments Ltd.; The Dacca Dyeing Garments Ltd.; UniCap Investments Ltd.

Qualification & Experience

Mrs. Meherunnesa Haque was born in 1954. As a businesswoman she is involved with business activities since 1984. Mrs. Haque holds position of Director in good number of business entities in the area of garments and garments accessories and finance. She was a Directors of Prime Bank Ltd. Mrs. Haque has traveled various countries including U.S.A, UK, Canada, Germany, Singapore, and Thailand for business purposes. She enthusiastically takes part and contributes to various social activities.

Dr. Mahbub went on to pursue further training in Australia, where he also obtained his Masters Degree from the prestigious University of Wollongogng, New South Wales (NSW) in 2002. Since then he has attended numerous scientific sessions and CME conferences in various countries. Dr. Mahbub setup his private practice in Gulshan called BIODENT Dental Clinic in 2003. He is one of the few private practitioners in Dhaka well known at home and abroad for his skills and high quality work. Skilled in Oral Surgical Procedures, Dr. Mahbub was one of the first few Bangladeshi Dentists to train and qualify for the placement of Dental implants from the BICON Institute of Boston, USA in 2009. Dr. Mahbub is also the founder and Chairman of Floral Accessories Limited, a reputed packaging industry setup in 2010. Dr. Mahbub is an avid golfer, and is a member of both The Army Golf Club and Kurmitola Golf Club. He is also a long standing member of Dhaka Club. In his personal life, Dr. Mahbub is married and a loving father of one son and two daughters. He is the son of Engr K A S Md. Abdur Rahim, retired Chairman of Dhaka Electric Supply Authority.

Qualification & Experience

Mr. Khan obtained his M.A. degree from Dhaka University in 1956. He started his career in Pakistan Taxation Service in 1957. He was Deputy Secretary, Ministry of Commerce, Pakistan Central Government in Islamabad at the time of liberation of Bangladesh. On return from Pakistan he held many important positions under Government of Bangladesh, both home and abroad. He worked as Secretary, Ministries of Post and Telecommunication, Food & Internal Resources Division. He was also Chairman of National Board of Revenue. He worked abroad as Economic Minister of Bangladesh Embassy, Jeddah and Bangladesh Consul General in Karachi. He retired from government service in 1992. He was the founder chairman of Eastern Bank Limited from 1992 to 2000. He has been associated with various educational and social organizations, including North South University, Dhaka and Shahjalal University, Sylhet. Since the year 2002, he is holding the position of Chairman of the governing body of Sapporo Dental College and Hospital, Dhaka.

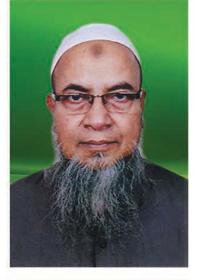






Directors Profile - continued





ZIAUL HASAN SIDDIQUI Independent Director

First appointment to the Board 23 October 2012

Born in February 1953

Nationality Bangladeshi

Committee Membership Audit Committee

External Appointment

Director

UniCap Investments Limited, Summit Power Ltd., Summit Uttaranchal Power Co. Ltd., Summit Purbanchal Power Co. Ltd., Summit Narayangonj Power Co. Ltd.

Qualification & Experience

An Advisor of Prime Bank Limited, Mr. Siddiqui started his career in 1976 at Bangladesh Bank as direct Class-1

MOHAMMAD NURUN NABI FCA Independent Director

First appointment to the Board 9 February 2014

Born in April 1948

Nationality Bangladeshi

Committee Membership Nil

External Appointment

Chairman Skeftech Ltd. Krishi Biplob Ltd. Shikarpur Horticulture Ltd. Debonair Ltd. Orbitex Ltd. AZWA Developments Ltd. Officer and accomplished professional excellence in different areas of Central Banking operations. He holds more than 35 years of extensive and versatile experience under different capacities including Deputy Governor for more than 5 years with specialization in monetary policy, foreign exchange policy and reserve management. He also worked as Head of Financial Intelligence Unit to upgrade Anti Money Laundering and Combating Financing of Terrorism. During this long career, Mr. Siddiqui also held various important positions like Chairman, Bangladesh Commerce Bank Ltd., Managing Director, Security Printing Press Corporation Bangladesh Ltd, Board Member, Karma Sangsthan Bank Ltd. and Wage Earners' Welfare Fund of the GoB and also Member, APG Steering Committee representing South Asian countries. He is also associated with different prestigious academies and universities as visiting guest speaker and part-time faculty member. He is now an adjunct professor at BRAC University. Mr. Siddiqui obtained his Masters in Economics with rating in the top 5 percentile from University of Dhaka in 1974 and Masters in Public Administration from Harvard University, USA in 1989. He participated in many international training programs, conferences and seminars at home and abroad.

Director

ACNABIN Associates Ltd. Dinajpur Super Meat Products Ltd. Intercontinental Business Ltd. Shine Embroidery Ltd. WIN WIN Setabgonj Auto Bricks Industries Ltd. AMTRAS Ltd. SAARC Business Associate of Home Based Workers (SABAH) Bangladesh Health & Education for less Privileged People (HELP)

Qualification & Experience

He is a Bachelor of Science from Karachi University and a fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB). He has more than forty years of experience in his exchequer in local and foreign organizations at different responsible capacity.



MD. AKTER H. SANNAMAT FCA, FCS Managing Director & CEO Ex-officio Director

First appointment to the Board 4 July 2012

Born in January 1967

Nationality Bangladeshi

Committee Membership

Chairman Management Committee, Credit Committee, Asset-Liability Management Committee, Money Laundering Prevention Committee, Corporate Governance Committee, Ethics & Compliance Committee, BASELII Implementation Committee, HR & Compensation Committee and Disclosure Committee.

External Appointment

Director, UniCap Investments Limited; Council Member, Institute of Bankers, Bangladesh; Member, Standing Committee, DCCI (Financial Institution & Financial Services and FDI, Industrial Policy & Privatization of SOEs); Member, Panel of Experts, DSE; Member, Executive Committee, BLFCA;

Vice President, Bangladesh Merchant Bankers Association.

Qualification & Experience

A dynamic and versatile management executive Mr. Sannamat in his outstanding 20 years of service life showed outstanding performance in diverse areas under different capacities. Prior to this, Mr. Sannamat was the Managing Director of Prime Finance and Investment Limited where he worked for more than 13 years.

A Chartered Accountant Mr. Sannamat obtained his Honors and Master in Accounting from Dhaka University securing first class in all through his academic career.

BOARD STRUCTURE & ITS OPERATION

The governing authority of UCL

BOARD STRUCTURE OF UCL

Chaired by Chowdhury Tanzim Karim, the Board of Directors determines Company's objectives and supervises their implementation. The operating procedure of the Board is governed by the internal rules and regulations of the Board of Directors. The internal rules and regulations of Board of Directors also define the composition, duties and operating procedures of the Committees established by the Board, which have their own charter of functioning. The Board is assisted by three committees as under:

- Board Audit Committee
- Executive Committee
- Green Banking Committee



SIZE OF THE BOARD

The Board of UCL comprises of thirteen members including the three Independent Directors. As per FID Circular no. 9 dated 11 September, 2002 of the Bangladesh Bank, the size of the Board of a Non-banking Financial Institution shall be minimum of nine and maximum eleven excluding Independent Directors. As per BSEC's Notification, a listed company should have Independent Director of at least one-fifth of the Directors. As per Articles of Association of the Company the Managing Director is an Ex-officio Director.

COMPOSITION

The Board of UCL comprises of the following:

Non-executive Directors Ten out of whom five are Nominated Directors Independent Directors Three

Executive Director One (The Managing Director)

NON-EXECUTIVE DIRECTOR

There are ten Non-executive Directors in the Board. None of the Directors takes part in the day to day affairs of the Company. They attend only in the Board/Committee meetings to discuss the agenda reserved for the Board/Committees.

INDEPENDENT DIRECTOR

In order for a Director to qualify as an Independent Director, the Board affirmatively determines that the Director has no material relationship with UCL either as a partner, shareholder or officer of an organization that has a relationship with UCL that would preclude that nominee from being an Independent Director. For the purpose of such determination, the Directors consider that the The Primary responsibility of the Board of Directors is to protect the shareholders' interest. The Board, elected by the shareholders, is the highest governing authority within the management structure. Independent Director does not hold any share or holds less than one percent shares of the total paid up capital of the Company, who is not connected with the Company's Promoters or Directors or Shareholders who holds one percent or more than one percent shares of the total paid up shares of the Company, on the basis of family relationship; who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/ associate companies, who is not a member, Director or Officer of any Stock Exchange and who is not a shareholder, director or officer of any stock exchange or an intermediary of the capital market. The Independent Director is appointed for a period of three years which may be extended by one term only. A person can not be appointed as Independent Director who has already been appointed as Independent Director of three listed company.

TENURE AND RETIREMENT

As per Companies Act, the office of Non-executive Directors is subject to retirement. At least onethird of the non-executive Directors shall retire by rotation in every Annual General Meeting. The Managing Director is appointed for a minimum period of three years subject to approval of the Central Bank. The office of the Managing Director being an Ex-officio Director is not subject to retirement. The tenure of an Independent Director is three years and may be extended by another three years.

DIRECTORS' COMPENSATION

Except the Managing Director & CEO, none of the Directors holds any position of profit and receives any remuneration other than the fees for attending the Board/Committee meetings. An amount of Tk. 5,000 is paid to each Director for attending each Board/Committee meeting.

MEMBERSHIP OF BOARD COMMITTEE

All the Board Committees are comprised entirely of Non-executive Directors. Membership of Directors in the Board Committees is given in their biographies on pages ------- of this Annual Report.

SUB-COMMITTEE

The Board has three sub-committees namely Board Audit Committee, Executive Committee and Green Banking Committeed. The Board Audit Committee is comprised of five non-executive Directors. The Executive Committee is also consisted of five nonexecutive Directors. All the Board Committees have a written Charter that describes the Committees' purposes, duties and responsibilities. The Committee Charters are available on page ------ of this Annual Report

BOARD MEETING

The Board holds at least four regularly scheduled meetings in each year. In the year 2013, the Board met twelve times to discuss scheduled businesses.

DIRECTORS' RESPONSIBILITY

Each Director uses his or her best efforts to attend in all the meetings of the Board and the Board Committees to which such Director is appointed. The Directors are responsible for developing and upgrading UCL's Governance Principles, Code of Business Conduct and the Charter of each Committee on which such Director serves. For review, working papers relating to business to be transacted in the meeting are provided well in advance to the members of Board/Committees.

COMMUNICATION TO DIRECTOR

Interested parties may communicate with any Director by sending letter to the attention of the Directors in care of the Company Secretary, Union Capital Limited, 73 Noor Tower, Sonargoan Road, Dhaka-1205.

CHARTER OF THE BOARD AND ITS COMMITTEES |

BOARD OF DIRECTORS

he Board of Directors is responsible for supervising the management of the business and affairs of the Company in a way which ensures that the interests of shareholders and stakeholders are promoted and protected. In discharging this duty, the Board has the following overall responsibilities:

Strategic planning process

- Supervising the formulation of the strategic direction, plans and priorities of the Company and approving the strategic plan.
- Reviewing and approving the organizational structure of the Company.
- Monitoring implementation and effectiveness of the approved strategic and operating plans.
- Reviewing and approving the corporate financial objectives and operating plans and actions of the Company.
- Approving major business decisions.

Identification and management of risks

- Ensuring that processes are in place to identify the principal risks of Company's business.
- Reviewing the systems that are implemented by management to manage those risks.
- Reviewing the processes that ensure compliance with applicable regulatory, corporate, securities and other legal requirements.

Succession planning and evaluation of management performance

- Supervising the succession planning processes of the Company, including the selection, appointment and development of the Chief Executive Officer and the senior management team;
- Evaluating and approving compensation of the Chief Executive Officer and the senior management team in a manner that is consistent with regulatory guidelines;
- Overseeing Company's control functions, having regard to their independence and effectiveness.

Oversight of communications and public disclosure

- Assessing the effectiveness of Company's communications, including measures for receiving feedback from stakeholders.
- Overseeing establishment of processes for accurate, timely and full public disclosure.
- Reviewing due diligence processes and controls in connection with certification of the Company's financial statements.

Internal controls

- Reviewing the effectiveness of Company's internal controls and management information systems.
- Reviewing and approving the Company's annual and quarterly financial statements and other public disclosure documents that require Board approval.
- Overseeing compliance with applicable audit, accounting and reporting requirements.
- Approving dividends, as well as capital expenditures and transactions which exceed threshold amounts set by the Board.

Culture of Integrity

- Establishing Company's values
- To the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer and other senior officers and that the Chief Executive Officer and other senior officers create a culture of integrity throughout the organization.

Governance

- Developing a set of corporate governance principles and guidelines.
- Appointing from its members a Chairman of the Board.
- Establishing appropriate structures and procedures to allow the Board to function independently of management.
- Establishing Board committees and defining their mandates to assist the Board in carrying out its roles and responsibilities.
- Setting expectations and responsibilities of directors, including attendance at, preparation for, and participation in meetings.

The role of the Board has two fundamental elements: decision-making and oversight. The decision-making function is exercised with respect to the formulation with management of fundamental policies and strategic goals and through the approval of certain significant actions; the oversight function concerns the review of management decisions, the adequacy of systems and controls and the implementation of policies.

Sets out the roles & responsibilities of the Board and its Committees

55

 Review the composition of the Board with a view to the effectiveness and independence of the Board and its members.

AUDIT COMMITTEE

The Audit Committee, within the delegated authority and in fulfilling the regulatory requirements will:

Internal Control

- review the implementation of key accounting policies and financial reporting;
- evaluate the implementation of the internal control systems and the risk management process.

Internal Audit

- review the adequacy of internal audit function;
- consider the scope of work and review and approve the annual audit plan and ensure no unjustified restrictions or limitations are made;
- review and approve the annual audit report;
- review the activities, resources and organizational structure of Internal Audit;
- contribute to the selection process for the appointment of the Head of Internal Audit; and
- ensure that findings and recommendations communicated by Internal Audit and Management's proposed responses are received, discussed and appropriately acted on.

Compliance

review the effectiveness of the company's system for monitoring compliance with relevant laws and regulations (including internal rules) and the measures taken by Management as a result of its investigation of material incidents of noncompliance.

Relationship with the external auditor

- review the scope of work and audit plan;
- review Management Letters issued by external Auditors;
- review the Report on the annual audit of the company;
- consider the independence of the external auditor and any potential conflicts of interest;
- review the "Terms of Engagement" of the external auditor;
- discuss with the external auditor any audit problems encountered in the course of audit work, including any restriction on audit scope or access to information;
- discuss with the external auditor the appropriateness of the accounting policies applied in the company's financial reports;
- ensure that significant findings and recommendations communicated by the external auditor and Management's proposed responses are received, discussed and appropriately acted on; and

 review the performance of the external auditor and make recommendations to the Board of Directors for the appointment, reappointment or termination of appointment of the external auditor.

Reporting to the Board

- report on the conflict of interests;
- suspected or presumed fraud or irregularity or material defect in the internal control system;
- suspected infringement of laws, rules and regulations;
- any other matters that requires immediate reporting.

Others

- oversee the financial reporting process;
- monitor choice of accounting policies and principles;
- review the annual financial statements before submission to the Board for approval;
- review the quaterly and half yearly financial statements;
- review the statement of significant related party transactions submitted by the management.

EXECUTIVE COMMITTEE

The Executive Committee, in fulfilling its purpose, will:

- Guide the Management in achieving the organization's vision/mission;
- Review implementation of the business policy;
- Approve credit proposals upto Tk. 50 million for each customer;
- review credit proposals prepared by the management and recommend to the Board where the amount exceeds Tk. 50 million;
- review the proposals relating to write off loan/leases and recommend to the Board for consideration.

GREEN BANKING COMMITTEE

- Formulate a Green Banking policy;
- Guide and advise the green banking unit/cell to prepare an in-house green banking guide;
- Ensure regular training on in-house green banking activities for creating green banking awareness within the company;
- Ensure incorporation of environmental risk in core risks management;
- Ensure environmental due diligence applied as part of environment risk management before making investment decision;
- Ensure allocation of fund in the annual budget for green banking investment and proper utilization of climate risk fund; and
- Find avenues for innovation of new green banking products and green marketing.

DIRECTORS' REPORT

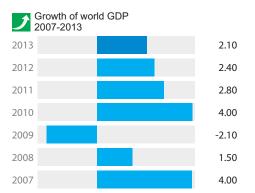
DEAR SHAREHOLDERS,

he Board of Directors of Union Capital Limited (UCL) takes the pleasure to present the Annual Report and the Audited Financial Statements of the Company for the year ended 31 December 2013 together with the Auditors' Report thereon, for consideration and approval of our respected Shareholders. The Board of Directors of the Company approved these on 4 March 2014.

This Directors' Report has been prepared in compliance with the Section 184 of the Companies Act 1994, BSEC's Notification of 2012, the Listing Regulations of DSE & CSE, Bangladesh Bank guidelines and other applicable rules and regulations. Relevant disclosures and explanations relating to certain issues have been given by the Directors, which they consider relevant and important to ensure compliance, transparency and good governance practices. We believe the report will provide the insights of the Company's performance during the year under reporting.

GLOBAL ECONOMY 2013

The global economy grew by 2.1 percent in 2013, its slowest rate since 2009. While most developed economies continued to grapple with the challenge of taking appropriate fiscal and monetary policy actions in the aftermath of the financial crisis, a number of emerging economies, which had already experienced a notable slowdown in the past two years, encountered new domestic and international headwinds during 2013. The euro area has finally come out of a protracted recession, with gross domestic product (GDP) for the region as a whole starting to grow again; the economy of the United States of America continues to recover; and a few large emerging economies, including China, seem to have at least stopped a further slowdown.



In 2013 the world's big stock markets soared upwards - America's S&P 500 index rose by 30 percent last year, and Japan's Nikkei by 57 percent - buoyed by monetary stimulus and growing optimism about global growth.

USA

The US economy expanded at an annual rate of 3.2 percent in the last three months of 2013. The pace of growth slowed from 4.1 percent in the previous quarter but still means that US gross domestic product (GDP) the broadest measure of goods and services produced across the economy grew at an annual rate of 3.7 percent in the last half of 2013, a pace unseen since 2003. In the United States, fiscal tightening and a series of political gridlocks over budgetary issues weighed heavily on growth; however, quantitative monetary easing boosted equity prices. The US labor market and housing sector continued to



recover. The economy's strong year-end performance follows on the heels of a 4.1 percent growth rate in the third quarter. The most promising sign in the final months of 2013 was a surge in consumer spending. In December, growth in payrolls decelerated, although the unemployment rate did drop to 6.7 percent. Housing prices continued to rise on an annual basis, but the overall pace is slowing significantly.

CANADA

The Canadian economy accelerated in 2013 but underlying growth remains modest. Quarterly growth averaged 2.2 percent over the first three quarters of 2013. But to a large extent this reflects the unwinding of disruptions in the energy sector that had depressed production, investment, and exports in the second half of 2012, when GDP grew at a mere 0.8 percent. The composition of growth does not yet point to the much needed rebalancing from household consumption and residential construction towards exports and business investment. Canada's banking sector remains well capitalized and has low levels of nonperforming loans. IMF expects growth to accelerate above potential in 2014, following a stronger recovery in the United States, but the balance of risks remains on the downside.

BRAZIL

Growth in Brazil has been hampered by weak external demand, volatility in international capital flows and tightening monetary policy, but growth is expected to rebound to 3 percent in 2014. Recent indicators have confirmed the Brazilian economies generally passed weak state in the year 2013. In December 2013, economic activity contracted and industrial production fell over the previous month. Retail sales increased 0.7 percent in November, but consumer confidence retreated 1.2 percent in December. On a positive note, business confidence returned to optimistic territory in December for the first time since July of 2013.

JAPAN

Growth in Japan has been boosted by a set of expansionary policy packages, but the effects of forthcoming structural reforms remain uncertain. Core machinery orders expanded at the fastest pace in last six months in 2013. The trade balance recorded a record deficit in 2013, mainly due to soaring fuel purchases. Nearly a quarter-century after the Japanese stock market bubble burst at the end of 1989, the stock market leapt by more than 50 percent in 2013, as the era of deflation appeared to be finally ending.

CHINA

A slowdown in China has been stabilized and growth is expected to maintain at a pace of about 7.5 per cent in the next few years. The Chinese economy grew 7.7 per cent in 2013, the weakest since 1999, matching the revised figure for 2012. China's economy narrowly missed expectations for growth to hit 14-year lows in 2013. Government investment in rail and subway construction coupled with tax and other business incentives helped boost growth in the July-September period. For the whole of 2013, China's fixed-asset investment climbed 19.6 percent, the smallest increase in last 10 years and a tick below forecasts for a 19.8 percent rise. Chinese inflation fell to its lowest level in seven months in December at 2.5 percent, driven by a decline in food prices.

RUSSIA

In the Russian Federation, growth weakened further in 2013, as industrial output and investment faltered. The final GDP result for 2013 confirmed the weakness of the Russian economy. GDP expanded 1.3 percent, which was less than half of the 3.4 percent expansion recorded in 2012 and marked the weakest performance since 2009. Meanwhile, the Russian ruble (RUB) is experiencing headwinds stemming from the recent turmoil in the financial markets. At the beginning of February, the currency traded at a five-year low against the U.S. dollar. It subsequently recovered as a result of intervention from the Central Bank.

INDIA

India experienced its lowest growth in two decades, along with large current account and government budget deficits plus high inflation. For the Indian economy, 2013 has been a very turbulent year. The \$1.8-trillion Indian economy suffered its worst slowdown over a decade with GDP growth below 4.8 per cent for four straight quarters, amid threats of a ratings down grade. It was because of domestic as well as external factors the slowest since 2002.

UNITED KINGDOM

The UK's economy grew at the strongest rate in six years in 2013, having ended the year on a strong note as the recovery became more entrenched. The UK's services and manufacturing sectors were the drivers of the annual growth rate to 1.9 percent, the strongest since 2007 before the financial crisis took hold. Low interest rates, easier credit conditions, pentup demand and a resurgent housing sector are all stimulating purchases of vehicles and other consumer durables, while solid employment growth is offsetting some of the drag from weak wages. If the business sentiment indicators are to be believed, 2014 is shaping up to be even stronger and overall economic growth could reach 2-3 percent per annum.

FRANCE

The French economy was unable to maintain economic growth. The slowdown was seen acrossthe-board, with both domestic and external demand deteriorating. After eight quarters of economic stagnation, GDP rebounded at the end of 2013, although partly driven by temporary factors. Over the year, GDP rose by 0.3 percent after a stagnation in 2012. Household consumption expenditure accelerated by the end of the year. Furthermore, total gross fixed capital formation (GFCF) rose for the first time since the end of 2011. The final domestic demand accelerated significantly and contributed for +0.5 points to GDP after a neutral contribution in Q3. In Q4 2013, exports bounced back while imports decelerated slightly. Therefore, the foreign trade balance contributed positively to activity anew: +0.2 points after -0.7 points. All in all, after 0.3 percent in

2013, real GDP growth is forecast to accelerate gradually to 1.0 percent in 2014.

SWITZERLAND

After showing remarkable growth in the third quarter, recent economic indicators suggest that the Swiss economy maintained strong footing in the final quarter of 2013. In addition, leading indicators suggest that the economy will shift up a gear at the outset of 2014.

GERMANY

Western Europe emerged from recession in 2013, but growth prospects remain weak, as fiscal austerity will continue and the unemployment rates remain elevated. Despite the adverse economic environment in the Eurozone, the German economy performed well in 2013. Following the 0.7percent increase that was recorded in 2012, the economy grew 0.4 percent in 2013 according to preliminary estimates. The expansion was the result of solid domestic demand, particularly private consumption, which increased 0.9 percent. Conversely, the external sector deteriorated due to slower growth in exports. Leading indicators point to an acceleration in GDP growth going forward.

ITALY

After a severe recession, the economy returned to growth at the end of 2013. The contraction in output recorded since mid-2011 came to a halt with economic activity posting a moderate increase in the last quarter of 2013. Over the year, real GDP declined by 1.9 percent. The strong fall in domestic demand acted as a drag on the economy due to persistently tight financing conditions and high uncertainty holding back consumption and investments. With still difficult labor market conditions, private consumption is expected to rise only marginally and by less than disposable income as households restore their savings.

SUB-SAHARAN AFRICA

Economic growth picked up in Sub-Saharan Africa in 2013, supported by strong domestic demand, notably resource-based investments. Real GDP for the region grew an estimated 4.7 percent: excluding South Africa. its largest economy, growth was higher at 6 percent. Foreign direct investments continued to flow in the region, not only in the oil, gas and mining sectors but also in non-extractive industries. Net FDI flows were an estimated \$43 billion in 2013, up from \$37 billion in 2012. Gross fixed capital formation grew an estimated 7.3 percent in 2013. Inflation decelerated in many countries, owing to lower food prices and prudent monetary policy; and the low inflation, combined with an estimated 6.2 percent increase in remittances, helped boost private consumption. Nevertheless, poverty and unemployment remain high in many countries in the region. Fiscal balances deteriorated further in 2013, especially among oil exporters who faced falling output and lower oil prices. Partly as a result, public debt has risen from 29 percent of GDP in 2008 to an estimated 34 percent of GDP in 2013. Debt ratios in some countries have risen sharply, raising the specter of debt sustainability going forward. The strong investment spending in the region exacerbated current account deficits, which widened further in 2013.

MIDDLE EAST AND NORTH AFRICA

Three years after the Arab Spring, the economies of the Middle East and North Africa region remain depressed. Political turmoil in Egypt, stalemate in Tunisia and an escalation of the civil war in Syria with spillovers to neighboring Lebanon and Jordan have weakened activity in the developing oil-importing countries. Egypt's GDP contracted by 3.2 percent in Q2 of 2013, and growth for the fiscal year (ending in the same quarter) amounted to 2.0 percent, down from a modest 2.3 percent in 2012. Industrial production in the oil-importing countries contracted by 36 percent in three months through October, led mainly by sharp declines of 44 percent in Egypt. Oil production in developing oil-exporting countries - accounting for nearly a third of the region's oil output-has fallen over the past year by nearly 8.5 percent (year to date) in 2013, reflecting security setbacks, strikes, and infrastructure problems in Algeria, Irag, and Libya, and international sanctions in the case of the Islamic Republic of Iran. External imbalances have worsened across the developing countries of the region.

GLOBAL ECONOMIC OUTLOOK IN 2014

The global growth prospects look a lot brighter with most large developed economies; especially Japan, the United Kingdom and the United States expected to grow strongly in 2014. Business confidence in China, Brazil, India and South Africa all fell to record low in 2013, and in Russia and Turkey to record low since the financial crisis began. Following a contraction of 0.4 percent in 2013, the currency bloc is expected to return to growth in 2014, but while Germany is expected to expand robustly, the next two largest economies in the currency bloc, France and Italy, look set to struggle and their business communities are amongst the least optimistic in the world.

The fears over the 'fiscal cliff' in the United States, the recession in Europe and the rebalancing of China's economy were dampening growth prospects across the world, and globally, business confidence was at its lowest since the financial crisis. A recovery in these economies is likely to boost global growth to 3.6 percent in 2014, accelerating to 4.0 percent in 2015. Key trading partners, the US and the EU, are projected to grow faster in 2014 but private demand still remains very sluggish in the Euro Area. On the other hand, Emerging Market and Developing Economies are experiencing a multispeed recovery process with growth projected at 5.1 percent in 2014. While China is projected to grow at around 7.3 percent in 2014 the Indian economy is projected to grow by 5.1 percent.

The economies of developing Asia, led by China, India and Indonesia, are expected to grow by 6.5 percent in 2014. Strong growth is also forecast in Sub-Saharan Africa and the Middle East, and North Africa is expected to rebound after a tough 2013 complicated by the fallout from the Arab Spring. Central and Eastern European economies have suffered as major regional export markets have dried up but growth prospects are improving despite a lack of necessary reforms in Russia.

US growth will speed up slowly

A modest pace of growth is expected, with already increasingly strong cyclical forces gaining strength supported by easy financial conditions, even though Fed policy has begun to shift towards ending asset purchases in late 2014. GDP growth for 2014 is forecast at 2.75 percent, while the jobless rate is expected to fall to 6 percent by late 2015. The US recovery lost steam in 2013 because of massive fiscal tightening. The drag from fiscal policy will probably be far less over the coming year - especially in light of the mid-December budget deal made by the US Congress. This will allow the underlying strengths of the economy to become more visible. These include continued strength in housing and the ripple effects of the unconventional oil and gas boom. It is also expected that the pace of capital spending will gather momentum, making it one of the engines of growth in 2014, although this growth will remain subdued relative to cyclical recoveries in the past few decades.

The European recovery will proceed at a very sluggish pace

Despite some signs of weakness, the nascent Eurozone recovery will have staying power. A multitude of factors will support growth (0.8 percent in 2014), including: very accommodative monetary policy, stabilizing labor markets, less emphasis on austerity by EU officials, improved spending power because of ultra-low inflation, better competitiveness in the peripheral countries, and more confidence in the ability of Eurozone politicians to manage the sovereign-debt crisis. The jobless rate is expected to slide to 7 percent towards the end of 2014, and could lead to a modest tightening of monetary policy in 2015-16. Even with these positive trends, some countries like Greece, Italy, and Spain will struggle to achieve positive growth. On the other hand, both Germany and the United Kingdom will grow faster in 2014 than they did in 2013.

China's growth rate will be sustained

After hitting a low point in early 2013, China's recovery re-accelerated thanks to the government's "mini-stimulus." It is also expected that the pace of Chinese growth to quicken a little from 7.8 percent in 2013 to 8.0 percent in 2014. Further moderate stimulus will be applied if growth falls below 7.5 percent. Much stronger stimulus will be forthcoming if growth falls below 7.0 percent. The bigger growth challenge for China will be over the medium term, as the country deals with the daunting problems of an aging population and the consequences of rapid credit growth, including a new housing bubble and rising debt levels.

Sub-Saharan Africa will maintain growth

Robust domestic demand is expected to continue to support growth, despite tighter global financial conditions to which countries in the region are relatively insensitive. Regional GDP is projected to strengthen to 5.3 percent in 2014. Net FDI inflows are expected to remain resilient and inflation is expected to continue its downward trend as food and energy prices remain low, which combined with steadily rising remittances should stimulate household consumption and permit a continued rapid expansion of domestic demand. A modest fiscal consolidation is projected to start in 2014; but fiscal deficits will remain elevated as governments maintain their investment programs while revenue stays low. Slower growth in emerging markets and a weaker recovery in developed economies could affect the region's growth prospects through a protracted decline in commodity prices and lower FDI flows. Countries that depend on mineral exports would, however, see real GDP growth and current account balances deteriorate significantly.

Other emerging markets will also perform a little better

The global environment facing emerging markets will be more growth friendly than it has been in the last three years. US and Chinese growth will be a little stronger and the Eurozone will no longer be a drag on the world economy. This means that emergingmarket exports will again become a source of growth. It is also expected that the real GDP growth for these economies will strengthen from 4.7 percent in 2013 to 5.4 percent in 2014.

Prospects for the least developed countries

The economies of the least developed countries will continue to expand at a solid rate, with growth forecast at 5.7 per cent in 2014. However, per capita GDP is expected to increase at only 3.2 per cent in 2014. Major obstacles for stronger economic and social development include institutional deficits, a lack of infrastructure, and political instability. In numerous African LDCs, such as Angola, Liberia, Sierra Leone, the United Republic of Tanzania, and Zambia, investment in the natural resource sector will drive growth in 2014. However, the challenge lies in achieving a more comprehensive and lasting impact on development.

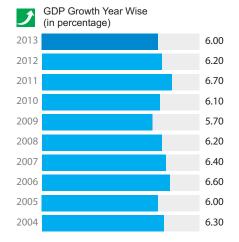
Middle East and North Africa will struggle further

Growth in the developing countries of the region is expected to remain weak in 2014. Under the baseline scenario, marked improvement in the political uncertainty that has plagued the region is not expected. In developing oil importing countries, consumption will be underpinned by large public outlays on wages and subsidies, while public investment will likely be constrained by large fiscal deficits, while growth in developing oil exporters will strengthen as the oil prices remain relatively high and infrastructure problems and security setbacks are resolved and mitigated. The region's outlook is subject to significant downside risks that are mostly internal to the region. A further escalation of violence in Syria and spillovers to other countries can adversely affect the region.

OVERVIEW OF BANGLADESH ECONOMY IN 2013

The GDP in Bangladesh expanded 6 percent in the fiscal year 2013 from 6.2 percent of the previous year. 2013 was a mixed year with the stock indices gearing up slightly better than the last couple of years. The economy went fine with good amount of

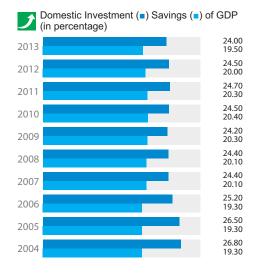
remittances inflowing and foreign reserves rising to the historical height.



However, the second half of the year was filled with vagaries in the political zone. The continuous nationwide strikes sparked the food prices drastically as movement of goods inside the country was seriously obstructed by the political turmoil. After many years, the country did not go through any natural calamity in 2013 which is quite unnatural for a natural disaster-prone country like Bangladesh.

The garments industry has been hit badly by the breakdown of the surface transport network in the last half of 2013. As a result, the garments exporters have been forced to resort to air shipment which increased the costs and reduced the profit margins. Due to the strong position of Bangladesh RMG exporters in the international market and the long time gap between a purchase order and the actual supply, any adverse impact on our exports is still not visible. For the first time since 2001, annual remittances have decreased in 2013. This was negatively impacted by a sharp fall in our manpower export in 2013.

Economic Growth



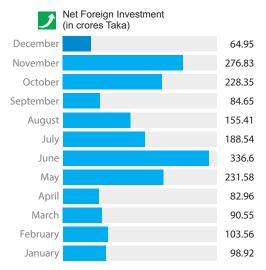
Bangladesh economy achieved a respectable growth of 6 percent during FY13 in a very challenging domestic and global economic environment. The expansion of the economy during FY13 was broad based, registering positive growth by all sectors and sub-sectors of the economy. GDP growth during the year was based on 9.0 percent growth in the industry sector, 5.7 percent growth in the services sector and 2.2 percent moderate growth in the agriculture sector. In the overall GDP growth of 6.0 percent in FY13, the services and industry sectors contributed equally 2.8 percentage points while agriculture contributed 0.4% point.

Agriculture Sector

The agriculture sector contributed 18.7 percent of total GDP in FY13 compared to 19.4 percent of total GDP in FY12. The output growth of agriculture sector moderated to 2.2 percent in FY13 from 3.1 percent of FY12. Within the agriculture sector, the highest growth was achieved in the fishing sub-sector followed by the forest and related services sub-sector. Fishing sub-sector grew at a rate of 5.5 percent in FY13 against 5.4 percent recorded in FY12.

Industry Sector

The country's industry sector grew substantially by a healthy 9.0 percent in FY13. The sustained increase in mining and quarrying and construction spurred the



growth in the industry sector. The large and medium scale manufacturing which accounted for 73 percent of the manufacturing sub-sector grew by 10.3 percent in FY13 compared to 10.5 percent in FY12. On the other hand, small scale manufacturing sub-sector which contributed about 27.0 percent of the total output of the manufacturing sector grew by 6.8 percent in FY13, slightly higher than 6.5 percent in FY12. The export of woven garments and knitwear, the country's two key export industries showed a growth of 15.0 percent and 10.4 percent respectively in FY13.However, exports of raw jute, tea, frozen food and chemical products showed a downward growth during the year. Growth of the construction sub-sector increased to 8.1 percent during FY13 from 7.6 percent in FY12.

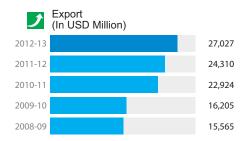
61

Services Sector

The services sector growth moderated to 5.7 percent in FY13 compared to 6.0 percent in FY12. The moderation in this sector growth was led mainly by a slowdown in wholesale and retail trade and financial intermediation. Wholesale and retail trade, which accounted about 28.5 percent of the sector, grew by 4.7 percent in FY13 against 5.6 percent in FY12. Financial intermediation achieved a lower growth of 9.0 percent in FY13 compared to 11.0 percent in FY12 largely due to lower profitability in the banking sector. The education sub-sector exhibited an impressive growth of 9.7 percent in FY13, significantly higher than the 7.2 percent of FY12, possibly due to the growth of new institutions of higher education.

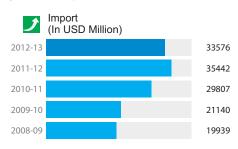
Export

Total exports in FY13 had a strong growth over FY12. Aggregate exports increased by 11.2 percent in FY13 to USD 27027.4 million from USD 24301.9 million in FY12. Apparels (woven garments and knitwear products) continued to occupy an overwhelming (above three fourth) share of the export basket in FY13.Due to the continuous turbulences in sociopolitical issues 40 percent of the total orders have been cancelled where some of them shifted to India and Vietnam. Shipment costs have been increased by an extra Tk.4,000 crore due to the political programs. There are also some policy level issues in RMG sector.



Imports

Import payments in FY13 were USD 33576.0 million registering a positive growth of 0.8 percent compared to USD 33309.0 million in FY12. Food grains import decreased substantially by 19.4 percent to USD 726.0 million in FY13 from USD 901.0 million in FY12 mainly due to adequate



domestic supply of rice during the period. On the other hand wheat import increased by 13.5 percent to USD 696.0 million in FY13. Pulses, oil seeds,

wheat, crude petroleum, chemicals, textile & articles thereof etc. recorded increases of imports during FY13. Except iron, steel & other base metal, capital machinery and others under the category of capital goods and others showed negative import growth. Therefore, imports of capital goods and others decreased by 9.0 percent to USD 1,1031.0 million in FY13.

Remittance shrinks 2.5 percent in 2013

A total amount of USD 13.83 billion remittance was received in 2013, which was USD 14.17 billion in the previous year, registering a 2.5 percent decrease. On the other hand, the amount was sufficient to contribute to the highest foreign exchange reserve of the country which exceeded USD 18 bn. Since then, a declining trend of inflow was observed. The prime reason for such declining trend in the remittance inflow was led by sluggish business environment due to unrest in the political arena which in turn made the expatriates unwilling to send money home for investment purposes. The Refugee and Migratory Movements Research Unit (RMMRU) stated that the manpower export fell by more than 200,000 in 2013.



External Trade and the Balance of Payments

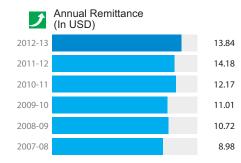
The Current Account Balance (CAB) continued to be in surplus reflecting the increasing inflows of remittances bolstered by continued export expansion and declining imports. Import growth was sluggish in FY13, partly reflecting the significant fall in food import demand, lower petroleum imports as well as slower demand for imports related to manufacturing output.

The trade deficit declined significantly by 24.8 percent in FY13 owing to the relatively larger expansion in export earnings compared to the increase in import expenditure. The deficit on the services account, however, widened by USD 158.0 million (5.3 percent) to USD 3159.0 million in FY13 from USD 3001.0 million in the previous year. The deficit on the primary income account also widened significantly (49.5 percent) to USD 2315.0 million in FY13 from USD 1549.0 million inFY12. Secondary

income increased substantially (11.8 percent) from USD13423.0 million in FY12 to USD 15009.0 million in FY13. Workers' remittances recorded an increase of 12.6 percent in FY13.

Workers' Remittances

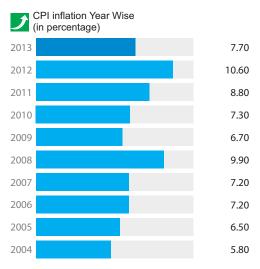
Remittance contributes to our national economy in a large scale by increasing foreign exchange reserve, per capita income and employment opportunities. It is contributing more than 13 percent to our GDP. Bangladesh has been ranked seventh on the list of ten countries expected to receive highest officially recorded remittance this year.



Despite continued global economics lowdown, the flow of inward remittances from Bangladeshi nationals working abroad remained strong in FY13 and continued to play an important role in strengthening the current account balance. Remittance inflow increased by 12.6 percent to USD 14338 million in FY13from USD 12734 million in FY12. However, as discussed above the rate of remittance growth sharply slowed down in the second half of FY13 compared with the first half.

Inflation

Food inflation has risen steadily 9.00 percent in December 2013. The reasons relate to higher distribution costs due to the frequent nationwide



strikes. On the other hand, point to point non-food inflation is steadily declining, having peaked in

October 2012 at 11.28 percent and has declined steadily to 4.88 percent in December 2013. However, the rise in food inflation is pushing up average inflation which bottomed out at 6.06 percent in January 2013, rose to 6.78 percent in June 2013 and is 7.53 percent in December 2013.

NBFI's PERFORMANCE IN 2013

The country experienced manifolds challenges in 2013 which include political unrests, volatility in capital market, the widening gap between deposit and lending rates, labour unrest in garments & textile sector, record high NPL ratio, operation of some more banks in the financial market, increase in interest rate of government securities etc. In the year 2013, the Central Bank made a transition from a cautiously restrained monetary stance aimed at curbing credit growth and preserving external stability to a more balanced policy to ensure sufficient credit envelop to attain targeted real GDP growth while a careful consideration to combating inflation.

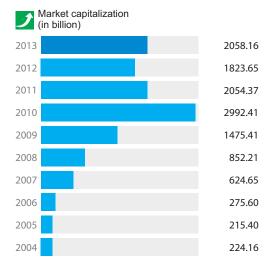


Performance of major indicators of this sector reflecting a movement of the risk weighted capital asset ratio, the gross NPL ratio and the net NPL ratio, ROE for all banks mostly remained at a comparable level relative to the closing figures of the previous financial year. The gross NPL ratio and the net NPL ratio of overall banking sector significantly increased and the risk weighted capital asset ratio declined to some extent during this year. Another aspect was that due to low investments, the credit growth was very slow. In addition, most NBFIs went for deposit mobilization in 2013. The big institutions as well as the small ones have opted for this methodology. Bangladesh Bank has allowed NBFIs to keep fixed deposits for three months. The minimum period for term deposits was six months previously.

CAPITAL MARKET IN 2013

In 2013, Bangladesh Securities and Exchange Commission (BSEC) has been upgraded to Acategory from existing B-category. With intent to maintain communication with other securities regulators and stock exchanges over the world, BSEC has opened up a new department in the name of International Affairs Department (IAD). The department would provide required information and would support to the International Organization of Securities Commissions (IOSCO) and the securities regulator and stock exchanges of other countries while they visit Bangladesh.

The great achievement for the capital market of Bangladesh in 2013 is the Demutualization of Stock Exchanges. "Exchanges Demutualization Act 2013" was passed and published in Bangladesh Gazette. Demutualization would lessen the conflicts visible in a metalized set-up. It leads to improvement in the corporate governance structure and separation of trading rights and ownership rights. It would also assist in attracting international strategic partners and good quality issuers. As such, institutional investors prefer to invest in markets where the exchange demonstrates strong corporate governance, market surveillance and enforcement in the belief that such markets are less likely to experience endemic market speculation and manipulation or be threatened by systemic failure.

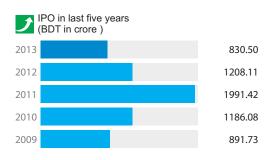


The year 2013 passed as another depressive year for investors, though DSE Broad Index (DSEX) gained 4.30 percent over the year. Over 2013, the DSEX gain only 176 points, closed at 4,266.55. DSEX reached its highest at 4,439.59 on 20 November 2013. In 2013 the turnover velocity ratio in DSE went down to 38.14 percent. In comparison to other developed capital markets, our velocity ratio is lower, showing that the DSE has room to grow and has leveraged on the opportunities available as reflected by the improvements achieved in the last few years.



Due to flat capital market scenario fund raised from the primary market in 2013 of Bangladesh was the lowest in last five years. A total of 12 companies offered IPOs worth amount of BDT 8,305 mn in 2013 to the public while the number of IPOs were 17 in 2012 with an amount of BDT 12,081.09 mn. In 2013, Engineering sector was the top sector to raise fund from the primary market, followed by Pharmaceuticals & Chemicals and Textile sector.

IPO shares gave lower return in 2013 compared to that of 2012. The weighted average return declined to 69 percent in 2013 which was 104 percent in 2012. The public interest was found significantly for the shares which were offered at face value. AFC Agro Biotech Limited and Bangladesh Building Systems Limited were oversubscribed by 59.92 and 45.95 times respectively while Orion Pharma Limited and Appollo Ispat Complex Limited were oversubscribed by 1.05 and 2.27 times. The highest offer price in 2013 was BDT 60.00 including a premium of BDT 50.00 per share for Orion Pharma Limited.



IPO STATUS AT A GLANCE IN 2013

			Total IPO	
		Offer	Size in mn	Over
Name of the Issues	Sector			(Times)
Orion Pharma Limited	Pharmaceuticals & Chemicals	60	2,400	1.05
Bengal Windsor Thermoplastics Limited	Engineering	25	400	13.07
Familytex (BD) Limited	Textile	10	340	18.05
ICB AMCL Sonali Bank 1st Mutual Fund	Mutual Fund	10	500	-
Exim Bank 1st Mutual Fund	Mutual Fund	10	500	-
Central Pharmaceuticals Limited	Pharmaceuticals & Chemicals	10	140	44.33
Fareast Finance & Investment Limited	Financial Institutions	10	450	17.56
Bangladesh Building Systems Limited	Engineering	10	140	45.95
Paramount Textile Limited	Textile	28	840	10.35
Appollo Ispat Complex Limited	Engineering	22	2,200	2.27
Mozaffar Hossain Spinning Mills	Textile	10	275	25.49
AFC Agro Biotech	Pharmaceuticals & Chemicals	10	120	59.92
	Orion Pharma Limited Bengal Windsor Thermoplastics Limited Familytex (BD) Limited ICB AMCL Sonali Bank 1st Mutual Fund Exim Bank 1st Mutual Fund Central Pharmaceuticals Limited Fareast Finance & Investment Limited Bangladesh Building Systems Limited Paramount Textile Limited Appollo Ispat Complex Limited	Orion Pharma LimitedPharmaceuticals & ChemicalsBengal Windsor Thermoplastics LimitedEngineeringFamilytex (BD) LimitedTextileICB AMCL Sonali Bank 1st Mutual FundMutual FundExim Bank 1st Mutual FundMutual FundCentral Pharmaceuticals LimitedPharmaceuticals & ChemicalsFareast Finance & Investment LimitedEngineeringBangladesh Building Systems LimitedEngineeringParamount Textile LimitedEngineeringMozaffar Hossain Spinning MillsTextile	Orion Pharma LimitedPharmaceuticals & Chemicals60Bengal Windsor Thermoplastics LimitedEngineering25Familytex (BD) LimitedTextile10ICB AMCL Sonali Bank 1st Mutual FundMutual Fund10Exim Bank 1st Mutual FundMutual Fund10Central Pharmaceuticals LimitedPharmaceuticals & Chemicals10Fareast Finance & Investment LimitedFinancial Institutions10Bangladesh Building Systems LimitedEngineering10Paramount Textile LimitedTextile28Appollo Ispat Complex LimitedEngineering22Mozaffar Hossain Spinning MillsTextile10	Name of the IssuesSectorSize in mn (including PriceOrion Pharma LimitedPharmaceuticals & Chemicals602,400Bengal Windsor Thermoplastics LimitedEngineering254000Familytex (BD) LimitedTextile10340ICB AMCL Sonali Bank 1st Mutual FundMutual Fund10500Exim Bank 1st Mutual FundMutual Fund10500Central Pharmaceuticals LimitedPharmaceuticals & Chemicals10140Fareast Finance & Investment LimitedFinancial Institutions10450Bangladesh Building Systems LimitedEngineering10140Paramount Textile LimitedEngineering222,200Mozaffar Hossain Spinning MillsTextile10275

BANGLADESH ECONOMY OUTLOOK

The macroeconomic developments during the early months of the ongoing FY2014 reflect a set of mixed signals. While some of the strong areas of FY2013 including export earnings, FDI and BoP maintained resilience, some of the correlates including import payments which showed diminished performance demonstrated signs of recovery. The World Bank has projected a slower economic growth of 5.7 percent in Bangladesh for the year 2014 down by 1.5 percent points from the government's target due to political uncertainty. Coupled with the safety problem, continued social unrest could affect Bangladesh's manufacturing and export performance. The readymade garment sector the mainstay of the economy that makes up almost 80 percent the country's total foreign exchange earnings is set to suffer badly, as buyers continue to cancel orders from Bangladesh. Although exports have surged by 21 percent in the July-November period, the garment sector is threatened by the risks of cancellation of orders, GSP cancellation and Pakistan's recent acquisition of GSP-plus facilities from the European Union. The manpower export sector is also deteriorating, with remittance flow falling by 8 percent in November 2013. The poultry industry that contributes to 19 percent of the GDP has incurred losses worth more than Tk. 4,000 crore due to political unrest in the last three months. All subsectors of the poultry industry, such as breeders, feed vendors, meat and egg producers and medicine sellers are incurring losses due to blockades and shutdowns. The economic growth prospect remains circumscribed because of depressed private investment demand.

HIGHLIGHTS ON FINANCIAL PERFORMANCE

Key operating and financial data of last preceding 5 (five) years is shown under the heading of Operational Highlights and Financial Highlights in the page no. 40 of this annual report.

OPERATIONAL PERFORMANCE OF UCL GROUP

The financial sector including Union Capital passed another year of challenge in 2013. National economy faced a dificult time because of hartal, blockade and political instability. The total economy was adversely affected as a result of hartal and blockade. Exporters incurred a huge losses as they could not make shipment of goods due to shutdown and road blockade. Global economic recession did have spillover impact on the Bangladesh economy. Political instability restricted growth of loans and advances during 2013. The capital market remained unstable throughout the year. UCL met the challenges through focused marketing plan, diversified products and services, initiative towards a fully automated and modern system, improving the assets quality by strengthening the recovery of nonperforming assets, emphasis on human resources development programs to upgrade the skill and knowledge of our personnel.

FINANCING AND INVESTMENT OPERATION

Union Capital always tried to be innovative while making any investment decision with a focus to identify and select emerging sectors for financing and maintaining quality portfolio. As a reflection of its corporate vision, the company always prefers the segmented business proposition which includes corporate, institutional clients and SMEs. SME financing is making a significant contribution to the country's economy but still there is an enormous gap between the sectors need and admittance to funds within reasonable cost. Keeping this in mind, UCL is offering tailored financial products for the growth of SME sectors. Overall investment was slow due to political uncertainly and lack of confidence of entrepreneur throughout the year. On the top of everything, highest priority was given and relentless effort was made to recover loans/lease at utmost level and in which the company performed well.

Diversified portfolio

Major financing activities of the company include Term Finance that represents 32.72 percent of total investment portfolio followed by lease finance (17.22 percent) and SME finance (8.22 percent).

Lease Finance

Lease financing is one of the major fund based activity of Union Capital. The Company offers full payout financial lease for financing capital machinery, equipment and vehicles. UCL provide services to customers of different segments include growing companies, blue-chip companies and SMEs. Though as prudent business model the company has diversified its business in other business segments in the year 2013. In 2013, total lease finance added was Tk. 647.65 million. The investment under lease finance of the Company stands at Tk. 1,951.48 million at the end of 2013.

Term Finance

Term finance continued to be a core product of UCL. It is both long term and short term in nature. Longterm finance is available for commercial, industrial, SME sectors for a period ranging from 12 to 60 months depending on the business nature and need. To provide liquidity comfort to corporate houses in emergency situation, the short-term finance is made under the different categories i.e. direct finance for working capital, work order finance, finance against term deposits etc. As pointed out by the Central Bank term finance by NBFIs are the alternate source of capital financing for the industrial growth in this Country. The Company's investment under term finance stands at Tk. 4,617 million at the end of 2013.

Bridge/Equity Finance

Union Capital expanded its service range of bridge finance beyond the concept of investment banking. The Company provides bridge finance in anticipation of all types of immediate financing requirement ranging from term loan to IPO or equity investment.

SME Finance

UCL provides a wide range of SME products to the potential clients under Bangladesh Bank Re-finance scheme. SME based financial products include, Women entrepreneur Ioan, Supplier Ioan, Medical Ioan, Education Ioan, Business expansion Ioan, Secured Ioan etc.

House Building Finance

The Company operating its House Building loan to corporate customer as well as Individuals for a period of 5-20 years. It is against purchase of Flat, Construction and Renovation of House Building.

Fund Arrangement/Syndication

Sometimes financial requirement of customer become so huge that cannot be arranged from internal sources and also due to regulatory restrictions. In such situation required funds are being raised through syndication arrangements with other financial institutions and banks.

CAPITAL MARKET OPERATION

First quarter of 2013 was pretty volatile. Market continued to decline upto May. DSEX's lowest point was 3,438 and highest point was 4,439 which means there was fluctuation of almost 1,000 points. The overall turnover was low in 2013 which makes the year a very significant one. However, we had significant events like restructuring the benchmark index to DSEX and introducing the DSE 30 index. The average market turnover was BDT 4,003.12 mn in 2013. This year DSEX posted 5.19 percent from its first available point in January 27, 2013. This is better than negative return of 19.74 percent in 2012.

In line with the overall market and NBFI sector, market price of Union Capital Limited was quite volatile. UCL started its journey of 2013 on 01 January with the price of Tk. 27.40 in DSE and closed at Tk. 34.60 on 31 December 2013. The highest price was recorded at Tk. 36.90 on 18 July 2013 and lowest one was Tk. 19.70 which was close price of 24 April 2013.

In spite of this unfavorable situation, Union Capital worked hard to cope up and manage the risk prudently as it holds decades of experience in capital market operations. The Company provides a broad range of services to the corporate clients supporting them in raising long term funds from capital market. UCL's offering includes services in the area of merchant banking, portfolio management and stock brokerage.

IPO Management

UCL performs public issue management along with financial engineering and designing of capital structuring services for customers desiring to raise funds from capital market for BMRE and repayment of debts. During the year 2013, the Company did not sign any issue management contracts. There are two prospectus submitted to BSEC for its approval.

Underwriting

It is one of the core activities of merchant banking operation. As one of the major underwriter, during the year 2013, the Company entered into a good number of deals for underwriting shares for total amount of Tk. 664.80 million.

Private Placement

UCL arranges private placement of debt and equity securities for companies seeking a wide range of corporate finance alternatives. During the period under reporting, the Company worked for a number of projects either in the capacity of an arranger or a subscriber of pre-IPO placements.

Corporate Financial and Advisory Services

UCL offers professional corporate financial services including customized, value added solutions for better corporate performance in terms of prolonged existence and steady growth. Project advisory services include systemic development of an idea into a plan, development of financial structure and preparing feasibility report.

Portfolio Management

UCL provides portfolio management services with a margin loan facility to its clients. The transaction of portfolio accounts was made both at the discretion of the customers and the Company.

Margin Loan

UCL provides margin loan facilities to its portfolio customers for purchase of shares and securities. The amount of portfolio loan outstanding as on December 2013 was Tk. 3,996.00 million. The above amount represents the aggregate investors' portfolio loan extended to different portfolio customers for purchasing shares listed in the stock exchanges against their deposit. Loans are fully secured by way of lien on shares purchased under margin loan account. UCL always maintained its loan ratio in a very just and reasonable way adjusting with the market situation without taking any excessive risk for both the company and its customers.customers.

Stock Brokerage

UCL also offers stock brokerage services to local and foreign investors through its wholly owned subsidiary Unicap Securities Ltd. - which has corporate memberships at the Dhaka & Chittagong stock exchanges and full service depository participant of CDBL. The market instability, lack of investors' confidence, non-participation of institutional investors and liquidity crunch resulted significant decrease in market turnover during 2013.

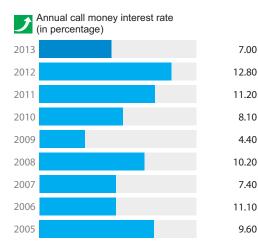
Investment in Share and Securities

UCL maintains its own portfolio for investment in listed companies shares and securities. These are fully diversified with different sectors of securities. The investment risk is being minimized through diversification and investing mostly in fundamentally strong securities. In 2013, the Company earned Tk. 27.39 million in the form of capital gain and dividend.

MONEY MARKET OPERATION

In the year 2013, the Central Bank made a transition from a cautiously restrained monetary stance aimed at curbing credit growth and preserving external stability to a more balanced policy to ensure sufficient credit envelop to attain targeted real GDP growth while a careful consideration to combating inflation.

The liquidity position of all banks (except SPBs as they are exempted from the compliance of SLR by Government rule) improved at the end of June 2013 and stood at 716.61 billion compared to 456.76 billion in June 2012 showing an easing of the money market. At the retail level deposit rates have decreased gradually in FY 2012-13 reflecting a liquidity surplus in the market however lending rates have behaved downward stickier with slight downward shift. Central Bank continued its reform activities this year with a core focus on ensuring financial stability of the Banks, Non-bank Financial Institutions (NBFIs) and Micro Finance Institution (MFIs) operating in the market.



Banking Arrangements

The Company maintains sufficient facilities to meet its normal funding requirements. These facilities are primarily in the form of bank facilities arranged on a bilateral basis with a number of commercial banks. In 2013 the Company obtained Tk. 450.00 million from banks against different form of borrowings to finance its operations and repaid Tk. 573.00 million as per terms and conditions of contracts. During the year due to liquidity crisis the cost of borrowing increased significantly. UCL also obtained Tk. 99.91 million from Bangladesh Bank under the SME Refinancing Schemes.

Deposit Mobilization

UCL mobilizes term deposits from corporate and individuals through its wide range of deposit schemes with different maturity options, monthly/quarterly/halfyearly/yearly income options, double/triple money options, monthly saving options etc. The deposits base of the Company continued to register a steady growth and stood at Tk. 7,836.86 million as on 31 December 2013 compared to Tk. 4,598.30 million of the previous year, registering growth of 70.43 percent. The growth was made due to high standard products and services along with competitive interest rate offered to customers.

Call Money Transactions

As a financial Institution UCL actively participates in money market on a regular basis and has been dealing both borrowing and lending activities with different banks/financial institutions to manage its liquidity position in an effective way. UCL also maintains very high standard in money market operation and build up a strong reputation for itself.

OPERATIONAL HUB

UCL provides services through its five offices geographically diversified in the areas namely Dhaka, Chittagong and Sylhet.

OPERATING RESULTS (CONSOLIDATED)

During 2013, the Company generated revenue Tk. 1,663.80 million, which concluded Profit from

operation Tk. 464.21 million. Net profit has increased by 149.91 percent to Tk. 141.76 million. An amount of Tk. 66.83 million has been provided as provision for taxation in 2013. Earnings per share was Tk. 1.29 as against Tk.0.52 last year. The weighted average number of ordinary shares outstanding during the year was 109.91 million (2012: 104.68 million). The financial results of the Company for the year 2013 with a comparison of 2012 are summarized below:

(Taka in million except per share data)		
Particular	2013	2012
Operating revenue	606.33	311.88
Operating expenses	142.12	118.00
Profit before tax	208.59	108.69
Provision for tax	66.83	51.96
Profit after tax	141.76	56.72
Earnings Per Share (EPS)	1.29	0.52

SEPARATION OF MERCHANT BANKING OPERATION

The Bangladesh Securities and Exchange Commission (BSEC) on 2 February 2010 directed all the Banks and NBFIs including Union Capital Limited to separate the Merchant Banking operation from the mainstream business. Accordingly the Board of Directors in the Meeting held on 28 March 2010 decided to form a separate Company for operation of Merchant Baking activities. Subsequently, a Public Limited Company with an authorized share Capital of Tk. 1.000 million as the fully owned subsidiary in the name of UniCap Investments Limited was formed on 24 May 2011. Then, we applied to BSEC for transfer of Merchant Banking license in favor of UniCap Investments Limited from Union Capital Limited. Finally, BSEC has given its accord for transfer of Merchant Banking License in favor of UniCap Investments Limited on 30 December 2013. Finally, UniCap Investment Limited started its operation as a full- fledged Merchant Bank from 1 January 2014.

SIGNIFICANT DEVIATION IN OPERATING RESULTS

Operating profit during 2013 has increased by 91.92 percent to Tk. 208.59 million (2012: Tk. 108.69 million). The underlying main reasons for such increase are:

- Significant improvement in recovery from stuck up loans/leases;
- Efficient investment in the volatile capital market throughout the year;
- Decrease of cost of fund;
- Focus on SME finance;
- Stable money market scenario compared to the previous year;

SUBSIDIARY COMPANIES

UCL has two fully owned subsidiary companies, namely, UniCap Securities Limited – a corporate member of both Dhaka and Chittagong Stock Exchange; and UniCap Investments Limited – a full fledged merchant bank. UniCap Investments Limited was incorporated on 24 May 2011. We have applied to BSEC for transfer of license currently held in the name of Union Capital Limited. We have received the approval from BSEC on 30 December 2013 on transfer of the said transfer. During the year 2013, UCL has received Tk. 34.50 million from UniCap Investments Limited as interim dividend. Separate audited financial statements of the subsidiary companies are given on pages 224 to 236 of this Annual Report.

IPO OF THE COMPANY

UCL floated its ordinary shares through IPO in the year 2007 and raised Tk. 75,000,000 at par. The net proceeds of IPO used for Company's operational activities i.e for investment in lease finance and term finance.

EVENTS OCCURRING AFTER THE REPORTING DATE

As at the date of this report, the Directors are not aware of any matter or circumstance that has arisen since the end of the year 2013 that has significantly affected or may significantly affect the operations of the Company, the results of its operations or its state of affairs, which is not already reflected in this report other than the following: On 4 March 2014, Union Capital announced 10 percent stock dividend. Details of the announced dividend declared during the financial year are disclosed in Note 3.22 of the Notes to the Financial Statements on page 287 of this report.

APPROPRIATIONS OF PROFIT (Based on separate F/S)

Taking into account the profit available for distribution after complying with the regulatory requirements, the Board recommended 10 percent stock dividend (10 bonus shares for every 100 shares held) for the year ended 31 December, 2013 for approval of Shareholders in the Sixteenth Annual General Meeting. The Board proposed the following appropriations:

	Taka in million	
Profit after tax	138.74	
Retained Earnings brought forward	0.14	
Total Profit available for appropriation	138.88	
Proposed appropriation:		
Transfer to Statutory Reserve	27.75	
Proposed Dividend	109.91	
Retained Earnings carried forward	1.22	

DIVIDEND

The Board of Directors in its meeting held on 4 March 2014 recommended 10 percent stock dividend i.e. 10 bonus shares for every 100 shares held for the year 2013 to its shareholders for approval in this AGM.

ANNUAL GENERAL MEETING

The notice of the Sixteenth Annual General Meeting is given on page 241 of this Annual Report. A summary of the agenda is given below:

Ordinary Business

- Receive and adopt the Directors' Report, Auditors Report and Audited Financial Statements for the year 2013;
- Declaration of dividend for the year 2013;
- Re-appointment of the Directors;
- Appointment of the Auditors;
- Appointment of the Independent Directors;

Special Business

Issuance of Non-convertible Preference Share

OBSERVANCE OF BAS, BFRS & APPLICABLE LAWS

The Directors have the responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable us to ensure that the financial statements comply with the Companies Act, 1994, the Financial Institutions Act, 1993, and the Bangladesh Securities and Exchange Rules, 1987. The Directors also confirm that the financial statements have been prepared in accordance with the Bangladesh Accounting Standards and other applicable rules and regulations. A separate report on Directors' Responsibilities as to the preparation of financial statement is set out on page no. 84 in this Annual Report.

ACCOUNTING POLICIES AND MAINTENANCE OF BOOKS OF ACCOUNTS

The Directors consider that in preparing the Financial Statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and that all International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) have been followed. In preparing financial statements, information has been obtained from the books of accounts, which have been maintained properly as required by the applicable rules and regulations.

FAIRNESS OF THE ACCOUNTS

As per Companies Act, 1994, it is the responsibility of the Directors to prepare financial statements for each year to be presented before the shareholders in the Annual General Meeting. The financial statements and other financial information included in this report fairly present in all material respects, the financial conditions, results of operations, cash flows and changes in equity of the Company as of, and for, the year ended 31 December, 2013.

RISK MANAGEMENT

Risk is an exposure to a transaction that may result in a loss with some probability. In financial institutions, risk results from variations and fluctuations in assets, liabilities, incomes and outflows & inflows of cash etc. While the types and degree of risks an organization may be exposed to, depend upon a number of factors, it is assumed that generally FIs face Credit, Market, Liquidity, Operational, Compliance, Legal, Regulatory and Reputation risks as summarized below:

Credit risk

Credit risk is the risk of loss associated with an obligor's potential inability or unwillingness to fulfill their contractual obligations. Credit risk may arise from the risk of default of our customers.

Mitigation Measures

- Ensuring credit quality;
- Diversifying credit risks in transactions and portfolios;
- Using our credit risk rating and scoring systems;
- Pricing appropriately for the credit risk taken;
- Applying consistent credit risk exposure measurements;
- Mitigating credit risk through preventive controls;
- Ongoing credit risk monitoring and administration;
- Strong credit analysis to identify the risk;
- Clear loan/lease covenants;
- Effective credit control and monitoring processes;
- Prompt identification of early sign of deterioration;
- adequacy and realizability of collateral.

Market risk

Market risk is defined as the potential loss in value of the firm due to changes in market prices and rates including interest rates, credit spreads and share prices. Market risk has a direct impact on earnings and impacts the economic value of the company.

Mitigation measures

- A Risk Management Committee that meets on a regular interval;
- Daily reporting of valuation results to executive management;
- Strict adherence to UCL's internal policies such as the use of limits and management action triggers.

Liquidity risk

Liquidity risk is the risk that we may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost-effective manner to meet our commitments as they come due. The nature of financing services inherently exposes us to various types of liquidity risk. The most common sources of liquidity risk arise from mismatches in the timing and value of cash inflows and outflows.

Mitigation measures

- Efficient Asset and Liability Committee that oversees liquidity management;
- Diversified sources of funding;
- Contingent funding plan;
 - Effective cash flow planning.

Operational risk

Operational risk is the risk of loss or harm resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is embedded in all our activities, including the practices and controls used to manage other risks. Failure to manage operational risk can result in direct or indirect financial loss, reputational impact, regulatory censure, or failure in the management of other risks such as credit or market risk.

Mitigation measures

- Effective background checks and thorough confirmation process on new hires;
- Competitive remuneration package and other hygiene factors to attract and retain the best talent;
- Enforcement of strong supervisory control;
- Zero tolerance to staff integrity issues and fraud;
- A fully fledged HR Department to cater for the training and development needs of staff;
- The introduction of a functional reporting structure to the operations job families to allow for effective supervisory control of the operations of UCL;
- Automation of our processes;
- Putting in place sound business continuity planning and disaster recovery programmes;
- Stepping up operational risk awareness training and programmes;
- Monitor and manage key risk indicators in processes/products/activities.

Regulatory risk

This is the risk whereby the procedures implemented by UCL to ensure compliance to relevant statutory, regulatory and supervisory requirements are not adhered to and/or are inefficient and ineffective.

Mitigation measures

Proactive implementation of UCL's sound compliance programme that ensures compliance by all stakeholders to relevant laws and regulations. This includes continuous updates of UCL's rule books as well as training of all concerned to understand regulatory obligations and the consequence of noncompliance.

Reputation risk

Reputation risk can arise from a number of events and primarily occurs in connection with credit risk, regulatory, legal and operational risks. Operational failures and non-compliance with laws and regulations can have a significant reputational impact on us.

Mitigation measures

- We operate with integrity at all times in order to sustain a strong and positive reputation;
- Protecting our reputation is the responsibility of all our employees, including senior management and extends to all members of the Board.

OVERVIEW OF OTHER RISKS

In addition to the risks described in the Risk Management section, there are other risk factors, described below, which may adversely affect our businesses and financial results. The following discussion is not exhaustive as other factors could also adversely affect our results.

Government fiscal, monetary and other policies

Our businesses and earnings are affected by the fiscal, monetary or other policies that are adopted by the Government and Bangladesh Bank and various regulatory authorities. As well, such policies can adversely affect our clients which may increase the risk of default by such clients.

Level of competition

The competition for clients among financial services companies in the markets in which we operate is intense. Client loyalty and retention can be influenced by a number of factors, including services offered by our competitors, relative service levels, the prices and attributes of our products or services, our reputation and actions taken by our competitors. Banks are also offering similar services like leasing, capital market operations etc. Such competition could also reduce net interest income, fee revenue and adversely affect our earnings.

Ability to attract and to retain employees

Competition for qualified employees is intense within the financial services industry and from non-financial industries looking to recruit. Although our goal is to retain and attract qualified employees, there is no assurance that we will be able to do so.

Accuracy and completeness of information on clients and counterparties

When deciding to extend credit or enter into other transactions with clients, we may rely on information provided by or on behalf of clients including audited financial statements and other financial information. Our financial results could be adversely impacted if the financial statements and other financial information relating to clients on whom we rely are materially misleading.

Environmental risk

Environmental risk is the risk of loss to financial, operational or reputational value resulting from the impact of environmental issues. It arises from our business activities and our operations. For example, the environmental issues associated with our clients' purchase and sale of contaminated property or development of large-scale projects may give rise to credit and reputation risk. Operational and legal risks may arise from environmental issues at our different offices or data processing centers.

Failure to adequately manage environmental risk could adversely impact our results and/or significantly impact our reputation.

Other factors

Other factors that may affect actual results include changes in government trade policy, changes in

accounting standards, including their effect on our accounting policies, estimates and judgments, the timely and successful development of new products and services, technological changes and our reliance on third parties to provide components of our business infrastructure, the failure of third parties to comply with their obligations to us, fraud by internal or external parties, the possible impact on our business from national or global economies, disruptions to public infrastructure, including transportation, communication, gas and power, conflicts and political instability and our success in anticipating and managing the associated risks.

A detailed report on risk management is given on page 117 of this Annual Report.

CREDIT RATING

A credit rating is an assessment of the solvency or credit-worthiness of a company according to established credit review procedures. These ratings help investors analyze the risks associated with the company by providing detailed information of the ability of a company to meet their obligations. A rating is being continuously monitored. It enables investors to measure their investment risk. The company is rated by one of the leading independent rating agencies.

UCL has been rated by National Credit Ratings Ltd. and adjudged AA minus (Double A-) in the long term and ST 2 in the Short term. The validity of the rating will expire on 2 June 2014. AA- rating in the long term signifies UCL's strong capacity for timely servicing of financial obligations offering adequate safety. Institutions rated under this scale carry low credit risk.

INTERNAL CONTROL

The Board acknowledges its responsibilities for UCL's system of internal control and for reviewing its adequacy and effectiveness. The system of internal control covers, inter alia, financial, operational, management information systems, organizational and compliance controls. All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of controls. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the reliability of financial reporting and financial statement preparation and presentation.

Further, because of changes in conditions, the effectiveness may vary over time. Our management, with the participation of the Chief Executive Officer, Chief Financial Officer and Chief of Internal Control & Compliance evaluated the effectiveness of our Internal Control. Detailed implementation of the system of internal control throughout the company has been delegated by the Board to the Executive Management and the department of ICC. These controls include financial controls that assist the Board in meeting its responsibilities for the integrity and accuracy of the company's accounting records. The Company's financial statements, prepared from these records, comply with the required laws and standards. A separate report on Internal Control is given on page 81 of this Annual Report

INFORMATION TECHNOLOGY

The emergence of a global economy, transformation of industrial economies, transformation of the business enterprise, and the emergence of digital firm make information systems essential in business today. In many businesses, survival and the ability to achieve strategic business goals is difficult without extensive use of information technology. Keeping pace with the developed world, the financial sector of Bangladesh is becoming increasingly inclined towards digitization. Now a day, Information & Communication Technology (ICT) has become essential for financial institutions in ensuring smooth operation and providing efficient services. UCL has recognized this fact and adopted a comprehensive ICT Policy for its various aspects of operations. The Company's operation has grown significantly in terms of business volume, number of customers as well as diversified its client and product range. In line with this business growth, the challenges and risks of doing business have also grown manifold. Information Technology (IT) being one of the key facilitators of sound business growth and risk management, is very important to have a robust. scalable and flexible IT platform. UCL holds a fully automated IT structure to support its operation which also produces better MIS for decision making, improve risk management and most importantly, delight its customers at every opportunity. Recently UCL automated its loan appraisal process through a workflow driven system to ensure optimum control and paperless operation in line with Bangladesh Bank's green banking initiatives. Additionally, UCL installed a robust online Human Resource Management Software for efficient management of payroll, PF, gratuity, leave and other relevant information of the employees of the Company.

DIRECTORS' MEETING, ATTENDANCE & REMUNERATION

During the year ended 31 December 2013 a total twelve meetings were held. All of the Directors serving on the Board attended more than 76 percent of the aggregate of the total number of meetings of the Board of Directors. The attendance in the Board meetings by each Director is given in Annexure-I on page 77 of this Annual Report.

The Directors including the Independent Directors are not entitled to any remuneration other than fees for attending in the Board/Committee meetings. An amount of Tk. 5,000 is paid to each director for attending each Board/Committee meeting. The details on remuneration paid to Directors in 2013 is presented on page 98 of this Annual Report.

DIRECTORS' STATEMENT PURSUANT TO THE DISCLOSURE AND TRANSPARENCY

The Directors confirm that to the best of each Director's knowledge and belief the financial statements, prepared in accordance with BFRS, give a true and fair view of the assets, liabilities, financial position and results of the Company, and the management report contained in the operational and financial review includes a fair review of the development and performance of the business and the position of the company, together with a description of principal risks and uncertainties that may face.

DIRECTORS' RESPONSIBILITIES OF PREPARATION OF FINANCIAL STATEMENTS

As per Companies Act 1994, the Directors are responsible for preparing the Annual Report and Company's financial statements in accordance with applicable laws and regulations. The Board confirms that the Financial Statements have been prepared according to BFRS and other applicable laws and regulations. A statement of the Directors' responsibility in relation to financial statements has been given on page 84 of this Annual Report.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors in accordance with BSEC Notification dated 07 August 2012 confirm that:

- The financial statements prepared by the management of UCL present fairly its state of affairs, the result of its operations, cash flows and changes in equity; Proper books of accounts of the Company have been maintained; Appropriate accounting policies have been consistently applied except for the changes disclosed in the financial statements in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment;
- Bangladesh Accounting Standards (BAS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored; and
- There are no significant doubts upon the Company's ability to continue as a going concern.

KEY OPERATING AND FINANCIAL DATA

Key operating and financial data of last five years as required by BSEC is presented on page 40 of this Annual Report.

REGULARITY COMPLIANCE

UCL is well known for its regulatory compliance and has always followed applicable regulations rigorously. UCL has a dedicated compliance team for ensuring regulatory compliance across all the businesses and operations. They are responsible for identification and assessment and compliance related matters from a regulatory compliance perspective and monitoring and reporting. We ensure that these are periodically reviewed in line with the changing scenario and taking into account modifications if any in the regulatory guidelines.

EVALUATION OF QUARTERLY REPORTS

In order to improve disclosure related to the functioning of Board Audit Committee and to

enhance the reliability and credibility of financial statements of listed companies the Bangladesh Securities and Exchange Commission (BSEC) requires the Audit Committee along with the Management of the Company to review the quarterly and half-yearly financial statements prior to placing the same before the Board for approval. The Audit Committee of UCL reviews the interim financial statements along with the Management before placing the same to the Board. The Charter of the Audit Committee clearly includes among others the function of reviewing the quarterly and half-yearly financial statements of the Company.

REPORT ON THE COMPLIANCE OF THE CONDITIONS OF BSEC'S NOTIFICATION OF 2012

As per BSEC Notification dated 07 August 2012, the Directors are required to report on the compliance on certain conditions in the Notification of August 2012. The Notification was issued for the purpose of establishing a framework for ensuring good governance practices in the listed companies for the interest of the investors and the capital market. The Directors confirm that we have complied with all the conditions stipulated in the Notification. A statement on the compliance with the conditions is given on page 108 of this Annual Report.

REPORT ON THE COMPLIANCE ON THE GUIDELINES OF BANGLADESH BANK

Bangladesh Bank has issued guidelines on certain issues for the NBFIs to be complied with. The Board of UCL confirms that we have complied with all the conditions of the guidelines. A statement on the compliance with the conditions is given on page 113 of this Annual Report.

CERTIFICATE FROM THE PRACTICING PROFESSIONAL ON THE COMPLIANCE OF CONDITIONS ON CORPORATE GOVERNANCE

As a measure of good corporate governance practice, and as required by BSEC, the Company has appointed S. F. Ahmed & Co., Chartered Accountants to conduct Audit on the compliance status of Union Capital Limited as to the conditions on the corporate governance as stipulated in BSEC Notification dated 7 August 2012. The professional firm is required to give a certificate after review on the practices by Union Capital Limited. S. F. Ahmed & Co., Chartered Accountants has given a compliance certificate for the year ended December 31, 2013 which is available on page 107 in the Annual Report. The Report confirms that the Company has complied with all the conditions stipulated in the BSEC Notification on Corporate Governance.

GOING CONCERN

Companies and other entities are experiencing the impact of difficult or uncertain economic conditions in varying degrees. The effects of such economic conditions may be significant in the area of financial reporting, in particular, the Directors' assessment of the Company's ability to continue as a going concern.

Going concern is a fundamental principle underlying the preparation of the financial statements of a listed company. Bangladesh Accounting Standards require Directors to consider whether there are material uncertainties that would lead to significant doubt about a company's ability to continue for foreseeable period. BSEC requires the listed companies to make adequate disclosures in the financial report about the going concern of a listed company. The financial statements of the Group and UCL have been prepared on a going concern basis. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions covering principal activities, strategic directions and challenges and uncertainties together with a review of the income statement, financial position and risk profile. In addition the Directors have considered the future projections of profitability, cash flows, asset quality, the outcome of various stress tests and capital resources in making their assessment. After assessment, the Directors are satisfied that the Company has adequate resources to continue its operation for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements. A separate report on going concern has been set out on page 115 of this Annual Report.

SUBSTANTIAL SHAREHOLDINGS

BSEC's Notification dated 7 August 2012 requires a listed company to disclose in the Directors' Report, the list of shareholders holding ten percent or more voting interest in the Company. None of the shareholders hold ten percent or above shares in UCL. The shareholding status of all sponsor shareholders as on 31 December 2013 is given in Annexure-II, page 77 of this Report.

THE PATTERN OF SHAREHOLDINGS

The Authorized Capital of Union Capital Ltd. is Tk. 2,000,000,000 divided into 200,000,000 ordinary shares of Tk.10 each. The paid-up Capital of the Company is Tk. 1,099,093,260 divided into 109,909,326 ordinary shares of Tk.10 each. The shareholding pattern of the Company as at December 31, 2013 is shown in Annexure-III, on page 78 of this report as per BSEC Notification of dated 7 August 2012. As per requirement of listing regulations, the distribution schedule of shareholdings of the Company as on 31 December 2013 is given under Annexure-IV on page 78 of this Annual Report.

DIRECTORS TO RETIRE AND RE-APPOINTMENT

As per Article 93 of the Articles of Association of the Company, the following Directors will retire in the Sixteenth Annual General Meeting and being eligible offered themselves for re-appointment:

- Chowdhury Tanzim Karim (Nominated by EC Securities Limited)
- Mr. Nadeem A. Chaudhury (Nominated by ENRILCO Limited)
- Mrs. Meherunnesa Haque
- Mr. Nasir A. Chowdhury

The Companies Act, 1994 requires that any Director appointed by the Board since last Annual General Meeting shall retire in the next Annual General Meeting. Accordingly, Mr. Mohammad Nurun Nabi, Independent Director and Capt. Minhazur Reza Chowdhury shall retire in the Sixteenth Annual General Meeting and eligible for re-appointment.

Full biographical details of the Company's Directors at the date of this report are given on pages 48 to 52 of this report.

COMMUNICATION, PUBLIC DISCLOSURE OBLIGATIONS AND STAKEHOLDER RELATIONS

The board recognises that effective communication is integral in building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders, as defined below. The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about the group

We endeavor to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern. We seek to highlight the key risks to which we consider ourselves exposed and our responses to minimize the impact of these risks. Another objective is to show a balance between the positive and negative aspects of our activities in order to achieve a comprehensive and fair account of our performance.

Our primary stakeholders include employees, shareholders, government, regulatory bodies, clients, depositors, suppliers, rating agencies, the media, and the community. The Board appreciates the importance of ensuring an appropriate balance in meeting the diverse needs and expectations of all our stakeholders and building lasting relationships with them. As a requirement of our Corporate structure, we comply with the disclosure obligations contained in the applicable listing rules of exchanges on which our shares are listed and with any public disclosure obligations as required by BFRS, BSEC and BB. We also recognize that from time to time we are required to adhere to public disclosure requirements by SAFA.

The Investor Relations division has day-to-day responsibility for ensuring appropriate communication with stakeholders and, together with the Company Secretarial and ICC Department, ensures that we meet our public disclosure obligations.

The processes we have adopted to ensure that we comply with all public disclosure obligations are set out below:

- Significant announcements are released directly to BSEC. Announcements are released almost simultaneously to stock exchanges, where our shares are listed thereby ensuring fair treatment of all stakeholders. Copies of these announcements are placed on our website www.unicap-bd.com as soon as possible following confirmation of release on the relevant authorities.
- We maintain a comprehensive investor relations website, which ensures that all stakeholders readily have access to historical and current information

All shareholders are encouraged to attend the annual general meeting and to raise issues and participate in discussions on items included in the notice of the meeting. The meeting enables the Board to communicate with shareholders and for shareholders to ask questions in person. The chairmen of the Board, Directors and the Managing Director attend the meeting to respond to relevant questions. All valid proxy appointments are recorded and counted and, at general meetings, a schedule of the proxy votes cast is available to all shareholders. We propose a separate resolution on each substantially separate issue and do not bundle resolutions together inappropriately. All resolutions are determined on a voting. Shareholders are requested to approve our report and accounts and our business.

STAKEHOLDERS ENGAGEMENT

Stakeholders trust is of particular importance in the financial services industry. To cultivate trusting relationships with our broad spectrum of stakeholders, we are committed to engaging them in a variety of ways.

We believe engagement is fundamental to creating value for all our stakeholders: it assists in identifying issues that are material and may otherwise have an impact (negative or positive) on their wellbeing. We also believe that engaging with our stakeholders promotes the principles of balance, comparability, reliability, accuracy and transparency of our reporting, both internally and externally. UCL has a wide range of stakeholders that include any person or organisation that may interact with, or have an interest in, UCL and include customers, employees, lenders, suppliers, shareholders, communities, governments, etc.

We aim to provide meaningful and transparent communications to meet the needs of all stakeholder groups and present information to them in the most appropriate format. These formats include annual report. Following the launch of our corporate website, we have continued to develop and update the contents and make those available to our stakeholders.

We communicate with our stakeholders throughout the year and engagement is integrated into our business decision-making processes. This 360degree dialogue is essential in providing all parties with a rounded view of all material issues and helps all to shape their actions and strategies to move forward on these matters.

CORPORATE SOCIAL RESPONSIBILITY

UCL's Corporate Social Responsibility efforts continue to grow along with our business, creating positive change in our communities and deepening those connections among our employees, customers, neighbors, and other partners.

Being a responsible business is integral to our success and that of the customers, clients, shareholders and communities we serve around the country. Corporate social responsibility is embedded in our values and informs how we conduct business, develop products and services and deliver on our goals and commitments. Our CSR report demonstrates how our business practices and operations impact our local communities. We're working with our stakeholders to strengthen Bangladesh's sustainable future by supporting economic growth, giving back to our communities and being responsible to our environment. UCL Group supports a number of charities in the community where our employees and customers live and work. A separate report on CSR activities is given in the page 142 of this report.

CORPORATE GOVERNANCE

The Board of Directors and management of the Company are committed to strong corporate governance and believe it is a vital component for the effective and efficient operation and future success of the Company. Good corporate governance demonstrates the Board's ability to independently direct and evaluate the performance of the Company's management, as well as that of the Board members themselves. This is achieved through a well-qualified Board, a strong relationship between the Board and senior management, and strong governance practices and procedures.

Strong corporate governance is about companies having clear and systematic decision-making processes, thus providing clarity about responsibilities, avoiding conflicts of interest and ensuring satisfactory transparency. Commitment to UCL's mission and vision requires the integration of sound corporate governance practices into regular business activities in order to, attain – as far as possible – a company that is well governed and well managed.

The main emphasis is on the Board of Directors in its role as the main decision-making body in UCL's corporate governance structure, and the interaction with the other bodies to ensure sound corporate governance. The Corporate Governance section in this Annual Report provides detailed information relating to the UCL's Corporate Governance practices.

HUMAN RESOURCE

In today's businesses, the right approach and management of the company's employees can greatly affect the company's overall performance. Starting from right staffing to maintaining performing employees, HR management is key in developing not only the employees, but the whole organization itself. Developing not only management but also its employees is significant. To keep up with competition, employees are given with a number of reasons to stay with the company, and do their jobs exemplary well. Their continuous growth, the right compensation and benefits, and work-life balance are ensured that motivate employees to perform better, producing better results for the customers and ultimately, the company.

Union Capital persistently reviews the existing human resource policies and implements effective management policies and practices to enrich its employees. We believe that our human resources are our competitive advantage in terms of their sincerity, experience and professional expertise. Considering this, we uncompromisingly take appropriate policy to recruit the best-suited persons for the right places, provide them adequate training facilities and implement programs to develop and retain high quality human resources. UCL carefully look into the motivational aspects, health and safety of its employees. A separate report on HR is given in page No. 154 of this report.

BUSINESS CONDUCT POLICY

We have built a strong company that is well regarded around the country. Everyday, our actions, promises, ethics and attitudes reflect on UCL as a whole and each of the other employees with whom we work. At all times, we will strive to operate in a manner that protects employee safety and health.

We offer sustainable solutions to environmental problems in the fields of energy and waste management, and our businesses are heavily regulated and scrutinized. We are committed to fostering an ethos of environmental responsibility that goes beyond compliance, and our environmental policies rest on the core principles i.e. compliance, conservation, qualification and commitment.

We are an equal opportunity employer. We have and will continue to recruit, select, train, promote, compensate, transfer, discipline and take all other personnel actions without regard to race, color, religion, gender, age, marital status, or any other characteristic protected by applicable law.

As a publicly traded company, we disclose a great deal of information publicly and are responsible to ensure that this information is accurate and complete. It is essential that our books, records and accounts accurately, fairly and in reasonable detail reflect the transactions related to our business so that our financial statements are fairly presented in all material respects, and all other information we publicly disclose, and the reports we file with the Bangladesh Securities and Exchange Commission, do not contain any material misstatement or omission.

ENVIRONMENTAL INITIATIVES

As financial service provider, our impact on the environment is relatively less and indirect. We're working to reduce our environmental impact by embedding the environment into our business - and by involving our employees, our customers, and our communities. UCL has a commitment to long-term environmental sustainability. We are also committed to taking environmental issues into account when conducting its business activities. This includes operational measures to reduce our consumption of resources, as well as our contribution to climate protection. We also develop products and services that address our clients' financial needs, as well as environmental and social themes. It considers the clearance certificate from the regulators in time of providing financing facilities.

We're concentrating our efforts on issues where we can be most effective. Based on input from our customers, employees, and community we have selected 3 areas of focus for operations: responsible paper use, energy and emissions, engaging our employees and communities. Our environmental initiatives have been reported on page 148 of this Annual Report.

CODE OF CONDUCT AND BUSINESS ETHICS

UCL's code of conduct applies to everyone who is employed by our company. Each of us is accountable for upholding the highest ethical standards as we execute our responsibilities. Managers and leaders are also responsible for establishing and nurturing a culture in which employees feel fully empowered, supported and obligated to do the right thing.

The Code is based on our company's Core Values. The Code of Ethics provides the guidance we need to translate our values into action as we compete in the marketplace and engage with customers, clients, shareholders, and each other.

As we work together to achieve our goals, it is equally important that we commit to one another that we will always do business and grow the right way with the honesty, integrity and fair dealing that our Code of Ethics and our Core Values require.

CONTRIBUTION TO NATIONAL ECONOMY

We recognize that Union Capital Limited has the corporate responsibilities to the development of the community and the country as a whole. We aspire to be known as an institution that builds enduring relationship with and delivers value for our customers, shareholders, employees and the community where we do business.

As a financial service provider, UCL contributes to the economic prosperity by providing financial products and services to the industrial undertakings including SMEs. UCL contributes to the economy paying out fair share of taxes to Government. Union Capital deposits taxes regularly to the National Exchequer by way of collection of income taxes and VAT at sources from payments and also deposits of corporate income taxes. During the reporting period, the deposited amount was Tk. 64.42 million.

We make an economic impact by creating employment and a well-trained workforce. Sustainable economic growth and a healthy environment are inter linked. In this backdrop, we take supportive role in terms of providing financial services by restricting and discouraging those projects that cause pollution for environment and health hazard. UCL invests in sustainable economic development, and we are committed to contributing to the success of people and businesses in the community in which we operate. We support stimulate economic growth by investing in programs that enable economic development with a social purpose.

We also encourage our employees to participate in social and charitable programs. A detailed report on the contribution to national economy has been given on page 151 of the Annual Report.

AUDIT INFORMATION

The Directors who held office at the date of this Director's Report confirm that:

 So far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware; and The Directors have taken all the steps that they themselves ought to have taken as Directors in order to make themselves aware of any relevant information and to establish that the company's Auditors are aware of that information.

RELATED PARTY TRANSACTION

In the ordinary course of business a number of transactions with other entities that fall within the definition of related party contained in Bangladesh Accounting Standard 24: Related Party Disclosures. The Company extends loans/leases and takes deposits to/from related parties including its Directors and related companies. A statement on related party transactions along-with their basis has been disclosed on page 215 of this Annual Report.

APPOINTMENT OF AUDITORS

The Company's Auditors M/S. Hoda Vasi Chowdhury & Co., Chartered Accountants will retire in the Sixteenth Annual General Meeting. Being eligible under Section 212 of the Company's Act, 1994 and the Financial Institutions Act, 1993, the Auditors have expressed their willingness to continue their office for the financial year 2014. The Auditors have completed their second year of audit and hence eligible for re-appointment. The Board of Directors recommended for approval of the appointment of M/S. Hoda Vasi Chowdhury& Co., Chartered Accountants as Auditors of the Company for the year 2014 with the fee of Tk. 140,000 plus VAT.

FUTURE OUTLOOK

2014 is expected to be another challenging year for our economy and UCL group as well. Bangladesh has to tackle a number of challenges mainly maintenance of targeted GDP growth of 6.5 percent. Meantime, Finance Minister has given an indication for downward revision of targeted growth of GDP. There are a number of dynamics, both political and economic, which could significantly affect both the investment and capital markets. We are carefully monitoring economic conditions in Bangladesh where we are getting mixed signals from the various economic indicators. On an underlying basis, the business is still growing of course at a slower rate. While the business of capital market is uncertain and volatile in nature, at this stage we are hopping to make progress in 2014.

In addition, we recognize a number of more challenges, which includes increased competition, and slow recovery due to negative change in political and investment climate.

The year 2014 may be again affected by political turmoil followed by Upazila election and we have taken those factors into consideration while fixing the business target. Boosting up of investment is another challenge to sustaining private sector led economic growth. We are hopeful that private investment will increase in 2014.

Because of involvement of banks in leasing business, competitiveness in leasing has been intensified further. Some banks are also offering capital market related products like brokerage services, portfolio management etc. Moreover, banks are charging higher interest for NBFIs comparing to their other corporate clients. Another big challenge for NBFIs is payment of tax on interest suspense account. Section 28 (3) of Income Tax Ordinance (ITO) 1984 allows all commercial banks and some other specialized banks to pay tax on 'interest on bad or doubtful loans' in the income vear in which the interest is credited to its profit and loss account or in the year in which it is actually received, whichever is earlier. Because of noninclusion of NBFIs in Section 28(3), we are to pay tax on interest suspense account despite such item is not a revenue item rather a balance sheet item. NBFIs are crediting interest on classified loans/leases on cash basis as permitted by Section 35 of ITO 1984. Unfortunately, tax authority is charging tax on our interest suspense account ignoring the application of Section 35. We are pursuing for inclusion of NBFIs in the Section 28(3) in the next budget proposal through trade bodies and other authorities. High corporate tax on NBFIs is another challenge for us. NBFIs are taxed at the rate of 42.5 percent. It is likely that the rate may be reduced to some extent as announced by the Finance Minister.

While financial products and capital market expected to remain dominant in the long run, we expect to see continued growth in demand for our products and services in the short-run as well, which will require further strengthening our existing services, specially as our clients move into more comfortable operating environment.

We have adequate capital. We are quite large in terms of providing a full range of financial services. Our presence in the market is growing steadily and we have improved our presence in all areas of operations. We have professionals with profound managerial talents and perhaps most importantly, we have a hard earned reputation as one of the top service providers in our industry. We are confident that we have the right team and the strategy in place to achieve our goal. While there has certainly been a challenging few years for UCL, we feel good about where we are going.

ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation for the co-operation and support received from Bangladesh Bank, Bangladesh Securities and Exchange Commission and Stock Exchanges.

We would like to express our sincere gratitude to all the cherished shareholders for their confidence in the Company. The Board also places on record its appreciation for continued support provided by the esteemed customers, bankers, financial institutions and depositors. The Directors also acknowledge the hard work, dedication and commitment of the employees. Their enthusiasm and unstinting efforts have enabled the Company to grow better than before. We hope similar support from all of you that will underpin our continuous growth.

On behalf of the Board of Directors,

sd/-**Chowdhury Tanzim Karim** Chairman

Annexure - I

DIRECTORS' MEETING & ATTENDANCE

Name of the Directors	Nominated by	Total Meetings	Meeting Attended	% of Attendence	Change During 2013
Chowdhury Tanzim Karim	EC Securities Ltd.	12	12	100	Continuing
Mr. M. Faizur Rahman	Self	12	12	100	Continuing
Kazi Golam Samiur Rahman	Self	12	12	100	Continuing
Mr. Nasir A. Choudhury	Self	12	12	100	Continuing
Mrs. Rumana Sharif	EC Securities Ltd.	12	12	100	Continuing
Mr. Nadeem A. Chaudhury	Enrilco Limited	12	9	75	Continuing
Mrs. Tajrina Sikder	Palmal Garments Hosiery Ltd.	12	6	50	Continuing
Mrs. Meherunnesa Haque	Self	12	8	67	Continuing
Mr. N.H. Khan	Self	12	11	92	Continuing
Mr. M.A. Salam	Self	12	3	25	Continuing
Mr. Kazi Russel Mahbub	Palmal Garments Hosiery Ltd.	12	2	17	Continuing
Mr. Ziaul Hasan Siddiqui	Self	12	11	92	Continuing

SHAREHOLDINGS OF SPONSOR SHAREHOLDERS	Annexure - II
Name of Sponsor Shareholders	% of Shareholding
Palmal Garments Hosiery Ltd.	9.73
EC Securities Ltd.	7.22
Mr. M. A. Salam	6.26
Mr. M. Faizur Rahman	4.94
Enrilco Limited	4.58
Mr. Nasir A. Choudhury	4.45
Kazi Golam Samiur Rahman	3.58
Engr. M. A. Rashid	2.87
Mrs. Khurshida Choudhury	2.77
Mrs. Meherunnesa Haque	2.02
Progati Shipping (Bangladesh) Ltd	1.44
Engr. M Abu Taher	1.39
Mr. SMAM Reza	0.96
Mrs. Tajrina Sikder	0.80
Mrs. Sabita Rezwana Rahman	0.83
Ms. Runa N. Alam	0.81
Fortuna Agro Fisheries	0.71
Ms. Rumana Sharif	0.21
Mrs. Asiya Rahman	0.03
Total	55.43

	No. of	
Sponsor Shareholders/Directors	shares held	Percentage
Palmal Garments Hosiery Ltd.	10,695,156	9.73
EC Securities Ltd.	7,935,120	7.22
Mr. M. A. Salam	6,884,070	6.26
Mr. M. Faizur Rahman	5,224,643	4.94
Enrilco Limited	5,032,834	4.58
Mr. Nasir A. Choudhury	4,890,672	4.45
Kazi Golam Samiur Rahman	3,937,201	3.58
Engr. M. A. Rashid	3,150,000	3.01
Mrs. Khurshida Choudhury	3,044,439	2.77
Mrs. Meherunnesa Haque	2,225,292	2.02
Progati Shipping (Bangladesh) Ltd	1,587,023	1.44
Engr. M Abu Taher	1,531,851	1.43
Mr. SMAM Reza	1,049,894	1.05
Mrs. Tajrina Sikder	883,260	0.89
Mrs. Sabita Rezwana Rahman	908,107	0.83
Ms. Runa N. Alam	889,996	0.81
Fortuna Agro Fisheries	784,876	0.71
Ms. Rumana Sharif	226,722	0.21
Mrs. Asiya Rahman	37,837	0.03

Senior Executives

PATTERN OF SHAREHOLDINGS

Managing Director & CEO	Nil
Company Secretary	Nil
Head of Finance	Nil
Head of Internal Audit	Nil

Other top five Executives

Mr. Abul Munim Khan	Nil
Mr. Abdul Bareque	Nil
Mr. Fazle Karim Murad	Nil
Mr. A. N. M. Golam Shabbir	Nil
Mr. Md. Israil Hossain	Nil

Shareholders Holding 10% or more voting right

Shareholders holding ten percent (10%) or more voting interest in the company

Annexure - IV

Nil

RANGE OF SHAREHOLDINGS

The distribution schedule of shareholdings as on 31 December 2013 was as under:

Shareholding range	No. of shareholders	No. of shares	% of total
Less than 500	3937	634,235	0.58
501 to 5,000	5266	8,439,920	7.68
5,001 to 10,000	501	3,437,775	3.13
10,001 to 20,000	236	3,171,119	2.89
20,001 to 30,000	83	1,942,267	1.77
30,001 to 40,000	28	978,729	0.89
40,001 to 50,000	20	907,468	0.83
50,001 to 100,000	34	2,410,569	2.19
100,001 to 1,000,000	46	18,552,471	16.88
Over 1,000,000	19	69,434,773	63.17
Total	10,170	109,909,326	100.00

AUDIT COMMITTEE REPORT | Outlines how the Committee works

he Board Audit Committee was formed in compliance with Bangladesh Bank guidelines and Bangladesh Securities and Exchange Commission (BSEC) notification on Corporate Governance with a view to provide independent oversight of the Company's financial reporting, nonfinancial corporate disclosure, effectiveness of internal control system etc. as set out in the Committee Charter.

COMPOSITION OF THE BOARD AUDIT COMMITTEE

The Audit Committee consists of five non-executive Directors of the Company with the exception of the Chairman of the Board appointed by the Board of Directors. In order to fulfill a quorum, at least three members of the committee must be present in the meeting. The appointment of an Independent Director is ratified by the shareholders in the AGM. An Independent Director is in the Chair of the Audit Committee.

In compliance with Section 3.2 (i) of the latest Corporate Governance Notification issued by the BSEC on 07 August 2012, the Board Audit Committee was reformed on 31 December 2012. The Committee comprises the following members as of the date of this report:

- Mr. N.H. Khan (appointed on 31 December 2012)
- Mr. M. Faizur Rahman (appointed on 31 December 2012)
- Mr. Nadeem A. Chaudhury (appointed on 31 December 2012)
- Mrs. Tajrina Sikder (appointed on 31 December 2012)
- Mr. Ziaul Hasan Siddiqui (appointed on 31 December 2012)

Biographical details of the current members of the Committee are set out on page 48 to 52, Members' fees are included in the table of remuneration of the audit committee members on page 99 of the report.

The Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Control and Compliance (ICC) and the representatives of the external auditors are invited to attend the Committee Meetings.

OBJECTIVE OF THE COMMITTEE

The objective of the committee is to assist the Board in fulfilling its corporate governance responsibilities, particularly:

- the reliability and integrity of information for inclusion in Company's financial statements;
- compliance with legal and regulatory obligations, including audit, accounting, tax and financial reporting obligations;
- the integrity of company's internal control framework; and
- safeguarding the independence of the external and internal auditors.
- ensuring that the management has selected accounting policies that are in line with applicable accounting standards.
- Review interim financial releases i.e., quarterly and half yearly unaudited financial statements and recommend the same to the Board of Directors for approval.

The engagement partner of the external audit firm is invited to attend each Annual General Meeting and to be available to answer shareholders questions about the conduct of the audit and the preparation and content of the auditor's report.

CHAIRMAN OF THE AUDIT COMMITTEE

The committee is chaired by a nonexecutive Independent Director Mr. N.H. Khan who is considered to be best qualified to serve in this role and has knowledge of finance. Mr. N.H. Khan obtained his M.A. degree from Dhaka University in 1956 and started his career in Pakistan Taxation Service in 1957. He was the Deputy Secretary, Ministry of Commerce, Pakistan Central Government in Islamabad at the time of liberation of Bangladesh. He held many important positions under Government of Bangladesh, both home and abroad. He worked as Secretary, Ministries of Post and Telecommunication, Food & Internal Resources Division. He was also Chairman of National Board of Revenue (NBR). He worked abroad as Economic Minister of Bangladesh Embassy. The biography of Mr. N. H. khan is given on page 51 of this Annual Report.

AUDIT COMMITTEE CHARTER

To assist the Board of Directors in fulfilling its oversight responsibilities for (1) the integrity of the UCL's financial statements, (2) UCL's

The Board Audit Committee was formed in compliance with **Bangladesh Bank** guidelines and **Bangladesh Securities** and Exchange Commission (BSEC) notification on **Corporate Governance** with a view to provide independent oversight of the Company's financial reporting, nonfinancial corporate disclosure, effectiveness of internal control system etc. as set out in the Committee Charter.

compliance with legal and regulatory requirements, (3) the External Auditor's qualifications and independence, and (4) the performance of UCL's internal audit function and independent auditors. The audit committee will also conduct the functions that regulatory rules require to be done.

Authority

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Recommend to the Board regarding appointment, compensation and oversee the work of the external auditors appointed by UCL to conduct the annual audit. The Auditors will report to the audit committee.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and permitted non- audit services performed by the company's external audit firm.
- Retain independent counsel, accountants or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees all of whom are directed to cooperate with the committee's requests – or external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.
- Delegate authority to subcommittees, including the authority to pre-approve all auditing and permitted non-audit services, providing that such decisions are presented to the full committee at its next Committee meeting.

Internal Control

- review the implementation of key accounting policies and financial reporting;
- evaluate the implementation of the internal control systems and the risk management process.

Internal Audit

- review the adequacy of internal audit function;
- consider the scope of work and review and approve the annual audit plan and ensure no unjustified restrictions or limitations are made;
- review and approve the annual audit report;
- review the activities, resources and organizational structure of Internal audit;
- contribute to the selection process for the appointment of the Head of Internal audit; and
- ensure that findings and recommendations communicated by Internal audit and Management's proposed responses are received, discussed and appropriately acted on.

Compliance

Review the effectiveness of the company's system for monitoring compliance with relevant laws and regulations (including internal rules) and the measures taken by Management as a result of its investigation of material incidents of non- compliance.

Relationship with External Auditor

- discuss with the external auditor any audit problems encountered in the course of audit work, including any restriction on audit scope or access to information;
- discuss with the external auditor the appropriateness of the accounting policies applied in the company's financial reports;
- ensure that significant findings and recommendations communicated by the external auditor and Management's proposed responses are received, discussed and appropriately acted on;
- review the performance of the external auditor and make recommendations to the Board of Directors for the appointment, reappointment or termination of the external auditor.

ACTIVITIES OF THE COMMITTEE CARRIED OUT IN THE YEAR 2013:

The audit Committee carried out among others the following activities in the year 2013:

- reviewed both the consolidated and separate audited financial statements for the year ended 31 December 2013 along with the auditors' report thereon;
- reviewed the proposal of auditors for reappointment and recommended the same to the Board;
- reviewed the inspection reports of Bangladesh Bank on head office of UCL and its branch offices and management responses thereon;
- reviewed the departmental activities of the company;
- reviewed and discussed on the management structure of the company and its subsidiaries along with the weaknesses of the company;
- reviewed the report on the non-performing/default clients;
- reviewed the report on business operations;
- reviewed the revised and annual budget of the company;
- reviewed the quarterly financial statement of the group;
- reviewed the overdue status of company's portfolio;
- reviewed the affairs of subsidiary companies.

The Committee concurs with and accepts the audit report on the financial statements and has recommended for approval thereof to the Board. The Board has subsequently approved the financial statements, which will be open for discussion at the forthcoming Annual General Meeting.

sd/-**N.H. Khan** Chairman Audit Committee 28 February 2013

Report on INTERNAL CONTROL | Describes the effectiveness of Internal Control system

INTRODUCTION

sound internal control system has always been one of the most important matters for any organization. The better the internal control system better the performance of the Company. The Board of Directors recognizes the importance of a sound internal control system with a view to ensuring good corporate governance practice thereby safeguard the shareholders' investments and the Company's assets.

The system of internal control that we have in place enables us to drive our business operations in a more efficient and effective manner ensures sound financial reporting and control procedures, as well as compliance with the relevant laws and regulations.

As a listed issuer, we have an obligation, to ensure that a statement on the state of the company's internal control is included in this annual report. The following statement on internal control has been prepared in accordance with the regulatory requirements not only to comply with the regulatory requirements but also to articulate the practical internal control effectiveness to the existing and potential stakeholders.

RESPONSIBILITY

The Board of Directors acknowledges the importance of maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets. Guidance for Directors of Public Listed Companies, the Board is pleased to present the Statement on Internal Control of the Group.

The Board affirms its overall responsibility for the Group's system of internal control and risk management, and for reviewing the adequacy and integrity of these systems. However, in view of the inherent limitations in any system, such system of internal control is designed to manage rather than to eliminate risks that may impede the achievement of the Company's objectives. The system can therefore only provide reasonable and not absolute assurance against material misstatements, frauds or losses. The system of internal control covers risk management and financial, organisational, operational and compliance controls. The Board confirms that there is an on-going process of identifying, evaluating and managing significant risks by the management. This process has been put in place for the year and is reviewed periodically by the Board through its Audit Committee which is supported by the Internal Auditors.

While the 'tone at the top' is set by the Board, it is the role of management to implement the policies adopted by the Board. In fulfilling its responsibilities, management identify and evaluate the risks faced by the Company - for consideration by the Board - and design, implement and monitor an appropriate system of internal control.

DESCRIPTION ON THE INTERNAL CONTROL SYSTEM

Control Environment:

The control environment sets the tone of an organisation, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values and competence of the Company's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organises and develops its people; and the attention and direction provided by the Board of directors.

Identification and Evaluation of Risks and Control Objectives:

Naturally the Company faces a variety of risks from various sources that are assessed. A precondition to risk assessment is establishment

acknowledges that total elimination of risks is not possible, the system of internal controls that is in place is designed to manage risks in meeting the Group's business objectives. The system can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

Whilst the Board

of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risks to achievement of objectives, forming a basis for determining how the risks should be managed. Because economic, industry, regulatory and operating conditions will continue to change. Mechanisms are needed to identify and deal with the special risks associated with change.

Control Activities

Control activities are the policies and procedures that help ensure that management directives are carried out. They help ensure that necessary actions have been taken to address risks to achievement of the entity's objectives. Control activities occur throughout the organisation, at all levels and in all functions. They include a range of activities as diverse as approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

Information and Communication Processes

Pertinent information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. Information systems produce reports, containing operational, financial and compliance-related information, that make it possible to run and control the business. They deal not only with internally generated data, but also information about external events, activities and conditions necessary to informed business decision-making and external reporting Effective communication must also occur in a broader sense, flowing down, across and up the organisation. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. There also needs to be effective communication with external parties, such as customers, suppliers, regulators and shareholders.

Processes for Monitoring the Effectiveness of Internal Control System

Internal control systems need to be monitored - a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the Board.

KEY INTERNAL CONTROL PROCESSES

The key processes that the Board has established in reviewing the adequacy and integrity of the Group's system of internal controls include the following:

Risk Management Framework

The risk management process seeks to identify, measure, monitor and control risk. It also seeks to ensure that risk exposures are adequately managed and that the expected returns compensate the risks taken.

This is all the more important given that the risks within the industry we operate in continually change and evolve. This process is regularly reviewed through its Risk Management Committee (RMC) which ensures the proper management of risks and takes the appropriate measures to mitigate any identified weaknesses in the control environment.

The RMC provides oversight of the Group's overall risk management. In discharging its overall duties and responsibilities, the RMC is supported by the risk management function which monitors and evaluates the effectiveness of the risk management system and operations on an ongoing basis.

Amongst the other committees set up in the Group to manage specific areas of risk are the Assets & Liabilities Management Committee (ALCO), Management Credit Committee and Basel II Implementation Committee.

In line with regulatory requirements and industry best practices, the Group has instilled the principle that risk management is a core responsibility of the respective business and operating units. This is enriched in the risk management framework of the Group.

Internal Audit Function

The internal audit performs regular review of the Company's operational processes and system of internal controls. Internal audit adopts a risk-based approach in determining the auditable units and frequency of audits. Audit plans are reviewed regularly.

The results of the audits conducted by internal auditor are reported to the Board Audit Committee. The follow-up actions and the review of the status of actions taken as per the auditors' recommendations are carried out by the management via various management committees.

The Audit Committee holds regular meetings to deliberate on the findings and recommendations for improvement highlighted by both the internal and external auditors as well as the regulatory authorities. The minutes of the meetings of the Audit Committee are subsequently tabled to the respective Boards for notation. The copy of the minutes of the meetings of the Audit Committee is also sent to Bangladesh Bank regularly within the stipulated time.

Further details of the activities undertaken by the audit Committee of the Company are set out in the audit Committee report.

Group Compliance Framework

Compliance risk in UCL is defined as the risk of impairment to the Group's reputation and financial condition from failure to meet laws and regulations, internal policies and expectations of stakeholders. The Group's state of compliance with laws, regulations and internal policies and procedures are reported to RMC. In addition the Group has in place a reporting process wherein any incident affecting the reputation of the Group is escalated to the senior management immediate after the occurrence of the incident. The escalation process ensures the adequate oversight and guidance is provided by the Board in managing reputational risk.

Compliance in collaboration with the business operating units continuously assesses and recommends improvements to control by carrying out root cause analysis on common incidences of noncompliance, negligence and fraud.

To mitigate compliance risk, briefings as well as various awareness and learning initiatives are conducted to ensure continuous compliance with existing controls and to embed a compliance culture within the Group.

Board Committees

Specific responsibilities have been delegated to the relevant Board Committees, all of which have written terms of references. These committees have the authority to examine and/or consider all matters within their scope of responsibilities and make recommendations to the Board for approval, if such is required. The Board Committees are as follows:

- Audit Committee;
- Executive Committee; and
- Green Banking Committee.

Management Committee (MC)

The Management Committee, comprising key management personnel of UCL and chaired by the Managing Director, manages the strategic direction and provides strategic guidance to the functional units. Being a forum where all strategic and operational matters are discussed, the MC meets regularly and special meetings are convened to discuss urgent issues.

Authority Limits

Delegation of authority including authorization limits at various levels of Management in the Group are documented and designed to ensure accountability and responsibility.

Internal Policies and Procedures

Policies, procedures and processes governing the Group's businesses and operations are documented and are made available to employees across the Group. These policies, procedures and processes are reviewed and updated to cater to changes in laws and regulations as well as changes to the business and operational environment. Furthermore, a review of the policies, procedures and processes are also carried out to ensure that appropriate controls are in place to manage operational risks. There is clear procedure for investment appraisals including equity investment and capital expenditure.

Budgeting Process

A detailed budgeting process is established requiring all key operating companies in the Group to prepare budgets and business plans annually for approval by the Boards. The budget and business plans as well as strategic initiatives are discussed by the senior management and the Board at an annual business planning and budgetary session.

A reporting system on actual performance against approved budgets is in place and significant variances are followed up by the Management and reported to the Board.

Performance Review

Regular and comprehensive information is shared by the Management for monitoring of their performance against the strategic business plan approved by the Board, covering all key financial and operational indicators as well as key strategic initiatives undertaken by the Group during the year.

The Management Committee and the Board receive and review the monthly accounts and financial information reports at their monthly or regular meetings.

Human Capital Management

The Group acknowledges that one of the key constituents of any internal control system is its people and that our system of internal controls is dependent on the responsibility, integrity and judgment that people apply to their work.

Hence, the Group has in place policies and procedures that govern recruitment and appointment, performance management, talent management, succession planning, compensation and reward, learning Statement on Internal Control and human capital development as well as policies and procedures that govern discipline, termination and dismissal.

Code of Ethics and Conduct

The Code of ethics and Conduct sets out the standards of good and ethical business practices, and aims to maintain confidence in the security and integrity of the business practices. It is a requirement that all employees of the Group understand and observe the Code.

DIRECTORS' RESPONSIBILITY in respect of the financial statements

he Directors are responsible for preparing the Director' Report and the Financial Statements in accordance with BFRS and applicable laws and regulations.

The Companies Act, 1994, requires the Directors to prepare financial statements for each financial year. The Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the ICAB, Bangladesh Securities and Exchange Rules 1987 and the Listing Regulations of the Stock Exchanges. The financial statements are required by law to give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that year.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the ICAB; and
- prepare the consolidated financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the group. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, the Companies Act, 1994 requires directors to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections the auditors consider to be appropriate for the purpose of enabling them to give their audit report. The Directors, having made appropriate enquiries, confirm that:

- so far as the Directors are aware, there is no relevant audit information of which the auditors are unaware; and
- The Directors have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors have reviewed the budget and cash flow forecasts. On the basis of this review, and in the

light of the current financial position and existing borrowing facilities, the directors are satisfied that UCL is a going concern and have continued to adopt the going concern basis in preparing the financial statements.

In compliance with the requirements of the BSEC's Notification dated 7 August 2012, the Directors are also required to disclose certain matters in their report. The Directors confirm that:

- Financial Statements present fairly its state of affairs, result of its operations, cash flows and changes in equity;
- proper books of account have been maintained;
- appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- BFRSs have followed in preparing Financial Statements and any departure has been adequately disclosed;
- the system of internal control is sound in design and effectively implemented and monitored;
- statement on company's ability to continue as a going concern has been disclosed;
- significant deviations from last year in operating results have been highlighted along with the reasons thereon has been disclosed;
- key operating and financial data of preceding five years have been summarized;
- the number of Board meetings held during the year and attendance by each Director has been disclosed;
- the pattern of shareholdings etc. has been disclosed;
- Industry outlook and possible future developments has been disclosed;
- segment-wise performance has been disclosed;
- risks and concerns has been disclosed;
- continuity of any extra-ordinary gain or loss has been disclosed;
- a statement of all related party transactions has been disclosed;
- significant variance occurs between quarterly financial performance and annual financial statements has been disclosed;
- remuneration to Directors including independent Directors has been disclosed;
- a brief resume, nature of Directors' expertise in specific areas, other directorship and the membership of committees of the Board of other companies given on pages 50 to 53 of this Annual Report.

Responsibility of the CEO and CFO in respect of FINANCIAL REPORTING

e the following signatories certify that we have reviewed the accompanying consolidated financial statements of Union Capital Limited and to the best of our knowledge and belief:

- the financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and
- the financial statements together present a true and fair view of the Company's affairs and were prepared in accordance with the Financial Institutions Act, 1993 and Bangladesh Financial Reporting Standards (BFRS) and other applicable laws and regulations.

We further certify that to the best of our knowledge and belief there were no transactions entered into by the Company during the year, which are fraudulent, illegal, or violation of the Company's code of conduct.

sd/- **Md. Akter Hossain Sannamat** FCA, FCS Managing Director and CEO sd/-**Md. Forhad Hossain** ACA AVP & CFO (CC)

Dhaka, 10 March 2014

Report on INTERNAL CONTROL OVER FINANCIAL REPORTING

anagement of UCL is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by or under the supervision of, the Managing Director & CEO and the Chief Financial Officer and effected by the Board of Directors, the Management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with BFRS and other applicable rules and regulations. It includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions related to operations;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with BFRS and our receipts and expenditures are made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated, under the supervision of and with the participation of the Managing Director & CEO, the Chief Financial Officer and the Head of Internal Control & Compliance, the effectiveness of our internal control over financial reporting as of 31 December 2013.

Based on that evaluation, management concluded that, as of December 31, 2013, internal control over financial reporting was effective. Also, based on the results of our evaluation, management concluded that there were no material weaknesses that have been identified in internal control over financial reporting as of 31 December 2013.

Our internal control over financial reporting as of 31 December 2013 has been audited by Hoda Vasi Chwdhury & Co., Chartered Accountants, who also audited our Consolidated Financial Statements for the year ended 31 December 2013. The Auditor also assess the effectiveness of our internal control and determines the degree and extent of reliance on internal control system.

sd/-

Md. Akter Hossain Sannamat FCA, FCS Managing Director and CEO

Dhaka, 4 March 2014

sd/-Md. Forhad Hossain ACA AVP & Chief Financial Officer (CC)

86

Chairman's Statement on CORPORATE GOVERNANCE | Describes UCL's approach to good governance practices

How we govern ourselves as a group is as important as anything else we do. Being an ethical company is about much more than simply adhering to the letter of the law. But it's an important step. We aim to achieve and maintain the highest standards of business integrity, ethics and professionalism across all of our activities.

he Board is accountable to the Company's shareholders for the good conduct of the Group's affairs. This report explains how the Group applies the Corporate Governance issued by the BSEC and Bangladesh Bank.

The Directors are committed to maintaining the highest standards of corporate governance, which they believe are fundamental in discharging their stewardship responsibilities.

The Board confirms that the Company has. throughout the period under review, complied with all provisions set out in corporate governance guidlines.

As part of its commitment to sustainable operations at every level, UCL Group operates within a clearly defined governance framework that defines all governance and compliance aspects of the

In today's marketplace of continually evolving regulatory and investor expectations, your Board has focused on corporate objectives and performance in the context of doing what is right and ethical. My fellow Directors have demonstrated a strong sense of integrity, corporate responsibility and a willingness to work hard on all issues.

Company. This framework includes governance structures that are strategically linked to performance management, thereby encouraging and enabling our business units to focus on key requirements.

The Board of Directors strongly believes in the importance of good Corporate Governance in maintaining Company's reputation and solid

foundation. The Board will continue to ensure good Corporate Governance to provide the requisite leadership, policy, strategy and internal controls in order to continue to deliver and sustain company's value propositions. This benefits our stakeholders while at the same time ensuring continuing momentum towards reaching UCL's aspirations to be a leading financial institution.

UCL is committed to the principles of excellence in corporate governance and ethics. This commitment is evidenced by the following practices that are in place at UCL Group :

- A Board with all non-executive members being independent of Management;
- Clear separation of the role of the Chairman of the Board and the Managing Director & CEO;
- The Audit Committee and Executive Committee comprises solely of Non-executive Directors;

- Inclusion of all the independent Directors in the Board Audit Committee;
- An Independent Director is in the Chair of the Audit Committee:
- A code of ethics and business conduct ;
- Maintaining the basic principles of Corporate Governance;
- Published Charter for the Board and all of its Committees:
- Certification from an independent professional on the compliance of the conditions of BSEC's Notification of 7 August 2012.
- A set of corporate values integrity, trust, teamwork, openness, transparency, excellence and resilience - communicated to all employees;
- The members of the Board Audit Committee possesses knowledge on internal control, financial and administrative matters;
- The Audit Committee meets regularly with/without the presence of the Executive Management;
- An established system of internal control with appropriate check and balance;
- Ensure transparency in financial reporting and adequate disclosures;
- A firm commitment for creation of long-term shareholders' value.

For UCL, Corporate Governance is not a mere statement of compliance. We aim to achieve and maintain the highest standards of business integrity, ethics and professionalism across the Group.

We believe that good governance, in its broadest sense, is a competitive advantage. To maximize shareholders' value on a sustainable basis, principles of good governance must extend beyond the Board of Directors into every segment of business activities. Indeed, a foundation of ethics, integrity and good governance guides all of our activities across our diverse operations.

Thank you,

Chowdhury Tanzim Karim Chairman

CORPORATE GOVERNANCE | Describes Directors' approach to governance and how it works

Strong corporate governance is about companies having clear and systematic decision-making processes, thus providing clarity about responsibilities. avoiding conflicts of interest and ensuring satisfactory transparency. Commitment to UCL's mission and vision requires the integration of sound corporate governance practices into regular business activities in order to, possible – a company that is well governed

attain - as far as and well managed.

orporate governance deals with the relationship between the C orporate governance deals with the relation Management, as well as the company's goals. This Corporate Governance Report is based on a shareholder perspective as it is prepared in accordance with the requirements of BSEC's Code of Corporate Governance. The main emphasis is on the Board of Directors in its role as the main decision-making body in UCL's corporate governance structure, and the interaction with the other bodies to ensure sound corporate governance. UCL's system for internal control and risk management regarding financial reporting is also covered.

OVERVIEW

- Our core values guide the Board's oversight, its relationship with . management and its accountability to shareholders;
- Our governance responsibilities are integral to our performance and long-term sustainability;
- Our corporate governance standards reflect emerging best practices and meet or exceed legal and regulatory requirements; and
- Proper governance is important to our shareholders, our customers, our employees, our communities - to UCL.

FOUNDATION FOR CORPORATE GOVERNANCE

UCL sees good corporate governance, risk management and internal control as key elements in a successful business and to maintain confidence among customers, shareholders, authorities and other stakeholders.

UCL defines corporate governance as the relationship between shareholders, executive management, employees, the various companies within the Group and other stakeholders. In a broader sense, it also means:

- how the vision, purpose and strategy are designed and communicated
- how the values are followed
- how goals are set and followed up
- how risks are managed
- how a corporate culture that supports company's commitment to customers and builds shareholders value is created.

Good corporate governance benefits both our customers and our shareholders, and is essential to our long-term business success. For this reason, we devote considerable time and resources to making sure that:

- our policies reflect our values and business goals;
- we have an effective corporate governance structure; and
- we are operating in a way that is open, honest and transparent. -

As part of our long-standing commitment to ethics and good corporate citizenship, our first step is always to comply with the laws and regulations that govern the way we market our products and services. We have a sound compliance practices that:

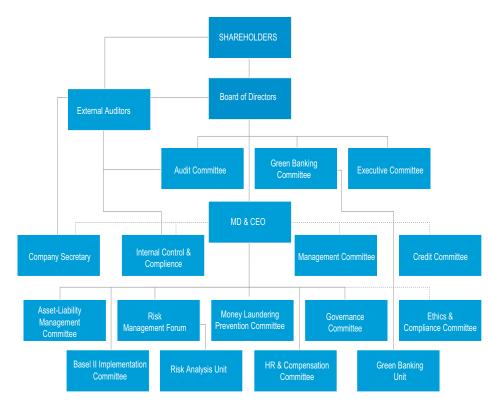
- are consistent with recommendations set forth by the BSEC;
- seek to prevent, detect and resolve potential violations of law or company policy; and
- undergo regular assessment to make sure we are being responsive to our evolving business and associated compliance risks.

Our compliance practices are just one part of our overall commitment to operating ethically, openly and transparently. But we believe it's the right place to start.

CORPORATE GOVERNANCE FRAMEWORK

OUR GOVERNANCE STRUCTURE

The Board and its Committees are independent of Management. The following chart gives the picture of our corporate governance structure:



Our corporate governance policies and procedures form the basis of a sound corporate governance framework and refer to other documents that regulate certain aspects of corporate governance in greater detail.

Articles of Association (AoA): Define the purpose of the business, the powers and duties of the Directors and the basic organizational framework.

Code of Conduct: Defines the UCL's ethical values and professional standards that the Board and all employees are required to follow, including an emphasis that employees must adhere to all relevant laws, regulations, and policies in order to maintain and strengthen our reputation for integrity, fair dealing and measured risk taking.

Organizational Guidelines and Regulations: Define the responsibilities and sphere of authority of the various bodies within the company, as well as the relevant reporting procedures.

Corporate Governance Guidelines: Summarize certain principles promoting the function of the Board and its committees and the effective governance of the company.

Board of Directors Charter: Outlines the organization and responsibilities of the Board.

Board Committee Charters: Define the organization and responsibilities of the Committees. As part of its commitment to sustainable operations at every level, UCL group operates within a governance framework that defines all governance and compliance aspects of the organization.

This governance framework entails far more than compliance with legislation, and has been developed with the aim of enabling UCL Group to attain a number of very clear objectives and goals, which include:

- Maximizing efficiency and profitability within acceptable risk parameters.
- Implementing group's strategy within defined compliance requirement.
- Adhering to correct and proper corporate behaviors.
- Balancing, within a framework of effective accountability, the interests of shareholders and other stakeholders who may be affected by the conduct of Directors or executives of the Group.
- Minimizing or avoiding conflicts of interest between the business interests of the Group and personal interests of Directors or executives.
- Disclosing matters that are material to the business of the Group or the interests of stakeholders timely and accurately.
- Ensuring efficient and effective functioning of the Risk Management Framework.
- Complying in substance, not just in form, with the provisions of the Code of Corporate Governance and regulations affecting the financial services industry.

CORPORATE GOVERNANCE STATEMENT

The Board of UCL governs the business on behalf of shareholders as a whole with the prime objective of protecting and enhancing shareholders' value. The Board is committed to, and ensures that, the Management performs in accordance with the highest level of ethics and integrity. This statement outlines the main corporate governance practices employed by the Board of UCL in applying the Corporate Governance guidelines.

Corporate governance is the framework of rules, relationships, systems and processes within which and by which the operations of the group is exercised and controlled. It influences the setting and achievement of objectives of the Company, the monitoring and assessment of risk and the optimization of performance. There is no single model of good corporate governance. For UCL, best practice corporate governance has been adapted to the changing circumstances and will continue to evolve as those circumstances change.

GOVERNANCE MODEL

UCL's Governance Model conforms to the relevant regulatory requirements as well as the best market practices. The Governance Model is in place to ensure it remains relevant and is able to meet future challenges.

BASIC PRINCIPLES FORMING A GOOD BOARD

The Board is collectively responsible to the Company's shareholders for the long-term success of the Company and for its overall strategic direction, its values and its governance. It provides the leadership necessary for the Company to meet its business objectives whilst ensuring that a sound system of internal control and risk management is in place.

The Board is responsible for governing the business and affairs of the Company and for exercising all such powers pursuant to the articles of association of the Company. While carrying out their duties and responsibilities, the Board is committed to ensuring that the highest corporate governance standards are adhered to. The overall principal responsibilities of the Board are as follows:

- providing strategic leadership to the Company;
- reviewing, approving and monitoring the implementation of the strategic business plans and policies of the company;
- ensuring the Company and Group maintain an effective system of internal contorts and are able to identify and manage principal risks resulting in efficiency in operations and a stable financial environment;
- monitoring as well as evaluating the performance of the Management to ensure that the performance criteria remains dynamic; and
- ensuring the formulation of a succession plan for long-term business continuity.

THE BOARD AND ITS CHARTER

Lays solid foundations for management and oversight

The Board has a Charter which sets out the roles of the Board. The Board is responsible for setting the

strategic direction of the Group and monitoring the implementation of that strategy by the Management, including:

- executive management development and succession planning;
- input into, and approval of the annual operating budget;
- approving and monitoring the progress of major capital expenditure and capital management;
- monitoring compliance with all legal, tax and regulatory obligations;
- reviewing the effectiveness of the implementation of its risk management system;
- monitoring the performance of the Senior Executives and implementation of strategy and policies, ensuring appropriate resources are available;
- appointment, reappointment or replacement of the external auditor.

Details of the charter of the Board of Directors are given on page 55 of this Annual Report.

POLICY ON APPOINTMENT OF DIRECTORS

The Directors are appointed as per the rules and regulations set forth in the Companies Act, 1994, the Financial Institutions Act, 1993 and Bangladesh Securities and Exchange Commission's (BSEC) guidelines on Corporate Governance.

To be a member of the Board of a listed company, a Director other than nominated and alternate Director must hold at least 2 percent of the outstanding shares of the company. The Independent Directors are exempted from such requirement.

As per the Companies Act, 1994, the office of nonexecutive Directors is subject to retirement. At least one-third of the non-executive Directors shall retire by rotation in every Annual General Meeting. As per the Central Bank's guidline, a Director may be appointed for a period of three years and the term may be extended by another term of three years. The Managing Director is appointed for a minimum period of three years subject to approval of the Central Bank. The office of the Managing Director being an ex-officio Director is not subject to retirement. The tenure of an Independent Director is three years.

SIZE OF THE BOARD

The Board of UCL comprises of ten members excluding the three Independent Directors and the Managing Director. As per FID Circular no. 9 dated 11 September, 2002 of the Central Bank, the size of the Board of a non-banking Financial Institution shall be minimum of nine and maximum eleven. As per BSEC's notification, a listed company should have Independent Director of at least one-fifth of the Directors. As per articles of association of the Company the Managing Director is an ex-officio Director.

COMPOSITION OF THE BOARD

The Directors determine the composition and size of the Board in accordance with Central Bank and BSEC's regulations. The regulators set upper and lower limits with the number of Directors not permitted to be less than five and more than twenty as per BSEC corporate governance guidelines while the minimum number is nine with a maximum limit of eleven as per Central Bank regulations. The Board has determined that there shall be eleven Directors excluding the Independent Directors and the Managing Director. The skills and experience of each Director and their period of office at the date of this report are set out on pages 48 of the Annual Report.

The Board of UCL comprises of the following:

Non-executive Directors

Ten out of whom five are nominated Directors

Independent Directors

Three

Executive Director

One (The Managing Director & CEO)

Chairman of the Company is a non-executive Director and independent of CEO

NON EXECUTIVE DIRECTOR

All the Directors except the CEO are the non-executive Directors in the Board. None of the Directors takes part in the day to day affairs of the Company. They attend only in the Board/Committee meetings to discuss the agenda reserved for the Board/Committees.

INDEPENDENT DIRECTOR AND BOARD'S CONSENT THEREOF

There are three Independent Directors in the Board representing one-fifth of the total Directors. As per the BSEC guideline on Corporate Governance at least one fifth of the total Directors should be Independent Directors. In order for a Director to qualify as an Independent Director, the Board affirmatively determines that the Director has no material relationship with UCL either as a partner, shareholder or officer of an organization that has a relationship with UCL that would preclude that nominee from being an Independent Director. For the purpose of such determination, the Directors consider that the Independent Director does not hold any share or holds less than one percent shares of the total paid up capital of the Company, who is not connected with the Company's Promoters or Directors or Shareholders who holds one percent or more than one percent shares of the total paid up shares of the Company, on the basis of family relationship; who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associate companies, who is not a member, Director or officer of any Stock exchange and who is not a shareholder. Director or officer of any stock exchange or an intermediary of the capital market. The Independent Director is appointed for a period of three years which may be extended by one term only. A person cannot be appointed as Independent Director who have already been appointed as Independent Director of three listed companies.

DIVISION OF POWERS AND RESPONSIBILITIES

The management and control of UCL is divided among the shareholders (at the General Meeting), the Board of Directors and the Managing Director & CEO, pursuant to the provisions of the external framework, regulatory authorities, the Articles of Association and the internal instructions set forth by the Board of Directors.

THE CHAIRMAN

Responsible for leading the Board

There is a clear and effective division of accountability and responsibility between the roles of the Chairman and the Managing Director & CEO.

RESPONSIBILITY OF THE CHAIRMAN

The Chairman is responsible for leading the Board and ensuring it performs in an effective manner.

The Chairman presides over Board and General Meetings of the Company. He ensures that the Board is well informed and effective; that Members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper decision making of the Board and the Company. Additionally, the Chairman has to ensure that General Meetings are conducted efficiently and in accordance with the requirement of the Companies Act 1994, and that shareholders have adequate opportunity to air their views and obtain answers to their queries.

The Chairman also has following responsibilities:

- to provide effective leadership in the determination of Company's strategy and in the achievement of the Company's objectives;
- to work with the Company Secretary to schedule Board and Committee meetings and ensure that Directors receive accurate, timely and clear information, in particular on the Company's and Group's performance and issues arising, to enable the Board to make sound decisions, conduct effective monitoring and provide sound advice in achieving the Company's objectives;
- to ensure that Board Committees are properly established and composed, with appropriate terms of reference;
- to ensure that all important agenda are appropriately discussed by the Board;
- to ensure the independence of the Board in discharging its duties;
- to ensure that the Board and individual Directors fully exercise their responsibilities and adhere to applicable laws, regulations, rules, directives, policies and guidelines;
- to promote effective relationships and open communication between the Board and the Senior Management in relation to corporate governance and corporate performance;
- to ensure effective relationships are maintained with all major stakeholders.

SCHEME FOR ANNUAL APPRAISAL OF THE BOARD'S PERFORMANCE

Being the representative of the shareholders, the Board is responsible to the shareholders for the overall performance of the company. However, there is no such annual appraisal scheme for the appraisal of the performance of the non-executive members of the Board. The non-executive Directors of the Board get fees for attending Board and Committee Meetings as prescribed by the Central Bank.

POLICY ON TRAINING OF DIRECTORS

The Board of Directors of UCL is well-balanced having professional and industry knowledge to put forward the Company to the desired level of success. During the year under review no such training program has been organized for the Directors. We are aware that IFC is conducting such training for the Directors of different listed companies. We recognize the importance of the program of such training for the overall development of the Company to ensure best corporate governance practices.

REPORT ON COMPLIANCE WITH THE BEST PRACTICES ON CORPORATE GOVERNANCE

The Chairman of the Company on behalf of the Board of Directors issues a report on compliance with the best practices on Corporate Governance. The report is reviewed by the External Auditors. The certificate of the External Auditors is given on page 107 of this Annual Report. The report of the Chairman is also given on page 87 of this report.

MEMBERSHIP AND QUALIFICATION OF THE DIRECTORS

The Board currently consists of thirteen members which is within the regulatory limit. We believe that the size of the Board must be such that the committees can be staffed with qualified members. At the same time, the Board must be adequate enough to ensure an effective decision-making process.

DIRECTORS KNOWLEDGE AND EXPERIENCE

As a major financial services provider, the Board recognizes that its Members must have the appropriate mix of skills as well as the necessary knowledge, experience and commitment to effectively contribute towards the growth and expansion of the company as a whole. Furthermore, being on the Board of a parent company, the Board Members are required to be responsive to the constantly changing financial landscape.

Our Directors bring on Board a wealth of knowledge and experience in business development, finance, legal, accounting, general management skills and the regulatory environment. A brief profile of each Member of the Board outlining their quantifications, experience and skills is presented on pages 48 to 52 of this Annual Report.

DIRECTORS INDEPENDENCE

All the Directors except the Managing Director are non-executive Directors and independent of the management. All Directors bring independent judgments to bear on their decisions.

The materiality thresholds used to assess Directors independence are set out in the BSEC notification on Corporate Governance dated 7 August 2012. The Managing Director & CEO is an ex-officio member of the Board having no voting rights. The Board believes that the interests of the shareholders are best served by:

- the current composition of the Board which is regarded as balanced with a complementary range of skills and experience detailed in the Directors' profile on pages 48 of this report; and
- the Independent Directors providing an element of balance as well as making a considerable contribution in their respective fields of expertise.

The following measures are in place to ensure the decision making process of the Board is subject to independent judgments:

- a standard item on each Board Meeting agenda requires Directors to focus on and declare any conflicts of interest in addition to those already declared;
- Directors may seek the advice of independent experts, subject to the approval of the Board;
- all Directors must act at all times in the interests of the Company; and
- Directors meet as required independently of executive management.

Adoption of these measures ensures that the interests of shareholders, as a whole, are pursued and not jeopardized by a lack of independence.

DIRECTORS' RETIREMENT AND REAPPOINTMENT

As per The Companies Act 1994, the office of nonexecutive Directors is subject to retirement. At least one-third of the non-executive Directors shall retire by rotation in every Annual General Meeting. The Managing Director is appointed for a minimum period of three years subject to approval of the Central Bank. The office of the Managing Director being an ex-officio Director is not subject to retirement. The tenure of an Independent Director is three years and may be extended by another three years.

NUMBER OF MEETINGS OF THE BOARD AND THE PARTICIPATION OF EACH DIRECTOR

In 2013, the Board held 12 meetings in person. The Board may also take certain decisions via circular resolution, unless a member asks that the matter be discussed in a meeting and not decided upon by way of written consent. The details of the attendance of the Directors is given on page no. 98 of this Annual Report.

All members of the Board are expected to spend the necessary time outside these meetings needed to discharge their responsibilities appropriately. The Chairman calls the meeting with sufficient notice and prepares an agenda for each meeting.

However, any other Board member has the right to call an extraordinary meeting, if deemed necessary. The Chairman has the discretion to invite members of management or others to attend the meetings. Generally, the members of the Management Committee attend the meetings to ensure effective interaction with the Board. Minutes are kept of the proceedings and resolutions of the Board are sent to the Central Bank including the minutes of Board Committees.

BOARD MEETINGS PROCEDURE

- The Board convene according to an agreed schedule to discuss business and other issues whenever considered necessary;
- The Chairman decides on the agenda based on proposals by the other members of the Board, the Managing Director & CEO, and the secretary to the Board;
- The Chairman convene a meeting to deal with a specific item, if requested by a member of the Board or the Managing Director & CEO;
- The Board deals with the reports of the Board committees, Credit committees and the Managing Director & CEO;
- Working papers are delivered to the members seven days before meetings.

BUSINESS OF THE BOARD MEETINGS

The Board's agenda is managed to ensure that shareholder value and governance. All play an appropriate part in its deliberations and judgments.

The Board delegates to management the day-to-day operation of the business, in accordance with appropriate risk parameters. The Board monitors compliance with policy and achievement against objectives, by holding management accountable for its activities through regular updates.

During the year ended 31 December 2013, the Board considered a wide range of issues, including:

- receiving proposal on financing business;
- receiving regular reports on the financial position of the company and the various businesses;
- receiving reports on the outstanding issues arises from earlier board meetings;
- receiving reports on financing proposals approved by the management credit committee;
- approving the budget and long-term plan;
- approving interim and full-year results;
- discussing and approving corporate strategy; receiving reports from the Audit Committee, Executive Committee and Green Banking Committee; and
- receiving reports on governance issues affecting the company;

ACCESS TO INFORMATION

Directors may access all relevant information required to discharge their duties in addition to information provided in Board papers and regular presentations delivered by executive Management on business performance and issues.

THE MANAGING DIRECTOR & CEO

Responsible for day to day operations

While the Chairman leads the Board, the CEO has executive responsibility for the day to day operations and performance of the company.

The Managing Director & CEO who has extensive financial experience and knowledge (including corporate finance and business development), drives

the Group's overall strategic growth towards achieving UCL's strategic vision and direction. He leads the Management in the execution of strategic initiatives. The distinct and separate duties and responsibilities of the Managing Director and the Chairman ensure the balance of power and authority in relation to the establishment of a fully effective Board.

The Managing Director's integral role is to implement the policies and decisions of the Board, oversee the entity's operations as well as coordinate the development and execution of the corporate strategies. In addition thereto, he is also responsible for the following tasks: to put in place initiatives that will shape the corporate direction and values of the company towards the achievement of a "customercentric" corporate culture and underpinned by the company's values;

POLICY ON ANNUAL EVALUATION OF THE CEO BY THE BOARD

Since the CEO is responsible for daily operation of the Company, the annual performance of the CEO is measured through following key performance indicators:

- Meet the annual budgetary targets of the Company as approved by the Board;
- Maximize the shareholders value through achieving desired Return on Asset (ROA), Return on Investments (ROI) and Return on Equity (ROE) as set by the Board;
- Enhance the Earnings Per Share (EPS) to a competitive level in the industry;
- Sustainable growth of investment and revenue for the Company as set by the Board;
- Gradual reduction of cost to income ratio of the Company;
- Gradual reduction of the non-performing asset (NPA);
- Improvement of the overall CAMELS Rating.

THE COMPANY SECRETARY

Serves the Board on company matters

The Company Secretary serves the Board on matters relating to the affairs of the Board and ensures that Board meetings are properly convened and an accurate and proper record of the proceedings and minutes of the meetings are kept. The Company Secretary assists the Chairman and Directors in the conduct of meetings and their governance obligations and responsibilities as Directors of the Company. The Company Secretary also facilitates the communication of key decisions and policies between the Board, Board Committees, the Senior Management and the regulators.

Apart from performing the duties and responsibilities of a Secretary to the Board, the Company Secretary also undertakes the following roles:

- ensures that the Board is kept well informed/ updated on legal/regulatory requirements that affects the duties and responsibilities of Directors;
- ensures that the relevant companies within the Group comply with its statutory obligations under relevant laws and regulations;

- provides guidance to Directors and Senior Management on various corporate affairs matters;
- assists in managing shareholder relations and resolving their enquires;
- manages relationship with the office of RJSC; Submit all statutory return to RJSC within stipulated time period; and
- acts as a custodian of the Group's statutory records.

THE AUDIT COMMITTEE

Objective of the Audit Committee

The objective of the committee is to assist the Board in fulfilling its corporate governance responsibilities, particularly:

- the reliability and integrity of information for inclusion in Company's financial statements;
- compliance with legal and regulatory obligations, including audit, accounting, tax and financial reporting obligations;
- the integrity of company's internal control framework;
- safeguarding the independence of the external and internal auditors;
- ensuring that the management has selected accounting policies that are in line will applicable accounting standards; and
- Review interim financial releases i.e., quarterly and half yearly unaudited financial statements and recommend the same to the Board of Directors for approval.

The engagement partner of the external audit firm is invited to attend each Annual General Meeting and to be available to answer shareholders questions about the conduct of the audit and the preparation and content of the auditor's report.

APPOINTMENT AND COMPOSITION

The Audit Committee is a sub-committee of the Board of Directors. The committee assists the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company as well as ensures that the operating effectiveness of the internal control system is adequate. The committee is directly responsible to the Board of Directors.

The Audit Committee comprises of five non-executive Directors out of whom Mr. N. H. Khan and Mr. Ziaul Hasan Siddiqui are Independent Directors.

CHAIRMAN OF THE AUDIT COMMITTEE

The committee is chaired by a non-executive Independent Director Mr. N.H. Khan who is considered to be best qualified to serve in this role and has knowledge of finance. The biography of Mr. N. H. khan is given on page 51 of this Annual Report.

QUALIFICATION AND EXPERTISE OF THE MEMBERS OF THE AUDIT COMMITTEE

The Committee is chaired by an Independent Director Mr. N. H. Khan who is considered best qualified to

serve in this role and has expert knowledge of finance and accounts. Mr. N.H. Khan obtained his M.A. degree from Dhaka University in 1956 and started his career in Pakistan Taxation Service in 1957. He was the Deputy Secretary, Ministry of Commerce, Pakistan Central Government in Islamabad at the time of liberation of Bangladesh. He held many important positions under Government of Bangladesh, both home and abroad. He worked as Secretary, Ministries of Post and Telecommunication, Food & Internal resources Division. He was also Chairman of National Board of Revenue (NBR). He worked abroad as Economic Minister of Bangladesh Embassy. On the other hand Mr. Ziaul Hassan Siddiqui holds more than 35 years of extensive and versatile experience under different capacities including Deputy Governor for more than 5 years with specialization in monetary policy, foreign exchange policy and reserve management. He also worked as Head of Financial Intelligence Unit to upgrade Anti Money Laundering and Combating Financing of Terrorism. Overall all the members of the Audit Committee are diversified and knowledgeable in different areas of business and administration. Biography of the audit committee members is given on page 48 to 52 of this Annual Report.

CHARTER OF THE COMMITTEE

The audit Committee, within the delegated authority and in fulfilling the regulatory requirements will:

Internal Control

- review the implementation of key accounting policies and financial reporting;
- evaluate the implementation of the internal control systems and the risk management process.

Internal Audit

- review the adequacy of internal audit function;
- consider the scope of work and review and approve the annual audit plan and ensure no unjustified restrictions or limitations are made;
- review and approve the annual audit report;
- review the activities, resources and organizational structure of internal audit;
- contribute to the selection process for the appointment of the Head of Internal audit; and
- ensure that findings and recommendations communicated by internal audit and Management's proposed responses are received, discussed and appropriately acted on.

Compliance

review the effectiveness of the company's system for monitoring compliance with relevant laws and regulations (including internal rules) and the measures taken by Management as a result of its investigation of material incidents of non- compliance.

Relationship with the External Auditor

- review the scope of work and audit plan;
- review Management Letters issued by external auditors;
- review the report on the annual audit of UCL;

- consider the independence of the external auditor and any potential conflicts of interest;
- review the "Terms of engagement" of the external auditor;
- discuss with the external auditor any audit problems encountered in the course of audit work, including any restriction on audit scope or access to information;
- discuss with the external auditor the appropriateness of the accounting policies applied in the company's financial reports;
- ensure that significant findings and recommendations communicated by the external auditor and Management's proposed responses are received, discussed and appropriately acted on;
- review the performance of the external auditor and make recommendations to the Board of Directors for the appointment, reappointment or termination of the external auditor.

AUDIT COMMITTEE INVOLVEMENT IN SELECTION OF APPROPRIATE ACCOUNTING POLICIES

As per the BSEC guideline on Corporate Governance, The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.

The Board delegates the responsibility to the Audit Committee to select the appropriate accounting policies that are in line with applicable accounting standards as applicable and adopted by the ICAB, Bangladesh Securities and Exchange rules 1987 and the Listing Regulations of the Stock exchanges. After selecting the appropriate accounting policies, the Audit Committee recommends the Board regarding adoption of the selected accounting policies. The Board thereafter approves the selected accounting policies for adoption to ensure the true and fair view of the state of the affairs of the company.

AUDIT COMMITTEE INVOLVEMENT IN REVIEW OF EXTERNAL AUDIT FUNCTION

The audit committee reviews the following audit functions of the external audit:

- scope of work and audit plan;
- Management Letters issued by external auditors;
- report on the annual audit of the company;
- independence of the external auditor and any potential conflicts of interest;
- "Terms of Engagement" of the external auditor;

AUDIT COMMITTEE INVOLVEMENT IN THE REVIEW OF ANNUAL AND INTERIM FINANCIAL RELEASES

As per the Corporate Governance guideline of the BSEC, the Audit Committee is required to review along with the management, the quarterly and half yearly and annual financial statements before submission to the Board for approval. In compliance with the BSEC's guideline on Corporate Governance, the Audit Committee reviews the interim and annual financial releases whether audited and/or unaudited and places the same before the Board for approval.

AUDIT COMMITTEE INVOLVEMENT IN COMPLIANCE WITH LAWS AND REGULATIONS

UCL being a part of the financial industry in Bangladesh required to comply with applicable laws and regulations. There are several regulatory authorities including the Central Bank who are the related parties of the company's operation and performance. The Audit Committee monitors and ensures the Board that the company complies with all the applicable laws, rules and regulations of various regulatory authorities.

ACCESS OF THE HEAD OF INTERNAL AUDIT TO THE COMMITTEE

Then head of internal control and compliance have direct access to the Audit Committee.

INTERNAL CONTROL AND RISK MANAGEMENT

The guidelines on internal control & compliance given by Bangladesh Bank recommend internal control practices for NBFIs to assist them in assessing the application of the principles and compliance with the provisions with regard to internal control.

The systems of internal control of the company are designed and operated to support the identification, evaluation and management of risks affecting the company. These include controls in relation to the financial reporting process and the preparation of consolidated accounts, but extend across all areas of operations. They are subject to continuous review as circumstances change and new risks emerge.

Key features of the systems of internal control are:

- the risk management system described in the section of risk management report;
- written policies and procedures within our businesses, which are detailed in policy manuals;
- clearly defined lines of accountability and delegation of authority;
- minimization of operating risk by using appropriate infrastructure, controls, systems and people throughout the businesses;
- business continuity planning, including preventive and contingency measures, back-up capabilities;
- key policies employed in managing operating risk involve segregation of duties, transaction authorization, monitoring, financial and managerial review and comprehensive reporting and analysis against approved standards and budgets; and
- a treasury operating framework which establishes policies and manages liquidity and financial risks. ALCO that monitor these activities and compliance with the policies. Treasury policies, risk limits and monitoring procedures are reviewed regularly by the Management Committee;

95

Assurance on compliance with systems of internal control and on their effectiveness is obtained through regular management reviews, reviews of key financial controls, internal audit reviews and quality assurance, testing of certain aspects of the internal financial control systems by the external auditors during the course of their statutory examinations and reports to the Audit Committee by the external auditors.

INTERNAL AND EXTERNAL AUDITORS

Auditing forms an integral part of corporate governance at the Group. Both internal and external auditors have a key role to play by providing an independent assessment of our operations and internal controls.

INTERNAL AUDIT

Our internal audit department comprises of a team of independent professionals headed by a Chartered Accountant Mr. Raihan Uddin Ahammad ACA reports directly to the Audit Committee.

Internal audit performs an independent and objective assurance and consulting function that is designed to add value to our operations. Using a systematic and disciplined approach, the Internal Audit team evaluates and enhances the effectiveness of our risk management, control and governance processes.

Internal audit is responsible for carrying out periodic audits. Its function also include independent assessment risk exposure of our various business activities, taking into account industry trends, strategic and organizational decisions, best practice and regulatory matters. Based on the results of its assessment, Internal Audit develops detailed annual audit objectives, defining areas of audit concentration and specifying resource requirements for approval by the Audit Committee.

Internal audit coordinates its operations with the activities of the external auditor for maximum effect.

EXTERNAL AUDIT

Our statutory auditor is M/S Hoda Vasi Chowdhury & Co., Chartered Accountants.They are also the auditor of one of our subsidiary UniCap Securities Limited.

Another subsidiary UniCap Investment Limited is audited by S. F. Ahmed & Co., Chartered Accountants.

DIRECTORS RESPONSIBILITY TO ESTABLISH APPROPRIATE SYSTEM OF INTERNAL CONTROL

The Board of Directors acknowledges the importance of maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets. Guidance for Directors of Public Listed Companies, the Board is pleased to present the Statement on Internal Control of the Group.

The Board affirms its overall responsibility for the Group's system of internal control and risk management, and for reviewing the adequacy and integrity of these systems. However, in view of the inherent limitations in any system, such system of internal control is designed to manage rather than to eliminate risks that may impede the achievement of the Company's objectives. The system can therefore only provide reasonable and not absolute assurance against material misstatements, frauds or losses.

REVIEW THE ADEQUACY OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control covers risk management and financial, organizational, operational and compliance controls. The Board confirms that there is an on-going process of identifying, evaluating and managing significant risks by the management. This process has been put in place for the year and is reviewed periodically by the Board through its Audit Committee which is supported by the Internal Auditors.

MANAGEMENT AND MITIGATION OF THE RISKS

Disclosure on risk management is covered in details in the risk management section of this report from page 117 to 132. This risk management disclosure has been made in line with best practices and premised on the commitment of the Board of Directors to adhere to sound corporate governance standards within the UCL Group. The report is aimed to provide relevant information to all stakeholders in an orderly and timely manner and thereby continue to boost the confidence of the market in UCL and its subsidiaries. Year on year, we have continued to strive at improving on the quality and scope of our risk management practice and transparent disclosures.

ETHICS AND COMPLIANCE

We believe that a Code of Conduct and Business ethics provides a foundation for the stability and sustainable growth of UCL, and supports the Company's efforts in achieving its goals. UCL, therefore, encourages all Directors, Management team and all employees to conduct business and perform their duties in accordance with the Code of Conduct and ethical principles. UCL has its own code of conduct and ethical principles. This annual report contains the ethical principles that we follow while discharging our duties.

As governance and regulatory requirements in the financial industry continues unabated, financial institutions are coming under intense pressure to implement good governance practices and manage compliance risk while pushing for improvements to the bottom-line. Compliance risk within the UCL Financial Group is defined as the risk of impairment to the organization's business model, reputation and financial condition from failure to meet laws and regulations, internal policies and the expectations of stakeholders.

The Group upholds the adoption and infusion of good corporate governance principles and best practices as a basic tenet of running and growing its business. The compliance principles remain an important guide for the Group as it continuously evolves to meet the growing demands of compliance best practices.

Integrity

The UCL Financial Group along with its Directors and employees:

 act in good faith in order to win the trust of customers.

- value the maintenance of long-term relationships of trust with customers, local communities, and shareholders.
- fair in dealings and with competition.

Conflict of Interest

UCL does not condone any form of conflict of interest be it personal, financial or family interest that could in any way keep the individual from acting in the best interests of the company and which may compromise the interest of company, its shareholders and clients. To this end, all employees are required to refrain from any activity which may result in any conflict or potential conflict of interest. Any actual or potential conflict of interest must be reported to the Management as soon as it is recognized.

The Company has comprehensive procedures in place to deal with any situation where a Director has an actual or potential conflict of interest. Under these procedures members of the Board are required to:

- consider each conflict situation separately on its particular facts;
- consider the conflict situation in conjunction with the rest of their duties under the applicable rules and regulations; and
- keep appropriate records and Board minutes demonstrating any authorization granted by the Board for such conflict and the scope of any approvals given.

DISCLOSURE OF STATEMENT OF ETHICAL PRINCIPLES AND VALUES

The Code of ethics enhances the standard of corporate governance and promotes ethical conduct with a view to achieving the following objectives:

- to establish a uniform ethical standard emphasizing conduct free from conflicts of interest; and
- to uphold the spirit of corporate responsibility and accountability in line with the governing laws, regulations and guidelines.

The code of ethics and business conduct deal with among others the following issues:

- Compliance with laws and regulations
- unacceptable payments giving or receiving gifts protection of UCL assets proper accounting dealing with auditors
- unauthorized public statements conflict of Interest
- use of inside information
- UCL employee share trading policy

COMMUNICATION OF ETHICS AND BUSINESS PRACTICE TO THE EMPLOYEES

UCL has in place a Code of Ethics and Business Conduct applicable for all employees. The code of ethics and business conduct is communicated to every employee in the induction training after joining UCL. The Board and the Management confirms that the ethics and business principles are communicated to employees to ensure the best ethical practice within the company.

BOARDS COMMITMENT TO ESTABLISHING HIGH LEVEL OF ETHICS AND COMPLIANCE

The Board believes that a Code of Conduct and Business Ethics provides a foundation for the stability and sustainable growth of UCL, and supports the Company's efforts in achieving its goals. Therefore, UCL's Board is committed to establish high level of ethics and compliance in the organization to ensure safe and ethical business practice in the financial industry.

COMPLIANCE WITH RULES, REGULATIONS AND LAWS

The financial industry of Bangladesh is very competitive and highly regulated by several regulatory authorities such as the central bank of Bangladesh, BSEC, RJSC, Stock Exchanges and the National Board of Revenue etc. UCL Financial Group is in complaint to all the rules and regulations as promulgated by the appropriate regulatory authorities from time to time. Detailed disclosure on Ethics and Compliance has been covered in page 103 of this report.

REMUNERATION COMMITTEE

As per the guideline of the Central Bank the Board can have only the following committees:

- Audit Committee;
- Executive Committee; and
- Green Banking Committee.

Therefore UCL have no remuneration committee comprises of the Board Members. However, there is a HR and Compensation Committee for employees of the Company.

POLICY WITH REGARD TO REMUNERATION OF DIRECTORS

Except the Managing Director & CEO, none of the Director holds any position of profit and does not receive any remuneration other than the fees for attending the Board/Committee meetings. As per the central bank's guideline, maximum amount of Tk. 5,000 can be paid to each Director for attending each Board/Committee meeting.

POLICY WITH REGARD TO REMUNERATION OF THE MANAGING DIRECTOR AND CEO

The Board appoints the CEO of the Company approved by the shereholders in the General Meeting. Concent to the appointment and other terms including remuneration is required from the Central Bank.

REMUNERATION POLICY OF THE SENIOR MANAGEMENT

The Board reserves the right to recruit and decide the remuneration and other benefit of the senior management in the positions of General Manager and above. The CEO has been given with the authority to recruit and decide remuneration of the mid and lower level management in line with the industry best practice.

COMPOSITION OF THE HR & COMPENSATION COMMITTEE AND MEETINGS HELD

The compensation committee comprises of 4 members headed by the CEO. Other members of the committee are Mr. Abul Munim Khan, Executive Vice President and Head of Business, Mr. Tauhidul Ashraf FCS, Senior Vice President and Company Secretary and Mr. A.N.M. Golam Shabbir, Vice President and Head of Admin and HR. The committee sits once in every three months. In 2013, the committee held 4 meetings in person.

CHARTER OF THE MANAGEMENT COMPENSATION COMMITTEE

- recommend the requirements of management personnel for different sections of the company;
- interview for selection;
- recruitment of management cadre;
- take disciplinary action against employees, if situation demands;
- evaluate the performance of employees annually;

- evaluate effectiveness of the HR Policy,
- assess the workload, strength and weakness of the officers and executives; and
- recommend the Board any change in the HR & Compensation policy for approval.

ACTIVITIES OF THE MANAGEMENT COMPENSATION COMMITTEE

The management compensation committee activities during the year under review as under:

- reviewed the existing pay scale to compare UCL's pay scale with industry benchmark;
- proposed and recommended the Board for revision of old pay scale;
- introduced a new pay scale in line with industry benchmark;
- significant changes made in the company's service rules for employees; and
- conducted induction training for the newly recruited employees of the company.

Remuneration of the Directors

SI	numeration of the Directors	Status with	Status with	Meeting	
no.	Name	the Company	the Committee	Attendance	Fee
1	Chowdhury Tanzim Karim	Chairman	Chairman	12/12	60,000
2	Mr. M. Faizur Rahman	Director	Member	12/12	60,000
3	Mr. Nasir A. Choudhury	Director	Member	12/12	60,000
4	Mr. Nadeem A. Chaudhury	Director	Member	9/12	45,000
5	Mrs. Tajrina Sikder	Director	Member	6/12	30,000
6	Kazi Golam Samiur Rahman	Director	Member	12/12	60,000
7	Mr. M. A. Salam	Director	Member	3/12	15,000
8	Mrs. Rumana Sharif	Director	Member	12/12	60,000
9	Mrs. Meherunnesa Haque	Director	Member	8/12	40,000
10	Kazi Russel Mahbub	Director	Member	2/12	10,000
11	Mr. N. H. Khan	Independent Director	Member	11/12	55,000
12	Mr. Ziaul Hasan Siddiqui	Independent Director	Member	11/12	55,000

Remuneration of the Audit Committee

1	Mr. N.H. Khan	Independent Director	Chairman	9/9	45,000
2	Mr. M. Faizur Rahman	Director	Member	9/9	45,000
3	Mr. Nadeem A. Chaudhury	Director	Member	7/9	35,000
4	Mrs. Tajrina Sikder	Director	Member	7/9	35,000
5	Mr. Ziaul Hasan Siddiqui	Independent Director	Member	8/9	40,000

Remuneration of the Executive Committee

1	Mr. Nasir A. Choudhury	Director	Chairman	9/10	45,000
2	Chowdhury Tanzim Karim	Chairman	Member	10/10	50,000
3	Mr. M. Faizur Rahman	Director	Member	9/10	45,000
4	Kazi Golam Samiur Rahman	Director	Member	9/10	45,000
5	Mrs. Rumana Sharif	Director	Member	10/10	50,000

REMUNERATION OF THE MANAGING DIRECTOR AND CEO

The total remuneration of the CEO was BDT 7,080,000 for the year under review that includes all benefits as approved by the central bank of Bangladesh.

REMUNERATION OF THE SENIOR MANAGEMENT

Employees in the rank of Assistant Vice President and above are considered as the senior management. In 2013, total senior management employees were 11 in number with a total remuneration of BDT 14,997,369.

HUMAN CAPITAL

The talented and highly motivated people who make up our workforce are key to our blueprint for building a sustainable and successful future. UCL strives to strengthen our reputation as a quality employer in the markets we do business.

RECRUITMENT

A great part of success in the financial services industry depends more than anything else, on the know-how, experience, talent, and commitment of human capital. For UCL to continue to succeed, the company must be able to attract, develop and retain qualified people. UCL's employees should be able to benefit from its strong business principles, its fast-moving and entrepreneurial spirit, and the broad opportunity for individual and team success.

COMPETITIVE COMPENSATION AND TOTAL REWARDS

At the heart of an engaged workforce is a flexible, competitive and meaningful rewards program. Our program is based on an understanding of what employees' value. It recognizes that flexibility and choice are the best response to meet our employees' diverse needs. Our comprehensive approach rewards employees for their skills and contributions by offering employees competitive compensation, benefits and a positive work environment.

GROWTH THROUGH TRAINING AND DEVELOPMENT

We aim to create a learning culture and provide opportunities for our employees to fully apply their knowledge and skills in the service of the company. We will help our employees to continue their development in the interests of the company and its objectives.

Employees expect ongoing career and learning opportunities to be a part of their total rewards program and our commitment to continuous employee growth and development helps ensure we meet the current and future needs of both our people and our clients. Employees also have access to the training resources they need to learn and grow through our in house learning opportunities.

CAREERS AND DEVELOPMENTS

The people of UCL are part of a culture of integrity and leadership, which they have an active role in creating. They form a community in which people's potential and talents are cultivated with the aim of establishing lifelong careers. High-quality employees are trained and fostered, with the goal of developing tomorrow's leaders.

Leadership is certainly among the strongest elements fostered by UCL seeking to demonstrate leadership both

in the industry and in the society where it operates. In order to sustain this element of leadership, strong emphasis is placed on developing employees through inhouse training programmes as well as by supporting and organizing educational opportunities outside UCL.

As a forward-looking enterprise, UCL strives to continually stimulate its employees to uphold the state of the art in their respective fields. In order to inspire trust and create added customer value, great emphasis is placed on maintaining employees' knowledge and skills through training, development and informative feedback. As in previous years, UCL placed great emphasis on training its managers and developing their leadership qualities. Moreover, the annual meeting with employees, play a central role in making sure that the strategy and objectives for each year are clearly communicated and executed. it is vitally important that those who drive company's success are fully informed of its vision, strategy, and focus for the year and know what kind of contribution is expected of them as individuals in order to achieve these.

SALARIES AND BENEFITS

In addition to a monthly salary, bonuses are paid to those key employees and management who directly affect company's performance. Bonus payments are subject to the individual's performance as well as company's profits.

COMMUNICATION

UCL places great emphasis on keeping employees informed about UCL's vision, strategy and focus. Moreover, the company provides regular communication to its employees with information regarding current news, events and achievements.

The open flow of information within UCL is important in order to maintain efficient operations. Employee engagement is facilitated through corporate intranet.

Furthermore, the CEO and senior executives visits different offices of UCL which opens face-to-face dialogue between employees and senior management. Through these channels UCL supports a flat organizational structure and encourages collaboration throughout UCL.

ESTABLISHING AN EFFECTIVE ANTI FRAUD PROGRAM

Anti-fraud Program

Our anti-fraud program outlines UCL's attitude to, and position on, fraud and sets out responsibilities for its detection and prevention. It establishes guidelines for preventing, detecting and dealing with fraud. It gives a clear message to employees and stakeholders about conduct that will not be tolerated by UCL.

FUNDAMENTAL ELEMENTS OF AN EFFECTIVE ANTI-FRAUD PROGRAM

- Creating and maintaining a culture of honesty;
- Evaluating the risk of fraud and implementing the processes, procedures and controls necessary to mitigate those risks; and
- Developing and appropriate oversight process.

COMMON EXAMPLE OF FRAUD AND FRAUDULENT BEHAVIOR

- Rank personal gain over corporate interests;
- Misappropriation of assets, embezzlement and theft;

- Payment or receipt of bribes, kickbacks or other inappropriate payments;
- Participation in fraudulent transactions;
- Deceptive, misleading or false statements about corporate transactions;
- Forgery or alteration of accounting record or vouchers;
- Failing to keep confidential trade secrets of the Company;
- Non-disclosure of material information needed for an informed investment decision; and
- Other fraud behaviors causing loss to the Company interests.

UCL'S FOCUS ON ANTI FRAUD PROGRAM

UCL is committed to creating a culture of honesty and high ethics inside out of the company to clearly communicate acceptable behavior and expectations of each employee. Such a culture is rooted in a strong set of core values that provides the foundation for employees as to how UCL conducts its business. It also allows the company to develop an ethical framework that covers Leadership and 1. Fraudulent financial Ensuring strategic direction reporting, 2. and planning Misappropriation of Planning for Succession assets. and 3. Overseeing risk Continuous Learning

and Growth

Promoting a culture of

innovation and change

Developing executives and

employees

Accomplishment

Overseeing Management

Selecting corporate

performance measures

Evaluating the Board,

individual Directors and

Senior Management

and Meas

management and internal Control

Principle-Based

Governance

Service and Fairness

Promoting environmental

sustainability

Setting an example in

corporate social responsibility

Providing ethical leadership

assets, and 3. corruption as well as other issues.

Directors and officers set the "tone at the top" for ethical behavior within the company. Management shows its employees through words and actions that dishonest or unethical behavior will not be tolerated, even if the result of the action benefits the company. All employees are treated equally, regardless of their position.

Anti-fraud program aim to outline UCL's commitment to:

- Take appropriate measures to prevent and deter fraud;
- Introduce and maintain necessary procedures to detect fraud;
- Encourage employees to report any suspicions action;
- Investigate all instances of suspected fraud;
- Take appropriate disciplinary, civil or criminal proceedings;
- Report all suspected fraud to the appropriate authorities.

EMPLOYEES CODE OF CONDUCT

All the employees of ULC have been given with the code of conduct during his induction to the company. The

employees are instructed to follow the ethical principles to add value to the ethical practice of the company.

PREVENTION AND CONTROL OF FRAUD

All Head of the Departments of UCL advocates to the subordinates of the respective department to develop a corporate culture of honesty and integrity. Besides it is the duty of each departmental head to assess the risk of fraud arising in the normal course of operations of his department and establishes controls and procedures designed to eliminate the likelihood of fraud. The senior management of UCL receives, investigates, reports and recommends a remedial course of action in respect to suspected or voiced concerns of fraud or fraudulent behavior.

UCL promotes a regular corporate culture of honesty and integrity through the following actions and activities:

Top Management lead by example in complying with this Anti-Fraud Program;

Regularly communicate the Company's message of honesty and integrity with employees of the Company through the Employees Code of Conduct and other written and verbal

presentations of the principles underlying this Anti-Fraud Program;

Conduct

Accountability Ant Delegating authority Allocating responsibilities Establishing effective accountability mechanisms

Communication and Transparency Determining information flows Communicating with all stakeholders Reporting to shareholders and others

therewith:

Empowerment and

periodic meetings to ensure employees attend trainings regarding business ethics and the related laws and regulations;

Notify all direct or indirect interest parties, including external parties (customers, suppliers, supervision authorities and shareholders) regarding this Anti-Fraud Program and the obligation of the employees to comply

 Notify employees and external parties of the opportunity and procedures for reporting wrong doings and dishonest behavior;

- In connection with the Company's risk management assessment process, UCL Management identify and assess the importance and possibility of fraud risk at entity level, in each business operational level and at all significant accounts levels. The assessment should include a report disclosing any irregularities in the Company's financial reports, incidents involving misappropriation of company assets, improper income or expenditures and a fraud risk assessment in respect of senior management of the Company;
- Periodic reports issued by the Head of each Department to the ICC Department. ICC Department then issue to the Audit Committee regarding the operations of this Anti-Fraud Program within each Department;

- Management establishes control procedures to reduce the potential occurrence of fraud through protective approval, authorization and audit checks, segregation of duties, periodic compliance reviews; and
- Management performs customary background checks (education, work experience and criminal records) for individuals being considered for employment or for promotion to positions of trust. Formal written documents for background checks shall be retained and filed in employee's record.

CREATING POSITIVE WORK ENVIRONMENT

Importance of positive work environment is beyond explanation. In absence of a positive work environment, there are ample opportunities for employee morale, which can affect an employee's attitude about committing fraudulent activities against the company's interest. UCL recognizes the importance of a positive work environment. The Board delegated the authority to the top management of the company to ensuring a positive work environment with a view to minimizing the risk of probable fraud. The CEO conducts a regular monthly meeting with all the employees where the floor is open for all to speak out and report any irregularities directly to the CEO. The management also discuss on different issues regarding company's working environment in the meeting.

OVERSIGHT AND RESPONSIBILITIES OF ESTABLISHING ANTI FRAUD MEASURES

The Internal Control and Compliance (ICC) Department is primary responsible for preventing, monitoring and rectifying fraud and potentially fraudulent behavior. The Head of ICC is independent of the management with direct reporting to the Audit Committee. The Internal Audit Department gradually establishing and regularly monitoring procedures and controls designed to assess, prevent and remediate fraud and fraudulent behavior. If necessary, all the departmental heads will report regarding the implementation of this Anti-Fraud Policy to the ICC Department, which will then be reviewed and summary of findings will be reported to the Audit Committee depending the nature of the fraud.

MITIGATING FRAUD RISKS

Once risk areas are identified by management, UCL Management evaluates the adequacy of existing internal control activities and determines if further controls or changes to existing controls are required to reduce or eliminate the risk. Although there may be high risk fraud indicators in certain instances, other compensating measures may exist to mitigate the weakness in controls. It may be possible to reduce or eliminate certain fraud risks by making changes to the entity's activities and processes.

HOT LINE REPORTING OF FRAUDULENT BEHAVIOR AND/OR SUSPICIOUS ACTIVITIES

The Internal Control and Compliance (ICC) Department is the focal point to report any type of fraudulent behavior or suspicious activity within the organization. The ICC Department maintains reliable communications channels (Direct telephone and email) allowing for the anonymous reporting of actual or suspected instances of fraud or fraudulent behavior committed by any employees. Complaints and concerns relating to instances of actual or suspected instances of fraud or fraudulent behavior or questionable accounting, internal control or auditing matters shall be reportable through the established channels of communications and may be reported on an anonymous basis.

For the people external to the company has also been given with the opportunity to report any type of fraudulent/suspicious activities through the company's website. In this case the focal contact person is the Company Secretary. Email address of the Company Secretary along with direct telephone number has been published in the company's website.

WHISTLEBLOWER SYSTEM

Employees are usually the first to notice if Company's procedures are not followed. All our employees have an obligation to report any suspicion or knowledge of breaches of the Company's policies to the head of Internal Control & Compliance. The reports are then passed on to the Audit Committee and the Board of Directors. UCL values a free flow of information. To ensure that critical information is not withheld, all reports and questions received through the whistleblower system are treated confidentially.

UCL recognizes that the decision to report a concern about suspected fraud or fraudulent behavior could be a difficult. Employees are often the first to realize that there is something seriously wrong within the Company. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Company. They may also fear revenges, harassment or victimization. In these circumstances, it may be easier to ignore the concern rather than report what may just be a suspicion. UCL encourages and enables employees, staff and external parties to raise serious concerns within the Company rather than overlooking a problem or blowing the whistle to the authorities including the Central Bank.

UCL will protect employees and ensure that they are treated with respect, and we do not accept reprisals against such employees. Individuals are encouraged to put their names to allegations. Concerns expressed anonymously are much less powerful, but they will be considered and investigated at the discretion of UCL.

COMMUNICATION TO SHAREHOLDERS AND STAKEHOLDERS

The Company reports including quarterly, half-yearly and annual reports and accounts were sent to shareholders in a timely and accurate manner, and meet with shareholders in the AGM where they are encouraged to ask questions about the performance, strategy and future prospect of the Company. The Stakeholders have access to company information through the company's website and postal correspondence. UCL complied with the requirements for reporting and disclosure of information to the Shareholders and Stakeholders during the year under review. The Board reports included the nature and extent of its social, ethical, safety, health and environmental policies and practices. The outcome of every general meeting is announced to Shareholders and adopted by the Board of Directors.

ANNUAL GENERAL MEETING

Under Companies act law, the AGM must be held within nine months from the end of the financial year. Notice of an AGM, including agenda items and proposals submitted by the Board must be published at least 14 days prior to the meeting.

Shareholders only qualify for voting at an AGM if they are entered into the depository register with voting rights on record date fixed no later than 14 days prior to the AGM.

Convocation of Shareholder Meetings

An AGM is convened by the Board with 14 days' clear notice for ordinary/extra-ordinary resolutions. Twenty one days notice is required for passing special resolution.

Request to Convene a Meeting by the shareholders

Shareholders holding shares not less than one-tenth of the issued share capital of the company have the right to call an extra-ordinary general meeting and request for a specific item be placed on the agenda and voted upon at the meeting. The Director shall, within 21 days from the date of deposit of the requisition for meeting by the shareholders, proceed duly to call a shareholders' meeting.

Statutory Quorums

The AGM may, in principle, pass resolutions without regard to the number of shareholders present at the meeting or represented by proxy. Resolutions and elections generally require the approval of a majority of the votes represented at the meeting, except as otherwise provided by mandatory provisions of law or by the AoA.

Shareholders' resolutions that require a vote by a majority of the votes represented include:

- transaction of ordinary business carried out in an AGM;
- increase of paid up capital; consolidation or subdivision of shares; cancellation of unissued shares;
- a consensus of at least two thirds of the votes represented is required for resolutions include:
- change provisions of the object clause;
- change the name of the company or alter its AoA;
- reduce share capital;
- make reserved capital;
- make Director's liability unlimited; remove auditor before expiry of term; on court winding up;
- on voluntary winding up;

Notices of Shareholders Meeting

Notices to shareholders are made by publication in the daily newspapers. The Board may designate further means of communication for publishing notices to shareholders. Notices required under the listing rules is published in two widely circulated newspapers in English and Bangla and sent to the stock exchanges and BSEC.

Timely and Balanced Disclosure

The Board has an established process to ensure accountability at a senior executive level for compliance with the continuous disclosure obligations of Bangladesh Bank, BSEC and listing rules. Executive management is required to communicate all matters of a material nature and which may require disclosure to regulators, to the Chairman, CEO or the Company Secretary.

The Rights of Shareholders

UCL promotes effective communication with the Company's shareholders and encourages shareholder participation at Annual General Meetings. UCL communicants with the shareholders through AGM, EGM, the Annual Report and Company's website. All of the Company's announcements to the market may be accessed through the Company's website.

Shareholders are provided with the opportunity to question the Board concerning the operation of the Company at the Annual General Meeting. They are also afforded the opportunity to question the Company's auditors concerning matters related to the audit of the Company's financial statements at that meeting.

CONTRIBUTION TO ENVIRONMENT AND SOCIETY

A natural and clean environment, economical use of resources and respect for people's health and safety all these are getting increasing importance. In accordance with this, UCL is continuously working towards reducing consumption of energy, elimination of use of hazardous substances from its processes and minimizing waste generation. The emphasis is on minimizing paper transactions to the extent possible. One of the key targets for financing manufacturing companies is to reduce their carbon footprint.

The focus is on developing environmental portfolio. UCL is financing as demonstrated its responsibility as a socially responsible corporate.

The central bank has taken rigorous steps to encourage green banking in Bangladesh through the issuance of guidelines on green banking and Environmental Risk Management (ERM). It is encouraging banks and financial institutions in minimizing paper transactions and installing solar power system, opening up refinance line for solar energy, bio-gas and effluent treatment plant (ETP) at reduced interest rates. The central bank introduced refinancing scheme for financing solar energy, biogas and effluent treatment plant (ETP) at only 5 percent interest rate.

UCL is committed to doing better for our clients, our investors, our employees and our communities through a focused approach to corporate responsibility.

THE DISCLOSURE COMMITTEE

The disclosure committee consists of the Chief Executive officer, the CFO and Company Secretary and the Head of ICC. The function of the disclosure committee is to meet as and when required in order to assure compliance with the Disclosure and Transparency requirements and the Listing Rules, and to ensure that the routes of communication between UCL members, the disclosure committee, the company secretarial office and investor relations are clear so that the company is able to comply fully with its continuing obligations under the Disclosure requirements.

ETHICAL & COMPLIANCE STATEMENT

Commitment to meet the growing demand of compliance

OVERVIEW

A s governance and regulatory requirements in the financial industry continues unabated, financial institutions are coming under intense pressure to implement good governance practices and manage compliance risk while pushing for improvements to the bottom-line. Compliance risk within the UCL Financial Group is defined as the risk of impairment to the organization's business model, reputation and financial condition from failure to meet laws and regulations, internal policies and the expectations of stakeholders.

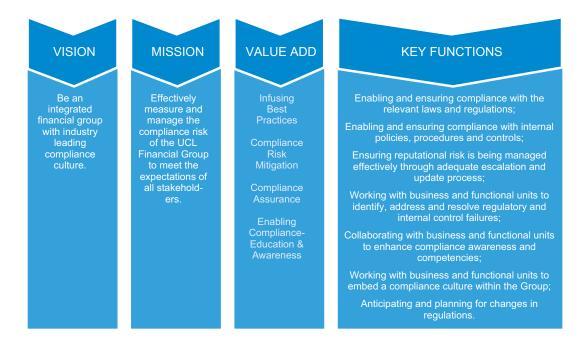
The Group upholds the adoption and infusion of good corporate governance principles and best practices as a basic tenet of running and growing its business. The compliance principles remain an important guide for the Group as it continuously evolves to meet the growing demands of compliance best practices.

COMPLIANCE RISK MANAGEMENT

The main aim of compliance risk management is to preserve the Group's reputation so that our competitive standing, reputation, brand and share value are not only maintained, but also enhanced. With a vision to be a financial group with industry leading compliance culture, the following are the Group's compliance objectives:

- to be the most compliant financial group;
- to enable business growth and compliance;
- to ensure zero-tolerance for regulatory breaches; and
- to minimise operational losses.

To achieve these objectives, the Group's underlying mission is to effectively measure and manage the compliance risk of the Group to meet the expectations of all stakeholders. Providing the foundation for this aspiration is the Group Compliance Framework, from which the building blocks of the compliance functions are shaped.



COMPLIANCE GOVERNANCE

At the apex of Compliance is the Board, which oversees and provides strategic direction for compliance in the Group. The Risk Management Committee ("RMC") is the management committee wherein the Group's state of compliance with laws, regulations, internal policies and procedures is reported. The Compliance Division is responsible for developing and maintaining the Group Compliance Framework. This forms the foundation from which policies and procedures are designed to manage compliance risk.



SCOPE OF COMPLIANCE

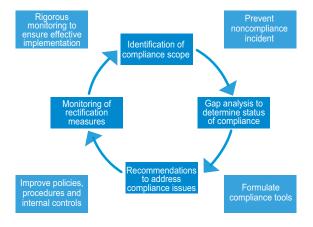
The scope of compliance covers the areas of credit, operations, anti-money laundering and terrorist financing (AML/TF), treasury, insurance, financing operations and investment management, including subsidiaries. The Internal Control team was set-up to assist in managing internal control compliance and risk issues. The team also assists in the identification of issues at ground level that may affect compliance and the escalation of the same. This also creates expertise at operational level for compliance processes.

Division and Department Heads are continuously engaged to ensure they continue to inculcate compliance awareness and discharge their duties effectively to ensure their respective units comply with regulatory and internal requirements.

COMPLIANCE LIFE CYCLE

Compliance activities are closely intertwined with compliance developments on the global front, existing legal & regulatory requirements as well as the Group's policies and procedures. The following diagram illustrates the compliance lifestyle and general approach taken by the Group in managing compliance risk.

The approach is derived from various compliance sources such as new regulations, sound practices, reports from relevant stakeholders as well as internal reviews conducted by the Compliance Division itself.



COMPLIANCE SOURCES

Laws and regulations
 Group's policies and procedures
 Sound industry practices
 Internal compliance review
 Internal audit reports
 Group risk assessment

Regulators' reports or dialogues

COMPLIANCE CHALLENGES

Against the backdrop of increasing regulatory requirements and pervasive threat of financial crime and fraud, traditional approaches to oversight are no longer adequate. Compliance initiatives are thus anchored upon providing a value proposition to our stakeholders.

CHALLENGES

- Recalibrate functions to focus on compliance;
- Focus resources on value-adding initiatives;
 Re-validate best practices periodically;
- Use expertise to enhance knowledge and awareness in the Group;
- Continue to build good and valuable controls to avoid operational losses;
- □ Provide meaningful compliance assurance;
- Continuous surveillance on key risk areas;
 Strive to improve processes to enable compliance.

KEY INITIATIVES

The year 2012 saw the Group introducing innovative services and new business models to meet the ever growing demands of customers and pressure to grow business. The strategies adopted to provide a value proposition to our stakeholders are as below:



Infusing Best Practices

A comprehensive set of policies and procedures that institutionalize right from wrong is integral in promoting a sound compliance culture. It is imperative that the Group develop overarching compliance policies along with procedures on how to comply with specific regulations. Among the key Compliance Policies emplaced are:

- Compliance Framework
- AML & TF Programme
- Incident Reporting, Management and Escalation Process
- Core Values
- Code of Ethics and Conduct
- Whistleblower Policy
- Insider Trading Policy

Continuous revisions are made to the Compliance Policies to ensure the Group keeps abreast of regulations, industry best practices and the changes evolving within the Group.

Compliance Assurance

The Group's state of compliance is provided for, through surveillance programmes. The respective Boards and Senior Management are apprised of the state of compliance through the submission of the Compliance Report. The Compliance Report encompasses compliance with statutory or regulatory requirements, compliance with internal policies and procedures, operational losses incurred, AML/TF measures, as well as root cause and trend analyses.

In addition, any incident affecting the reputation of the Group is escalated to the respective authority. This escalation process ensures adequate oversight and guidance is provided by the Board in managing reputational risk.

Compliance Risk Mitigation

Compliance risk mitigation is a key process in the entire Incident Reporting and Management Process. Incidence reports are duly reviewed to detect trends or commonalities so that losses and incidences of non-compliance, negligence or fraud can be managed proactively and minimized accordingly. Where applicable, preventive or corrective actions to be taken by staff are disseminated.

The Compliance Division continues to play an active role in integrating sound compliance risk management into the overall risk management strategy. Particular attention is paid to new business models or new processes that are introduced for the first time, either to the Group or to industry, to ensure that good internal controls and processes are inbuilt to avoid operational losses.

Enabling Compliance

Apart from working with respective business and operating units to ensure compliance with relevant

laws and regulations, enabling compliance is another key function of Compliance. This is done by carrying out root cause analyses as well as preventive and corrective action recommendations. The analyses and recommendations include process or procedural changes that not only support compliance objectives but also enhance productivity and efficiency.

The Compliance Division embarked on issuing regulatory alerts on an as-and-when basis to enable and assist business and operating units to respond to regulatory requirements in a speedy manner. Where issues are related to regulatory compliance reminders are issued to relevant business or operating units to ensure that the Group provides necessary data and accurate information to them.

Education and Awareness

Effective knowledge management is a key challenge in ensuring that staff of the Group are aware of the risk issues surrounding their activities and are able to manage them accordingly in the course of carrying out their duties. To this end, Compliance Division has a plan to organize fraud awareness programs with an aim to increase awareness amongst staff on the various modus operandi of frauds and scams. Senior representatives from Bangladesh Bank will be invited to speak at our program and expected that they will share interesting anecdotes and provided insightful perspectives on fraud.

With the ultimate aim of embedding a compliance culture throughout the Group, the Compliance Division works with Internal Audit and Risk Management Department to carry out overall briefings. These briefings involve sharing common findings and experiences as well as advising on how to improve compliance and contain operational risk within the branches.

Continuous improvements would be made through training to ensure compliance policies are understood and practised by all staff.

Mindful that regulatory requirements and sound practices continue to increase and grow in complexity, education and creation of awareness remain a primary focus for the Group.

VALUE OF COMPLIANCE

The five-pronged strategy as detailed in the previous pages ultimately aims to protect the UCL brand value by achieving compliance excellence. Fundamental to achieving compliance excellence is the process of "making compliance smart" that is attained as follows:

As business models change, new technologies emerge and regulatory requirements increase amidst the intense focus on operational efficiencies and the consolidation of the financial sector, the Group has never been more exposed to such a myriad of risks, not to mention larger sets of rules and regulations. Thus, "making compliance smart" becomes a critical determining factor in our journey towards compliance excellence. In this regard, the Board and senior management within each respective entity have extended their fullest support and cooperation in moving compliance to the front-line. They have done this by establishing the tone from the top, which is quite simply, to comply with all laws and regulations and employ ethical behavior. All staff are aware that the Board and Management takes an uncompromising stance if such trust is breached.

The Group's focus on root cause analysis and preventive & corrective action to generate a positive presence has yielded greater compliance understanding. Growing in tandem with the understanding is the cooperation between the business and operating units and the Compliance Division with regard to managing compliance risk. The Compliance department is increasingly becoming a point-of reference and advisor for key strategic initiatives that the Group embarks on.

The effective penetration of a proper compliance culture into all business and operating units has enhanced our public domain presence and facilitated early detection of compliance risk. This has resulted in quicker compliance risk mitigation actions being undertaken which in turn translate into a reduction of operational losses and a higher level of operational efficiency.

The Group recognizes that the strengthening of a compliance culture is the foundation for good compliance practices and it is imperative that this becomes an intrinsic trait of the Group. Not only it

preserve the Group's integrity and reputation, it will also enhance our corporate image as a respectable organization and ultimately, increase brand and shareholder value.

ANTI-MONEY LAUNDERING AND TERRORIST FINANCING (AML/TF)

As one of the forerunners of the Government and Bangladesh Bank initiatives to prevent the financial system from being used for illicit and laundering activities, the Group has established the following processes and infrastructure:

> accountability of each level of employee for anti-money laundering detection and prevention;

Moving Compliance to the Front-Line

Focus on root cause analyses and preventive & corrective action

Generating Positive Presence

education and training in preventing and detecting money laundering; and

 extensive procedures covering customer identification, account opening, record keeping and recognition and reporting of

suspicious transactions.

The AML/TF measures continue to focus on ensuring the effectiveness of reporting by all business and operating units to Compliance Division.

AML/TF self-compliance assessments continue to provide an avenue for the Compliance Division to gauge the understanding of business and operating units on AML/TF and act as tools to enhance future measures. In addition, various learning initiatives are offing to raise awareness among employees on the important role that they play in ensuring the Group does not become a conduit for money laundering.

106

Professional Certificate on COMPLIANCE OF CONDITIONS ON CORPORATE GOVERNANCE

S. F. AHMED & CO **Chartered Accountants** - Established : 1958

House 25, Road 13A Block D. Banani Dhaka 1213, Bangladesh Phones: (880-2) 989-4258 & 989-4346 Fax: 882-5153 E-mails: (i) sfaco@citechco.net (ii) sfaco@sfahmedco.org

Certificate on the Compliance with Corporate Governance of Union Capital Limited

We have examined the compliance with Corporate Governance of Union Capital Limited for the year ended 31 December 2013 as stipulated in notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012, as amended vide notification dated 21 July 2013 and 18 August 2013 of Bangladesh Securities and Exchange Commission.

The compliance with Corporate Governance is the responsibility of the management of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Company for ensuring the compliance with Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned notification.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of Company.

House 25, Road 13A, Block D Banani, Dhaka 1213, Bangladesh Dated, 10 March 2014



F. AHMED & CO

Chartered Accountants

Report on Compliance of BSEC's Notification on Corporate Governance

n order to enhance corporate governance in the interest of investors and the capital market, Bangladesh Securities and Exchange Commission (BSEC) has issued a Notification No. SEC/CMRRCD/2006-158/ 134/ Admin/44 dated 07 August 2012 (as amended) containing certain conditions to be complied with by the listed companies. Given below is the compliance status on the BSEC's conditions by Union Capital Limited:

				Compliance status	
No.	Conditio	on	s	Not Complied complied	Remarks
1	BOAR) (OF DIRECTORS		
1.1	Board The me than 20	m	bers of the Board shall not be less than 5 (five) & more		
1.2	Indepe	nc	lent Directors		
			least one fifth (1/5) of the Board Members shall be lependent Directors	\checkmark	
	1.2 (ii)	Inc	dependent Directors who:		
	8	a.	do not hold any share or hold less than one percent (1%) shares of the total paid-up shares of the company	\checkmark	
	t) .	are not a sponsor and do not have family relationship with any sponsor/Director/Shareholder who holds 1% or more shares of tot paid-up shares of the company, and his/her family members shou not hold mentioned shares of the company		
	C).	do not have any other relationship, whether pecuniary or otherwis with the company or its subsidiary/associated companies	e, √	
	C	ł.	are not a member, Director or officer of any stock exchange	\checkmark	
	e	Э.	are not a shareholder, Director or officer of any member of stock exchange or an intermediary of the capital market		
	f	-	were not be a partner/executive during preceding 3 years of any statutory audit firm	\checkmark	
	Q	J.	were not be an Independent Director in more than 3 listed compared	nies √	
	ŀ	۱.	have not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a NBFI		
		i.	have not been convicted for a criminal offense involving moral turp	pitude√	
	1.2 (iii)		ndependent Directors shall be appointed by the Board of Directors and approved by the shareholders in the Annual General Meeting		
	1.2 (iv)		The post of Independent Directors can not remain vacant for more han 90 days	\checkmark	
	1.2 (v)		The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded	\checkmark	
	1.2 (vi)		The tenure of office of an Independent Director shall be appointed or a period of 3 years and can be extended for 1 more term only	\checkmark	
	1.3 (i)	i	ndependent Director shall be a knowledgeable individual with ntegrity who is able to ensure compliance and can make neaningful contribution to business		
	1.3 (ii)	ι b	He/she can be a business leader/corporate leader/bureaucrat/ university teacher with economics or business studies or law packground/professionals like CA, CMA or CS, must have at least 2 years of corporate management/professional experiences		
	1.3 (iii)		n special cases the above qualifications may be relaxed subject o prior approval		
1.4			and CEO will be different individuals, The BOD should fine the role and responsibilities of the Chairman and CEO	\checkmark	

			Compliance state	us
э.	Conditions	S	N Complied complie	ot ed Remark
5	The Direc	tors' Report to Shareholders shall include:		
	1.5 (i)	Industry outlook and possible future development in the industry	\checkmark	
	1.5 (ii)	Segment-wise or product-wise performance	\checkmark	
	1.5 (iii)	Risk & Concerns	\checkmark	
	1.5 (iv)	A discussion on cost of goods sold, gross profit margin and net profit margin	\checkmark	
	1.5 (v)	Discussion on continuity of any Extra-ordinary gains or loss	\checkmark	
	1.5 (vi)	Basis of related party transactions- a statement of all related party transactions should be disclosed in annual report		
	1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments	\checkmark	
	1.5 (viii)	An explantation if financial results deteriorate after the company goes for Initial Public Offering (IPO), Rights Offer, Direct Listing et	c. N	ot applicable
	1.5 (ix)	If significant variance occurs between quarterly financial performance and annual financial statements the management shall explain about the variances on their annual report		
	1.5 (x)	Remuneration to directors including independent directors	\checkmark	
	1.5 (xi)	The financial statements prepared by the management of the company present fairly its state of affairs, the result of its	d	
	1 E (vii)	operations, cash flows and changes in equity	√	
	. , ,	Proper books of account of the company have been maintained.	N	
	1.5 (XIII)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgement	\checkmark	
	1.5 (xiv)	International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFF Bangladesh Financial Reporting Standards (BFRS), as applicable Bangladesh, have been followed in preparation of the financial statem	RS) in	
	1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored	\checkmark	
	1.5 (xvi)	There are no significant doubts upon the company's ability to cont as a going concern. If the company is not considered to be a goin concern, the fact along with reason thereof should be disclosed.		
	1.5 (xvii)	Significant deviations from the last years operating results of the issuer company shall be highlighted and the reasons thereof should be explained		
	1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summerized	\checkmark	
	1.5 (xix)	If the company has not declared dividend (Cash or Stock) for the year, the reasons should be given	N	ot applicable
	1.5 (xx)	The number of Board meetings held during the year and attendan by each director shall be disclosed	ce $$	
	1.5 (xxi)	The pattern of the shareholding shall be reported to disclose the aggregate number of shares held by:		
		 Parent/Subsidiary/Associated Companies and other related parties (name wise details); 	\checkmark	
		 b. Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details) 		

		Compliance status	
No.	Conditions	Not Complied complied	Remarks
	c. Executives (top 5 salaried employees, other than Director, CEC		
	CFO, CS, Head of Internal Audit)	√	
	 Shareholders holding ten percent (10%) or more voting interest in the company (name wise details) 	\checkmark	
	1.5 (xxii) Company shall disclose the following information in case of appointment/re-appointment of a director:		
	a. A brief resume of the Director		
	b. Nature of his/her expertise in specific functional ares		
	c. Directorship in other companies and membership at Board Committees		
2	CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS)		
2.1	The company shall appoint a CFO, a Head of Internal Audit and a Company Secretary. Board of Directors should clearly define their respective roles, responsibilities and duties.	\checkmark	
2.2	The CFO and CS shall attend the Board meetings, they should not attend such part of Board meeting, which involves consideration of an agenda item relating to their personal matters	\checkmark	
3	AUDIT COMMITTEE		
	3 (i) Company shall have an Audit Committee as a sub-committee of the Board of Directors		
	3 (ii) The Audit Committee shall assist the Board of Directors in ensuring that the Financial Statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business	V	
	3 (iii) The Committee shall be responsible to the Board of Directors. The duties of the Committee shall be clearly set forth in writing		
3.1	Constitution of the Audit Committee		
	3.1 (i) The Committee Shall be composed of at least 3 members of the Boa	rd √	
	3.1 (ii) Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least		
	one Independent Director 3.1 (iii) All members of the Committee should be 'financially literate' and at least one member shall have accounting or related financial	V	
	management experiences		
	3.1 (iv) In any circumstances, where the Committee members become less than three, the Company will get 1 month time to fill up new Committee		
	3.1 (v) The Company secretary shall be the Secretary of the Committee		
	3.1 (vi) Quorum of the Audit Committee meeting shall not constitute without at least one independent director		
3.2	Chairman of the Audit Committee		
	3.2 (i) Board of Directors shall select one member of the Audit Committee to Chairman of the Audit Committee, who shall be an independent director		
	3.2 (ii) The Chairman of the Committee shall remain present in the AGM		

110

			Compliance status	
No.	Condition	S	Not Complied complied	Remarks
3.3	Role of A	Audit Committee shall include:		
	3.3 (i)	Oversee the financial reporting process	\checkmark	
	3.3 (ii)	Monitor choice of accounting policies and principles	\checkmark	
	3.3 (iii)	Nonitor internal control risk management process	\checkmark	
	3.3 (iv)	Oversee hiring and performance of external auditors	\checkmark	
		Review along with the management the annual financial statements before submission to the Board for approval		
		Review along with the management the quarterly and half yearly FS before submission to the Board for approval		
	3.3 (vii)	Review the adequacy of internal audit function	\checkmark	
		Review statement of significant related party transactions submitted by the management	t √	
	· · /	Review Management Letters/Letter of Internal Control Weakness ssued by statutory auditors	\checkmark	
		When money is raised through IPO/RPO/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of unds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of the quarterly declaration of financial results. Further, on an annual basis he company shall prepare a statement of funds utilized for the purp- other than those stated in the offer document/prospectus.	eir , oses	applicable
.4	Reportir	g of the Audit Committee		
		The committee shall report on its activities to the Board of Director	rs √	
		a. Shall report to the Board of Directors on conflicts of interests		
		 b. Shall report to the Board of Directors on suspected or presume fraud or irregularity or material defect in internal control system 	1	
		c. Shall report to the Board of Directors on suspected infringement of laws, including securities related laws, rules and regulations		
		d. Shall report to the Board of Directors on any other matters	\checkmark	
	3.4.2	If the Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonab ignored, the Committee should report such finding to the Commiss upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 months from the date of first reporting to the Board of Directors, whichever is earlier	oly sion, Ther	e was no n matters
3.5	the Boar	on the activities of the Audit committee, including any report made t d of Directors, should be disclosed in annual report under the signat airman of the Committee		
4		AL/STATUTORY AUDITORS rnal auditors should not be engaged for the following services:		
	4 (i)	appraisal or valuation service or fairness opinion		
	4 (ii)			
		financial information systems design and implementation	V	

No.	Condition	ns	Not	
	4 (5.4)		Complied complied	Remark
	4 (iv)	broker-dealer services	\checkmark	
	4 (v)	actuarial services	\checkmark	
	4 (vi)	internal audit services	\checkmark	
	4 (vii)	any other service that the Audit Committee determines	\checkmark	
	4 (viii)	No partner or employees of the external audit firms shall possess share of its client during the tenure of their audit assignment.	any √	
	4 (ix)	Audit/certification services on compliance of corporate governance as required under clause (i) of condition No. 7.	• √	
5	SUBSID	IARY COMPANY		
	5 (i)	Composition: Same as Holding Company	\checkmark	
	5 (ii)	Independent Director: At least one Independent Director of holding company shall be in the Board of subsidiary company) √	
	5 (iii)	Minutes of the Board meeting: The minutes of Board meeting of the subsidiary company shall be placed for review at the following Board meeting of holding company	ne ard √	
	5 (iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.	\checkmark	
	5 (v)	The Audit Committee of the holding company shall review the financial statements particularly the investments made by the subsidiary company		
6	CHIEF F	OF CHIEF EXECUTIVE OFFICER (CEO) AND INANCIAL OFFICER (CFO)		
	6	Both the CEO and CFO shall certify to the Board that:		
	6 (i)	they have reviewed annual Financial Statements and that to the best of their knowledge and belief:		
		 a. those statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading 	\checkmark	
		 these statements together present a true and fair view of the company's affairs and are in compliance with existing accounti standards and applicable laws 	ing √	
	6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year, which are fraudulent, illegal, or violation of company's code of conduct		
7	REPOR	TING AND COMPLIANCE OF CORPORATE GOVERNANCE		
	7 (i)	The directors of the company shall state, in prescribed format, in the directors' report whether the company has complied with these conditions	\checkmark	
	7 (ii)	The company shall obtain a certificate from Chartered Accountant/Cost & Management Accountant/Chartered Secretary) regarding compliance of conditions of CG Guidelines that will be a part the annual report		

Compliance Report on

Bangladesh Bank's Guidelines on Corporate Governance

B angladesh Bank issued a guideline on Corporate Governance vide DFIM Circular no. 7 dated 25 September 2007. The Board of Directors of Union Capital Limited has taken appropriate steps to comply with the guidelines and implementation of the same. Status report on compliance with those guidelines is given below:

RESPONSIBILITIES AND AUTHORITIES OF BOARD OF DIRECTORS Compliance status

Α.	Work-planning and strategic management	
i.	The Board shall determine the vision/mission of the Company. Board shall also determine the strategy and work-planning for enhancement of institutional efficiency and other policy matters on annual basis. Board shall make necessary amendment in the strategy on quarterly basis.	Complied
ii.	The Board shall have its analytical review to be incorporated in the annual report as regard to the success or failure in achieving the target as set out in the annual work plan and inform the same to the shareholders in the annual general meeting.	Complied
iii.	The Board will set the Key Performance indicators (KPI) for the Managing Director/CEO and other senior executives and will evaluate on half-yearly/yearly basis.	Complied
в.	Formulation of sub-committee	
	Executive Committee may be formed in combination with Directors (excluding any alternate Director) and management of the Company only for rapid settlement of the emergency matters (approval of loan/lease application, write-off, rescheduling etc.) arisen from the regular business activities	Complied
С.	Financial Management	
i.	Annual budget and statutory financial statements shall be adopted finally with the approval of the Board.	Complied
ii.	The Board shall review and examine in quarterly basis various statutory financial statements such as statement of income- expenses, statement of loan/lease, statement of liquidity, adequacy of capital, maintenance of provision, legal affairs including actions taken to recovery of overdue loan/lease.	Complied
iii.	The Board shall approve the Company's policy on procurement and collection and shall also approve the expenditures according to policy. The Board shall delegate the authority on the Managing Director and among other top executives for approval of expenditure within budget to the maximum extend.	Complied
iv.	The Board shall adopt the operation of bank accounts. Groups may be formed among the management to operate bank accounts under joint signatures.	Complied
D.	Loan/Lease/Investment	
i.	Policy on evaluation of loan/lease/investment proposal, sanction and disbursement and its regular collection and monitoring shall be adopted and reviewed by the Board regularly based on prevailing laws and regulations. Board shall delegate the authority of loan/lease/investment specifically to management preferably on managing director and other top executives.	Complied
ii.	No Director shall interfere on the approval of loan proposal associated with him. The Director concerned shall not give any opinion on that loan proposal.	Complied



s guidelines	F.
Bank	G.
Compliance Report on Bangladesh Bank's guidelines	
UO	
Report	H.
Compliance	l.

F.	Internal Control & Compliance An Audit Committee approved by the Board shall be formed. Board shall evaluate the reports presented by the Audit Committee on compliance with the recommendation of internal auditor, external auditors and Bangladesh Bank inspection team.	Complied
G.	Human Resources Management	
	The Board shall approve the policy on Human Resources Management and service rule. Chairman and Director of the Board shall not interfere on the administrative job in line with the approved service rule.	Complied
	Only the authority for the appointment and promotion of the managing Director/Deputy Managing Director/General Manager and other equivalent position shall lie with the Board in compliance with the policy and service rule. No Director shall be included in any executive Committee formed for the purpose of appointment and promotion of others.	Complied
н.	Appointment of Managing Director and Increase of Salaries & Allowances	Complied
	The Board shall appoint a competent managing director for the Company with the approval of the Bangladesh Bank and shall approve any increment of his salary and allowances.	Complica
Ι.	Benefit to Chairman	
	The Chairman may be offered an office room, a personal secretary, a telephone at the office, a vehicle in the business-interest of the Company subject to the approval of the Board.	Complied
RE	SPONSIBILITIES AND DUTIES OF CHAIRMAN	
i.	The Chairman shall not participate in or interfere into the administrative or operational and routine affairs of the Company as he has no jurisdiction to apply executive power.	Complied
ii.	The minutes of the Board meetings shall be signed by the Chairman.	Complied
iii.	The Chairman shall sign-off the proposal for appointment of the managing director and increment of his salary & allowances.	Complied
RE	SPONSIBILITIES AND DUTIES OF MANAGING DIRECTR	
i.	The managing director shall discharge his responsibilities on matters relating to financial, business and administration vested by the Board upon him. He is also accountable for achievement of financial and other business targets by means of business plan, efficient implementation of administration and financial management.	Complied
ii.	The managing director shall ensure compliance of financial institutions act 1993 and other relevant circulars of Bangladesh Bank and other regulatory authorities.	Complied
iii.	All recruitment/promotion/training, except recruitment/promotion/training of DMD & GM equivalent position, shall be vested upon the managing director. He shall act such in accordance with the approved HR Policy of the Company.	Complied
iv.	The managing director may re-schedule job responsibilities of employees.	Complied
V.	The Managing Director may take disciplinary actions against the employees except the DMD and GM or equivalent position.	Complied
vi.	The managing director shall sign all the letters/statements relating to compliance of polices and guidelines. However, departmental/Unit heads may sign daily letters/statements as set out in DFIM circular no. 2 dated 06 January 2009 if so authorized by managing director.	Complied

Report on GOING CONCERN | Reflects UCL's continuance for the foreseeable future

OVERVIEW

angladesh Accounting Standard (BAS) 1: Presentation of Financial Statements requires management to make an assessment of an entity's ability to continue as a going concern. In other Financial Reporting Frameworks, there may be no explicit requirement for management to make a specific assessment of an entity's ability to continue as a going concern. Nevertheless, since the going concern assumption is a fundamental principle in the preparation of financial statements as per BAS 1, the preparation of the financial statements requires management to assess UCL's ability to continue as a going concern even if the financial reporting framework does not include an explicit requirement to do so.

Bangladesh Securities and Exchange Commission's Notification dated 7 August 2012 requires the Directors of all the listed companies to report on its ability to continue as going concern. The Board of Directors of UCL makes annual assessment as to whether there exists any material uncertainty that may cast significant doubt about UCL's ability to continue as a going concern.

The time period that the Directors have considered in assessing the appropriateness of the going concern basis in preparing the financial statements for the year ended 31 December 2013 is a period of twelve months from the date of approval of these financial statements (the period of assessment).

Our assessment regarding UCL's ability to continue as a going concern involves making a judgment, about inherently uncertain future outcomes of events or conditions. In judgment, Management has considered following factors that appeared to be relevant:

The degree of uncertainty

Management confirms that during the period of assessment there was no such event or condition the outcome of which may increase any uncertainty about the continuance of UCL's business;

Nature and size of business

UCL is engaged in financing and capital market operations. Considering the nature, size and extent of business, Management is of the opinion that there was no such external factors that might affect management assessment while making judgment as to the continuance of UCL's business:

Subsequent events

Subsequent events that were readily available at the time of judgment have been taken into account while making assessment as to the continuance UCL as a going concern.

Moreover, in making this assessment, the Directors considered the Group's business, profitability forecasts, cash flows, terms and conditions of borrowing facilities, governance and risk management practices, funding and capital plans including stress scenarios, together with a range of factors such as the outlook for the Bangladesh economy taking account of the impact of fiscal realignment measures, monetary policy and in particular the Directors have focused on the matters set out below.

FINANCIAL MATTERS

Net current assets

As on 31 December 2013, UCL has positive net current assets of Tk. 812.56 million (2012 : Tk. 409.74 million) that signifies Company's ability to meet its short-term obligations from its short-term assets.

Debts with excellent repayment records

At the close of 2013, the total fixed term borrowings of the Company were Tk. 974.66 million (2012 : Tk. 1,084.66 million). During the year we availed new credit facilities of Tk. 450.00 million and repaid Tk. 560.00 million to the lenders on due dates thereby enhanced lenders' confidence on UCL.

Dependency on short term borrowings

At the end of 2013, total short term borrowings of the Company were Tk. 882.74 million, representing only 7.42 percent of total liabilities that indicates UCL's less dependency on short term borrowings. UCL uses short term borrowings to meet only short term contingency requirements.

Consistent support by lenders

UCL has been enjoying unparallel supports from banks and other lenders. We have a very good track record in repayment of our loan that gives a comfort to our lenders. We also enjoy a very good and competitive terms of borrowings from our lenders.

Positive operating cash flows

Cash flow statement of the Company for the year ended 31 December 2013 shows a positive operating cash flows of Tk. 344.26 million that signifies UCL's ability to generate adequate cash flow from operating activities to meet its operating expenses.

Going concern assumption is a fundamental principle in the preparation of financial statements and hence it is the responsibility of the Directors to assess company's ability to continue as going concern that involves making appropriate inquiries of certain financial and operating matters.

Positive key financial ratios

The Company has positive financial ratios as evident from financial summary given on page 40 of this Annual Report. Such positive financial ratios indicate Company's sound financial health and growth prospects.

Consistent payment of dividends

The Company has been paying dividend consistently to its shareholders over many years. For the last five years the company has paid an average dividend of Tk. 28.00 per share of Tk. 10 each that reflects company's commitment to its shareholders for sustainable growth.

Credibility in payment of obligations

The Company has an excellent track record in repayment of its loan liabilities. There was no such instances that UCL had requested to its lenders for rescheduling or extension of term of loan.

Operating performance growth

UCL has a satisfactory growth in its operating performance. The Company's total investment has increased from Tk. 9,170.70 million to Tk. 12,376.35 million registering a remarkable growth of 34.96 percent over last year. In 2013, total consolidated operating revenue was Tk. 606.33 million and total profit after tax was Tk. 141.76 million showing a growth of 94.41 percent and 149.91 percent respectively. All those indicators confirm Company's continuance in foreseeable periods.

Timely disclosure of financial results

UCL is committed to timely and transparent disclosure of financial results to its shareholders. We have taken a policy to disclose annual key financial results to the stakeholders within two months from the date of the closer of financial year.

OPERATING MATTERS

Expansion of business

UCL has been continually expanding its operations through diversification to cater the many fold needs of its customers as well as for enhancing its earnings stream.

Corporate culture and employee satisfaction

A good working environment is paramount to any company's success and the wellbeing of its employees. At UCL we strive to create a flexible and challenging framework that always attracts qualified aspirant and encourages existing employees to continuously hone their skills and excel in their fields. There exists a very good corporate environment in the Company. UCL is an excellent work place with friendly environment.

Communication among the employees is very excellent. The company endeavors to be honest and practices fair treatment to all employees which ensures good corporate environment. The Company pays a very competitive compensation package and there exists a good number of employee benefits like home loan benefit, car loan benefit, performance related bonus, gratuity, provident fund etc., which considered to be instrumental for employee satisfaction.

OTHER MATTERS

Maintenance of sufficient capital

As on 31 December 2013, the Company's total consolidated equity stands at Tk. 2,010.67 million. While the minimum paid-up capital as required by Bangladesh Bank is Tk. 1,000.00 million, Company's paid-up as on 31 December 2013 was Tk. 1,099.09 million. UCL would like to enhance its equity gradually following prudent dividend policy and issuance of preference shares based on its profitability growth for long term sustainability of the company.

CAMEL Rating

CAMELS rating is used by Bangladesh Bank as a tool for evaluating the strength and performance of a non-banking financial institution. The composite rating adjudged by Bangladesh Bank signifies satisfactory performance of UCL. In that report, there was no adverse material observation of Bangladesh Bank on the activities of UCL.

Stress Test

Bangladesh Bank has introduced a stress testing framework for financial institutions to proactively manage risks, which focuses on sensitivity and scenario analysis. UCL has rigorously implemented the stress testing framework of Bangladesh Bank and as at 31 December 2013, the Company does not require to enhance its capital requirement other than to make a three year capital maintenance plan. The Directors believe this satisfactorily addresses the capital risk of the Company.

Credit Rating

UCL has been rated as AA- in the long run and ST-2 for short term by National Credit Rating Company Ltd. that reflects very strong capacity for timely serving of financial obligations offering high level of financial safety. As such UCL is exposed to very lower risk. ST-2 reflects strong capacity for timely payment of financial commitments and carry lowest credit risk.

Changes in Government policy

Management anticipates no significant change in legislation or government policy, which may materially affect the business of the Company.

CONCLUSION

The above matters may individually or collectively cast significant doubt about the going concern assumption for an entity. This listing is not all-inclusive nor does the existence of one or more of the items always signify that a material uncertainty exists.

The Directors' assessment of whether the company is a going concern entity involves making appropriate inquiries of all the above matters including review of budget and future outcome of inherent uncertainties in existence. The Directors are convinced from the above indications, which give reasonable assurance as to company's continuance as a going concern for the foreseeable future.

In this backdrop, the Directors consider it appropriate to prepare the financial statements on a going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern over the period of assessment.

Report on RISK MANAGEMENT

his risk management disclosure is made in line with the best practices and premise on the commitment of the Board of Directors to adhere to sound corporate governance standards within the UCL Group. The report is aimed to provide relevant information to all stakeholders in an orderly and timely manner and thereby continue to boost confidence of the market in UCL and its subsidiaries. Year on year, we have continued to strive at improving on the quality and scope of our risk management practice and transparent disclosures.

RISK MANAGEMENT FRAMEWORK

RISK MANAGEMENT PHILOSOPHY

The key elements of UCL's risk management philosophy are the following:

- UCL recognizes sound risk management to be the foundation of a long-lasting financial institution;
- UCL continues to adopt an integrated approach to risk management and, therefore, brings all risks together under one or a limited number of oversight functions;
- risk officers are empowered to perform their duties professionally and independently without undue interference;
- risk management is governed by a set of policies that are clearly communicated;
- risk management is a shared responsibility. Therefore, UCL aims to build a shared perspective on risks that is grounded in consensus;
- there is a clear segregation of duties between operations and risk management functions;
- risk-related issues are taken into consideration in all business decisions. UCL shall continue to strive to maintain a conservative balance between risk and revenue considerations;

RISK CULTURE

- The Board and Management consciously promote a responsible approach to risk and ensure that the long-term survival and reputation of UCL are not jeopardised while expanding UCL's market share.
- The responsibility of risk management in UCL is vested in the Board of Directors, which is implemented through the Executive Management.
- UCL pays attention to both quantifiable and unquantifiable risks.
- UCL management promotes awareness of risk and risk management across UCL.
- UCL avoids products, markets and businesses where it cannot objectively assess and manage the associated risks.

RISK APPETITE

UCL's risk appetite is set at a level that minimizes erosion of earnings or capital due to avoidable losses and trading books, or from frauds or operational inefficiencies. UCL's appetite for risk is governed by the following:

 high-quality risk assets measured by three Key Performance Indicators:

i. ratio of non-performing loans to total loans;

Describe how we manage our risks

The importance of risk management cannot be overstated. This is a fundamental part of doing business that must be addressed appropriately for the company to be successful. Risk management provides a clear and structured approach to identifying risks. Having a clear understanding of all risks allows an organization to measure and prioritize them and take the appropriate actions to reduce losses.

ii. ratio of loan loss expenses to interest revenue; and

iii. ratio of loan loss provision to gross nonperforming loans.

- Diversification targets are set for the credit portfolio and limits are also set for aggregate large exposures.
- Financial and prudential ratio targets are pegged at a level more conservative than regulatory requirements and better than the industry average.
- UCL aims at minimising the following independent indicators of excessive appetite for risk:

i. exception reporting by ICC officers, auditors, regulators and external rating agencies;

- ii. adverse publicity in press;
- iii. frequent litigations;

iv. payment of fines and other regulatory penalties; and

v. above average level of staff and customer attrition.

UCL will not compromise its reputation through unethical, illegal and unprofessional conduct. UCL also maintains zero appetite for association with disreputable individuals and entities.

RISK MANAGEMENT PRINCIPLES

The following principles guide our management of risk:

- Effective balancing of risk and reward by aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventive controls and transferring risk to third parties.
- Shared responsibility in risk management as business segments are responsible for active management of their risks, with direction and oversight provided by risk management department and other business units.
- Business decisions are based on an understanding of risk as we perform rigorous assessment of risks in relationships, products, transactions and other business activities.
- Avoid activities that are not consistent with our Values, Code of Conduct or Policies, which contributes to the protection of our reputation.
- Proper focus on clients reduces our risks by knowing our clients and ensuring that all products and transactions are suitable for, and understood by our clients.
- Use of clear communication line for risk reporting with maximum cooperation from the Chief Risk Officer and effective monitoring of every department helps manage risks throughout the organization.

RISK MANAGEMENT OVERSIGHT

UCL's Risk Management Department provides central oversight of risk management across UCL and its subsidiaries to ensure that the full spectrum of risks facing UCL and the Group are properly identified, measured, monitored and controlled to minimise adverse outcomes. The department is, however, complemented by other departments in the management of certain important risks as illustrated below.



The Risk Management Department coordinates the monitoring and reporting of all risks across UCL and its subsidiaries. The department is headed by a skilled and competent Executive.

The Internal Control & Complience department is responsible for continuous independent verification of control measures to manage all risks across the Group.

Internal audit has the responsibility of auditing the risk management function to ensure that all units charged with risk management perform their roles effectively on a continuous basis. Internal audit also tests the adequacy of internal controls and makes appropriate recommendations where weaknesses are identified with the view of strengthening the Group's risk management framework. Its functions are as under:

- Sets policies and defines limits for other units in UCL.
- Performs risk monitoring and reporting, and provides framework for management of risk.
- Coordinates activities with internal audit to provide a holistic view of risks.
- Collaborates with information technology department to provide relevant automated credit information

RELATIONSHIP OF RISK MANAGEMENT WITH OTHER UNITS

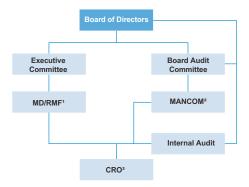
The relationships between the Risk Management Department (RMD) and other sections of the Group are highlighted below:



GOVERNANCE

Risk management governance framework

UCL's risk management governance framework is outlined in the diagram below:



¹ Managing Director/Risk Management Forum

² Management Committee.

³ Chief Risk Officer.

Roles and responsibilities

Board of Directors

- Approve risk strategy and policies.
- Ensure executive management takes steps necessary to monitor and control risks.
- Ensure that management maintains an appropriate system of internal control and reviews its effectiveness.
- Ensure risk strategy reflects the Group's tolerance for risk.
- Ensure the Group's overall credit risk exposure is maintained at prudent levels and consistent with the available capital.
- Review and approve changes/amendments to the risk management framework.
- Review and approve risk management procedures and control for new products and activities.
- Ensure that the Management as well as individuals responsible for credit risk management possesses the requisite expertise and knowledge to accomplish the risk management function.
- Ensure that the Group implements a sound methodology that facilitates the identification, measurement, monitoring and control of risk.
- Ensure that detailed policies and procedures for risk exposure creation, management and recovery are in place.

Board committees

The above responsibilities of the Board of Directors are discharged primarily by its two Committees namely:

- The Board Audit Committee: and
- The Board Executive Committee.

Without prejudice to the roles of these committees, the Board retains ultimate responsibility for risk management and ensures through RMF.

Risk Management Fourm (RMF)

For all categories of risk, the Risk Management Forum is responsible for formulating policies, monitoring, implementation and reviewing risk reports for presentation to the Board/Board committees as well as implementing Board decisions across UCL. The Forum comprises of Heads of Business, SME, HR & ICT, ICC and Treasury and is headed by the Chief Risk Officer. To be more specific, the Forum is responsible for the following:

- Designing overall risk management strategy of UCL.
- Communicating views of the Board and management regarding risk management culture and risk appetite all over UCL.
- Developing policies and procedures for identifying, measuring and controlling risk;
- Reviewing market conditions, identifying external threats and providing recommendations on course of actions
- Allocating appropriate resources to evaluate and control risk;
- Implementation of risk strategy approved by the Board of Directors;
- Appointing credit officers and delegate approval authorities to individuals and committees.
- Reviewing risk reports on a regular and timely basis;
- Monitoring the prescribed threshold limits of risk appetite set by the regulators and UCL itself and report on compliance.
- Developing, testing, and observing the use of models to measure and monitor risk as well as MIS to support risk management function of UCL.
- Highlighting the key portfolios and deficiencies on timely manner and reporting these analysis to the Managing Director as well as the Board of Directors with specific recommendations and suggestions.
- Providing all reports required by the Board and its committees for the effective performance of risk management oversight functions.
- Holding monthly meetings of the Forum to discuss findings on Risk Management Paper (RMP) submitted by RAU and plan necessary precaution measures to mitigate risks.

Risk Analysis Unit (RAU)

The Risk Analysis Unit acts as secretariat of the Risk Management Forum (RMF). The Unit is independent of rating transactions, or setting/working to achieve any target imposed by UCL. In more details the responsibilities of this Unit includes:

- Identifying and analysing all sorts of risks appropriately, timely and quantifying those risks and their exposure to material loss
- Maintaining and monitoring an effective risk management environment in the Group and collecting all relevant data of risk indicators from different models and MIS and assessing the quality, completeness, and correctness of those data

- Reviewing proposals in respect of credit policies and standards and endorsing them to the Risk Management Forum for approval by the Board
- Monitoring on an ongoing basis the Group's risk quality and performance by reviewing periodic credit portfolio reports and assessing portfolio performance
- Defining credit approval framework and assigning credit approval limits in line with UCL policy
- Reporting to RMF on compliance of UCL's credit policies with statutory requirements prescribed by the regulatory/supervisory authorities;
- Conducting periodic Stress Testing
- Preparing Risk Management Paper (RMP) on a monthly basis for submission to the Bangladesh Bank where the risks associated in conducting business are highlighted analysed, and recommendations put forward for discussion and approval by the RMF.

INTERNAL CONTROL

Overview

Internal control in UCL refers to the overall operating framework of practices, systems, organizational structures, management philosophy, code of conduct, policies, procedures and actions, which exists in the Group and is designed to ensure:

- that essential business objectives are met, including the effectiveness and efficiency of operations and the safeguarding of assets against losses;
- the reliability of financial reporting and compliance;
- compliance with applicable laws and regulations including internal policies;
- systematic and orderly recording of transactions; and
- provision of reasonable assurance that undesired events will be prevented or detected and corrected.

UCL is committed to creating and maintaining a unique internal control environment that is capable of sustaining its current leadership position in the financial services industry.

Strategy and policy

UCL operates in an environment that is continuously exposed to uncertainties and change. Such risks may prevent the institution from achieving its strategic business objectives. To effectively manage these risks, UCL Group has put in place internal control measures that cover the company and its subsidiaries.

Effective IT control and revenue assurance

UCL has developed a framework for effective information technology (IT) controls. This essentially revolves around ensuring the integrity, security, efficiency and reliability, and compliance of UCL information systems and resources, including:

- management and administration of users/access control on UCL's various application software to ensure proper user access rights are attached to each job role and to ensure reliability of access control mechanisms on the applications;
- monitoring and reviewing UCL's processes, practices and procedures through a systematic and automated approach, crossing all departmental and functional boundaries, guaranteeing validity, completeness, accuracy and timeliness of financial data relating to UCL revenue. This includes interest income, interest expense, commissions, fees and management fees etc.;
- monitoring IT operations, databases, server hardware and server operating systems, network infrastructure and applications systems monitoring;
- reviewing all new systems end-to-end and coming up with technology-related risk and vulnerabilities in the product, process or system being developed and advising mitigating controls.

Fraud management objectives

- Prevention of fraud occurrence or losses. Where prevention is not possible they should be promptly detected and mitigated.
- Prevent repetition of operational lapses and system defects that facilitate occurrence of fraud.
- Minimise other operational losses associated with fraud.
- Automation of fraud preventive measures.

Fraud management strategies

- Building fraud prevention and detection controls in processes and systems.
- Strict compliance with internal policy, regulatory and statutory requirements.
- Implementation of anti-fraud operational, supervisory and independent controls.
- Proactive management of financial and non financial risks.
- Holding operators and supervisors personally responsible for fraud occurrence.
- Conducting root cause analysis of fraud occurrence.
- Automation of reconciliation activities.
- Risk-based departmental and independent control checklist for supervisors.
- Continuous awareness campaign on fraud learning points.
- Continuous control improvement measures.
- Improve anti-fraud operational control capacities among operations staff.
- Effective fraud escalation mechanism to all levels of management.
- Implementation of whistle-blowing policy.

Priorities for 2014

- Full implementation of the Bangladesh Bank Guidlines on ICC.
- Strengthening of internal controls consciousness in UCL through effective support and training to operators in their role as the first line of defence in risk management.
- Strengthening IT control and monitoring to ensure adequate controls built UCL software.

RISK MANAGEMENT REPORTING

In compliance with the issue of Bangladesh Bank Circular No DFIM 1 April 2013, UCL have started submitting its Risk Management Paper (RMP) every month from the month of April 2013 to the Department of Financial Institutions & Markets (DFIM) of Bangladesh Bank. According to the circular UCL have formed the Risk Analysis Unit (RAU) which is responsible for constructing the Risk Management Paper of every month and submission to the Risk Management Forum (RMF). The Forum which is formed by the Departmental Heads of Business, SME, HR & ICT, ICC, Treasury and headed by the Chief Risk Officer meets every month to discuss on the Risk Management Paper in hand and formulate policies to mitigate the risks affecting the organisation. The meeting minutes and resolution are attached with the RMP of the month and submitted to DFIM of Bangladesh Bank.

The Risk Management Paper emphasize on the following risks affecting UCL:

- Credit Risk
- Market Risk
- Liquidity Risk
- Reputational Risk
- Operational Risk
- Capital Adequacy Management
- Stress Testing

The report identifies, analyses, and measures how each of the 7 categories of risks affect UCL and quantifies the risk of material loss as a result. The Paper also goes on to provide recommendations on how UCL can draw precautionary measures and mitigate the risks facing the business.

The Risk Analysis Unit (RAU) responsible for formulating the report draws on operational information from all departments of UCL based on which risks affecting the organisation are identified, analysed and measured. The RAU uses various analytical tools and mathematical models to measure risks and incorporate them into the Risk Management Paper (RMP). The recommendations are drawn from discussions with the relevant departments and analysis of the market, economy and financial and operational strength of the company.

The Risk Management Forum (RMF) headed by the Chief Risk Officer of UCL meets by the 20th of every month with the Risk Management Paper of the past month in hand and discusses and develops policies on risk management for the times ahead. The Forum believes that it is imperative to address all the matters of risks that face the organization and the use of management expertise and a proactive approach with regards to risk management as a defense mechanism to ensure that UCL's growing portfolio is strengthened from the core and compliment its values to create a sustainable future for all the stakeholders.

RISK MANAGEMENT DISCLOSURE

CREDIT RISK

Overview

Credit risk management verifies and manages the credit process from origination to collection. In designing credit policies, due consideration is given to our commitment to:

- create, monitor and manage credit risk in a manner that complies with all applicable laws and regulations;
- identify credit risk in each investment, loan or other activity of UCL;
- utilise appropriate tools to measure credit risk;
- adopt a risk-based approach for determining appropriate pricing for lending products and services;
- set acceptable risk parameters;
- maintain acceptable levels of credit risk for existing individual credit exposures;
- maintain acceptable levels of overall credit risk for our portfolio;
- coordinate credit risk management and other risks inherent in UCL business activities; and
- set remedial and recovery actions.

Philosophy

The following principles guide credit risk management across UCL. UCL shall:

- manage its risk asset portfolio to ensure that the risk of excessive concentration to any industry, sector or individual customer is minimised, as well as ensure portfolio flexibility and liquidity;
- ensure that exposures to any industry or customer are within the regulatory guidelines and internal policies;
- extend credit to only suitable and proven customers and never where there is any doubt as to their ethical standards and record;
- never extend credit where the source of repayment is unknown or speculative nor where the purpose of funds is undisclosed;
- never take a credit risk where ability of the customer to meet obligations is based on the most optimistic forecast of events;
- ensure that the primary source of repayment for each credit is from an identifiable cash flow of customers' normal business operations or other financial arrangements; the realisation of security remains a fall-back option;
- adopt a pricing model to ensure that higher risks are compensated by higher returns;

- ensure that the quantum of exposure and quality and value of collateral required are determined based on the risk profile of the customers;
- avoid all conflict of interest situations and report all insider-related credits to appropriate bodies; and
- ensure that there are consequences for noncompliance with UCL credit policies.

Responsibilities and functions of key stakeholders in the credit process

In line with company's philosophy to entrench sound corporate governance in its operations, the functions of the Credit Group are handled at different levels by five departments, namely:

- Operations and Marketing Department;
- Credit Analysis & Processing (CAP);
- Credit Risk Management (CRM);
- Recovery & Monitoring Department; and
- Special Assets Management (SAM).

Operations and Marketing Department is

responsible for procurement of business and acts as a relationship manager.

Credit Analysis & Processing (CAP) is responsible for the appraisal of credit requests and processing to obtain requisite approvals in line with UCL's policy.

Credit Risk Management (CRM) is responsible for the planning, monitoring and reporting of the credit portfolio. The monitoring of loans and portfolio as well as the reporting of these to Management and the Board remains the core responsibility of CRM. The department serves as the credit secretariat and manages the documentation and other credit process initiatives for the Company.

Recovery and Monitoring Department (RMD) is

responsible independently following up on customers with delinquent assets before the level of delinquency falls in the category of special assets that is till installments past due for less than 6 months.

Speical Assets Management (SAM) is responsible for the recovery of loans that are past due for 6 months or more and accounts written off from on-balance sheet. SAM will continue to liaise with recovery agents, legal department and outsourcing legal services to ensure effective recovery of bad loans.

Internal ratings scale

In measuring credit risk of loan and advances to customers, UCL reflects the following components:

- Character and capacity of the client;
- Current exposures to the counterparty and its likely future development; and
- Credit history of the counterparty and likely recovery ratio in case of default obligations – value of collateral and other ways out.

Customers Risk Rating system

In order to manage our credit risk, the management has developed a risk rating grade system. The risk rating grades have nine risk buckets to provide a preset, objective basis for making credit decisions, with one additional bucket specifically included to categorise customers in default. Each risk bucket may be denoted alphabetically and by range of scores as follows:

Description	Ra	ating	bucket	Range of scores	Prob.of default	Grade
Extremely low risk	AAA	1	1.00 – 1.99	90-100%	1%	ent
Very low risk	AA	2	2.00 - 2.99	80-89%	1%	nvestment
Low risk	А	3	3.00 - 3.99	70–79%	1.5%	nve
Low risk	BBB	4	4.00 - 4.99	60–69%	2%	_
Acceptable – moderately high risk	BB	5	5.00 - 5.99	50-59%	4%	, t
High risk	В	6	6.00 - 6.99	40-49%	6%	Non-investment
Very high risk	CCC	7	7.00 - 7.99	30–39%	9%	JVes
Extremely high risk	CC	8	8.00 - 8.99	10–29%	13%	
High likelihood of default	С	9	9.00 - 9.99	0–9%	15%	ž
Default risk	D	10				
SMA	D				5%	Ħ
Sub-standard	D				20%	Default
Doubtful	D				50%	
Bad loss	D				100%	

Collateral Risk Rating (CRR)

UCL shall not lend to non-investment grade customers without any form of collateral. Collaterals are rated from best to worst in order of liquidity, controllability and realisable value. The more liquid a collateral is, the lower the estimated portion of the exposure that may not be covered in the event of default. Therefore, for highly illiquid collaterals, a higher loss given default is assumed.

Risk limit control and mitigation policies

The industry and portfolio limits are set by the Board of Directors on the recommendation of the Management. Credit Risk Management monitors compliance with approved limits.

Portfolio limits

The process of setting the limits is as follows:

- UCL engages in a detailed portfolio plan. In drawing up the plan, UCL reviews the macroeconomic factors, identifies the growth sectors of the economy and conducts a risk rating of the sectors to determine its acceptable target market industries and exception. UCL target loan portfolio is then distributed across acceptable target market industries.
- Aggregate large exposure limit of not more than 15 percent of company's equity. It may go beyond the limit with the permission of Bangladesh Bank.
- Sector exposure limit of not more than 20% of UCL loan portfolio.

Geographic limits

 Presently, UCL does not have any exposure to counterparties domiciled outside Bangladesh.

Single party limits

Limits are imposed on loans to individual borrowers. UCL as a matter of policy does not lend above its regulatory lending limit, which is 30 percent of its shareholders' funds. The internal guidance limit is, however, set at 25 percent to create a prudent buffer.

UCL also sets internal credit approval limits for various levels in the credit process and these are shown in the table below (amount in Taka):

Investment grade
Over 50,000,000
Upto 50,000,000
Upto 10,000,000

Approval limits are set by the Board of Directors and reviewed from time to time as the circumstances of the UCL demand. Exposure to credit risk is also managed through regular analysis of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Classification and provisioning policy

Provision is made in accordance with the Prudential Guidelines issued by Bangladesh Bank for each account that is not performing in accordance with the terms of the related facility as follows:

Classification	Past due obligation	Provision (%)
Performing	2 months	1
SMA	>2-5 months	5
Sub-standard	>5-11 months	10
Doubtful	>11-17 months	50
Bad & Loss	>17 months	100

Write-off and recoveries

After full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off:

- continued contact with customer is impossible;
- recovery cost is expected to be higher than the outstanding debt;
- amount obtained from realisation of collateral security leaves a balance of the debt; or
- it is apparent that no further recovery on the facility is possible.
- legal actions have been taken against customers for recovery.

All credit facility write-offs shall require endorsement at the Board level. Credit write-off approval shall be documented in writing.

Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognised as income on a cash basis only.

Portfolio ratios

Asset quality ratios

Non-performing accounts have been recognised, classified and provisions made as appropriate in line with the Bangladesh Bank Guidelines. Nonperforming loans/total loans ratio for the period was mainly due to the recognition and classification of weak and impaired assets in the portfolio.

Non-performing exposures are defined as exposures with past due obligations >2 months. Loans move from performing status to SMA, sub-standard, doubtful and bad & loss, depending on objective criteria based on the number of months past due as shown in the previous table.

Credit Risk Management outlook

The Group will continue to pursue a moderate and sustainable loan growth strategy by optimally exploiting the economic development goals of the government vis-a-vis achieving its own strategic imperatives. It is expected that there would be increased demand for credit, while loan selection criteria will remain rigorous with pricing reflecting the risks being taken on such exposures for asset creation to make business sense.

In spite of the growth projections in 2014, asset quality will not be compromised and this would be ensured through the constant review of UCL's risk acceptance criteria. Therefore, credits will only be extended to suitable and proven customers. UCL will also continue to focus on the growth sectors of the economy through strategic portfolio planning, supported by sound risk identification, measurement, control, monitoring and reporting. There will also be an aggressive focus on recovery of delinquent assets.

The credit process will be enhanced to address prevailing challenges, while credit models will be subjected to periodic validation for the purpose of obtaining necessary assurances. Portfolio stress tests will be adopted as appropriate, to consider implications of scenarios that may seem relatively unlikely but could pose serious risks to the company if they crystallise.

We will continue to strengthen SME lending, credit analysis and credit monitoring through both internal and external trainings.

MARKET RISK

Overview

Market risk is the risk that the value of investment portfolio will decrease due to changes in market risk factors such as share prices, interest rates, etc.

It represents the potential for a negative impact on the balance sheet and income statement resulting from adverse changes in the value of investments and interest rates as a result of movements in market variables.

During the financial year, UCL was exposed to market risk in its trading and investing activities mainly as a result of:

- interest rate movements in response to market forces or as directly indicated by monetary policy pronouncements;
- share price movements in response to market forces.

Philosophy

The market risk management process in the UCL Group allows disciplined risk taking within a framework of risk appetite that enables UCL to enhance shareholder value while maintaining competitive advantage through effective utilisation of risk capital.

Our objective is to manage market risk exposures for optimal returns while maintaining a market profile consistent with our status in the financial services industry. Thus, UCL's market risk management policy ensures:

- management is responsible for the establishment of appropriate procedures and processes in implementing market risk policy and strategy;
- a group-wide market risk management process to which all risk-taking units are subjected;
- alignment of market risk management standards with best practices. Risk measurements are progressively based on modern techniques such as sensitivity, stress testing and scenario analysis;
- risk officers are empowered to perform their duties professionally without undue interference;
- UCL does not undertake any risk that cannot be managed, or risks that are not fully understood; and
- where UCL takes on any risk, full consideration is given to pronouncement, guidelines or policies.

Structure and framework

UCL ensures that all the market risk exposures are consistent with its business strategy and within the defined risk tolerance. UCL therefore manages market risk within:

- an overall market risk exposure maintained at levels consistent with the available capital; and
- a reliable methodology for identifying, measuring, controlling, monitoring and reporting market risk.

Governance

The Board of Directors provides oversight for the market risk management function through its Management Committee.

Management oversight is provided by the Assets & Liabilities Management Committee (ALCO).

The Board of Directors is responsible for:

- approval of market risk management framework, policies, strategies, guidelines and philosophy;
- approval of market risk-related limits for UCL.

The ALCO, made up of relevant department heads, is responsible for:

- reviewing policies relating to market risk management;
- recommending market risk policies to the Board;
- providing management oversight for the implementation of policies relating to interest rates and share prices' risks;
- reviewing market risk strategy;
- developing policies, procedures and systems for identifying, measuring, controlling and reporting market risks;
- evaluating market risk inherent in new products;
- ensuring compliance with statutory and regulatory requirements relating to market risks;
- recommending policies and guidelines for market risk measurement, management and reporting;
- ensuring that market risk management processes (including people, systems, operations, limits and controls) are in line with market risk framework;
- recommending policies for identifying, measuring, monitoring, controlling and reporting market risk; and
- recommending steps to protect UCL capital ratios from the effects of changes in market risk factors;

UCL also provides oversight for its subsidiaries that engage in trading in quoted equities. UCL does not trade in commodity and therefore is not exposed to commodity risk.

Policy and strategy

UCL has put in place a market risk management framework that provides the Board and Management with guidance on market risk management processes.

Stress testing

In recognition of the volatile market environment and the regulations that have had significant effect on market rates and prices, UCL augments other risk measures with stress testing to evaluate the potential impact of possible extreme movements in financial variables on portfolio values.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios. Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The ALCO is responsible for reviewing stress exposures and where necessary, enforcing reductions in overall market risk exposure. The stress-testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs. Regular stress-test scenarios are applied to interest rates and share prices.

Outlook

The year 2013 was characterised by contracting monetary policy to keep a lid on inflationary pressure. We may see more of Bangladesh Bank's actions in combating liquidity in 2014 especially with the balanced monetary stance but the apex Bank is more likely to explore other indirect monetary policy tools in managing system liquidity.

We anticipate that fighting inflation will be a great challenge in 2014, taking into account the removal of fuel subsidies as well as the monetary policy. The capital market moved into further decline in 2013. Small investors are showing preference for risk-free investment avenues over the highly volatile and risky shares due to the incessant rising of interest rate and partly as a result of the uncertainty in the economic environment engendered by the political confrontation which negatively affected the capital market. We are positive that the gains from the ongoing reforms in our capital market will be visible and lead to the growth and development of the market.

Bangladesh financial system is now relatively stable and well positioned to stimulate growth and development of the economy. The year 2014 is expected to be better as we are witnessing some positive signs since the beginning of the year.

LIQUIDITY RISK

Overview

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due, or will have to meet the obligations at excessive cost. This risk arises from mismatches in the timing of cash flows.

Funding risk (a form of liquidity risk) arises when the liquidity needed to fund illiquid asset positions cannot be obtained at the expected terms and when required.

The objective of the Group's liquidity risk management is to ensure that all anticipated funding commitments can be met when due and that access to funding sources is coordinated and cost effective.

Philosophy

UCL Group maintains an optimal level of liquidity through the active management of both assets and liabilities while complying with regulatory requirements and optimizing returns.

The following principles guide liquidity risk management across UCL Group:

 a sound liquidity risk management framework that ensures maintenance of sufficient liquidity to withstand a range of stress events;

- a sound process for identifying, measuring, monitoring and controlling liquidity risk, including a sound framework for projecting cash flows arising from assets and liabilities;
- a clear funding strategy that provides effective diversification in the sources and tenor of funding;
- ranking and prioritisation of funding sources by stability;
- a comprehensive contingency funding plan that clearly sets out the strategies for addressing liquidity shortfalls in emergency situations.

Governance

The Board is primarily responsible for approval of liquidity risk management framework, policies, strategies, guidelines and philosophy;

The Assets & Liabilities Management Committee (ALCO), made up of the Managing Director & CEO, the Chief Financial Officer and other relevant divisional heads, is responsible for the following:

- review policies relating to liquidity risk management;
- recommendation of liquidity risk policies to the MANCOM;
- review liquidity risk strategy and recommendation of the same for Board approval;
- provision of management oversight on the implementation of policies relating to liquidity risk;
- monitor liquidity risk inherent in the maturities mismatch of the assets and liabilities;
- development of policies, procedures and systems for identifying, measuring, controlling and reporting liquidity risks;
- ensure compliance with statutory and regulatory requirements relating to liquidity risks;
- review and recommendations on liquidity risk related limits for approvals; and
- approval of stress scenarios and contingency funding plan assumption.

Implementation of UCL market and liquidity risk management policies, procedures and systems is delegated to the Head of Treasury who reports to the ALCO/Chief Risk Officer.

UCL maintains a liquidity risk policy, which drives the level of liquidity risk exposures and determines business size and maturities.

Policies and procedures

The principal mechanism for implementing UCL's liquidity policy is the maintenance of the liquid assets over and above the defined regulatory minimum.

The liquidity ratio is interpreted in conjunction with cash flow projection and liability concentration ratios to measure UCL's exposure to liquidity risk. The cash flow technique used is the maturity ladder, which assesses all UCL's cash inflows against its outflows to identify the potential for net shortfalls or net funding requirements.

UCL use of concentration ratios helps preventing it from relying on a limited number of depositors or funding sources.

Capital management

UCL's capital management approach is driven by its strategy and organisational requirements, taking into account the regulatory and business environment in which it operates. It is company policy to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times.

Through its corporate governance processes, UCL maintains discipline over its investment decisions and where it allocates its capital, seeking to ensure that returns on investment are appropriate after taking account of capital costs.

UCL's capital is divided into two Tiers:

Tier 1 capital comprises core equity including ordinary shares, statutory reserves and general reserves. Under provisions are deducted in arriving at Tier 1 capital.

Tier 2 capital comprises general provisions, minority and other interests in Tier 2 capital and unrealised gains arising from the fair valuation of equity instruments held as available-for-sale. Tier 2 capital also includes reserves arising from the revaluation of properties, if any.

Bangladesh Bank prescribed a minimum limit of 10 percent of total risk weighted assets as a measure of capital adequacy for NBFIs. The total risk weighted assets reflects only credit, market and operational risk.

UCL achieved a capital adequacy ratio of 15.67 percent at the end of the year 2013. Current position is closely monitored by the Assets and Liabilities Management Committee.

 (Figure in million)

 Dec 2013
 Dec 2012

 15.67
 15.13
 Capital adequacy ratio (%)

Capital composition:

Tier 1		
1099.09	1,046.76	Paid-up capital
281.82	254.07	Statutory reserves
-	7.00	Dividend equalization reserves
-	-	Non-contorolling interest (insignificant)
124.25	55.58	Retained earnings
1,505.17	1,363.41	Total

Tier 2

Capital utilisation:

12,013.87 11,645.29 Qualifying risk weighted assets

In June 2006, the Basel Committee on Banking Supervision published International convergence of Capital Measurement and Capital Standards, known as Basel II. Basel II is structured around three 'Pillars': minimum capital requirements, supervisory review process and market discipline. Thereafter there have been several press releases by the committee aimed at increasing capital requirements and improving measurement of capital. Though there has been a regulatory requirement for NBFIs to comply Basel II requirements, UCL has made substantial progress in its Basel II compliance project. The successful conclusion will allow UCL's capital measurement to reflect credit, market and operational risk exposures on the assets of UCL.

Outlook

We have strengthened the Group's funding and liquidity risk management framework to boost our ability to closely watch liquidity requirements, enhance timely responses to liquidity events (changes in the mix of business we operate and the market environment), make best use of funding sources and minimise borrowing costs.

UCL expects to continue building on the goodwill in the coming years by maintaining a strong liquidity position that ensures financial obligations are met as and when due at minimal cost. Penetration of all customer segments will continue as a means of providing a stable, low-cost deposit base for UCL from well-diversified funding sources.

OPERATIONAL RISK

Overview

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. This definition includes legal risk but excludes reputational risk. Therefore, in line with the Basel II risk management framework and best practices, operational risk in UCL is composed of the following risk types: operations risk, legal risk, regulatory compliance risk, technological risk, financial and environmental risk.

UCL recognises the significance of operational risk, which is inherent in all areas of our business. Operational risk is managed within acceptable levels through an appropriate level of management focus and resources.

Objectives

UCL is committed to the management of operational risks. UCL's operational risk management framework aims to:

- reduce losses arising from operational risk a key role of operational risk management in UCL is to reduce losses from operational failure;
- improve performance measurement improved understanding of its operational risk profile shall enable appropriate allocation of risk which would allow improved performance measurement and evaluation of activities;
- ensure better control of operations UCL expects that increased understanding of risk activities within various business units will lead to improvements in the control of operations and the emergence of a more proactive operational risk management culture;
- provide early warning signals of deterioration in UCL internal control system; and

 raise awareness of operational risk in UCL from top to bottom through the implementation of an operational risk approach.

Philosophy and principles

The following philosophy and principles govern the management of operational risk in UCL:

- The Board of Directors has the responsibility for setting the operational risk strategy for UCL and its implementation.
- Operational risk in UCL is coordinated through a centralised operational risk management function.
- Ownership, management and accountability for operational risk is decentralised with business and functional units.
- UCL's operational risk management practices are in line with Basel II.
- UCL's operational risk management practices are subject to independent review by internal auditors.
- Operational risk management is governed by policies and procedures.
- Operational risk-related issues are taken into consideration in business decisions.
- Operational risk and loss events are reported to the appropriate levels once they are identified.
- Adequate processes and systems for identifying, measuring, monitoring, reporting and controlling operational risks are being implemented by UCL.

Methodologies

In order to meet its operational risk management objectives, each business function within UCL is required to identify, assess, measure and control its operational risk in line with the policy.

Key operational risks

Major operational risks faced by UCL are financial crimes (internal fraud, external fraud and money laundering). Each incident is analysed and acted upon. Analysis revealed that the quality of people and their integrity is a critical panacea to mitigating these key operational risks. As a result, UCL has adopted a competency-based recruitment policy in which attitude, skills and knowledge are considered before engaging any employee. Other key countermeasures put in place includes:

- enhanced employee training;
- enhanced Know Your Customer (KYC) drive;
- job segregation; and
- imposition of stiff disciplinary measures for fraudulent staff.

Strategy

Failure to manage operational risk effectively often results in significant financial losses, regulatory fines, reputational damage, brand erosion or even the loss of licence, all of which directly impact shareholders' value. Accordingly, UCL's operational risk strategy aims to minimise the impact of operational risk on its shareholders' value. In more specific terms, our strategy is to:

- reduce the likelihood of occurrence of unexpected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques to reduce variation in earnings;
- minimise the impact of unexpected events including related costs that support UCL's long term growth, cash flow management and balance sheet protection; and
- make all managers responsible for the management of operational risk and thus minimise actual or potential losses. UCL recognises that some losses, such as operational errors, are inevitable and are normal business costs; but will ensure these costs are kept within acceptable levels and potential losses are minimised.

Governance

While the overall responsibility for operational risk management in UCL resides with the Board, the Management is responsible for the day-to-day management of such risks.

To ensure consistency and prudent management of operational risks, the responsibility for managing operational risk has been split as follows:

- the overall governance owned by the Board through MANCOM;
- the approval of operational risk policies and standards for risk identification, measurement, assessment, monitoring and reporting is the responsibility of the Board and the MANCOM;

The Board and Management Committees

The Board of Directors and the Management Committee have overall oversight function for operational risk management. It shall be their responsibility to ensure effective management of operational risk and adherence to the approved operational risk policies.

Board of Directors

The Board of Directors:

- sets operational risk strategy and direction in line with UCL's corporate strategy;
- gives approval for operational risk management framework, policies and procedures; and
- ensures that senior management is performing its risk management responsibilities.

Management Committee (MANCOM)

UCL's MANCOM:

- ensures policies and procedures are developed for managing operational risk in products, activities, systems and processes;
- ensures that all level of staffs understand their responsibilities with respect to operational risk management;
- reviews risk profile and assesses potential

impact on the activities of the company or business units;

- ensures that staffs are adequately trained and have access to the necessary resources; and
- ensures that UCL's operational policies and procedures promote the desired risk culture.

Risk Management Forum (RMF)

UCL's RMF:

- carries out the first-level review of operational risk policies and procedures;
- manages significant operational risks where they originate within the business/function;
- ensures compliance with operational risk policies and procedures;
- ensures implementation of the real-time incident reporting process;
- continually promotes risk awareness throughout the company so that complacency does not set in; and
- assists the Management Committee in managing ongoing corporate governance issues.

Chief Risk Officer

- Leads the development and implementation of operational risk management.
- Develops operational risk management strategy, principles, framework and policy.
- Implements appropriate operational risk management processes and methodologies.
- Advises management and business units on risk management.
- Exercises supervisory responsibilities over operational risk management in addition to responsibility over market risk, credit risk and other key risk types.

Risk Management Function

The core responsibility of the Operational Risk Management function is the development and implementation of operational risk management across the Group.

This entails:

- Drafting operational risk management policies, standards, processes and procedures;
- Developing and driving implementation and maintenance of the operational risk management framework;
- Developing tools, techniques, methodologies, risk frameworks, analysis, reports, communication and training;
- Escalating high-priority issues to senior management and the Board; and
- Liaising with external parties, e.g., regulators and external auditors, etc. on company's operational risk management practices.

The Business Units and support functions

The Business Units and support functions are the first line of defense in our operational risk management process. They own, manage and are accountable for the operational risks and controls in their respective areas. They have the following responsibilities:

- Comply with Group operational risk-related policies, procedures, processes and tools in their areas.
- Assess risks and the effectiveness of controls in line with risk policies.
- Operate and monitor a suitable system of control.
- Manage and review risk as part of day-to-day business activity.
- Identify, review and assess the inherent operational risks in the context of the existing control environment.
- Create awareness of operational risk.
- Maintain the operational risk framework for the division/control and support unit, ensuring that the data and analyses are timely, relevant and complete for reporting.
- Ensure potential operational risks in new businesses, products and services, and processes within their business units are identified and mitigated.

Outlook

UCL is on a journey to embed sound operational risk management practices, culture and environment beyond complying with regulatory requirements, but as a value driver that enhances and contributes to stakeholders' value, long-term existence and survival of the institution. To this end, a number of initiatives are currently ongoing that will enhance the risk management culture and practices within the organisation and by extension, significantly reduce UCL's operational risk exposures and incidences. Some of these key initiatives are as follows:

- embed the culture of self assessment in all activities and across all levels in the group; and
- capacity building and increase employees' risk awareness level and competence in managing risks.

INFORMATION SECURITY RISK

Overview

UCL, as part of its risk management strategy, aims to continuously implement best practices that would in turn ensure strong risk governance.

Business and security environments are constantly evolving and hence new threats and vulnerabilities are emerging. Addressing these threats and ensuring no business disruption occurs becomes a challenge that organizations have to live with. It is now widely established that the best way to address information security concerns is through a combination of continuous monitoring, well defined risk measurement metrics/indices and an effective awareness programme.

Philosophy

The key elements of UCL's information security management philosophy are the following:

The Board

The Board and Management have the overall responsibility to ensure that all information assets within UCL are protected and adequately secured. These responsibilities include preserving the confidentiality, integrity and availability of all the physical and electronic information to ensure all customer information receives adequate protection. In addition, it assures that UCL complies with all legal, regulatory, contractual and commercial requirements of information security.

Culture

UCL is committed to ensuring the confidentiality, integrity and availability of its customers' information through:

- identification of the value of information through appropriate risk assessments;
- understanding vulnerabilities and threats that the information assets may be exposed to; and
- appropriate management of information security risks for compliance with contractual and legal requirements.

Oversight

The Management Committee performs an oversight function spanning the entire information security base in UCL.

Its function also includes ensuring that detailed policies, procedures and standards are created, updated regularly and effectively communicated to stakeholders.

Governance

Board of Directors

The Board as well as the Management Committee and Chief Risk Officer are responsible for safeguarding UCL's information assets. Key responsibilities of the Board with respect to information security are:

- approving UCL overall information security framework and policy; and
- ensuring that UCL information security posture is maintained in line with its risk appetite and commensurate with the risks associated with information assets.

Management Committee (MANCOM)

Key responsibilities of the MANCOM with respect to information security are detailed below:

- Ensure UCL implements an effective methodology for managing information security.
- Ensure detailed policies, standards and procedures are created and effectively communicated within the organization.

- Assess the effectiveness of UCL's information security process.
- Provide the resources (human capital, financial, systems, etc.) required to implement security initiatives.
- Ensure risk assessments (procedural and technical) are performed and used to determine the level of protection accorded to information assets.

Chief Risk Officer

Key responsibilities of the Chief Risk Officer with respect to information security are detailed below:

- Promote the effectiveness of information security within the organisation.
- Ensure security initiatives and activities are aligned with business objectives.
- Provide appropriate resources to control information-related risks.
- Escalate information security incidents to the MANCOM where necessary.

Internal Audit

To support the monitoring process without losing independence, the Internal Audit function and IT department's key responsibilities are:

- harmonise approaches used to evaluate information risk from a security perspective;
- harmonise checklists used to evaluate security vulnerabilities and threats;
- help shape the development of the monitoring process to ensure that all key issues are addressed;
- have access to the current situation of UCL as prepared by the IT Department; and
- audit the information security functions to ensure effectiveness.

Compliance

The Compliance function is to protect business growth and sustainability by ensuring compliance to regulation.

Internal Control

- helps shape the development of the monitoring process to ensure all key issues are addressed; and
- monitors the transactions to ensure accuracy, integrity and completeness.

Information Technology Department

IT department is accountable for the secure storage and use of major information assets. Key responsibilities are as follows:

- Ensure that information assets are properly labeled.
- Monitor the security condition of information assets.

- Review staff logical access rights to systems and application.
- Review the department/branch operating procedure.
- Ensure implementation of information security controls.
- Ensure all staffs receive information security awareness training before granting them access to information assets,

All UCL employees

All UCL employees are responsible for complying with the principles and policies of the information security policy where relevant to their jobs. They are responsible for maintaining the security of all information entrusted to them. Any employee failing to comply with the policies could be subject to disciplinary action, potentially including termination of employment.

COMPLIANCE RISK

Overview

The establishment of an independent compliance function in UCL is in line with best practices. The compliance function operates from head office to ensure compliance with established rules and regulations. Highlights of the scope of coverage of the compliance function include:

- regulatory compliance;
- Anti Money Laundering and terrorist financing compliance (including Know Your Customer (KYC), Know Your Customers' Business (KYB) principles); and
- corporate governance compliance monitoring.

The objectives of the compliance function, as a part of an effective risk management, include the followings:

- assist and support line management to ensure that business is conducted in accordance with applicable statutory, regulatory and supervisory requirements.
- enable UCL to demonstrate that it is proper to undertake its business.
- maintain fairness in all UCL dealings.
- facilitate the management of compliance risks.
- prevent disciplinary action by regulators.

Philosophy

The Board approves the compliance framework and strategies and delegated to the management for compliance performance.

UCL compliance risks are centrally managed by an independent compliance function. The Compliance Risk Management practices in UCL are subject to periodic reviews by the internal audit.

Strategy and priority

UCL remains committed to complying fully with applicable laws and regulations and to always act

with care and due diligence. The risk of noncompliance with legal and regulatory requirements ranges from potential financial loss arising from regulatory sanctions, loss of business as well as damage to the Group's reputation.

In ensuring compliance with laws and regulations, UCL has in place a compliance framework. The compliance function, under the leadership of the Chief Compliance Officer, ensures that statutory and regulatory requirements are adhered to and ensures that breaches are promptly reported.

While the primary responsibility for complying with regulatory requirements lies with all employees conducting particular transactions or activities to which regulation applies, the Management is accountable for compliance performance.

The current regulatory regime places much pressure on financial institutions to know their customers and implement processes for combating money laundering, as well as putting in place measures aimed at understanding regulations as they affect the financial services industry and the implication for non-compliance. In this regard, UCL has reviewed its guidelines relating to anti money laundering and terrorist financing, incorporating new guidelines for KYC/KYB.

Governance structure

The management of regulatory risk encompasses ensuring compliance with all the statutory and regulatory requirements.

In line with best practice, the compliance function is responsible for ensuring that UCL continuously manages its regulatory risk.

Regulatory risk is the risk that occurs when financial institutions do not comply with the applicable laws and regulations or supervisory requirements.

Responsibility for managing compliance with internal rules created by UCL itself lies with the Internal Control and Compliance functions. These are monitored as part of their normal duty of ensuring that an effective system of internal controls is maintained in UCL.

Certain internal rules are of such importance that the Management Committee (MANCOM) may require the involvement of the compliance function for effective implementation. The compliance function is also, to that extent, responsible for monitoring compliance with internal rules, as determined by MANCOM from time to time.

The compliance function operates independently from the Internal Control. However, the department leverages on the Internal Control & Compliance infrastructure by administering compliance checklists on business units and branches through the independent control and normal audit procedures.

Roles and responsibilities

Roles and responsibilities for compliance are assigned to various functions as follows:

Board of Directors	Assumes overall accountability for compliance performance.	
Managing Director & CEO	Provides demonstrable support to the Compliance officer with the development of a compliance culture.	
MANCOM	Assume overall accountability for compliance within their Business Units.	
RMF	Designing overall risk management strategy of the Company and responsible for communicating views of the board and senior management regarding the risk management culture and risk appetite all over the Company.	
Subsidiaries and their management teams	Assume overall accountability for compliance within their companies and their respective management is responsible for day-to-day compliance with regulations applicable to their business.	
Department Heads and RMs	Responsible for day-to-day compliance with regulations applicable to area business.	
Branch Managers	Branch Managers assume overall responsibility for compliance in their branches and are responsible for conducting periodic compliance reviews.	
All employees	Responsible for familiarising themselves with the regulatory requirements applicable to their business and ensuring that all transactions and activities in which they are involved are carried out in accordance with those regulations.	
Internal Control	Assists the Compliance function in the conduct of independent monitoring.	
Internal Audit	Provides quality assurance for the Compliance function.	
Chief Compliance Officer	Responsible for the development, communication, leadership and implementation of the compliance strategy, policy, structure and process.	
External Audit	Reviews the compliance risk management process.	

Responsibilities of the Chief Compliance Officer (CCO)

The CCO takes responsibility for compliance issues including its Business Unit. The CCO works closely with the Chief Risk Officer (CRO) in the performance of the following specific responsibilities:

- Assigns a sound compliance structure, process and advisory service in order to ensure line management's compliance with current laws, regulations and supervisory requirements.
- Reports non-compliance with laws, regulations and supervisory requirements to the Chief Executive Officer and the Board of Directors.
- Ensures, as far as possible, that no conflict of interest exists between the compliance function and other internal control functions.
- Establishes a compliance culture in UCL Group that contributes to the overall objective of prudent risk management.
- Establishes effective communication with line management in order to continuously monitor compliance with laws, regulations and supervisory requirements.
- Ensures that regulatory requirements are incorporated into operational procedures and manuals where appropriate.
- Makes recommendations whenever necessary to ensure that laws, regulations and regulatory requirements are being complied with.
- Establishes effective mechanisms for reporting and resolving non-compliance with laws, regulations or regulatory requirements.
- Ensures required training of compliance staffs on technical knowledge of regulatory framework and associated risks.

• Compiles and maintains a comprehensive compliance manual for the Group.

Outlook

The regulatory environment has become even more dynamic in recent times. The policy on deposit collections comes with enormous challenges on the part of NBFIs. The challenge is in putting in place appropriate compliance risk management processes and procedures in knowing our customers and leveraging on our technology infrastructure to understand and manage the risk of transactions.

Current measures aimed at understanding regulations as they affect the industry and the implications for non-compliance are being continuously improved through process rejuvenation and revalidation, which is then communicated to all employees.

LEGAL RISK

Overview

Legal risk management is an integral part of UCL's Risk Management Framework. UCL recognises that all aspects of its business activities are fraught with legal risks, the growth of which may not only outstrip its business growth. To this end, there is a dedicated Legal Services Department with responsibility for the effective management of this portion of UCL's overall risk profile.

Approach

At UCL, our approach to legal risk management is to:

- identify where and how things can and/or might go wrong from the legal perspective;
- determine the extent of any negative impact in the event of its crystallisation;

- identify and grade the risks and impact of the current controls;
- establish controls to reduce or eliminate the legal risks; and
- monitor the controls to ensure effectiveness.

In doing this, we continue to ensure that our policies and operational guidelines do not only provide the structure for the effective management and control of identifiable legal risks, but also bring UCL and its employees to a true appreciation of the legal constraints impacting on UCL business activities.

Governance

The Legal Department oversees UCL's legal risk function and reports directly to the Managing Director and Chief Risk Officer. The department handles all the legal issues of UCL's claims against third parties and/or UCL's defence of claims against it. The unit monitors and manages UCL's litigation portfolio, including the evaluation, recommendation with external counsel interface.

This department is also responsible for the documentation and perfection of the various securities used to secure credit facilities extended to UCL customers.

Outlook

During the year, we have deepened the skills of our people in the areas of documentation, execution of court decisions and the capacity of our branch offices and give it the needed impetus for its growing roles. Across all our operations, we will strive to optimise our operational efficiencies through the effective use of technology for reliable data and performance evaluation. We will seek to streamline our legal structure for greater efficiency.



132

SENIOR MANAGEMENT



MD. AKTER H. SANNAMAT FCA, FCS Managing Director & CEO

With UCL since 04 July 2012

Born in January 1967

Nationality Bangladeshi

Committee Membership

Chairman Management Committee, Credit Committee, Asset-Liability Management Committee, Money Laundering Prevention Committee, Corporate Governance Committee, Ethics & Compliance Committee, BASELII Implementation Committee, HR & Compensation Committee and Disclosure Committee.

External Appointment

Director, UniCap Investments Limited Council Member, Institute of Bankers, Bangladesh Member, Standing Committee, Financial Institution & Financial Services and FDI, Industrial Policy and Privatization of SOEs of DCCI Member, Panel of Experts, DSE Member, Executive Committee, BLFCA Vice President, Bangladesh Merchant Bankers Association

Qualification & Experience

A dynamic and versatile management executive Mr. Sannamat in his outstanding 20 years of service life showed outstanding performance in diverse areas under different capacities. Prior to this, Mr. Sannamat was the Chief Consultant of AHKC, Chartered Accountants – an Exclusive Correspondent Firm of PKF International, UK and the Managing Director of Prime Finance and Investment Ltd. where he worked for more than 13 years.

A Chartered Accountant, Mr. Sannamat obtained his Honors and Master in Accounting from the University of Dhaka securing first class in all through his academic career. A Fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB) and the Institute of Chartered Secretaries of Bangladesh (ICSB), Mr. Sannamat took part in various training courses, seminars, and workshops in the areas of capital market, risk management, good governance, auditing, credit, credit appraisal, secretarial practices etc. in home and abroad. ABUL MUNIM KHAN EVP & Head of Business

With UCL Since 18 October 2009

Born in February 1956

Nationality Bangladeshi

Committee Membership Member

Management Committee, Credit Committee, Risk Management Forum, Ethics & Compliance Committee, BASELII Implementation Committee and HR & Compensation Committee

External Appointment Nil

Qualification & Experience Mr. Khan is a qualified professional with an MBA degree from IBA, Dhaka University and about 32 years of extensive exposure in Operations, Credit Admin, Credit Risk Management and Marketing both in Commercial (Conventional & Islamic) and Investment Banking. Mr. Khan is a self motivated individual who is market driven and result oriented having Credit & Marketing exposure both in UAE and Bangladesh. Attended various workshops/seminars & training courses on credit, marketing & change management issues at home & abroad.

TAUHIDUL ASHRAF FCS SVP & Company Secretary

With UCL since 22 August 2013

Born in September 1978

Nationality Bangladeshi

Committee Membership Member

Management Committee, Credit Committee, Asset-Liability Management Committee, Corporate Governance Committee, Ethics & Compliance Committee, BASELII Implementation Committee, HR & Compensation Committee and Disclosure Committee

External Appointment Nil

Qualification & Experience

Mr. Tauhidul Ashraf has 13 years of extensive experience in Bank, NBFIs, Insurance & Group of Companies in Senior positions. Mr. Ashraf is a qualified Chartered Secretary. He joined Union Capital Limited on 22 August, 2013 as SVP & Company Secretary. Prior to his joining, he served in H.R. Textile Mills Ltd., Northern General Insurance Co. Ltd., S. Alam Group of Industries, First Security Islami Bank Ltd., Prime Finance & Investments Ltd. and Aman Group under different capacities. He possesses versatile knowledge in the areas of Corporate Affairs, Administration, Share Management, Capital Market Operation etc.

A Fellow Member of the Institute of Chartered Secretaries of Bangladesh. Mr. Ashraf was the Member Secretary of Dhaka Regional Chapter of ICSB for two consecutive sessions. He attended a number of training courses and seminars in home and abroad on Core Risk Management, Internal Audit & Control and Corporate Governance, the role of Company Secretary etc.



ABDUL BAREQUE SVP & Chief Risk Officer

With UCL since 11 Nov 2013

Born in September 1953

Nationality Bangladeshi

Committee Membership Member

Credit Committee, Asset-Liability Management Committee, Money Laundering Prevention Committee, Risk Management Forum, Ethics & Compliance Committee

External Appointment Nil

Qualification & Experience

Mr. Bareque obtained MSS(Economics) degree under Dhaka University, Post Graduate Diploma in Bank Management (PGDBM) from BIBM and Banking Diploma(both part) from Institute of Bankers of Bangladesh. He has vast experience in banking arena. He served in Bangladesh Bank for about 33 years in different departments in different positions lastly as Deputy General Manager. Prior to joining here Mr. Bareque served in Japan Bangladesh Group as Executive Director and lastly in ICB Islamic Bank Limited as Special Project Adviser of ICCD. Mr. Bareque served as a Faculty Member of Bangladesh Bank Training Academy for about 5 years. He conducted many sessions for the direct recruited officers of Bangladesh Bank and also for others Banks and NBFIs. He attended many sessions of different Training Academy of different Banks and also in different NBFIs as Guest Speaker. When he was in Bangladesh Bank he looked after the supervision works of NBFIs for about 5 years. Mr. Bareque attended a number of trainings, workshops and seminars at home and abroad.

ENGR. A.N.M. GOLAM SHABBIR FIEB

VP & Head of ICT, HR & Admin

With UCL since 17 December 1998

Born in November 1970

Nationality Bangladeshi

Committee Membership Member

Management Committee (MANCOM), Corporate Governance Committee, Ethics & Compliance Committee, HR & Compensation Committee and Disclosure Committee

External Appointment Nil

Qualification & Experience

Mr. Shabbir obtained his B. Sc. Engineering Degree in Electrical & Electronics Engineering from Khulna University of Engineering and Technology. He has a wide experience of over 14 years with NBFI in various capacities and 03 years in different ICT vendors. Starting his career in Flora Limited. the then largest ICT vendor of the country, Mr. Shabbir also worked in UNICEF as LAN Consultant under employment of Flora Limited. Prior to joining at UCL Mr. Shabbir served as the Manager of Hardware & Network Division of Systematique Computing Limited (SYSCOM). Besides IT expertise, he is proficient in HRM and carrying full responsibilities of HR & Administration Department for over 07 years and presently holding the position of Head of HR & Administration Department along with ICT Department. He attended a number of seminars, workshops and trainings, relating to the ICT and HR & Administration issues, at home and abroad. Mr. Shabbir is a Fellow of Institute of Engineers Bangladesh.

FAZLE KARIM MURAD VP, Corporate Finance

With UCL since 01 June 2000

Born in October 1973

Nationality Bangladeshi

Committee Membership Member

Asset-Liability Management Committee, Credit Committee Money Laundering Prevention Committee, Risk Management Forum, BASELII Implementation Committee

External Appointment Nil

Qualification & Experience

Mr. Murad has completed M.Com (Marketing) from University of Dhaka and MBA major in finance from American International University Bangladesh (AIUB). He started his career with a promotional project namely HORECA of British American Tobacco in December 1998 as Project Leader and worked there for 6 months and then joined in a production house namely In-house Production in June 1999 and worked there for 9 months. In June 2000 he joined UCL as Junior Associate and from that time working in different segment of lease and corporate finance department. In 2009 he was promoted as Vice President of Lease and Corporate Finance Department as responsible in Marketing to Corporate and SME financing. Obtained various training/ workshop/seminars at Home and abroad.

MOHAMMAD SHAFI UDDIN AVP & Branch In Charge, Chittagong

With UCL since 20 October 2010

Born in January 1973

Nationality Bangladeshi

Committee Membership Nil

External Appointment Nil

Qualification & Experience Mr. Shafi Uddin is an MSS (Economics) from Chittagong University. He has 12 years experience with Banks & NBFI. Before joining in UCL, he was with Eastern Bank Limited, ONE Bank Limited, Bank Asia Limited & The City Bank Limited and worked with Credit Administration Deptt & Credit Department.



ENGR. MD. ISRAIL HOSSAIN FIEB AVP, Capital Market Operation

With UCL since October 2012

Born in November 1974

Nationality Bangladeshi

Committee Membership Nil

External Appointment Nil

Qualification & Experience

Mr. Hossain is an M.Sc in Computer Science and obtained his B. Sc. Engineering Degree in Mechanical Engineering from Bangladesh University of Engineering and Technology (BUET). He has more than 11 years of extensive experience in Capital Market both in Securities house and Merchant Banking operation. Before joining in UCL, he worked in Sonar Bangla Capital Management Ltd. as Head of Operations. He also served in BD Finance Securities Ltd. as AVP & Head of Operations and in Prime Finance & Investment Ltd. as Senior Manager.

MD. FORHAD HOSSAIN ACA AVP & CFO (CC)

With UCL Since 4 September 2013

Born in October 1979

Nationality Bangladeshi

Committee Membership Member

Management Committee (MANCOM), Asset-Liability Management Committee, Corporate Governance Committee, BASELII Implementation Committee, Risk Management Forum and Disclosure Committee

External Appointment

Qualification & Experience

Mr. Md. Forhad Hossain ACA is an Associate Member of the Institute of Chartered Accountants of Bangladesh (ICAB). Mr. Forhad has completed his BBA and MBA from University of Dhaka major in Accounting and Information Systems. He has completed articleship from KPMG Rahman Rahman Huq, Chartered Accountants, a member firm of KPMG International in the process of being a member of ICAB. Mr. Hossain started his career with Warid Telecom International Bangladesh Limited as internal auditor. Prior to his current assignment at Union Capital Limited as AVP, Finance & Accounts, he served IPDC of Bangladesh Limited as Senior Manager, Finance & Accounts.

RAIHAN UDDIN AHAMMAD ACA AVP & Head of ICC

With UCL since 1 September 2013

Born in September 1983

Nationality Bangladeshi

Committee Membership Member

Corporate Governance Committee, Risk Management Forum, Money Laundering Prevention Committee, and Disclosure Committee

External Appointment Nil

Qualification & Experience Mr. Riahan Uddin Ahammad is an associate member of the Institute of Chartered Accountant of Bangladesh (ICAB). He obtained his business degree form the University of Dhaka. After obtaining business degree from University, Mr. Raihan joined in Rahman Rahman Huq, Chartered Accountant (A member firm of the KPMG International). After successful completion of articleship from Rahman Rahman Huq, Mr. Raihan joined a renowned corporate group namely STS Group as the Finance Manager. Prior to his current assignment as the Head of ICC at UCL, he served STS Group as Finance Manager for more than 2 years. Mr. Raihan is also a faculty member of the ICAB conducts class for professional students at ICAB.

MD. SHOHIDUL ISLAM AVP & Head of SME

With UCL since 01 November 2010

Born in March 1965

Nationality Bangladeshi

Committee Membership Member Credit Committee

External Appointment Nil

Qualification & Experience

Mr.Shohidul has completed MSS (Political Science) from University of Rajshahi. He started his career with BRAC NGO on October 1991 as a Programme Organizer (Education programmee, Credit and MELA Programme) and worked there up to May 2001. There after he joined BRAC BANK as Senior Officer in SME Department and worked there from June 2001 to October 2010 in various capacities and his last position was Business Development Manager (FAVP). Mr. Shohidul joined in UCL on 1st November 2010 as Manager & Head of SME and presently holding the position of Assistant Vice President. Mr. Shohidul received various training/ workshop/seminars from home and abroad.

MANAGEMENT COMMITTEES |

The Authority of Management Team responsiable for execution of delegated responsibilities

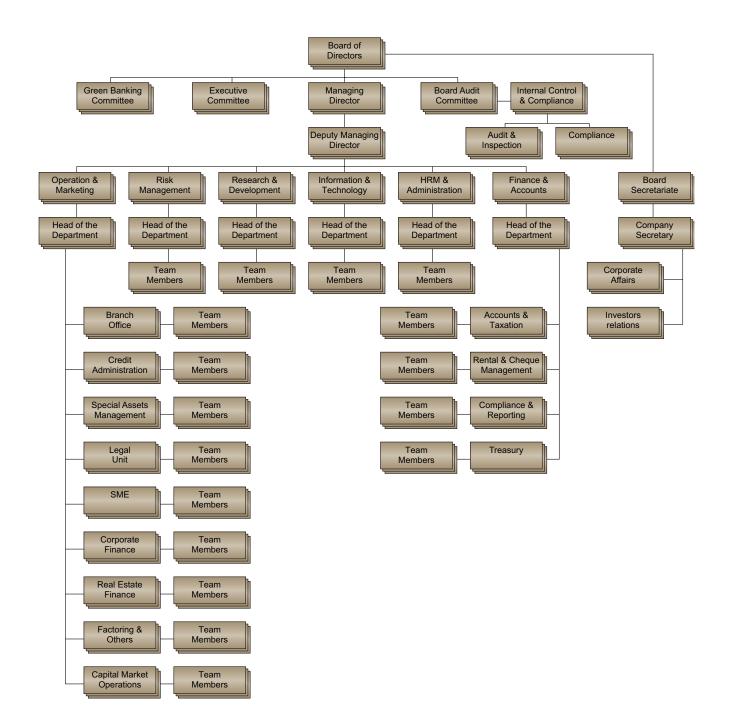
Committee	Members	Major Responsibilities
Management Committee (MANCOM)	Md. Akter H. Sannamat FCA, FCS, Chairman Abul Munim Khan, Member Tauhidul Ashraf FCS, Member Engr. A. N. M. Golam Shabbir, Member Forhad Hossain ACA, Member	The Management Committee is responsible for managing and conducting company's business as designated by the Board of Directors, or under specific resolution of the Board of Directors. It has the authority to manage the company's business according to set policies and plans.
Asset-Liability Management Committee	Md. Akter H. Sannamat FCA, FCS, Chairman Abdul Munim Khan, Member Tauhidul Ashraf FCS, Member Abdul Bareque, Member Fazle Karim Murad, Member Forhad Hossain ACA, Member Mohammad Abu Zubayer Bhuiyan, Member	Responsible for managing various financial risks of the company such as market, interest rate and liquidity. The ALCO reviews market and credit portfolio risks, as well as interest rate risk inherent in the Company's balance sheet. It meets regularly to ensure that the level of interest rate exposures are within regulatory and internal limits, to maximize the company's net interest income, to ensure adequate liquidity and to maximize the return on the Company's capital.
Credit Committee	Md. Akter H. Sannamat FCA, FCS, Chairman Abul Munim Khan, Member Tauhidul Ashraf FCS, Member Abdul Bareque, Member Fazle Karim Murad, Member Shohidul Islam, Member	Oversee the credit and lending strategies and objectives of the Company and approve the financial proposals within the limit delegated by the Board. The Committee is also responsible to review all financing proposals before placing the same to the Executive Committee/Board.
Risk Management Forum	Abdul Bareque, Chief Risk Officer Abul Munim Khan, Member Engr. A. N. M. Golam Shabbir, Member Fazle Karim Murad, Member Forhad Hossain ACA, Member Raihan Uddin Ahammad ACA, Member Eng. Md. Israil Hossain, Member Abu Zubayer Bhuiyan, Member	Establish and maintain an effective risk management environment in the company; review proposals in respect of credit policies and endorse them to the Board of Directors for approval; review periodic credit portfolio reports and assess portfolio performance; ensure compliance with UCL credit policies and statutory requirements prescribed by the regulatory/supervisory authorities;
Money Laundering Prevention Committee	Md. Akter H.Sannamt FCA, FCS, Chairman Tauhidul Ashraf FCS, Member Abdul Bareque, Member Fazle Karim Murad, Member Raihan Uddin Ahammad ACA, Member Mohammad Abu Zubayer Bhuiyan, Member Shah Md. Julker Nine Sarker, Member	Responsible for prevention of the use of company's products and services from money laundering; preventing from the damage of company's reputation by association with money launderers; ensuring that the company is complying with the relevant laws and regulations relating to anti-money laundering & Terrorist Financing.
Governance Committee	Md. Akter H. Sannamat FCA, FCS, Chairman Tauhidul Ashraf FCS, Member Engr. A. N. M. Golam Shabbir, Member Forhad Hossain ACA, Member Raihan Uddin Ahammad ACA, Member	Review and discuss the issues relating to good governance practices and ensure that the conditions and guidelines on corporate governance are complied with.

	es
	nitte
	nmo
	ö
	leni
	gen
	ana
	\leq

Committee	Members	Major Responsibilities
Ethics & Compliance Committee	Engr. A. N. M. Golam Shabbir, Focul Point Abul Munim Khan, Member Tauhidul Ashraf FCS, Member Abdul Bareque, Member Forhad Hossain ACA, Member Raihan Uddin Ahammad ACA, Member	Implement ethical business practices; arranging meeting with stakeholders on integrity, identification of areas of improvement and planning of training for development of ethical practices, analysis of existing laws, rules and regulations and identification of problems and making recommendation for solving those problems, developing job evaluation guidelines and rewarding the performers with integrity, implementation of e-governance system, review whether the Company's business is conducted ethically and in socially responsible manner; Ensure whether the employees are complying with the ethical principles and code of business conduct; Review and evaluate compliance of laws, rules and regulations.
Basel II Implementation Committee	Md. Akter H. Sannamat FCA, FCS, Chairman Abul Munim Khan, Member Tauhidul Ashraf FCS, Member Fazle Karim Murad, Member Forhad Hossain ACA, Member	Responsible for the implementation of Basel Accord for NBFIs. Lay down the overall solution framework for Basel II compliance and prepare a clear and comprehensive implementation roadmap covering the various stage of implementation.
HR & Compensation Committee	Md. Akter H. Sannamat FCA, FCS, Chairman Abul Munim Khan, Member Tauhidul Ashraf FCS, Member Engr. A. N. M. Golam Shabbir, Member	Recommend the requirements of Management personnel for different sections of the company; Interview for selection, and recruitment of management cadre and take disciplinary action against them, if situation demands; Evaluate the performance of employees annually; Evaluate effectiveness of the HR Policy, Assess the workload, strength and weakness of the officers and executives.
Disclosure Committee	Md. Akter H. Sannamat FCA, FCS, Chairman Tauhidul Ashraf FCS, Member Engr. A. N. M. Golam Shabbir, Member Forhad Hossain ACA, Member Raihan Uddin Ahammad ACA, Member	Assure compliance with the disclosure and transparency requirements and the listing rules, and to ensure that the routes of communication between UCL members, the disclosure committee, the company secretarial office and investor relations are clear so that the company is able to comply fully with its continuing obligations under the disclosure requirements.

ORGANIZATION CHART | Illustrates the management structure of UCL

The Framework around which UCL is organized. It tells how the organization is put together and how it works.



SUSTAINABILITY DEVELOPMENT REPORT

IN THIS SECTION

Framework for Responsible Business	140
Corporate Social Responsibility	142
Environment Initiative	148
Corporate Culture	149
Contribution to National Economy	151
Human Resource Report	154
Human Resource Accounting	157
Value Added Statement	160
Market Value Added Statement	161
Economic Value Added	162

FRAMEWORK FOR RESPONSIBLE BUSINESS

Outlines how UCL achieves vision managing its business in a responsible way

We must act keeping the environment in mind meaning to be conscious of all the things we do on a daily basis. All of our actions affect others lives on the Earth, including other human beings. It's important to think before we act.



ur Framework for Responsible Business defines the principles by which we manage the business, sets the context for corporate governance, and helps us take account of economic, environmental and social factors in our decisions. Our Framework is based on three business goals, which comprise a number of underlying values:

- Sustainable Growth.
- Profits with Responsibility.
- Investing in the Future.

SUSTAINABLE GROWTH

We are constantly looking to expand and grow our business by transferring our skills to new markets. Growth needs to be sustainable if we are to bring long-term value both to our shareholders and to others. So we must:

- Contribute to the economic growth of our country through the way in which we manage and invest in our business.
- Act with honesty and integrity as we undertake and develop our business.
- Protect the future of our business by proactively managing existing and future non-financial and environmental risks.
- Value our employees through inclusion.
- Employ the right number of people with the right skills for the work we have to do.
- Treat our employees fairly.
- Act in accordance with all laws and regulations.
- Respect human rights.

PROFITS WITH RESPONSIBILITY

For our business to be sustainable, we must be profitable. However, increasing our profitability at any cost is neither sustainable nor

acceptable. We therefore have to be responsible in the way in which we generate our profits. So we must:

- Improve our efficiency without compromising the reliability and integrity of our operations.
- Maintain a sound system of internal financial control.
- Be efficient in our use of natural resources.
- Keep our waste to a minimum and increase the economic value of any waste we produce.
- Help protect the environment for future generations, including making our contribution to minimizing climate change.

Safeguard each other and

environment. We also believe that actions speak louder than words, by establishing green initiatives within our organization we hope to do our part to create an even brighter future for our organization and the communities we serve. When we think about Green, we think about three R's: Reduce, Reuse and Recycle. This is the first step of living green.

We believe that our success

communities and the natural

is directly linked to the

sustainability of our

those who work with us by operating an healthy workplace and protect the safety of the public through the integrity of our operations.

Help our employees balance work with their other commitments.

140

ion Capital Limited

- Respect our customers by conducting our business in a professional manner.
- Be open and constructive in the dialogue we have with our stakeholders.

INVESTING IN THE FUTURE

As a responsible business, our commercial success enables us to invest in the future in a way that benefits our shareholders, our employees, the environment and society. This investment is a reflection of our desire to be a long-term business. So we:

- Seek to deliver progressively increasing returns for our shareholders.
- Enable others to contribute to economic growth by providing high-quality dependable services.
- Improve, where we can, the environmental status of the land on which we operate.
- Contribute to the development of new initiatives aimed at improving the environment and the quality of life.
- Develop our employees so that they can add value to the company, to themselves and to society.
- Recognize and reward our employees for the contribution they make.
- Encourage and support investment in the community through both the activities of our employees and our financial contributions, with an emphasis on developing partnerships.

Our Framework for Responsible Business was developed in 2012 applies to all of our operations with a view of achieving our aims as detailed below :

- We, at UCL, will be the foremost financial institution, delivering unparalleled safety, reliability and efficiency, vital to the wellbeing of our customers and communities.
- We are committed to being an innovative leader in financial sector and to safeguarding our environment for future generations.
- Our Framework for Responsible Business outlines how we will achieve these aims by managing our business in a responsible way. It explains how we take account of environmental, economic and societal issues when we make our business decisions. Our Standards of Ethical

Business Conduct, policies and public position statements support the framework.

- We intend to play a central role in tackling the challenges of energy security, climate change, and making energy affordable.
- We want UCL to be a company where people want to work and where they can develop to their full potential. We will support our employees with the right training, knowledge and resources. We will trust them to use their skills and expertise to do their jobs well. We will always make sure the safety and wellbeing of our employees, contract partners and the public are at the centre of everything we do.
- We are a long-term business and these are longterm commitments. We have a duty to deliver value to our shareholders and they too are essential to our long- term commercial success. This allows us to invest in the future to further benefit our customers, shareholders, employees, the environment and society as a whole, ensuring we have a successful and sustainable future.
- We believe it is not acceptable to make a profit regardless of the effects this may have on the environment, society, our customers or our employees. Our reputation depends on our stakeholders being able to trust us and be confident in us. We will only retain our right to operate by working to the highest standards, by trusting our employees to do the right thing and by running our company responsibly and sustainably.

We have a duty to deliver value to our shareholders and they too are essential to our long- term commercial success. This allows us to invest in the future to further benefit our customers. shareholders, employees, the environment and society as a whole, ensuring we have a successful and sustainable future.

We continually look to improve our performance and reputation as a responsible and sustainable company. To do this, we must make sure that we are open and honest with all our stakeholders.

CORPORATE SOCIAL RESPONSIBILITY | Serving as a responsible corporate citizen

VISION

CL is committed to doing better for our clients, our investors, our employees and our communities through a focused approach to corporate responsibility. Our goals are to demonstrate integrity in our business practices and provide leadership in the workplace and the marketplace. We are committed to be a strong supporter of the communities in which we do business and to transparency in sustainability reporting practices.

STRUCTURE

At UCL, our whole company, every employee, is responsible for behaving responsibly, as outlined in our Code of Conduct. It is our duty as a corporate citizen to add value to the society while earning a profit for our shareholders. UCL group takes responsibility for the effects of their actions, both social and economic.

REPORTING

UCL has adopted a multi-pronged approach to reporting our corporate responsibility practices, sometimes called non-financial or sustainability reporting. We undertake a range of reporting activities geared to various stakeholder groups, with our website being our primary reporting medium.

OUR APPROACH

The corporate responsibility priorities are relatively new, yet they reflect aspects of this company that have been around for many years. Our journey to build the priorities considered:

- The Guiding Principles that provide a foundation for UCL's corporate values;
- The Leadership Profile as a standard of behaviour expected from our leaders:
- The multitude of stakeholder interactions keeping us connected to the needs and concerns of those we affect;
- An understanding of materiality to help us navigate and assess immediate and emerging social and environmental issues; and
- Finally, UCL's business strategy, which articulates the direction of UCL.

PRIORITIES

Taking all the above components, we crafted the following Corporate Responsibility priorities:

Be customer focused

- Treat customers fairly, and provide support in tough times;
- Be the financial institution of choice.

Build an extraordinary workplace

- Build a fair, diverse and inclusive workplace that reflects the communities we serve:
- Attract and retain talents and create opportunities for continued development.

Be an environmental leader

- Continuously improve our environmental footprint;
- Protect and enrich the natural environment;

We strive to take active responsibility for our daily choices that UCL faces: How should we best structure and govern our Company? How should we best serve our clients in terms of ethics, privacy and services? How should we attract the best talents and motivate our employees? How should we contribute to our communities in which we operate our business? How can we minimize the impact of our business activities on the environment? and How can we grow our company in a sustainable way?

 Manage the social and environmental risks of our lending and investment products.

Make an impact

- Contribute to the economic and social development of the community we serve;
- Be transparent about the way we conduct our business.

UCL AND ITS CUSTOMERS

Taking responsibility – to be customer-driven

Approach

We want to deliver legendary experiences that will inspire our customers to trust us with more of their business and recommend us to their friends and family. Every part of our business, and every employee, are measured on the contribution they make to our customers' experience with us. Our approach is to treat customers fairly, support them when they go through difficult times and consistently deliver on our goal to be a leading financial institution.

2014 Challenge

- Continuing economic uncertainty created financial difficulties for many customers.
- Maintaining our standard of customer service as we diversify our business.
- Balancing needs-based financing with targets for revenue growth.

Customer Experience

We evaluate our performance based on our customer satisfaction. This helps us to set targets and drive improvement. We exchange our views with customers to evaluate our performance in a number of areas, such as:

- showing we value our customers;
- listening carefully to understand our customers' concerns and questions;
- providing prompt responses to requests; and
- showing genuine interest in helping our customers.

A safe and secure business experience

Our customers tell us that it makes a big difference in their lives when they can have confidence in our system, the safety of their deposits. We are committed to managing our business in a way that reinforces their confidence and protects their fund and information. We do this through compliance with external regulations, as well as through a range of internal policies, including those that cover:

- our Code of Conduct and Ethics;
- anti-money laundering and terrorist financing; and
- information security and fraud protection.

Our Code of Conduct and Ethics

The Code provides a framework for how we interact with one another, our shareholders, customers and

community. The Code addresses issues such as how to handle potential conflicts of interest and ensure confidentiality of information. Employees understand clearly that any irregular business conduct, including bribery, corruption or insider trading, will not be tolerated. Any breach is considered a serious offence, and employees must report any possible violations they witness.

As a responsible financial institution and corporate citizen, UCL together with its subsidiaries is committed to conducting its affairs to the highest standards of ethics, integrity, honesty, fairness and professionalism – in every respect, without exception, and at all times. While reaching our business goals is critical to our success, equally important is the way we achieve them.

Anti-money laundering and terrorist financing

UCL is strongly committed to preventing the use of our financial services for money laundering and terrorist financing purposes.

Our Anti-Money Laundering Compliance develops and maintains policies, guidelines, training and risk assessment tools and other controls to help our employees protect UCL and our clients and to ensure we are managing ever-evolving money laundering and terrorist financing risks.

Our controls in this area incorporated Know Your Customers rules required by Bangladesh Bank to ensure we properly identify our customers and protect against the illegal use of our products and services.

Information Security and Fraud Protection

UCL has a dedicated team of security and fraudmanagement professionals who oversee security standards to protect our systems and our customer information against unauthorized access and use. They continually assess our security programs to ensure our customers can place complete confidence in our facilities.

UCL has a sound technology risk-management and information security program in place to help keep confidential and private information secure and protected. This program helps protect UCL's internal systems from unauthorized access.

Transparent Product Information

We want to help our customers understand the financial products and services they avail. Our employees are trained to take sufficient time to explain issues and answer questions.

We make product information readily available in our different offices, as well as on our websites.

Responsible Marketing

UCL meets or exceeds the laws and regulations requiring us to disclose basic information about the financial products and services we offer. We ensure that our products and services meet genuine needs and that customers do not feel any undue pressure to buy unwanted products or services.

Promoting our products and services responsibly is

also a fundamental obligation. UCL has programs and processes in place, to ensure adherence to laws and regulations related to marketing communications, which include advertising, promotion and sponsorship.

Inclusive investment

As a financial services provider we have a role to play in supporting access to financial services to help our customers. We provide a variety of special products for senior citizen, students/youth and lowincome customers.

We offer a number of deposit options:

- For seniors, we offer monthly deposit scheme which features special profit rate.
- For student/young people, we offer monthly and periodical deposit schemes that features special and flexible rate of profit.
- We offer personal deposit scheme for unemployed and housewives that features deposits of small amount.

Helping small businesses contribute to our economy

In our economy, small businesses are the lifeblood for sustainable economic development and that's why UCL consistently stands besides these vital enterprises. Our support for small business includes access to financing, specialized services and advice and education.

Small business credit products are available at all UCL branches. To better assist small business customers who have complex credit needs, UCL seek to understand the unique needs of each business, offer proactive and innovative solutions, provide expert advice and help customers obtain the right products and services.

UCL AND ITS EMPLOYEES

Taking responsibility - to build an extraordinary workplace

Approach

We want our employees to feel engaged in what they do, empowered to make a difference, excited by opportunities to develop and grow to their full potential, and recognized for their unique contributions.

We aspire to be increasingly inclusive by identifying and eliminating barriers or biases. We celebrate and welcome difference and work to constantly improve our employees' experience.

The UCL culture has many elements: our drive to deliver exceptional customer service; our passion for the environment and for giving back to the communities we serve; and our determination to create a unique, diverse, respectful and safe workplace for our employees to grow and develop.

It doesn't happen overnight, and there are many steps along the way to building the workplace we want to see across UCL.

2014 Challenges

- We face a continuing challenge recruiting people with requisite skill and knowledge.
- Managers are looking for tools, training and increased cultural awareness to prepare them for the challenges of managing adverse workforce.

Employee Feedback

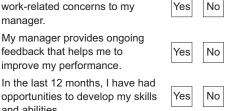
We track employee engagement through internal survey and open to every employee.

Entry and exit surveys are used to better understand how employees rate their experience of joining UCL or choosing to leave. Newly hired employees are asked to rate UCL on the hiring and recruiting process and if they felt supported during the first few months on the job. Questions that are in the list given below:

I feel comfortable bringing work-related concerns to my manager.

feedback that helps me to

improve my performance.



Yes

Yes

Yes

Yes

No

No

No

No

- In the last 12 months, I have had opportunities to develop my skills and abilities.
- I am able to achieve the balance I need between my personal life and my work life at UCL.
- UCL is genuinely committed to the well-being of its employees.
- UCL treats employees fairly regardless of their age, family/ marital status, gender or religion.
- UCL takes a genuine interest in the well-being of community in which it does business.

Recruitment

Our recruitment activities are designed to make sure we're well positioned to meet our future business needs. Welcome to UCL is an orientation course for new employees. It introduces them to UCL culture through interviews with employees and executives about who we are, what we stand for and what makes UCL an extraordinary place to work.

We believe in open access to all internal career opportunities. Although UCL has a strong commitment to developing leaders from within, due to rapid growth and the increasing complexity of our business, we have hired external executive candidates with the specific skills we need.

Retention

UCL has a unique culture of working environment that would be reflected from the following table :

Employee Turnover (%)	2013	2012	2011
Voluntary	8.08	7.37	10.20
Retirement	2.02	-	-
TOTAL	10.10	7.37	10.20

Transitions

As part of our commitment to be a best run company, we look for ways to streamline our operations and simplify our processes so that we can improve the value and service we provide our customers. Sometimes these changes result in the consolidation or reassignment of work. To minimize the impact of these decisions on our employees, our practices are to:

- keep employees informed;
- offer employees the opportunity to apply for other internal positions;
- make every effort to minimize the overall impact through natural attrition; and
- provide appropriate support, including employee training.

Compensation and Benefits

The objective of our compensation strategy is to attract, retain and motivate high-performing employees to produce long-term profitable growth. To achieve this, UCL's compensation includes base salary and performance incentives that are aligned with the company's strategy and business objectives and are competitive within our industry. We work to ensure a consistent approach to compensation across UCL that fosters a pay-for-performance culture. In 2013, we spent Tk. 72.05 million in employee compensation and benefits.

Compensation is designed to be fair and without discrimination and we ensure that it is competitive in the markets in which we compete.

Performance and Development

At the core of employee development at UCL is our Personal Performance & Development process. We encourage employees to take ownership of their careers and personal development and help managers prepare for personal development and career planning discussions. All managers and employees participate in year-end reviews.

Investment in Training and Development

(Figure in million Taka except hour/days)	2013	2012
UCL's investment in training	0.10	0.27
Average number of days of training	1.38	1.97
Average hours of training per executive	6.19	4.40

Leadership Development

Building talent at UCL for today and tomorrow is critical to our future growth and is a key accountability for UCL executives and leaders at all levels. Business leaders complete an annual review to identify future leaders who are capable of taking on executive responsibilities.

Our CEO, the Senior Executive team and other leaders participate in and help facilitate UCL's leadership development programs.

Communication and Recognition

Open and direct communication is an evolving part of UCL's employee experience. We've learned,

especially through organizational changes, that employees value getting the straight story from their managers and being able to talk openly about issues that concern them.

Recognition

To acknowledge and celebrate individual and team success we have a number of programs that include informal recognition and celebration events.

We are going to launch this year to formally celebrate Employee Appreciation Week to acknowledge the outstanding contributions UCL employees make every day through events and activities.

Employment Equity Policy

Our Employment Equity Policy states: UCL Group is committed to maintaining a workplace where the terms and conditions of employment are fair and nondiscriminatory. It is the right of every employee to be treated with dignity and respect, within a work environment conducive to productivity, selfdevelopment and career advancement, regardless of race, colour, religion, age, sex, marital status etc.

Inclusive Workplace

We are committed to fostering an inclusive, accessible environment where all employees and customers feel valued, respected and supported. This means building a workforce that reflects the many different human facets of the communities we live in and serve, including cultures, languages, genders, ages, abilities and disabilities. We strive to create an environment where every employee has the opportunity to reach his or her potential.

While our key areas of focus continue to be important, over time employee feedback has identified four priorities that are common to all groups. These priorities shaped our thinking on diversity and inclusion in 2013. They are:

- recruitment : focus on reaching the broadest possible talent pools. We do this by building awareness and relationships amongst all employees;
- mentoring and networking : support all employees as they build knowledge, skills and capabilities that will help them succeed;
- talent management : ensure diversity and inclusion that are integrated into all aspects of resource planning, performance and development and personal career management; and
- training and development : embed diversity and inclusion principles into both formal and informal learning so that employees can understand and discuss key topics.

Whistleblower Program

UCL has recently developed a whistleblower program for employees. Employees can anonymously report any concerns regarding the integrity of UCL accounting, internal accounting controls or auditing matters, as well as any concerns relating to ethical or legal matters or any allegations of retaliation.

UCL AND ITS COMMUNITY

Taking responsibility - to make an impact

Approach

We strive to make a positive impact where we do business and where our customers and employees live and work. For us, that means contributing to the social and economic development of our communities in meaningful, long-lasting and innovative ways.

2014 Challenges

- Responding to local needs while maintaining a focus on our giving priorities.
- Multiple demands involving issues: in the area of education, for instance, UCL receives funding requests to support scholarships, contribution for helping distressed people, assistance for education of underprivileged and disabled children.

Our Strategy:

 Create opportunities for young people so they can fulfill their potential

Volunteerism. Philanthropy. Sound business practices and ethics. And a conservation-minded approach to protecting the environment. All are integral to UCL's culture of caring and form the foundation of our corporate social responsibility (CSR). Our commitment to a culture of caring means that by turning money into good works, we extend a helping hand to those who may be unable to care for themselves.

- Work with communities in need, to build a more prosperous and inclusive future
- Protect and enhance the environment
- Engage our employees, customers and partners to make a difference together in our communities.

Our Priorities

Our community giving priorities are:

- Education;
- Creating opportunities for young people;
- Responding to Disasters;
- Volunteerism; and
- Civic Contributions.

We invest in community programs that support and promote each of these areas. In addition, we look for opportunities to invest in initiatives that support diversity across our giving priorities (e.g., financial assistance for disabled and underprivileged children).



Education

Education are important to UCL. To make an impact in these areas, we work in partnership with community organizations to raise literacy levels with a focus on underserved community people.

Creating opportunities for young people

UCL strives to create opportunities for youth so they can develop educationally, socially and artistically in order to fulfill their potential. These are difficult economic times for many young people in our society, as well as the organizations that run or support youth services. We believe that makes it even more imperative for companies like UCL to play a role by creating opportunities for graduates through internships and employment.

Responding to Disasters

In the wake of devastating natural disasters in the past, UCL provided corporate funding and our employees raised money to support recovery efforts as well as provide support and comfort for those forced out of their homes. We pulled together to make a difference life for:

- flood affected people;
- victim of natural disasters like SIDOR, AILA etc.
- those affected by cold waves/havoc;

Volunteerism

UCL employees care and want to make a difference, so we look for programs in which our employees can also engage. We connect community organizations – which often consider human support as valuable an asset as financial support – with interested UCL employees. By volunteering, UCL employees are taking responsibility to help enrich the well-being of local communities. Volunteering also gives employees opportunities to build their skills, network and learn more about their communities.

Civic Contributions

UCL is a member of different associations that track and advocate on issues of interest to their membership, including the Dhaka Chamber of Commerce and Industry, Bangladesh Association of Publicly Listed Companies, The Institute of Bankers, Bangladesh.

UCL is also a member of Bangladesh Leasing and Finance Companies Association an apex body of financial institutions that serves common interest of member companies.

UCL & ITS ENVIRONMENT

Taking responsibility – to be an environmental leader

Our Approach

We equate a healthy environment with a healthy economy. The combined pressures of population growth and urbanization place growing demands on basic resources – such as energy, water, and land. These resources are becoming increasingly constrained, and costs are rising. Just like our customers, employees, and community we are concerned about reducing our environmental impacts. How to manage the growth of a business, while reducing demands on scarce resources, is at the heart of responsible development. Whether through our financing activities, our products and services, or how we operate our facilities, this is top of mind for UCL.

2014 Challenges

- Achieving targets on paper reduction
- Increase environmental awareness and build employee engagement.
- Continuing to manage the environmental and social risks associated with financing activities.

Environmental Pillars

Our goal is to be an environmental sensitive. We have been building an environmental strategy that will be embedded within UCL's vision and mission. Our environmental strategy will reach across all aspects of our business and will be managed through:

- Reducing the environmental footprint of our business operations;
- Responsible financing;
- Engaging our environmental stakeholders in dialogue to promote understanding and solutions.

While there are many environmental issues that need attention, we concentrate our efforts on issues where we can be most effective. In response to feedback from customers, employees and other environmental stakeholders, we selected two areas to focus on: energy and paper.

Reducing UCL's Operational Footprint

We're committed to continuous improvement to lower UCL's operational footprint through:

- reducing energy use across UCL's business operations and fleet;
- reducing non-paper waste and e-waste; and
- reducing paper usage;

Responsible Financing

Our financing activities include loans, lease, project financing etc. Our goal is to make balanced, informed and transparent financing decisions. We work with our clients and stakeholders to proactively mitigate environmental and related social risks in our financing activities.

UCL is an investment bank and a nominal percentage of total investment involves clients operating in environmentally and socially sensitive industries such as power generation, automotive and chemicals.

UCL has developed the following policies that support responsible financing:

Protecting Biodiversity

UCL does not lend money for transactions that would result in the degradation of protected critical natural habitats.

Illegal and restricted business

We do not lend money for transactions that are directly related to the trade in or manufacturing of material for chemical or biological weapons or cluster bombs, tobacco etc.

Anti-Corruption

UCL applies anti-corruption and anti-fraud controls to activities that are known to be susceptible to criminal activity or have been designated as being at high risk for money laundering or terrorist financing.

Renewable Financing

UCL promotes energy diversity as a means of meeting the growing energy demand and supply gap. Financing of renewable projects is in the priority list of our investment.

We firmly believe that being a responsible business directly contributes to our financial success. creates value for our global stakeholders. serves as a primary business strategy and strengthens our position as a market leader. We are dedicated not only to meeting the needs of our clients and shareholders, but also serving as a responsible corporate citizen through support for the diverse communities and environments in which we live and work.





ENVIRONMENT INITIATIVE | Putting partnership in action

or UCL, a commitment to environmental leadership is part of who we are and how we operate, shaping just about everything from the design of our facilities to how we serve customers to our financing practices. And for good reason, our environmental focus is good for the planet, but it's also a key factor in our success as a financial institution.

What differentiates UCL's approach to the environment is that it's grounded in four pillars that embed the environment across our business:

- Reducing the environmental footprint of our business operations
- Responsible financing that includes proactive engagement of environmental and related social risks
- Developing green products and service options for our customers
- Engaging employees and communities to raise environmental awareness and make an impact

Our regulator Bangladesh Bank has taken rigorous steps to encourage green banking in Bangladesh through the issuance of guidelines on green banking and Environmental Risk Management (ERM). It is encouraging banks and financial institutions in minimizing paper transactions and installing solar power system, opening up refinance line for solar energy, bio-gas and effluent treatment plant (ETP) at reduced interest rates. The central bank introduced Tk 2.0 billion refinancing line for financing solar energy, biogas and effluent treatment plant (ETP) at only 5 percent interest rate.

WHAT WE DO

Building partnerships needed to address environmental problems is our priority. Environmental Initiative has a range of capabilities to address environmental issues. We conduct our work through conversation with our customers to address environmental issues. We have been placing importance more on environment complient projects for financing.

OUR INTERACTIONS AS FINANCIAL INSTITUTION

On a more practical level, UCL interact with the environment in a number of ways:

- As investor providing investment needed to achieve sustainable development.
- As innovator developing products to encourage sustainable development - e.g. in energy efficiency.
- As powerful stakeholders shareholders and lenders can exercise considerable influence over the management of UCL.
- As victim of environmental change e.g. from climate change.

COMMITMENT FOR RESPONSIBLE INVESTMENT

There is growing interest from UCL in environmentally responsible investment, and this has led to the development of some progressive environmental investment initiatives as under:

Sustainable operations: From minimizing paper transactions to energy conservation in our offices, we are working to reduce our operational footprints on the environment.

Sustainable lending : We take environmental protection into account when making lending decisions. In corporate financing this means incorporating environmental due diligence into the lending process, which may include site visits, varification of client's environmental papers.

Green products and services: We will explore developing new products and services that respond to customers demand for sustainable choices like paperless statements.

Community activities : We are planning to generously support environmental organizations and projects initially in Dhaka city.

New avenues and technologies are being pursued continuously for protection of the environment. Customers are encouraged to use environmental friendly machinery and equipments to minimize the impact on environment. Concessionary interest rate is offered to clients having certificates from department of environment, Government of Bangladesh.

CORPORATE CULTURE Putting partnership in action

UCL's corporate culture centres on the common interests of the company and its customers by seeking to establish strong and long-term relationships between the two. Sustainability, in the context of human resources, means encouraging our employee to think about the longer term rather than just focusing on immediate goals. This applies in all contexts, from succession planning and talent management to the way we work with employee and community outside the Company.

Eleven

Business

Principles

Identifying

orporate culture has an immense impact on UCL's human resources, through knowledge acquisition, job development, training, communication and leading to job satisfaction. In this environment important is placed on effective management, a clear definition of responsibility, straightforward work processes with minimum bureaucracy. In this way UCL is able to serve its customer at its best helping them to achieve their goals.

BUSINESS PRINCIPLES

In order to ensure that our customers are getting the best possible service, We have organized the tenets of its culture into following business principles and these principles are undertaken by all UCL's operations.

Long-term relationships

UCL's main objective is to develop and maintain long-term relationships with its clients.

Their needs and interests are made a priority, since their success consequently fuels our success, thus establishing a common goal.

Passion for

building

businesses

Teamwork

The best results are achieved only when the employees of UCL and its customers work together as a team. Effective cooperation and proper communication ensure quick and professional service and provides the basis for efficient teamwork.

Fun & flair

Business becomes a pleasure when an organization takes part in celebrating its clients' successes. Providing professional advice and achieving excellent results leads to shared enjoyment, underscoring company's commitment to its clients.

Trumping bureaucracy

Cutting bureaucracy enables employees to respond quick to its clients' needs. Short and straight lines of communication, a clear definition of responsibility and the delegation of power provide the customers with sharp, quick and effective service.

Efficient decisions

Effective service to the customers is based on effective and efficient decision-making. This is achieved through the devolution of power and open communication. This also makes for an exciting and highly motivating work environment that attracts talents and qualified candidates.

Welcoming change

The business environment is constantly undergoing changes, bringing the company up against new challenges. In order to assist clients in gaining a competitive advantage, we need to keep ourselves abreast of changing business practices and seeks to implement changes ahead of the competition.

Identifying opportunities

By identifying opportunities where others see business as usual, UCL is able to advise its clients effectively and provide them with exceptional choices. We are confident that our employees are able to perform this task by providing customers building their confidence

and encouraging their initiative.

Embracing competition

Both UCL and its customers face intense competition in a rapidly changing business environment. However, we view competition as a powerful motivator, as a spur to keep our business ahead of the times and providing its customers with the best possible service in the industry.

Intelligent risk taking

opportunities UCL uses its expertise to advise its clients on the risks they face and enable them to make informed decisions. Up to date information and gualified personnel ensure intelligent risk assessment and decisionmaking.

Passion for building businesses

UCL is determined to build its customers businesses for the benefit of the Company and its customers.

The best possible business results can be achieved through a strong and committed team of UCL through personnel and customers working in unison, focusing on the task at hand.

Rewarding talent

To ensure that our clients receive superior services, we reward those employees who perform most successfully. Our greatest resource is our employees and it places great emphasis on retaining good employees, that is, those who provide the greatest benefits to our customers.

POLICIES FOR EMPLOYEE BEHAVIOUR

Discipline

- We will always put laws and social conventions before profits.
- We will act as ethical individuals and dignified citizens.
- We will not conceal damaging information about our company or ourselves, and will quickly make such information available to concerned parties.
- We will take a firm stand against antisocial forces, and refuse to have dealings with them.

Integrity

 We will act in good faith in order to win the trust of our customers.







- We value the maintenance of long-term relationships of trust with our customers, local communities, and our shareholders.
- We will be fair in our dealings and with our competition.

Harmony

- We will act through the cooperation of all our employees, who are united in their efforts to assess what is best for society.
- We value our connections with local communities as we aim to become a good corporate citizen.
- We will seek to achieve harmony between the natural environment and our work.

Diligence

- We will approach our work with an attitude of fortitude and austerity.
- We will continuously apply our originality and ingenuity to develop our productivity.
- We will immediately put good ideas into action.

Technical Improvement

- We will seek to hone our creativity, believing that innovation is the source of our competitiveness.
- We will aim to attain the sound technological level as we continuously improve our technology.
- We will actively seek to acquire new knowledge and skills without the fear of making mistakes.







Contribution to NATIONAL ECONOMY

e recognize that Union Capital Limited has the corporate responsibilities to the development of the community and the country as a whole. We aspire to be known as an institution that builds enduring relationship with and delivers value for our customers, shareholders, employees, government and the community where we do business.

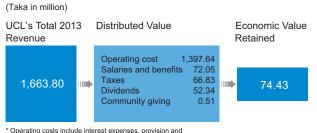
OUR PRIORITIES

- Provide strong returns to shareholders
- Pay fair share of taxes
- Support small business and community economic development
- Foster innovation and entrepreneurship
- Purchase goods and services responsibly
- Protect environment
- Enhance market place
- Build nation
- Create employment

Companies both large and small can help shape the economies of a community and country in which they do business, simply through their day-to-day business decisions and actions. Our ongoing objective is to make sure that UCL businesses are taking on only risks they understand and that are manageable within an acceptable level. Our most direct contribution comes through maintaining a strong business with solid earnings and profits. This allows us to pay our employees and lenders and depositors, contribute taxes and revenues to government and provide dividends to our shareholders. Our contribution to national economy is thus:

Providing financial products and services: As a financial services provider, UCL contributes to the economic prosperity by providing financial products and services to the industrial undertakings including SMEs which have become keys to economic growth of the country and without opening up of the financial sector to semi urban and rural areas, the projected growth of the economy will not be achievable. UCL has given strong focus in this area which is evident from the growth rate achieved during the year. Based on the financials as on 31 December 2013, UCL has a total credit exposure with around 3,137 customers of Tk.10,748.60 million. Such facilities were extended mostly for importation of capital machineries and working capital and to portfolio investors as margin loan. UCL also manages IPOs of different companies to raise capital from the capital market. This is how UCL contributes to the industrialization and capital market development of Bangladesh and thus helping employment generation.

DIRECT ECONOMIC VALUE GENERATED IN 2013



 Operating costs include interest expenses, provision and management expenses excluding salaries and benefits 's responsibilities to the development

UCL's responsibilities to the development of the country as a whole

UCL is one of the major employer, taxpayer and financial services provider amongst the non-banking financial institutions in Bangladesh. Our role in the economy is extensive. Our everyday business activities touch the financial lives of millions of people and businesses.

Union Capital Limited 151

Also the Company has mobilized term deposits of Tk. 7,836.86 million from 311 depositors helping them build up savings for investment in national economy.

Paying fair share of taxes to Government: UCL

contributes to the economy paying out fair share of taxes to Government in collection of revenues. The Company deducts withholding tax and VAT at source from payment of interest on term deposits, products and services, salary & allowance to employees and deposits the same to the government exchequer. Besides this the Company pays tax on its various earnings i.e. income tax on its income as well as VAT on its fee based income. During the year 2013 the Company withheld and deposited tax & VAT at source of Tk. 64.42 million, collected and deposited VAT and excise duty of Tk. 5.27 million. In 2013 the Company also paid advance tax of Tk. 22.66 million against the current assessment year.

Creating employment: We make an economic impact by creating employment and a well-trained human resource. UCL and its subsidiary companies employed as many as 127 employees as on 31 December 2013. We believe that the human resources act as the catalyst behind the development, success and future sustainability. The Human resources of the Company is guided by a robust HR Policy, attractive work place, competitive pay band and rewarding career opportunities transforming human resources in to human capital. During the year 2013, UCL spent total Tk. 0.64 million for training and HR development and paid a total amount of Tk. 72.05 million as salaries and allowances to its employees (2012: Tk. 56.99 million).

Maximizing shareholders' value: We recognize our fiduciary duty to our shareholders and seek to establish constructive relationships. We are focused on maximizing long-term shareholders' value through strong financial performance and returns, disciplined and profitable investments. Over the past many years, UCL has been paying a satisfactory dividend to its shareholders placing it among the top ranking non-banking financial institutions. For the last five years UCL paid dividend on an average more than 33 percent to its shareholders.

Taking environment initiatives: Sustainable development, economic growth and a healthy environment are inter linked. In this backdrop, we take supportive role in terms of providing financial services by restricting and discouraging those projects that cause pollution for environment and health hazard. In this regard, we have adopted Green Banking Policy and formed a Committee for its implementation in all of our operational activities.

Supporting Community: We always agree in building prosperity by supporting a broad range of causes through donation and sponsorship. We encourage our employees to participate in social and charitable programs. As a part of its social responsibility, the Company contributes to various funds in the form of cash, warm cloth distribution, gives support to flood affected people and to the people who were affected by the natural calamities. As the commitment of business to contribute to sustainable economic development of the country and as a stakeholder of this society, Union Capital Limited provides help and support in several ways to alleviate the sufferings of the society. In 2013 we made the following contributions:

Society For Assistance to Hearing Impaired

Children (SAHIC): SAHIC is a Non-Governmental Voluntary organization serves the unfortunate victims of hearing impaired children in Bangladesh. They provide pre-school education facility to the hearing impaired children of low income group. Union Capital Limited extends its financial support for this education program on regular basis.



Union Capital Limited, under its CSR activities, has become the "Foster-partnership" to sponsor the annual educational expenses of Tk. 360,000/- (taka three lac sixty thousand only) for the 20 (twenty) hearing impaired children of the "Rosi-Flower Integrated Pre-School for Hearing Impaired Children"



to make the opportunity of the hearing impaired children of low income family to take the education with free of cost for last three years. Moreover, UCL donated a high resolution Multimedia projector and projector screen to SAHIC for the education purpose as well as to make presentation to the visiting doctors around the world.

Financial Support to the Tornado affected people:

A tornado lashed several villages in Sadar and Akhaura upazilas of Brahmanbaria on Friday, March 22, 2013 afternoon. About twenty one people were killed and over 500 injured as there was tornado havoc in 21 villages of Sadar, Akhaura and Bijaynagar upazilas of Brahmanbaria. The tornado devastated innumerable thatched houses, uprooted thousands of trees, damaged crops, huge property. The affected people were passing the days in a very terrible and miserable way. As they lost almost



everything they had, poor people, the major victim of this natural disaster, couldn't meet their daily needs like food, cloths, medicine and were living direct under the open sky as they lost their houses too.

To help a little of them from this tornado havoc, the management of Union Capital Limited extended its hand to provide a token financial support to 50 affected families for Tk. 2,000/- each to meet their urgent requirements.

Pre-School Education Program: Retired Police Officers' Welfare Association Bangladesh undertook different social activities among which they set up a school and conduct education program for the poor,



underprivileged children working at the Mess/Barrack of Rajarbagh Police Lines. Union Capital Limited widens financial assistance to purchase of school books, bags, uniforms etc. for the students under this education program.

Financial Assistance to the victims of 'Savar Rana Plaza' Tragedy: We all are aware about the terrible massacre of 'Savar Tragedy' held on April 24, 2013. The death toll was about 1,134. To contribute for the victims of 'Savar Tragedy' and for strengthening the capacity of the Prime Minister's Relief and Welfare Fund to make affective response at times of such natural and national calamities, Union Capital Limited donated an amount of Tk. 5.00 lac in favor of Prime Minister's Relief and Welfare Fund.

Moreover, the employees of Union Capital Limited contributed their 'one day salary' to the 'Prime Minister's Relief Fund to help the victims of Savar tragedy.



Support to the Cold spell affected poor people : Because of the cold spell and dense fog, the normal life of poor people had been disrupted throughout the country in this year. As part of the Corporate Social Responsibility, Union Capital Limited extended its hand to protect a little of them from the cold havoc by distributing 2,000 pcs blankets in 03 different areas of Bangladesh.



Promoting growth of Small business: Small business is an important engine driving economic growth. Financing is essential for many small businesses to start, operate or grow, and UCL offers a host of credit solutions tailored to meet the needs of diverse businesses at various stages. We also strive to provide the best possible products, financial services, advice and expertise to help this sector prosper.

Inclusive growth : We believe we create best value for our shareholders by also bringing value to the community where we operate in. Because our business is not isolated from society but embedded within it, the success of UCL is inextricably linked to the wellbeing of the wider community. So along with creating jobs and paying taxes, we seek to stimulate local enterprise, to support economic development, to collaborate with governments and others on shared challenges and to help tackle the possible effects of our investment activities - all essential underpinnings of our ongoing success aimed at increasing productivity and incomes of the poor in several low income occupations which will continue as important sources of employment. This way we, UCL group, grow with our shareholders, customers, lenders, employees, other stakeholders and the society as a whole.

REPORT ON HUMAN RESOURCE | The strength for sustainable future



One of UCL's principal strengths is the quality and dedication of its employees and their shared sense of being part of a team. Their diverse vantage points and unique abilities create a broad range of skills and knowledge that underpin our work. In order for UCL to continue its steady growth, it is essential that it retains key employees and provides an attractive opportunity for new personnel.

e are accountable to our clients and it is essential that the employee we employ recognize the importance of this. Employee that are motivated, reliable, well trained and committed deliver superior service levels and we look for these characteristics during the recruitment process. Our employee engagement levels are the highest we have ever experienced.

OUR PRIORITIES

- Foster a culture of employee engagement
- Provide competitive compensation and total rewards
- Enable growth through training and development opportunities
- Respect diversity and promote inclusion

A CULTURE OF EMPLOYEE ENGAGEMENT

As our business and workforce grow and become more diverse, it's important that we continue fostering a strong sense of how we succeed together. We do this by making it easy for employees to understand the roles they play in fulfilling UCL's strategies, helping employees grow personally and professionally, and being committed to employee engagement.

We recognize that well-informed employees are more likely to align their

actions with company goals. Employees have many opportunities to learn and ask questions about company goals, strategies and progress through meetings with senior management, regular formal communications and our extensive intranet.

We have a long history of listening and responding to our employees, and we regularly seek feedback and comments. We gather employee input on our progress in key areas including career development, performance enablement, employee engagement and workplace culture. By understanding employees' views, UCL can take action to address their needs and the company's priorities.

We offer a challenging working environment where everyone feels valued and respected. We are committed to the principle of equal opportunities and we ensure that job applicants and employees do not face discrimination on the grounds of gender, marital status, race, ethnic origin, religious belief or age.

This results in high levels of employee engagement and a strong commitment to clients.

DIVERSITY AND INCLUSION

UCL is a leader in valuing diversity. Our strength comes from a combination of what we have in common, like shared values and purpose, and what makes us different, like experiences and perspectives. By bringing together those similarities and differences, we are able to break new ground and better serve our clients and communities.

We believe in creating an inclusive environment for our employees, where they can feel valued, respected and supported - a place where employees can develop their own unique abilities and realize their aspirations.

COMPETITIVE COMPENSATION AND TOTAL REWARDS

At the heart of an engaged workforce is a flexible, competitive and meaningful rewards program. Our program is based on an understanding of what employees value. It recognizes that flexibility and choice are the best response to meet our employees' diverse needs. Our comprehensive approach rewards employees for their skills and contributions by offering employees competitive compensation, benefits and a positive work environment.

GROWTH THROUGH TRAINING AND DEVELOPMENT

We aim to create a learning culture and provide opportunities for our employees to fully apply their knowledge and skills in the service of the company. We will help our employees to continue their development in the interests of the company and its objectives.

Employees expect ongoing career and learning opportunities to be a part of their total rewards program and our commitment to continuous employee growth and development helps ensure we meet the current and future needs of both our people and our clients. Employees also have access to the training resources they need to learn and grow through our in house learning opportunities.

RECRUITMENT

A great part of success in the financial services industry depends, more than anything else, on the know-how, experience, talent, and commitment of human capital. For UCL to continue to succeed, the company must be able to attract, develop and retain qualified people. UCL's employees should be able to benefit from its strong business principles, its fastmoving and entrepreneurial spirit, and the broad opportunity for individual and team success.

CAREERS AND DEVELOPMENT

The people of UCL are part of a culture of integrity and leadership, which they have an active role in creating. They form a community in which people's potential and talents are cultivated with the aim of establishing lifelong careers. High-quality employees are trained and fostered, with the goal of developing tomorrow's leaders.

Leadership is certainly among the strongest elements fostered by UCL seeking to demonstrate leadership both in the industry and in the society where it operates. In order to sustain this element of

A good working

environment is paramount to any company's success and the wellbeing of its employees. At UCL we strive to create a flexible and challenging framework that always attracts top quality candidates and encourages existing employees to continuously hone their skills and excel in their fields. this element of leadership, strong emphasis is placed on developing employees through in-house training programmes as well as by supporting and organizing educational opportunities outside UCL.

As a forward-looking enterprise, UCL strives to continually stimulate its employees to uphold the state of the art in their respective fields. In order

to inspire trust and create added customer value, great emphasis is placed on maintaining employees' knowledge and skills through training, development and informative feedback. As in previous years, UCL placed great emphasis on training its managers and developing their leadership qualities. Moreover, the annual meeting with employees, play a central role in making sure that the strategy and objectives for each year are clearly communicated and executed. It is vitally important that those who drive company's success are fully informed of its vision, strategy, and focus for the year and know what kind of contribution is expected of them as individuals in order to achieve these.

JOB SATISFACTION AND RETENTION

A good workplace environment leads to greater job satisfaction, which works to everyone's benefit. General job satisfaction and commitment proved to be high compared to other companies. Morale at UCL is high and new employees feel they are well received. Furthermore, employees feel their opinions count at work and are encouraged to express new ideas for improvements. Moreover, information flow is effective and company's objectives and visions are considered clear.

SALARIES AND BENEFITS

In addition to a monthly salary, bonuses are paid to those key employees and management who directly affect company's performance. Bonus payments are subject to the individual's performance as well as company's profits.

COMMUNICATION

UCL places great emphasis on keeping employees informed about UCL's vision, strategy and focus. Moreover, the company provides regular communication to its employees with information regarding current news, events and achievements.

The open flow of information within UCL is important in order to maintain efficient operations. Employee engagement is facilitated through corporate intranet.

Furthermore, the CEO and senior executives visits different offices of UCL which opens face-to-face dialogue between employees and senior management. Through these channels UCL supports a flat organizational structure and encourages collaboration throughout UCL.

EMPLOYEE MORALS

At UCL, employees stand for excellence in everything they do.

- they help our customers become the best in class.
- they foster creativity and innovation.
- they strive to constantly improve our professional skills.

At UCL, employees work with passion without obsession.

- they do our jobs with enthusiasm.
- they are proud of what they achieve together.
- they balance our customers', our colleagues', our own, and our investors' needs.

At UCL, employees walk our talk.

- they treat each other and our partners with trust, fairness, and respect.
- they honor our commitments and stand up for our beliefs.
- they speak with one voice internally and externally.
- At UCL, employees feel responsible for their actions.
- they take care in all they do and are aware of possible outcomes and consequences.

- they take decisions and make results known.
- they share information openly in the interest of UCL.

At UCL, employees cross borders.

- they respect other opinions and discuss them openly.
- they support teamwork and the mutual exchange of knowledge and people regardless of cultures, genders, segments, and levels.

HUMAN RESOURCE STRATEGY

- Attract qualified personnel by creating a motivated workplace;
- Retain competent employees by creating a superior workplace;
- Provide new employees with appropriate training from the outset;

- Encourage employees to maintain professional skills and give them the opportunity to develop and grow;
- Ensure maximum employees success empower the individual, provide an opportunity to show initiative and command independent initiative;
- Maintain a spirit of ambition, efficient decisionmaking, flexibility and quick responses to changes;
- Create a strong management team;
- Sustain an environment that supports a balance between work and life;
- Ensure equal opportunities, with regard to employment, work facilities, assignments, training, job development and salaries;
- Align the interests of employees with the interests of the organization.

UCL continues to maintain a very satisfactory position in terms of people productivity. This is confirmed by the following indicators:

	2013	2012	2011
Total Employee	89	95	98
Net income per employee (BDT in million)	2.36	1.14	3.97
Operating revenue per employee (BDT in millio	on) 18.98	12.08	12.33
Assets per employee (BDT in million)	146.69	110.48	100.94

Staff Strength	2013	2012	2011
Senior Management	10	9	9
Mid Level Management	22	43	44
Junior Level Management	44	22	23
Support Staff	13	21	22
Total	89	95	98

Age analysis of the employees as at 31 December

Age group	Senior	Mid level	Junior level	Support	2013	2012
Year	Management	Management	Management	Staff	Total	Total
51-60	2	1	0	0	3	3
41-50	3	2	0	2	7	10
31-40	4	16	16	3	39	34
21-30	1	3	28	8	40	48
Total	10	22	44	13	89	95

Average age of the employees as at 31 December 2013 was 30.72 years (2012 : 32.78)

Service analysis of the employees as at 31 December

Service group Year	Senior Management	Mid level Management	Junior level Management	Support Staff	2013 Total	2012 Total
Above 10	2	2	0	1	5	8
7-10	0	2	1	1	4	3
5-7	0	3	1	2	6	11
2-5	2	7	8	6	23	58
Below 2	6	8	34	3	51	15
Total	10	22	44	13	89	95

Average service life of the employees as at 31 December 2013 was 2.73 years (2012 : 4.0)

HUMAN RESOURCE ACCOUNTING

Quantitative information about the value of human resource

There are several areas in which non-monetary measurements may be evolved in accounting and human resource accounting is probably one of these. To make valuation of human resource objective and comparable there must be a universally acceptable method of valuation.

uman dimension is the key to organization's success. Several initiatives for development of human resources to meet new challenges in the competitive business environment have gained momentum. UCL acknowledges the value of its human assets who are committed to achieve excellence in all spheres. The Human resource profile given below in table shows that UCL has a mix of energetic youth and experienced seniors who harmonize the efforts to achieve the company's goals.

Age	21-30	31-40	41-50	>50	Total
No. of Employees	40	39	7	3	89
Management Cadre	4	19	5	3	31
Non Management Cadr	e 28	17	0	0	45
Support Staff	8	3	1	1	13
Average age					30.72

Human resource, as it is a key to success, is considered as asset in many organizations and thus related expenditure is treated as investment. The cost of human resource comprises of both capital (asset) and revenue (expenses). This cost is classified into four main categories namely

- Acquisition cost incurred to acquire the right employee for the job.
- Development (training) cost incurred to enrich employees' skills help them to increase productivity and thus training cost are.
- Welfare cost incurred to improve the quality of life i.e. to create a conducive working environment.
- Other cost for instance employee's safety, exgratia, and incentives.

The acquisition cost includes the recruitment cost, selection cost and placement cost. Training cost comprises of

- formal training cost
 on job training cost
 - special training cost
 development programs

Welfare cost comprises of medical expenditure, general and special allowance, canteen expenditure and other welfare expenditure.

Accounting Standard for Human Resource

International Accounting Standards (IAS) 38 defined intangible asset as "an intangible asset is an identifiable non-monetary asset without physical substance held for use in production or supply of goods or services, for rental or others or administrative purposes".

IAS 38 requires that for an asset to be recognized as intangible asset it should be identifiable in a way that it is possible to distinguish it from goodwill. In addition the enterprise should have sufficient control of the

asset in order to meet the definition of intangible asset. Based on this definition human resource is identifiable and possible to separate it from goodwill thus can be recognized as intangible asset. According to IAS 38 an asset is considered separable if a firm could sell, rent, distribute or exchange the specific future benefit attributed to the asset without disposing of future economic benefits that flow from other asset in the same revenue activity. Though it is not possible to sell, rent, exchange or distribute human asset, when an employee is relied his duty it does not require disposing of future economic benefit that flow from other asset thus has some qualities of intangible assets. Furthermore IAS 38 states that for an intangible asset to be recorded at cost the following criteria must be met:

It is probable that future economic benefit attributed to the asset will flow to the firm.

Investment in human resource can be measured reliably based on cost incurred for recruitment, selection training and development. Though the employees can leave the organization at his own will unlike other asset it is probable that future economic benefit will be derived from the employees during the duration of his employment.

All this definition in IAS 38 indicates that it is possible to treat investment in human resource as asset by capitalizing cost related to human asset and recording it in the balance sheet.

Significance of HR Accounting

All the companies that furnish information about human resource value included such report as a separate report from the main financial statement i.e. the income statement and the balance sheet. This means that human resource accounting is not still considered as part of financial statement but additional materials for use by users of annual report. Thus human resource accounting is in need of further development in order for human resource data to receive equal weight like other items in the balance sheet and income statement. In order for human resource accounting to have significance and to be part of financial statement the value of human resource as computed by various company should be incorporated in the balance sheet.

Human resource accounting practice in Bangladesh

Bangladesh like many other countries has not given much consideration to issues related to human resource accounting. In Bangladesh this concept is struggling for acceptance and has not been introduced so far as a requirement. Neither the Companies Act nor the Regulators do require the listed companies to prepare HR Accounting to be attached in their annual report.

Our People Lead the way

have gained skills and experience that I never imagined. I am grateful for the opportunity that I have been given and look forward to many more years at UCL with the chance to keep growing within the company. I know that UCL is a financial service provider and I take pride in my work because I know people are expecting a great product. I believe in the excellence of the products myself which motivated me to provide the best products.

made the decision to join UCL which has been one of the best decisions that I've made. I love working at UCL. I truly feel like it is a unique, employeeoriented company with strong values and a dedication to everyone who works here sincerely. I feel like I am valued and that I am really able to contribute to the growth and culture of the Company. I love it !

feel like my work here is always recognized never overlooked. The atmosphere at UCL is one of cooperation and support, which I think is rare in today's workplace. While many of my friends are searching for new "more satisfying" jobs, I know I am very fortunate to have had the privilege of being associated with UCL and working for a company that I know I will stay with for years. UCL is truly a great place to work.

thought that I had worked for good employers before but working for UCL has made me realise that in fact they were merely average. UCL is completely focused on being the best financial service provider in the market both from a quality and ethical standpoint with no exceptions. UCL is constantly pushing me to be the best that I possibly can be. I am aided in this through professional courses in relevant areas and we constantly strive for 'best practice'. For me UCL is the mark against which all other companies are measured.



158



appreciate that our leadership takes the time to teach me what they know. I have gained valuable knowledge and insight into the industry and services we offer.

have been with UCL for

have been impressed with

my experience so far. I am

thinking institution and the

proud to be part of such

an innovative, forward-

people make it a great

place to work.

less than a year and

Since I joined UCL I've been overwhelmed by the amount of goodwill towards this company. Employees are highly valued here and when a workforce is happy, it shows. I've never worked anywhere quite like it.

really enjoy working at

and high quality of work,

work with - to me, those

UCL - the fantastic clients

not to mention the people I

things are really important.

The atmosphere at UCL is very positive and vibrant. My team here at UCL is very supportive and friendly. The management team at UCL are very open, transparent and down to earth.

My experience so far of WUCL has been of working within a welcoming and friendly team. The kinds of work I have been doing have been varied, interesting and challenging and there has always been support from the team when I needed it. t's important for me to be part of UCL that fosters my career growth. With hard work, I believe I am on a good career path which will lead me to a senior position.

started at one of the leading financial institution but didn't get the type of hands on experience with clients that I wanted. When I moved over to UCL, I was given a great deal of responsibility – that allows me to learn not only the basics but advanced credit appraisal work.



VALUE ADDED STATEMENT | A part of social responsibility accounting

alue added is a measure of the economic strength of a company and indicates how much additional value (wealth) has been created by the company during the reporting period through utilization of its capacity, capital, manpower and other resources and how it has been distributed among the contributors of the value i.e. the stakeholders (employees, lenders, shareholders, government etc.). Therefore, a value added statement (VAS) is regarded as a part of social responsibility accounting. It shows the wealth or value created and attributed to all stakeholders rather than just the shareholders. While the income statements reports on the income of shareholders, the value added statement reports on the income earned by a large group of stakeholders, all the providers of capital plus employees and the

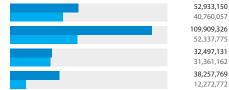
government.

(Figures in BDT)				
2013	2012			
UCL	UCL Group	UCL	UCL Group	
VALUE ADDED				
367,023,399	371,305,584	32,568,724	61,022,104	Net interest income
76,952,027	165,359,485	64,641,965	112,137,372	Fees earned including VAT
12,204,398	27,394,754	52,010,889	43,080,943	Investment income
39,335,962	42,272,225	93,258,472	95,636,803	Other income
(37,184,725)	(59,070,459)	(31,715,196)	(51,197,577)	Management expenses
(222,976,717)	(255,622,840)	(74,033,089)	(85,192,189)	Provision for doubtful losses
235,354,345	320,409,693	136,731,766	175,487,456	TOTAL VALUE ADDED

DISTRIBUTION OF VALUE ADDED

				In payment to Employees
52,933,150	72,050,210	40,760,057	56,999,062	As salaries and allowances
				In payment to Capital Providers
109,909,326	109,909,326	52,337,775	52,337,775	As Dividend to shareholders
				In payment to Government
32,497,131	66,830,594	31,361,162	51,960,937	As Corporate tax
				Expansion and business growth
28,834,742	31,850,672	2,470,108	4,387,017	As Retained income
9,423,027	9,802,664	9,802,664	9,802,666	As Depreciation
235,354,345	292,200,436	136,731,766	175,487,456	TOTAL DISTRIBUTION

DISTRIBUTION OF VALUE ADDED (UCL) 2013 2012 (Figure in Taka)



In payment to Employees In payment to Capital Providers In payment to Government

Expansion and business growth

DISTRIBUTION OF VALUE ADDED (GROUP 2013 2012 (Figure in Taka)

In payment to Employees In payment to Capital Providers In payment to Government Expansion and business growth

S	72,050,210 56,999,062
S	109,909,326 52,337,775
t	66,830,594 51,960,937
h	41,653,337 14,189,683

160

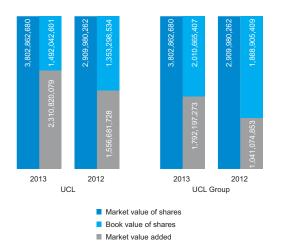
MARKET VALUE ADDED | External performance indicator of value creation

hile Economic Value Added (EVA) measures internal performance, Market Value Added (MVA) is a measure of external performance that indicates how the market has evaluated the Company's performance in terms of market value of share compared to book value of shares. MVA is the difference between the market value of equity of a company and the book value of equity invested in the company. Market value added is one of the market indicators of value creation. MVA, and particularly any change in MVA, constitutes a more relevant measure of value than just developments in share price. A positive MVA indicates that the company could add value to shareholders' wealth. The following statement indicates the MVA as at 31 December 2013 compared to the MVA of prior year:

Figures in BDT

2013		
UCL	UCL Group	
3,802,862,680	3,802,862,680	Market value of shares outstanding
1,492,042,601	2,010,665,407	Book value of the share outstanding
2,310,820,079	1,792,197,273	MARKET VALUE ADDED

2012		
UCL	UCL Group	
2,909,980,262	2,909,980,262	Market value of shares outstanding
1,353,298,534	1,868,905,409	Book value of the share outstanding
1,556,681,728	1,041,074,853	MARKET VALUE ADDED





ECONOMIC VALUE ADDED | Measures the wealth generation potential

conimic Value Added (EVA) is an overarching measure used to measure the wealth generation potential of the company. EVA is an internal management performance measure that compares net operating profit to total cost of capital. Economic value added is also referred to as economic profit. The EVA is defined as:

EVA = Net operating profit minus tax minus cost of capital

Economic value added is important because it is used as an indicator of how profitable company projects are and it therefore serves as a reflection of management performance.

The idea behind EVA is that businesses are only

(Figures in BDT)

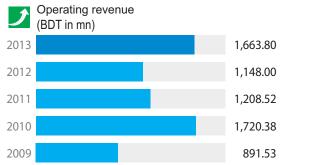
truly profitable when they create wealth for their shareholders, and the measure of this goes beyond calculating net income. Economic value added asserts that businesses should create returns at a rate above their cost of capital.

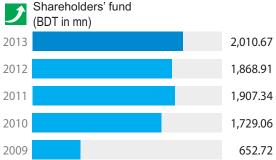
It succinctly summerises how much and from where a company created wealth. It includes the balance sheet in the calculation and encourages managers to think about assets as well as expenses in their decisions.

It forces that economy to shift away from managing its profits to managing its wealth by permitting the company to monitor and measure wealth generation. The following table indicates the EVA for the years 2013 and 2012:

2013		20	12	
UCL	UCL Group	UCL	UCL Group	
169,233,457	134,929,873	(91,889,249)	(141,554,247)	Economic Value Added (EVA)
394,217,915	464,213,432	160,202,133	193,877,918	Net operating profit
(32,497,131)	(66,830,594)	(31,361,162)	(51,960,937)	Provision for taxes
361,720,785	397,382,839	128,840,971	141,916,981	Net Operating Profit After Tax (NOPAT)
1,492,042,601	2,010,665,407	1,353,298,534	1,868,905,409	Shareholders' equity as on 31 December
441,580,384	451,710,223	502,960,655	516,733,551	Accumulated provision for doubtful losses
1,422,670,568	1,939,785,408	1,839,418,500	2,362,260,233	Average shareholders' equity
13.53%	13.53%	12.00%	12.00%	Cost of equity (%)*
192,487,328	262,452,966	220,730,220	283,471,228	Cost of equity
				Key ratios
10.67	8.11	(7.97)	(12.33)	EVA/Operating revenue (%)
11.90	6.96	(5.00)	(5.99)	EVA/Average shareholders' equity (%)
8.75	8.52	5.01	4.94	Net profit after tax/Operating revenue (%

* Based on weighted average rate of Sanchay Patra issued by the Bangladesh Government plus 2% risk premium





FINANCIAL STATEMENTS OF THE GROUP AND UCL

IN THIS SECTION

Auditors' Report to the Shareholders	164
Consolidated Balance Sheet	166
Consolidated Profit and Loss Account	168
Consolidated Cash Flow Statement	170
Consolidated Statement of Changes in Equity	171
Balance Sheet of UCL	172
Profit and Loss Account of UCL	174
Profit and Loss Account (Merchant Banking Operation)	176
Cash Flow Statement of UCL	177
Statement of Changes in Equity of UCL	178
Statement of Liquidity Analysis of UCL	179
Notes to the Financial Statements	180

Hoda Vasi Chowdhury & Co Chartered Accountants

Independent Correspondent Firm to Deloitte Touche Tohmatsu

Auditors' Report to the Shareholders of Union Capital Limited and its subsidiaries

We have audited the accompanying consolidated financial statements of Union Capital Limited and its subsidiaries (the "Group") as well as the separate financial statements of Union Capital Limited ("the Company") which comprise the consolidated and the separate balance sheet as at 31 December 2013, profit and loss account, statement of changes in equity, cash flow statement 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 consolidated financial statements of the Group and also the separate financial statements of the Company in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in note 2, 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, 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 the consolidated financial statements of the Group and the separate 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 whether the consolidated financial statements of the Group and 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 consolidated financial statements of the Group and the separate financial statements of the Company. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements of the Group and the financial statements of the Company, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements of the Group and the financial statements of the Group and 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 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 consolidated financial statements of the Group and also separate financial statements of the Company give a true and fair view of the consolidated financial position of the Group and the separate financial position of the Company as at 31 December 2013, and of its consolidated and separate financial performance and cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in Note 2 and comply with the applicable sections of the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

164

Hoda Vasi Chowdhury & Co

Report on Other Legal and Regulatory Requirements

We also report that

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- ii) in our opinion, proper books of account as required by law have been kept by the Group and the Company so far as it appeared from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- iii) the consolidated balance sheet and consolidated profit and loss account of the Group and those of the Company together with annexed notes 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 Group and the Company's business;
- v) the consolidated financial position of the Group and those of the Company as at 31 December 2013 and their profit for the year then ended have been properly reflected in the consolidated financial statements of the Group and those of the Company, and these financial statements have been prepared in accordance with the generally accepted accounting principles;
- vi) the consolidated financial statements of the Group and those of the Company have been drawn up in conformity with the Financial Institutions Act 1993 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank to the extent applicable to the Company;
- vii) adequate provisions have been made for leases and advances and other assets which are, in our opinion, doubtful of recovery;
- viii) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- ix) the information and explanations required by us have been received and found satisfactory;
- x) the Company has complied with relevant laws pertaining to capital and reserves and found satisfactory;
- xi) the consolidated financial statements of the Group and those of the Company conform to the prescribed standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- xii) we have reviewed over 80% of the risk weighted assets of the Group and the Company during the course of our audit and we have spent over 1,645 person hours.

Dhaka, 4 March 2014

Hoda Vasi Chowdhury & Co Chartered Accountants



Consolidated Balance Sheet

as at 31 December

BAS 1.51 (d), 1.113 & 1.33 2013 2012 Notes BAS 1.54 (d), 7.7 Cash Cash 8AS 1.54 (i), 7.7 82,910 21,100 In hand (including foreign currencies) Balance with Bangladesh Bank and its agent bank (including foreign currencies) Balance with other banks and financial institutions 108,450,437 93,374,946 Understand BAS 1.54 (d) 276,641,150 196,546,299 276,641,150 196,546,299 5.a BAS 1.54 (d) 276,641,150 196,546,299 276,641,150 196,546,299 5.a BAS 1.54 (d) 162,7749,003 1,442,144,605 1,627,749,003 1,442,144,605 Others		(Figures in BDT)			
Cash BAS 1.54 (i), 7.7 Cash 82,910 21,100 In hand (including foreign currencies) BAS 1.54 (d) 108,450,437 93,374,946 (including foreign currencies) BAS 1.54 (d) 276,641,150 196,546,299 In Bangladesh 276,641,150 196,546,299 In Bangladesh 276,641,150 196,546,299 In Bangladesh 276,641,150 196,546,299 5.a BAS 1.54 (d) BAS 1.54 (d) - Money at call and short notice Investments - - - - Government 1,627,749,003 1,442,144,605 Others 1,627,749,003 1,442,144,605 Others 1,627,749,003 1,442,144,605 6.a Total investments - BAS 1.54 (d) Loans, advances and leases 10,748,602,289 7,728,556,206 Loans, advances and leases - - Bills purchased and discounted 10,748,602,289 7,728,556,206 7.a BAS 1.54 (a)	BAS 1.51 (d), 1.113 & 1.38	2013	2012	Notes	
82,910 21,100 In hand (including foreign currencies) Balance with Bangladesh Bank and its agent bank 108,450,437 93,374,946 108,450,437 93,374,946 (including foreign currencies) 108,533,347 93,396,046 4.a BAS 1.54 (d) 276,641,150 196,546,299 In Bangladesh 276,641,150 196,546,299 In Bangladesh Outside Bangladesh 276,641,150 196,546,299 5.a Investments 276,641,150 196,546,299 5.a Investments BAS 1.54 (d) - - Outside Bangladesh 1,627,749,003 1,442,144,605 Others Investments 1,627,749,003 1,442,144,605 Others Investments 1,627,749,003 1,442,144,605 Others Investments 1,627,749,003 1,442,144,605 Others Investments BAS 1.54 (d) Loans, advances and leases Investments 10,748,602,289 7,728,556,206 Loans, advances and leases - - Bills purchased and discounted 10,748,602,289 7,728,556,206 7.a <td< td=""><td></td><td></td><td></td><td></td><td>PROPERTY AND ASSETS</td></td<>					PROPERTY AND ASSETS
Balance with Bangladesh Bank and its agent bank (including foreign currencies) Balance with Bangladesh Bank and its agent bank (including foreign currencies) BAS 1.54 (d) Balance with other banks and financial institutions 276,641,150 196,546,299 In Bangladesh 276,641,150 196,546,299 In Bangladesh 276,641,150 196,546,299 S.a BAS 1.54 (d) - - 0.1,627,749,003 1,442,144,605 Others 1,627,749,003 1,442,144,605 6.a BAS 1.54 (d) - - BAS 1.54 (a) 18,243,065 22,705,788 8.a BAS 1.54 (a) 18,243,065 22,705,788 8.a BAS 1.55 1125,820,151 1,011,995,781 9.a	BAS 1.54 (i), 7.7				Cash
108,450,437 93,374,946 (including foreign currencies) 108,533,347 93,396,046 4.a BAS 1.54 (d)		82,910	21,100		In hand (including foreign currencies)
BAS 1.54 (d) Balance with other banks and financial institutions 276,641,150 196,546,299 In Bangladesh - - Outside Bangladesh 276,641,150 196,546,299 5.a BAS 1.54 (d) - - 000000000000000000000000000000000000					
BAS 1.54 (d) Balance with other banks and financial institutions 276,641,150 196,546,299 In Bangladesh - - Outside Bangladesh 276,641,150 196,546,299 5.a BAS 1.54 (d) - - BAS 1.54 (a) 18,243,065 22,705,788 BAS 1.54 (a) 18,243,0		108,450,437	93,374,946		(including foreign currencies)
276,641,150 196,546,299 In Bangladesh 276,641,150 196,546,299 5.a BAS 1.54 (d) - - Money at call and short notice Investments 1,627,749,003 1,442,144,605 Others 1,627,749,003 1,442,144,605 Carns, advances and leases 10,748,602,289 7,728,556,206 Loans, advances and leases - - Bills purchased and discounted 10,748,602,289 7,728,556,206 7.a BAS 1.54 (a) 18,243,065 22,705,788 8.a Fixed assets including land, building, furniture and fixtures 1,125,820,151 1,011,995,781 9.a<		108,533,347	93,396,046	4.a	
- - Outside Bangladesh 276,641,150 196,546,299 5.a BAS 1.54 (d) - - - - Money at call and short notice Investments - - Government 1,627,749,003 1,442,144,605 Others 1,627,749,003 7,728,556,206 Loans, advances and leases 10,748,602,289 7,728,556,206 Loans, advances and leases - BIlls purchased and discounted 10,748,602,289 10,748,602,289 7,728,556,206 7.a BAS 1.54 (a) 18,243,065 22,705,788 8.a Fixed assets including land,	BAS 1.54 (d)				Balance with other banks and financial institutions
276,641,150 196,546,299 5.a BAS 1.54 (d) - Money at call and short notice Investments - - Government 1,627,749,003 1,442,144,605 Others 1,627,749,003 1,442,144,605 Others 1,627,749,003 1,442,144,605 6.a Total investments - - BAS 1.54 (d) Loans, advances and leases 10,748,602,289 7,728,556,206 Loans, advances and leases - - Bills purchased and discounted 10,748,602,289 7,728,556,206 T.a		276,641,150	196,546,299		In Bangladesh
BAS 1.54 (d) - Money at call and short notice Investments - - Government 1,627,749,003 1,442,144,605 Others 1,627,749,003 1,442,144,605 6.a Total investments - - BAS 1.54 (d) - Loans, advances and leases 10,748,602,289 7,728,556,206 Loans, advances and leases - - Bills purchased and discounted 10,748,602,289 7,728,556,206 7.a BAS 1.54 (a) 18,243,065 22,705,788 8.a Fixed assets including land, building, furniture and fixtures BAS 1.54 (a) 18,243,065 22,705,788 8.a Fixed assets including land, building, furniture and fixtures BAS 1.54 (a) 18,243,065 22,705,788 8.a Fixed assets including land, building, furniture and fixtures BAS 1.55 1,125,820,151 1,011,995,781 9.a Other assets		-	-		Outside Bangladesh
BAS 1.54 (d) Investments - - Government 1,627,749,003 1,442,144,605 Others 1,627,749,003 1,442,144,605 6.a Total investments BAS 1.54 (d) Loans, advances and leases 10,748,602,289 7,728,556,206 Loans, advances and leases 10,748,602,289 7,728,556,206 Loans, advances and leases Bills purchased and discounted 10,748,602,289 7,728,556,206 7.a Fixed assets including land, building, furniture and fixtures BAS 1.54 (a) 18,243,065 22,705,788 8.a Fixed assets including land, building, furniture and fixtures BAS 1.55 1,125,820,151 1,011,995,781 9.a Other assets		276,641,150	196,546,299	5.a	
BAS 1.54 (d) Investments - - Government 1,627,749,003 1,442,144,605 Others 1,627,749,003 1,442,144,605 6.a Total investments BAS 1.54 (d) Loans, advances and leases 10,748,602,289 7,728,556,206 Loans, advances and leases 10,748,602,289 7,728,556,206 Loans, advances and leases Bills purchased and discounted 10,748,602,289 7,728,556,206 7.a Fixed assets including land, building, furniture and fixtures BAS 1.54 (a) 18,243,065 22,705,788 8.a Fixed assets including land, building, furniture and fixtures BAS 1.55 1,125,820,151 1,011,995,781 9.a Other assets					
BAS 1.54 (d) - - Government 1,627,749,003 1,442,144,605 Others 1,627,749,003 1,442,144,605 6.a Total investments BAS 1.54 (d) Loans, advances and leases - 10,748,602,289 7,728,556,206 Loans, advances and leases - Bills purchased and discounted 10,748,602,289 7,728,556,206 7.a BAS 1.54 (a) 18,243,065 22,705,788 8.a Fixed assets including land, building, furniture and fixtures BAS 1.55 1,125,820,151 1,011,995,781 9.a Other assets		-	-		•
1,627,749,003 1,442,144,605 Others 1,627,749,003 1,442,144,605 6.a Total investments BAS 1.54 (d) Loans, advances and leases Loans, advances and leases 10,748,602,289 7,728,556,206 Loans, advances and leases - Bills purchased and discounted 10,748,602,289 7,728,556,206 7.a BAS 1.54 (a) 18,243,065 22,705,788 8.a Fixed assets including land, building, furniture and fixtures BAS 1.55 1,125,820,151 1,011,995,781 9.a Other assets	BAS 1.54 (d)				Investments
Interference Interference <th< td=""><td></td><td>-</td><td>-</td><td></td><td>Government</td></th<>		-	-		Government
BAS 1.54 (d) Loans, advances and leases 10,748,602,289 7,728,556,206 Loans, advances and leases - - Bills purchased and discounted 10,748,602,289 7,728,556,206 7.a BAS 1.54 (a) 18,243,065 22,705,788 8.a Fixed assets including land, building, furniture and fixtures BAS 1.55 1,125,820,151 1,011,995,781 9.a Other assets		1,627,749,003	1,442,144,605		Others
10,748,602,289 7,728,556,206 Loans, advances and leases - - Bills purchased and discounted 10,748,602,289 7,728,556,206 7.a BAS 1.54 (a) 18,243,065 22,705,788 8.a Fixed assets including land, building, furniture and fixtures BAS 1.55 1,125,820,151 1,011,995,781 9.a Other assets		1,627,749,003	1,442,144,605	6.a	Total investments
BAS 1.54 (a) 18,243,065 22,705,788 8.a Fixed assets including land, building, furniture and fixtures BAS 1.55 1,125,820,151 1,011,995,781 9.a Other assets	BAS 1.54 (d)				Loans, advances and leases
10,748,602,289 7,728,556,206 7.a BAS 1.54 (a) 18,243,065 22,705,788 8.a Fixed assets including land, building, furniture and fixtures BAS 1.55 1,125,820,151 1,011,995,781 9.a Other assets		10,748,602,289	7,728,556,206		Loans, advances and leases
BAS 1.54 (a) 18,243,065 22,705,788 8.a Fixed assets including land, building, furniture and fixtures BAS 1.55 1,125,820,151 1,011,995,781 9.a Other assets		-	-		Bills purchased and discounted
BAS 1.55 1,125,820,151 1,011,995,781 9.a Other assets		10,748,602,289	7,728,556,206	7.a	
BAS 1.55 1,125,820,151 1,011,995,781 9.a Other assets	BAS 1.54 (a)	18,243,065	22,705,788	8.a	Fixed assets including land, building, furniture and fixtures
	× /			9.a	
					TOTAL ASSETS

LIABILITIES AND CAPITAL

			Liabilities
1,988,792,036	1,989,439,426	10.a	Borrowings from other banks, financial institutions and agents
			Deposits and other accounts
7,374,991,783	4,321,421,786	11.a	Term deposits
461,863,431	276,879,475	12	Other deposits
7,836,855,214	4,598,301,261		Total deposits and other accounts
2,069,276,350	2,038,698,629	13.a	Other liabilities
11,894,923,599	8,626,439,316		Total liabilities
	7,374,991,783 461,863,431 7,836,855,214 2,069,276,350	7,374,991,783 4,321,421,786 461,863,431 276,879,475 7,836,855,214 4,598,301,261 2,069,276,350 2,038,698,629	7,374,991,783 4,321,421,786 11.a 461,863,431 276,879,475 12 7,836,855,214 4,598,301,261 2,069,276,350 2,038,698,629 13.a

Consolidated Balance Sheet

(Figures in BDT)				
2013	2012	Notes		
			Capital/shareholders' equity	
1,099,093,260	1,046,755,490	14	Paid up capital	BAS 1.54 (r), 1.78 (e)
281,817,425	254,068,611	15	Statutory reserve	BAS 1.54 (r), 1.78 (e)
-	7,000,000		Dividend equalization reserve	BAS 1.54 (r), 1.78 (e)
505,500,000	505,500,000		Revaluation reserve	BAS 1.54 (r), 1.78 (e)
124,254,553	55,581,160	16.a	Retained earnings	BAS 1.54 (r), 1.78 (e)
2,010,665,237	1,868,905,261		Total equity attributable to equity holders of the Company	
170	149		Non-controlling interest	
13,905,589,006	10,495,344,725		TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	
			OFF-BALANCE SHEET ITEMS	BAS 1.55
			Contingent liabilities	
-	-		Letters of guarantee	
-	-		Irrevocable letters of credit	
-	-		Other contingent liabilities	
-	-		Total contingent liabilities	
			Other commitments	BAS 1.55
986,200,000	400,000,000	45	Undisbursed contracted loans, advances and leases	
986,200,000	400,000,000		TOTAL OFF BALANCE SHEET ITEMS	
18.29	17.00		Net assets value per share (Year 2012: Restated)	

The annexed notes 1 to 64 form an integral part of these financial statements.

sd/-Chairman

sd/-Director

sd/-Managing Director & CEO Company Secretary

sd/-

Auditors' report to the shareholders see annexed report of date

Dhaka, 4 March 2014

sd/-Hoda Vasi Chowdhury & Co. Chartered Accountants

Consolidated Profit and Loss Account

for the year ended 31 December

	(Figures in BDT)			
AS 1.51(d), 1.113 & 1.38	2013	2012	Notes	
FRS 7.20 (b)	1,428,774,949	897,149,239	18.a	Interest income
FRS 7.20 (b)	(1,057,469,365)	(836,127,135)	19.a	Interest paid on deposits and borrowings etc.
AS 1.85	371,305,584	61,022,104		Net interest income
FRS 7.20 (b)	27,394,754	43,080,943	20.a	Investment income
RS 7.20 (c)	165,359,485	112,137,372	21.a	Fees, commission, exchange and brokerage
AS 1.85	42,272,225	95,636,803	22.a	Other operating income
	606,332,049	311,877,222		Total operating income
AS 1.104	64,970,210	53,039,062	23.a	Salaries and other employee benefits
S 1.97	18,679,585	18,206,821	24.a	Rent, taxes, insurance, electricity etc.
AS 1.97	804,662	248,891		Legal expenses
S 1.97	3,323,908	3,214,392	25.a	Postage, stamp, telecommunication etc.
S 1.97	7,933,556	5,996,982	26.a	Stationery, printing, advertisements etc.
S 1.104	7,080,000	3,960,000	27	Managing Director's salary and fees
S 1.97	1,111,500	755,000	28.a	Directors' fees
S 1.97	304,750	306,750	29.a	Auditors' fees
S 1.97	10,997,948	11,773,704	30.a	Depreciation and repair of assets
S 1.97	26,912,497	20,497,703	31.a	Other expenses
S 1.85	142,118,616	117,999,305		Total operating expenses
NS 1.85	464,213,432	193,877,917		Profit before provision
AS 1.97	134,982,012	8,947,231	12.1.0	Provision for loans, advances, leases and investmen General provision
S 1.97	109,589,808	146,673,512		Specific provision
S 1.97	11,051,020	(70,428,554)		Provision for diminution in value of investment
0 1.07	255,622,840	85,192,188	10.2.4	Total provision
	208,590,592	108,685,729		Total profit before tax
	200,000,002	100,000,120		
				Provision for taxation
S 1.82 (d)	69,093,869	53,217,334	13.4.a	Current tax
NS 1.82 (d)	(2,263,275)	(1,256,397)	9.2	Deferred tax
	66,830,594	51,960,937		
AS 1.82 (f)	141,759,998	56,724,792		Net profit after tax

Consolidated Profit and Loss Account

(Figures in BDT)				
2013	2012	Notes		
			Attributable to	BAS 1.83
141,759,977	56,724,773		Shareholders of the Company	
21	19		Non-controlling interest	
			Appropriations	
27,748,814	10,961,577		Statutory reserve	
114,011,164	45,763,196		Retained surplus	
109,909,326	109,909,326		Weighted average no. of outstanding share	
1.29	0.52	35.a	Earnings per share (2012: Restated)	BAS 33.66

The annexed notes 1 to 64 form an integral part of these financial statements.

sd/sd/sd/sd/sd/-Chairman sa/-Director Managing Director & CEO Company Secretary Auditors' report to the shareholders see annexed report of date sd/-Hoda Vasi Chowdhury & Co. Chartered Accountants Dhaka,

4 March 2014

Union Capital Limited 2013 Annual Report

Consolidated Cash Flow Statement

for the year ended 31 December

BAS 1.51(d) & 1.38	(Figures in BDT) 2013	2012	
B/(0 1.01(0) 0 1.00	2010	2012	Cash flows from operating activities
BAS 7.31	1,425,820,639	897,149,239	Interest receipts
BAS 7.31	(867,464,132)	(836,127,135)	Interest payments
BAS 7.14 (b)	165,359,485	112,137,372	Fee and commission receipts
BAS 7.31	5,328,264	17,314,431	Dividend receipts
BAS 7.14 (d)	(70,457,940)	(56,999,062)	Cash payments to employees
BAS 7.14 (c)	(27,599,515)	(29,389,235)	Cash payments to suppliers and management expenses
BAS 7.35	(49,775,041)	(155,740,065)	Income taxes paid
BAS 7.14 (b)	42,236,733	95,690,723	Receipts from other operating activities
BAS 7.14 (c)	(29,133,409)	(21,808,343)	Payments for other operating activities
× ,	594,315,084	22,227,925	Cash generated before changes in operating assets & liabilities
			Increase/(decrease) in operating assets and liabilities
	-	-	Statutory deposits
	-	-	Purchase of trading securities (treasury bills)
	-	-	Loans, advances and leases to banks and financial institutions
BAS 7.20 (a)	(3,238,805,906)	(493,661,445)	Loans, advances and leases to customers
BAS 7.20 (a)	(61,786,054)	163,337,950	Other assets
BAS 7.20 (a)	2,586,000,000	1,020,000,000	Deposits from banks and other financial institutions
BAS 7.20 (a)	652,553,953	(408,333,489)	Deposits from customers
	-	-	Other liabilities account of customers
	-	-	Trading liabilities
BAS 7.20 (a)	(188,021,931)	45,212,124	Other liabilities
	(250,059,939)	326,555,140	Cash generated from operating assets and liabilities
	344,255,146	348,783,065	Net cash generated from/(used) in operating activities
	4 004 040 000	700 557 570	Cash flows from investing activities
BAS 7.16 (d)	1,304,312,320	732,557,576	Proceeds from sale of securities
Bas 7.16 (c)	(1,547,623,571)	(921,325,111)	Payments for purchases of securities
BAS 7.16 (a)	(5,119,344)	(8,160,706)	Purchase of property, plant and equipment
BAS 7.16 (b)	54,993	3,625,069	Proceeds from sale of property, plant and equipment
	(248,375,603)	(193,303,172)	Net cash used in investing activities
			Cash flows from financing activities
BAS 7.31	-	(95,159,590)	Dividend paid
BAS 7.17 (c)	589,910,000	554,497,363	Receipts of long term loan
BAS 7.17 (d)	(576,192,275)	(634,147,839)	Repayment of long term loan
	-	65	Non-controlling interest
BAS 7.17 (d)	(14,365,116)	(74,392,919)	Net draw down/(payment) of short term loan
	(647,391)	(249,202,920)	Net cash generated from/(used) in financing activities
	95,232,152	(93,723,027)	Net (decrease)/increase in cash and cash equivalents
	-		Effects of exchange rate changes on cash and cash equivalents
	289,942,345	383,665,372	Cash and cash equivalents at beginning of the year
	385,174,497	289,942,345	Cash and cash equivalents at end of the year
BAS 7.45			Cash and cash equivalents at end of the year represents
	82,910	21,100	Cash in hand
	108,450,437	93,374,946	Balance with Bangladesh Bank and its agent bank
	276,641,150	196,546,299	Balance with other banks and financial institutions
	385,174,497	289,942,345	
			Supplemental schedule for non-cash financing activities Bonus share issued

Consolidated Statement of Changes in Equity for the year ended 31 December

(Figures in BDT Paid up capital) Statutory reserve	Dividend equalization reserve	Revaluation reserve	Retained earnings	Non- controlling interest	Total	Particulars	
1,046,755,490	254,068,611	7,000,000	505,500,000	55,581,160	149	1,868,905,409	Balance as at 1 January 2013	BAS 1.51 (d)
-	-	-	-	141,759,977	21	141,759,998	Net profit for the year 2013	BAS 1.106 (d)
-	27,748,814	-	-	(27,748,814)	-	-	Transfer to statutory reserve	BAS 1.106 (d)(i)
-	-	(7,000,000)	-	7,000,000	-	-	Transfer to retained earnings	
52,337,770	-	-	-	(52,337,770)	-	-	Issuance of bonus share (year 2012)	
1,099,093,260	281,817,425	-	505,500,000	124,254,553	170	2,010,665,406	Balance as at 31 December 2013	BAS 1.107
951,595,900	243,107,034	55,000,000	505,500,000	152,137,144	65	1,907,340,143	Balance as at 1 January 2012	BAS 1.106 (d)
-	-	-	-	56,724,772	19	56,724,791	Net profit for the year 2012	BAS 1.106 (d)(i)
-	-	-	-	-	65	65	Non-controlling share capital	
-	10,961,577	-	-	(10,961,577)	-	-	Transfer to statutory reserve	
-	-	(48,000,000)	-	48,000,000	-	-	Dividend equalization reserve	
95,159,590	-	-	-	(95,159,590)	-	-	Issuance of bonus share (year 2011)	BAS 1.107
-	-	-	-	(95,159,590)	-	(95,159,590)	Payment of cash dividend (year 2011)	
1,046,755,490	254,068,611	7,000,000	505,500,000	55,581,160	149	1,868,905,409	Balance as at 31 December 2012	BAS 1.107

Union Capital Limited Balance Sheet as at 31 December

BAS 151(d), 1113 & 1.33 2013 2012 Notes BAS 1.38 PROPERTY AND ASSETS Cash BAS 1.54 (i), 7.7 62,910 20,000 In hand (including foreign currencies) Balance with Bangladesh Bank and its agent bank (including foreign currencies) Balance with analysis and its agent bank (including foreign currencies) BAS 1.54 (d) 265,267,920 131,275,753 In Bangladesh - 265,267,920 131,275,753 5 Total balance with other banks and financial institutions 265,267,920 131,275,753 5 Total balance with other banks and financial institutions 265,267,920 131,275,753 5 Total balance with other banks and financial institutions 265,267,920 131,275,753 5 Total balance with other banks and financial institutions 265,267,920 131,275,753 5 Total balance with other banks and financial institutions 265,267,920 131,275,753 5 Total balance with other banks and financial institutions 265,267,920 131,275,753 5 Total class and leases BAS 1.54 (d) Loans, advances and leases Class BAS 1.54 (d)		(Figures in BDT)	1		
BAS 1.54 (i), 7.7 Cash BAS 1.54 (i), 7.7 62,910 20,000 In hand (including foreign currencies) BAS 1.54 (i) 108,450,437 93,374,946 (including foreign currencies) BAS 1.54 (ii) 265,267,920 131,275,753 In Bangladesh 265,267,920 131,275,753 In Bangladesh 265,267,920 131,275,753 S 265,267,920 131,275,753 <td>BAS 1.51(d), 1.113 & 1.38</td> <td>2013</td> <td>2012</td> <td>Notes</td> <td></td>	BAS 1.51(d), 1.113 & 1.38	2013	2012	Notes	
BAS 1.54 (i), 7.7 62,910 20,000 In hand (including foreign currencies) Balance with Bangladesh Bank and its agent bank (including foreign currencies) BAS 1.54 (d) 265,267,920 131,275,753 In Bangladesh 265,267,920 131,275,753 In Bangladesh 265,267,920 131,275,753 In Bangladesh 265,267,920 131,275,753 Total balance with other banks and financial institutions 265,267,920 131,275,753 Total balance with other banks and financial institutions 265,267,920 131,275,753 Total balance with other banks and financial institutions 265,267,920 131,275,753 Total balance with other banks and financial institutions 265,267,920 131,275,753 Total balance with other banks and financial institutions 265,267,920 131,275,753 Total balance with other banks and financial institutions 265,267,920 131,275,753 Total balance with other banks and financial institutions 265,267,920 131,275,753 Total balance with other banks and financial institutions 265,267,920 131,275,753 Total balance with other banks and financial institutions 265,267,920 131,275,753 Total	BAS 1.38				PROPERTY AND ASSETS
Balance with Bangladesh Bank and its agent bank (including foreign currencies) Balance with Bangladesh Bank and its agent bank (including foreign currencies) BAS 1.54 (d) Balance with other banks and financial institutions Balance with other banks and financial institutions BAS 1.54 (d) Balance with other banks and financial institutions Outside Bangladesh 265,267,920 131,275,753 5 Total balance with other banks and financial institutions - - Outside Bangladesh Outside Bangladesh 265,267,920 131,275,753 5 Total balance with other banks and financial institutions - - Money at call and short notice Investments - - Government 344,721,150 522,333,455 Others 344,721,150 522,333,455 Others BAS 1.54 (d) Io,586,937,647 7,318,213,456 Ioans, advances and leases - - Bills purchased and discounted Io,586,937,647 10,586,937,647 7,318,213,456 Total loans, advances and leases BAS 1.54 (d) I6,481,629 22,705,788 Fixed assets including land, building, furniture and fixture					Cash
108,450,437 93,374,946 (including foreign currencies) 108,513,347 93,334,946 4 BAS 1.54 (d) Ealance with other banks and financial institutions 265,267,920 131,275,753 In Bangladesh 265,267,920 131,275,753 5 Total balance with other banks and financial institutions 265,267,920 131,275,753 5 Total balance with other banks and financial institutions 265,267,920 131,275,753 5 Total balance with other banks and financial institutions 265,267,920 131,275,753 5 Total balance with other banks and financial institutions 265,267,920 131,275,753 5 Total balance with other banks and financial institutions 265,267,920 131,275,753 5 Total balance with other banks and financial institutions 265,267,920 131,275,753 5 Others 344,721,150 522,393,455 Others 344,721,150 522,393,455 Others 344,721,150 522,393,455 Iohans, advances and leases 10,586,937,647 7,318,213,456 Loans, advances and leases	BAS 1.54 (i), 7.7	62,910	20,000		In hand (including foreign currencies)
ID8,513,347 93,394,946 4 BAS 1.54 (d) Balance with other banks and financial institutions 265,267,920 131,275,753 In Bangladesh 265,267,920 131,275,753 5 Total balance with other banks and financial institutions 265,267,920 131,275,753 5 Total balance with other banks and financial institutions 265,267,920 131,275,753 5 Total balance with other banks and financial institutions 265,267,920 131,275,753 5 Total balance with other banks and financial institutions 265,267,920 131,275,753 5 Total balance with other banks and financial institutions 265,267,920 131,275,753 5 Total balance with other banks and financial institutions 344,721,150 522,393,455 6 Total investments 344,721,150 522,393,455 6 Total investments BAS 1.54 (d) Loans, advances and leases 10,586,937,647 7,318,213,456 7 Total loans, advances and leases BAS 1.54 (a) 16,481,629 22,705,788 8 Fixed assets including land, building, furniture and fixture					
BAS 1.54 (d) Balance with other banks and financial institutions 265,267,920 131,275,753 In Bangladesh 265,267,920 131,275,753 S Total balance with other banks and financial institutions . Woney at call and short notice Money at call and short notice BAS 1.54 (d) Investments . 265,937,647 7,318,213,456 Total investments 10,586,937,647 7,318,213,456 Total loans, advances and leases 10,586,937,647 7,318,213,456 Total loans, advances and leases BAS 1.54 (a) 16,481,629 22,705,788 Fixed assets including land, building, furniture and fixture BAS 1.54 (a) 16,481,629 22,705,788 Fixed assets including land, building, furniture and fixture BAS 1.54 (m) 1,988,792,036		108,450,437	93,374,946		(including foreign currencies)
265,267,920 131,275,753 In Bangladesh 265,267,920 131,275,753 5 Total balance with other banks and financial institutions 265,267,920 131,275,753 5 Total balance with other banks and financial institutions - - Money at call and short notice BAS 1.54 (d) - - - - Government 344,721,150 522,393,455 Others 344,721,150 522,393,455 Others 344,721,150 522,393,455 Others BAS 1.54 (d) - Coars, advances and leases - - Bills purchased and discounted 10,586,937,647 7,318,213,456 7 Total loans, advances and leases - - Bills purchased and discounted 10,586,937,647 10,586,937,647 7,318,213,456 7 Total loans, advances and leases BAS 1.54 (a) 16,481,629 22,705,788 8 Fixed assets including land, building, furniture and fixture BAS 1.54 (m) 16,481,629 22,705,788 8 Fixed assets including land, building, furniture and agents BAS 1.54 (m) 1,988,792,03		108,513,347	93,394,946	4	
- Outside Bangladesh 265,267,920 131,275,753 5 Total balance with other banks and financial institutions - - Money at call and short notice BAS 1.54 (d) - - Government 344,721,150 522,393,455 Others BAS 1.54 (d) Loans, advances and leases 10,586,937,647 7,318,213,456 Loans, advances and leases 2,384,910,062 1,967,012,981 Other assets Including land, building, furniture and fixture BAS 1.54 (a) 16,481,629 22,705,788 Fixed assets including land, building, furniture	BAS 1.54 (d)				Balance with other banks and financial institutions
265,267,920 131,275,753 5 Total balance with other banks and financial institutions - - Money at call and short notice BAS 1.54 (d) - - Government 344,721,150 522,393,455 Others - 344,721,150 522,393,455 Others - BAS 1.54 (d) - Coans, advances and leases 10,586,937,647 7,318,213,456 Loans, advances and leases - - Bills purchased and discounted 10,586,937,647 7,318,213,456 7 Total loans, advances and leases - - Bills purchased and discounted - 10,586,937,647 7,318,213,456 7 Total loans, advances and leases - - Bills purchased and discounted - 10,586,937,647 7,318,213,456 7 Total loans, advances and leases BAS 1.54 (a) 16,481,629 22,705,788 8 Fixed assets including land, building, furniture and fixture BAS 1.54 (m) 1988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents BAS 1.54 (m) 1988,792,036 <td></td> <td>265,267,920</td> <td>131,275,753</td> <td></td> <td>In Bangladesh</td>		265,267,920	131,275,753		In Bangladesh
BAS 1.54 (d) Investments 344,721,150 522,393,455 Others 344,721,150 522,393,455 Others 344,721,150 522,393,455 6 BAS 1.54 (d) Loans, advances and leases 10,586,937,647 7,318,213,456 Loans, advances and leases - BIIIs purchased and discounted BIIIs purchased and discounted 10,586,937,647 7,318,213,456 Loans, advances and leases - BIIIs purchased and discounted BIIIs purchased and discounted 10,586,937,647 7,318,213,456 Total loans, advances and leases - - BIIIs purchased and discounted Intervention of the sector of the secor of the secor of the sector of the secor of the sector of the s		-	-		Outside Bangladesh
BAS 1.54 (d) Investments 344,721,150 522,393,455 Others 344,721,150 522,393,455 Others 344,721,150 522,393,455 Others BAS 1.54 (d) Loans, advances and leases Investments BAS 1.54 (d) Loans, advances and leases Investments BAS 1.54 (a) 16,481,629 22,705,788 8 Fixed assets including land, building, furniture and fixture BAS 1.54 (a) 16,481,629 22,705,788 8 Fixed assets including land, building, furniture and fixture BAS 1.54 (a) 16,481,629 22,705,788 8 Fixed assets including land, building, furniture and fixture BAS 1.54 (a) 16,481,629 1,967,012,981 9 Other assets BAS 1.54 (m) 1,988,792,036 1,967,012,981 9 Other assets BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial instit		265,267,920	131,275,753	5	Total balance with other banks and financial institutions
- - Government 344,721,150 522,393,455 Others 344,721,150 522,393,455 6 Total investments BAS 1.54 (d) - Loans, advances and leases 10,586,937,647 7,318,213,456 Loans, advances and leases - - Bills purchased and discounted 10,586,937,647 7,318,213,456 Total loans, advances and leases - - Bills purchased and discounted 10,586,937,647 7,318,213,456 Total loans, advances and leases BAS 1.54 (a) 16,481,629 22,705,788 8 Fixed assets including land, building, furniture and fixture BAS 1.55 2,384,910,062 1,967,012,981 9 Other assets 13,706,831,756 10,054,996,379 TOTAL ASSETS LIABILITIES AND CAPITAL Liabilities Liabilities Example Deposits and other accounts BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents 8AS 1.54 (m) 1,988,792,036 1,989,439,475 12 Other deposi		-	-		Money at call and short notice
- - Government 344,721,150 522,393,455 Others 344,721,150 522,393,455 6 Total investments BAS 1.54 (d) - Loans, advances and leases 10,586,937,647 7,318,213,456 Loans, advances and leases - - Bills purchased and discounted 10,586,937,647 7,318,213,456 7 Total loans, advances and leases - - Bills purchased and discounted 10,586,937,647 10,586,937,647 7,318,213,456 7 Total loans, advances and leases BAS 1.54 (a) 16,481,629 22,705,788 8 Fixed assets including land, building, furniture and fixture BAS 1.54 (a) 16,481,629 22,705,788 8 Fixed assets 10 BAS 1.55 13,706,831,756 10,054,996,379 TOTAL ASSETS 11 12 BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents 8 7,658,525,439 4,532,440,286 11 Term deposits 8	BAS 1.54 (d)				Investments
344,721,150 522,393,455 6 Total investments BAS 1.54 (d) Loans, advances and leases Loans, advances and leases 10,586,937,647 7,318,213,456 Loans, advances and leases - Bills purchased and discounted 10,586,937,647 7,318,213,456 Total loans, advances and leases - Bills purchased and discounted 10,586,937,647 7,318,213,456 Total loans, advances and leases BAS 1.54 (a) 16,481,629 22,705,788 8 Fixed assets including land, building, furniture and fixture 2,384,910,062 1,967,012,981 9 Other assets 13,706,831,756 10,054,996,379 TOTAL ASSETS LIABILITIES AND CAPITAL Liabilities BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents BAS 1.54 (m) 7,658,525,439 4,532,440,286 11 Term deposits BAS 1.54 (m) 7,658,525,439 4,532,440,286 11 Term deposits 8,120,388,870 4,809,319,761 Total deposits and other accounts 3,120,368,870 4,809,319,761 BAS 1.55 2,105,		-	-		Government
BAS 1.54 (d) 344,721,150 522,393,455 6 Total investments BAS 1.54 (d) Loans, advances and leases Loans, advances and leases 10,586,937,647 7,318,213,456 Loans, advances and leases - Bills purchased and discounted 10,586,937,647 7,318,213,456 Total loans, advances and leases - Bills purchased and discounted 10,586,937,647 7,318,213,456 Total loans, advances and leases BAS 1.54 (a) 16,481,629 22,705,788 8 Fixed assets including land, building, furniture and fixture BAS 1.55 16,481,629 22,705,788 8 Fixed assets 10 BAS 1.55 16,481,629 22,705,788 8 Fixed assets including land, building, furniture and fixture BAS 1.55 16,481,629 22,705,788 8 Fixed assets 10 BAS 1.55 16,481,629 1,967,012,981 9 Other assets IABILITIES AND CAPITAL Liabilities Liabilities BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents 7,658,525,439 4,532,440,286 <td></td> <td>344,721,150</td> <td>522,393,455</td> <td></td> <td>Others</td>		344,721,150	522,393,455		Others
10,586,937,647 7,318,213,456 Loans, advances and leases - - Bills purchased and discounted 10,586,937,647 7,318,213,456 7 10,586,937,647 7,318,213,456 7 10,586,937,647 7,318,213,456 7 10,586,937,647 7,318,213,456 7 10,586,937,647 7,318,213,456 7 10,586,937,647 7,318,213,456 7 10,586,937,647 7,318,213,456 7 Total loans, advances and leases 10 BAS 1.54 (a) 16,481,629 22,705,788 8 Fixed assets including land, building, furniture and fixture BAS 1.54 (m) 16,481,629 1,967,012,981 9 Other assets BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents 8AS 1.54 (m) 7,658,525,439 4,532,440,286 11 Term deposits 8120,388,870 4,809,319,761 Total deposits and other accounts 8AS 1.55 2,10				6	Total investments
10,586,937,647 7,318,213,456 Loans, advances and leases - Bills purchased and discounted 10,586,937,647 7,318,213,456 7 Total loans, advances and leases 10,586,937,647 7,318,213,456 BAS 1.54 (a) 16,481,629 22,705,788 8 Fixed assets including land, building, furniture and fixture BAS 1.55 2,384,910,062 1,967,012,981 9 Other assets 13,706,831,756 10,054,996,379 TOTAL ASSETS BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents BAS 1.54 (m) 7,658,525,439 4,532,440,286 11 Term deposits BAS 1.54 (m) 2,088,870 4,532,440,286 11 Term deposits 8461,863,431 276,879,475 12 Other deposits 1461,863,431 8461,863,870 4,809,319,761 Total deposits and other accounts 1581,210,388,870 4,809,319,761 BAS 1.55 2,105,608,249 1,902,938,657 13 Other liabilities	BAS 1.54 (d)				Loans, advances and leases
- - Bills purchased and discounted 10,586,937,647 7,318,213,456 7 Total loans, advances and leases BAS 1.54 (a) 16,481,629 22,705,788 8 Fixed assets including land, building, furniture and fixture BAS 1.55 2,384,910,062 1,967,012,981 9 Other assets 13,706,831,756 10,054,996,379 TOTAL ASSETS BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents BAS 1.54 (m) 7,658,525,439 4,532,440,286 11 Term deposits 84,120,388,870 4,809,319,761 Total deposits and other accounts 84S 1.55 2,105,608,249 1,902,938,657 13 Other liabilities		10.586.937.647	7.318.213.456		
BAS 1.54 (a) 16,481,629 22,705,788 8 Fixed assets including land, building, furniture and fixture BAS 1.55 2,384,910,062 1,967,012,981 9 Other assets 13,706,831,756 10,054,996,379 TOTAL ASSETS BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents BAS 1.54 (m) 7,658,525,439 4,532,440,286 11 Term deposits BAS 1.54 (m) 2,058,870 4,809,319,761 Total deposits and other accounts BAS 1.54 (m) 2,105,608,249 1,902,938,657 13 Other liabilities		-	_		
BAS 1.55 2,384,910,062 1,967,012,981 9 Other assets 13,706,831,756 10,054,996,379 TOTAL ASSETS LIABILITIES AND CAPITAL Liabilities LiABILITIES AND CAPITAL Liabilities BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents BAS 1.54 (m) Deposits and other accounts 7,658,525,439 4,532,440,286 11 Term deposits 461,863,431 276,879,475 12 Other deposits 8,120,388,870 4,809,319,761 Total deposits and other accounts BAS 1.55 2,105,608,249 1,902,938,657 13 Other liabilities		10,586,937,647	7,318,213,456	7	
BAS 1.55 2,384,910,062 1,967,012,981 9 Other assets 13,706,831,756 10,054,996,379 TOTAL ASSETS BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents BAS 1.54 (m)	RAS 1 54 (a)	16 481 620	22 705 799	0	Fixed assets including land, building, furniture and fixture
Image: International conduction of the international conducting the international conduction of the international conduction of					
LIABILITIES AND CAPITAL Liabilities BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents BAS 1.54 (m) 7,658,525,439 4,532,440,286 11 Term deposits 461,863,431 276,879,475 12 Other deposits 14 8,120,388,870 4,809,319,761 Total deposits and other accounts 14 BAS 1.55 2,105,608,249 1,902,938,657 13 Other liabilities	DAG 1.55			9	
BAS 1.54 (m) Liabilities BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents BAS 1.54 (m) Deposits and other accounts 7,658,525,439 4,532,440,286 11 Term deposits 461,863,431 276,879,475 12 Other deposits 8,120,388,870 4,809,319,761 Total deposits and other accounts BAS 1.55 2,105,608,249 1,902,938,657 13 Other liabilities		13,700,031,730	10,034,390,379		TOTAL ASSETS
BAS 1.54 (m) Liabilities BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents BAS 1.54 (m) Deposits and other accounts 7,658,525,439 4,532,440,286 11 Term deposits 461,863,431 276,879,475 12 Other deposits 8,120,388,870 4,809,319,761 Total deposits and other accounts BAS 1.55 2,105,608,249 1,902,938,657 13 Other liabilities					LIABILITIES AND CAPITAL
BAS 1.54 (m) 1,988,792,036 1,989,439,426 10 Borrowings from other banks, financial institutions and agents BAS 1.54 (m) Deposits and other accounts 7,658,525,439 4,532,440,286 11 Term deposits 461,863,431 276,879,475 12 Other deposits 8,120,388,870 4,809,319,761 Total deposits and other accounts BAS 1.55 2,105,608,249 1,902,938,657 13 Other liabilities					
7,658,525,439 4,532,440,286 11 Term deposits 461,863,431 276,879,475 12 Other deposits 8,120,388,870 4,809,319,761 Total deposits and other accounts BAS 1.55 2,105,608,249 1,902,938,657 13 Other liabilities 11 Term deposits	BAS 1.54 (m)	1,988,792,036	1,989,439,426	10	Borrowings from other banks, financial institutions and agents
7,658,525,439 4,532,440,286 11 Term deposits 461,863,431 276,879,475 12 Other deposits 8,120,388,870 4,809,319,761 Total deposits and other accounts BAS 1.55 2,105,608,249 1,902,938,657 13 Other liabilities 11 Term deposits	DAC 154 (~~)				Denosite and other accounts
461,863,431 276,879,475 12 Other deposits 8,120,388,870 4,809,319,761 Total deposits and other accounts BAS 1.55 2,105,608,249 1,902,938,657 13 Other liabilities	DAS 1.54 (M)	7 050 505 400	4 500 440 000		•
8,120,388,870 4,809,319,761 Total deposits and other accounts BAS 1.55 2,105,608,249 1,902,938,657 13 Other liabilities					
BAS 1.55 2,105,608,249 1,902,938,657 13 Other liabilities				12	
		8,120,388,870	4,809,319,761		Iotal deposits and other accounts
12,214,789,154 8,701,697,845 Total liabilities	BAS 1.55	2,105,608,249	1,902,938,657	13	Other liabilities
		12,214,789,154	8,701,697,845		Total liabilities

Balance Sheet

2013 1,099,093,260 281,817,425	2012 1,046,755,490	Notes		
	1 046 755 400			
	1 0/6 755 /00		Capital/shareholders' equity	
281,817,425	1,040,735,490	14	Paid up capital	BAS 1.54 (r), 1.78 (e)
	254,068,611	15	Statutory reserve	BAS 1.54 (r), 1.78 (e)
-	7,000,000		Dividend equalization reserve	BAS 1.54 (r), 1.78 (e)
111,131,917	45,474,434	16	Retained earnings	BAS 1.54 (r), 1.78 (e)
1,492,042,601	1,353,298,534		Total shareholders' equity	BAS 1.54 (r), 1.78 (e)
13,706,831,756	10,054,996,379		TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	
OFF-BALANCE S	HEET ITEMS			BAS 1.55
Contingent liabilit	ties			
-	-		Letters of guarantee	
-	-		Irrevocable letters of credit	
-	-		Other contingent liabilities	
Other commitmer	nts			BAS 1.55
986,200,000	400,000,000	45	Undisbursed contracted leases and loans	
986,200,000	400,000,000		TOTAL OFF BALANCE SHEET ITEMS	

The annexed notes 1 to 64 form an integral part of these financial statements.

sd/-Chairman

13.58

sd/-Director

12.31

sd/-Managing Director & CEO

Net assets value per share (2012: Restated)

sd/-Company Secretary

Auditors' report to the shareholders see annexed report of date

Dhaka, 4 March 2014 sd/-Hoda Vasi Chowdhury & Co. Chartered Accountants

Union Capital Limited Profit and Loss Account for the year ended 31 December

	(Figures in BDT)			
.51(d), 1.113 & 1.38	2013	2012	Notes	
7.20 (b)	1,457,870,872	942,637,193	18	Interest income
7.20 (b)	(1,092,604,443)	(910,068,469)	19	Interest paid on deposits and borrowings etc.
1.85	365,266,429	32,568,724		Net interest income
7.20 (b)	12,204,398	52,010,889	20	Investment income
7.20 (c)	76,952,027	64,641,965	21	Fees, commission, exchange and brokerage
1.85	39,335,962	93,258,472	22	Other operating income
	493,758,817	242,480,050		Total operating income
1.104	45,853,150	36,800,057	23	Salaries and other employee benefits
1.97	11,907,949	11,622,223	24	Rent, taxes, insurance, electricity etc.
1.97	483,458	248,891		Legal expenses
1.97	1,879,692	1,311,484	25	Postage, stamp, telecommunication etc.
1.97	7,839,930	5,284,694	26	Stationery, printing, advertisements etc.
1.104	7,080,000	3,960,000	27	Managing Director's salary and fees
1.97	985,000	755,000	28	Directors' fees
1.97	149,500	151,500	29	Auditors' fees
1.97	10,530,850	11,034,444	30	Depreciation and repair of assets
1.97	12,831,372	11,109,624	31	Other expenses
1.85	99,540,901	82,277,917		Total operating expenses
1.85	394,217,915	160,202,133		Profit before provision
				Provision for loans, advances, leases and inv
1.97	126,384,997	7,454,651	13.1	General provision
1.97	109,589,808	146,673,512	13.1	Specific provision
1.97	(12,998,089)	(80,095,075)	13.2	Provision for diminution in value of investment
	222,976,716	74,033,088		Total provision
	171,241,199	86,169,045		Total profit before tax
				Provision for taxation
1.82 (d)	34,760,406	32,617,559	13.4	Current tax
1.82 (d)	(2,263,275)	(1,256,397)	9.2	Deferred tax
	32,497,131	31,361,162		
1.82 (f)	138,744,068	54,807,883		Net profit after tax

Profit and Loss Account

(Figures in BDT)				
2013	2012	Notes		
			Appropriations	
27,748,814	10,961,577	15	Statutory reserve	
110,995,255	43,846,306		Retained surplus	
109,909,326 109,909,326			Weighted average no. of outstanding share	
1.26	0.50	35	Earnings per share (2012: Restated)	BAS 33.66

The annexed notes 1 to 64 form an integral part of these financial statements.

sd/-Chairman

sd/-Director

sd/-Managing Director & CEO Company Secretary

sd/-

Auditors' report to the shareholders see annexed report of date

Dhaka, 4 March 2014 sd/-Hoda Vasi Chowdhury & Co. Chartered Accountants

Union Capital Limited Profit and Loss Account (Merchant Banking Operation)

for the year ended 31 December

	(Figures in BDT)	1				
BAS 1.51(d), 1.113 & 1.38	2013	2012				
BFRS 7.20 (b)	592,386,298	474,565,226	Interest income			
BFRS 7.20 (b)	(540,116,919)	(446,649,625)	Interest paid on deposits and borrowings etc.			
BAS 1.85	52,269,379	27,915,601	Net interest income			
BFRS 7.20 (b)	-	-	Investment income			
BFRS 7.20 (c)	75,487,827	59,342,942	Fees, commissions, exchange and brokerage			
BAS 1.85	-	-	Other operating income			
	127,757,206	87,258,543	Total operating income			
BAS 1.104	4,585,315	3,681,006	Salaries and other employee benefits			
BAS 1.97	1,190,795	1,162,222	Rent, taxes, insurance, electricity etc.			
BAS 1.97	48,346	24,889	Legal expenses			
BAS 1.97	187,969	131,148	Postage, stamp, telecommunication etc.			
BAS 1.97	783,993	538,661	Stationery, printing, advertisements etc.			
BAS 1.104	708,000	396,000	Managing Director's salary and fees			
BAS 1.97	98,500	75,500	Directors' fees			
BAS 1.97	1,408,870	1,231,110	Other expenses			
BAS 1.85	9,011,788	7,240,536	Total operating expenses			
BAS 1.85 118,745,41		80,018,007	Profit before provision			
			Provision for loans, advances and leases			
BAS 1.97	8,759,519	5,610,193	General provision			
BAS 1.97	-	-	Specific provision			
BAS 1.97	-	-	Provision for diminution in value of investments			
	8,759,519	5,610,193	Total provision			
	109,985,899	74,407,814	Total profit before tax			

The annexed notes 1 to 64 form an integral part of these financial statements.

sd/-Chairman sd/-Director sd/-Managing Director & CEO sd/-Company Secretary

Auditors' report to the shareholders see annexed report of date

Dhaka, 4 March 2014 sd/-Hoda Vasi Chowdhury & Co. Chartered Accountants

Union Capital Limited Cash Flow Statement for the year ended 31 December

(Figures in BDT)				
2013	2012	Notes		BAS 1.51(d) & 1.3
			Cash flows from operating activities	DA0 7 04
1,392,281,356	884,393,769		Interest receipts	BAS 7.31
(990,844,191)	(851,825,045)		Interest payments	BAS 7.31
35,970,012	64,641,965		Fee and commission receipts	BAS 7.14 (b)
76,952,027	27,777,698		Dividend receipts	BAS 7.31
(51,340,880)	(40,760,057)		Cash payments to employees	BAS 7.14 (d)
(23,138,737)	(20,605,572)		Cash payments to suppliers and management expenses	BAS 7.14 (c)
(22,658,128)	(140,138,404)		Income taxes paid	BAS 7.35
39,300,470	93,312,392	33	Receipts from other operating activities	BAS 7.14 (b)
(12,831,373)	(11,109,624)	34	Payments for other operating activities	BAS 7.14 (c)
443,690,557	5,687,122		Cash generated before changes in operating assets & liabilities	
			language ((decrease) in energy ing speets and linkilities	
	-		Increase/(decrease) in operating assets and liabilities Statutory deposits	
	_		Purchase of trading securities (treasury bills)	
_	_		Loans, advances and leases to banks and financial institutions	
(3,769,583,983)	(447,113,706)		Loans, advances and leases to banks and infancial institutions	BAS 7.20 (a)
· /		20	Other assets	BAS 7.20 (a)
(342,975,678)	116,035,778	39		BAS 7.20 (a) BAS 7.20 (a)
2,586,000,000	1,020,000,000		Deposits from banks and other financial institutions	BAS 7.20 (a) BAS 7.20 (a)
725,069,108	(296,314,989)		Deposits from customers	BAS 7.20 (a)
-	-		Other liabilities account of customers	
- 	-		Trading liabilities	DAO ZOO (a)
464,521,502	99,210,163	38	Other liabilities	BAS 7.20 (a)
(336,969,051)	491,817,246		Cash generated from operating assets and liabilities	
106,721,506	497,504,368		Net cash generated from/(used) in operating activities	
			Cash flows from investing activities	
1,292,827,020	707,815,266		Proceeds from sale of securities	BAS 7.16 (d)
(1,196,627,183)	(865,367,285)		Payments for purchases of securities	Bas 7.16 (c)
(3,218,377)	(8,160,706)		Purchase of property, plant and equipment	BAS 7.16 (a)
54,993	3,625,069		Proceeds from sale of property, plant and equipment	BAS 7.16 (b)
(50,000,000)	(99,999,935)		Investment in UniCap Investments Limited	D/10 / 110 (D)
43,036,452	(262,087,591)		Net cash used in investing activities	
-,,-	(-) -) -)		3	
			Cash flows from financing activities	
-	(95,159,590)		Dividend paid	BAS 7.31
589,910,000	554,497,363		Receipts of long term loan	BAS 7.17 (c)
(576,192,275)	(634,147,839)		Repayment of long term loan	BAS 7.17 (d)
(14,365,116)	(74,392,919)		Net draw down/(payment) of short term loan	BAS 7.17 (d)
(647,391)	(249,202,985)		Net cash generated from/(used) in financing activities	
149,110,568	(13,786,208)		Net (decrease)/increase in cash and cash equivalents	
-	-		Effects of exchange rate changes on cash and cash equivalents	
224,670,699	238,456,907		Cash and cash equivalents at beginning of the year	
373,781,267	224,670,699		Cash and cash equivalents at end of the year	
			Cash and cash equivalents at end of the year represents	BAS 7.45
62,910	20,000		Cash in hand	
108,450,437	93,374,946		Balance with Bangladesh Bank and its agent bank	
265,267,920	131,275,753		Balance with other banks and financial institutions	
373,781,267	224,670,699		Total	
			Our allowed the shaded for a second of the second sec	
52,337,770	95,159,590		Supplemental schedule for non-cash financing activities Bonus share issued	
	,,			

Union Capital Limited Statement of Changes in Equity for the year ended 31 December

BAS 1.51 (d)	(Figures in BDT) Paid up capital	Statutory reserve	Dividend equalization reserve	Retained earnings	Total	Particulars
BAS 1.106 (d)	1,046,755,490	254,068,611	7,000,000	45,474,434	1,353,298,534	Balance as at 1 January 2013
BAS 1.106 (d)(i)	-	-	-	138,744,068	138,744,068	Net profit for the year 2013
	-	27,748,814	-	(27,748,814)	-	Transfer to statutory reserve
	-	-	(7,000,000)	7,000,000	-	Transfer to retained earnings
BAS 1.107	52,337,770	-	-	(52,337,770)	-	Issuance of bonus share (year 2012)
	1,099,093,260	281,817,425	•	111,131,917	1,492,042,601	Balance as at 31 December 2013
BAS 1.107	951,595,900	243,107,034	55,000,000	143,947,308	1,393,650,242	Balance as at 1 January 2012
BAS 1.106 (d)	-	-	-	54,807,883	54,807,883	Net profit for the year 2012
	-	10,961,577	-	(10,961,577)	-	Transfer to statutory reserve
	-	-	(48,000,000)	48,000,000	-	Transfer to retained earnings
BAS 1.106 (d)(i)	95,159,590	-	-	(95,159,590)	-	Issuance of bonus share (year 2011)
BAS 1.107	-	-	-	(95,159,590)	(95,159,590)	Payment of cash dividend (year 2011)
	1,046,755,490	254,068,611	7,000,000	45,474,434	1,353,298,534	Balance as at 31 December 2012

Union Capital Limited Statement of Liquidity Analysis BAS 1.65 BAS 1.51 (c) (Maturity of Assets and Liabilities)

for the year ended 31 December

(Figures in BDT)				above		
Up to 1 month	1-3 months	3-12 months	1-5 years	5 years	Total	Particulars
						Assets
62,910	-	-	-	-	62,910	Cash in hand
108,450,437	-	-	-	-	108,450,437	Balance with Bangladesh Bank and its agent bank(s)
2,215,353	178,423,529	84,629,039	-	-	265,267,920	Balance with banks and other financial institutions
-	-	-	-	-	-	Money at call and short notice
47,803,267	38,377,021	258,540,863	-	-	344,721,150	Investments
1,066,325,384	1,740,028,374	4,839,340,284	2,099,402,843	841,840,762	10,586,937,647	Loans, advances and leases
	-	-	-	16,481,629	16,481,629	Fixed assets including premises, furniture and fixtures
247,002,893	324,130,485	340,820,543	1,147,042,373	325,913,768	2,384,910,062	Other assets
1,471,860,243	2,280,959,408	5,523,330,728	3,246,445,216	1,184,236,160	13,706,831,756	Total assets
						Liabilities
912,447,369	95,116,534	337,631,070	643,597,063	-	1,988,792,036	Borrowings from banks and financial institutions
462,643,324	1,075,200,136	4,119,363,291	1,556,782,410	444,536,278	7,658,525,439	Deposits
17,050,000	40,350,000	9,997,555	271,950,126	122,515,750	461,863,431	Other deposits
25,023,746	342,037,469	1,026,733,685	648,120,462	63,692,887	2,105,608,249	Provision and other liabilities
1,417,164,439	1,552,704,139	5,493,725,601	3,120,450,061	630,744,915	12,214,789,154	Total liabilities
54,695,804	728,255,269	29,605,127	125,995,155	553,491,245	1,492,042,601	Net liquidity gap

as at and for the year ended 31 December 2013

1. GENERAL INFORMATION

1. 1 Domicile, legal form and country of incorporation

BAS 1.138 (a)

Union Capital Limited ("the Company") was set up for the purpose of purchasing investment banking business of Bangladesh Branch Office of Peregrine Capital Limited, Hong Kong, along with all its specified assets and share capital of SES Company Limited, its related concern. This transaction was effected on 04 February 1998. From that date, the Company started to operate as "Union Capital Limited - proposed".

Union Capital Limited was registered as a public limited company under the Companies Act, 1994 with the Registrar of Joint Stock Companies of Bangladesh on 09 August 1998. On 12 August 1998, the Company obtained permission from Bangladesh Bank to operate as a non-banking financial institution under the Financial Institutions Act, 1993. The Company also registered as a full-fledged Merchant Banker with the Bangladesh Securities and Exchange Commission on 10 April 2002. The Company went for Initial Public Offering in May 2007 and listed it shares in both Dhaka Stock Exchange and Chittagong Stock Exchange in July 2007.

The registered office of the Company is located at Noor Tower (5th floor), 1/F Free School Street, 73 Sonargaon Road, Dhaka 1205. The operations of the Company is being carried out through its five (5) offices located in Dhaka, Chittagong and Sylhet.

1.2 Principal activities

The activities of the Company encompass a wide range of services, broadly classified as fund based and fee based activities and brokerage services. The Company also offers different deposit schemes as well.

Fund based services

Fund based services include lease finance, term finance, real estate finance, SME finance, hire purchase, bridge finance, bill discounting, factoring and margin loan etc.

Fee based activities

Fee based activities include managing IPOs, underwriting of securities, portfolio management, corporate financial services.

Deposit schemes

The Company offers various deposit schemes to cater the deposit from the valued customers. Deposit schemes include Term deposit, Monthly income deposit, Double money deposit, Triple money deposit, Monthly saving scheme, Millionaire plus, Profit first deposit.

1.3 Information regarding subsidiary companies

As on 31 December 2013 Union Capital has two subsidiaries to include for preparation of consolidated financial statements as per Bangladesh Accounting Standard (BAS) 27: *Consolidated and Separate Financial Statements*. A brief description of the subsidiaries is described below:

1.3.1 UniCap Securities Limited

UniCap Securities Limited (formerly SES Company Limited) is a private limited company registered under the Companies Act, 1994. The Company was incorporated in Bangladesh on 09 October 1995. The Company has changed its name to UniCap Securities Limited on 21 October 2013 and the registered office of the Company is situated at Richmond Concord (6th Floor), 68 Gulshan Avenue, Gulshan 1, Dhaka 1212. It is a member of Dhaka and Chittagong Stock Exchange and a depository participant of Central Depository of Bangladesh Limited (CDBL). Principal activities of the Company is to carry out all kinds of investment business in shares and stock, brokerage and dealing of securities. It also extends margin loan to its customers against their margin for investment in the listed securities. The required margin level is monitored daily and pursuant to established guidelines, customers are required to deposit additional margin to reduce the position, where necessary. As Union Capital owns 99.99% of the voting shares of UniCap Securities Limited and has control, it is a subsidiary. Out of 5 (five) directors, 04 (four) directors have been nominated by Union Capital to represent in the Board of the Company.

1.3.2 UniCap Investments Limited

UniCap Investments Limited a wholly owned subsidiary of Union Capital Limited was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSC) vide registration no. C-93014/11 dated 24 May 2011 as a public limited company under the Companies Act, 1994. The address of the Company's registered office is A-A Bhaban, 9th floor, 23 Motijheel C/A, Dhaka-1000. Principal activities of the Company is to deliver a whole range of investment banking services including merchant banking activities such as issue management, underwriting, portfolio management and corporate advisory. Union Capital holds 99.99% shares in the Company. Out of 13 (thirteen) directors, 3 (three) directors have been nominated from Union Capital to represent in the Board of the Company.

2 BASIS OF PREPARATION

BAS 1.112 (a)

The financial statements are prepared on the historical cost basis and therefore, do not take into consideration the effect of inflation. The financial statements have been prepared and the disclosures of information have been made in accordance with the DFIM circular no. 11 dated 23 December 2009 and requirement of the Financial Institutions Act, 1993, the Companies Act, 1994, the Bangladesh Securities and Exchange Rules 1987, the Listing Rules of Dhaka Stock Exchange and Chittagong Stock Exchange, Guidelines from Bangladesh Bank,

BAS 37.14

Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) and other applicable laws and regulations.

In the year 2009, Bangladesh Bank issued DFIM circular no.11 dated 23 December 2009 suggesting uniform presentation and disclosure requirement within the industry. As a result, we compromised with the usual presentation of the financial statements.

There are some areas where application of BAS and BFRS differs from the application suggested by the Bangladesh Bank through DFIM circulars. As Bangladesh Bank is our primary regulator; we are required to follow the guidelines of Bangladesh Bank. At the same time we are also required to follow the guidelines issued by Bangladesh Securities and Exchange Commission (BSEC). For mitigating presentation and disclosure conflict we prepare the financial statements following DFIM circulars and present separate disclosure where deviations exist.

2.1 Reporting period

BAS 1.125

BAS 1.125

BAS 1.125

BAS 1.125

The financial statements of the Company consistently cover one calendar year from 1 January to 31 December.

2.2 Directors' responsibility statement

The Board of Directors takes the responsibility for the preparation and presentation of these consolidated and separate financial statements.

2.3 Accounting estimates

Preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual result could differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of the accounting estimates are recognized in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets and provisions for loans/leases. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected the result in material adjustment to the carrying amounts of assets and liabilities in the next year.

2.4 Risk and uncertainty for use of estimates

The preparation of financial statements in conformity with Bangladesh Accounting Standards requires Management to make estimates and assumptions that affect the reported amounts of revenues and expenses, assets and liabilities, and disclosure requirements for contingent assets and liabilities during and the date of the financial statements. These financial statements contained information about the assumptions it made about the future and other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets, liabilities, income and expenses within the next financial year.

In accordance with the guidelines as prescribed by BAS 37: *Provisions, Contingent Liabilities and Contingent Assets*, provisions are recognized in the following situations:

Provisions

Provisions are liabilities that are uncertain in timing or amount. Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are normally made for restructuring costs and legal claims.

Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or the Group has a present obligation as a result of past events but is not recognized because it is not likely that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated. Contingent liabilities normally comprise legal claims under arbitration or court process in respect of which a liability is not likely to occur.

Contingent asset

A contingent asset is possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are never recognized, rather they are disclosed in the financial statements when they arise.

2.5 Statement of compliance

The financial statements of Union Capital Limited include the Balance Sheet, Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity, Liquidity Statement and Notes to the Financial Statements. These financial statements are required to be prepared and presented within a framework of rules and guidelines - some mandatory and some recommendatory. The Companies Act, 1994 requires the production of the following as a part of the annual report:

- a) Board of Directors' report
- b) Auditors' report
- c) Balance sheet and
- d) Profit and loss account

In addition to the above, the Bangladesh Securities and Exchange Rules, 1987 (as amended in 1997) requires the production of a Cash Flow Statement and Statement of Changes in Shareholders' Equity as a part of the Annual Report. The Companies Act, 1994 provides basic requirements for accounting and reporting applicable to all companies incorporated in Bangladesh. Bangladesh Securities and Exchange Commission (BSEC) regulates financial reporting practices of listed companies. Listed companies are

required to comply with BSEC's accounting and disclosure requirements. The Rules 1987 as amended in 1997, requires listed companies to follow Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB).

These financial statements have been prepared and presented in accordance with the approved accounting

and reporting standards as applicable in Bangladesh. Approved accounting standards comprise of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh. As of 31 December 2013 status and applicability of Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) in the case of Union Capital are as under:

SL No.	BAS/BFRS	Applicability
BAS 1	Presentation of Financial Statements (2008)	*
BAS 2	Inventories	N/A
BAS 7	Cash Flow Statements	Applied
BAS 8	Accounting Policies, Changes in Accounting Estimates & Errors	Applied
BAS 10	Events After the Reporting Period	Applied
BAS 11	Construction Contracts	N/A
BAS 12	Income Taxes	Applied
BAS 16	Property, Plant and Equipment	Applied
BAS 17	Leases	Applied
BAS 18	Revenue	Applied
BAS 19	Employee Benefits	Applied
BAS 20	Accounting for Government Grants and Disclosure of Government Assistance	N/A
BAS 21	The Effects of Changes in Foreign Exchange Rates	Applied
BAS 23	Borrowing Costs	Applied
BAS 24	Related Party Disclosures	Applied
BAS 26	Accounting and Reporting by Retirement Benefit Plans	N/A
BAS 27	Consolidated and Separate Financial Statements	Applied
BAS 28	Investments in Associates	N/A
BAS 31	Interests in Joint Venture	N/A
BAS 32	Financial Instruments: Presentation	*
BAS 33	Earnings Per Share	Applied
BAS 34	Interim Financial Reporting	Applied
BAS 36	Impairment of Assets	Applied
BAS 37	Provisions, Contingent Liabilities and Contingent Assets	Applied
BAS 38	Intangible Assets	Applied
BAS 39	Financial Instruments: Recognition and Measurement	*
BAS 40	Investment Property	N/A
BAS 41	Agriculture	N/A
BFRS 2	Share Based Payment	N/A
BFRS 3	Business Combination	N/A
BFRS 4	Insurance Contracts	N/A
BFRS 5	Non-current Assets Held for Sale and Discontinued Operation	N/A
BFRS 6	Exploration for and Evaluation of Mineral Resources	N/A
BFRS 7	Financial Instruments: Disclosures	*
BFRS 8	Operating Segments	Applied
BFRS 10	Consolidated Financial Statements	Applied
BFRS 11	Joint Arrangements	N/A
BFRS 12	2 Disclosure of Interests in Other Entities	N/A
BFRS 13	Fair Value Measurement	N/A
*		

* As the regulatory requirements differ with the standards, relevant disclosures are made in accordance with Bangladesh Bank's requirements (please see note 3.30). N/A = Not Applicable

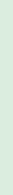
Notes to the Financial Statements

BAS 1.10(e)

BAS 17.31

BAS 17.8

BAS 17.49 & 17.50







2.6 Consistency

In accordance with the BFRS framework for the presentation of financial statements together with BAS 1 and BAS 8, Union Capital applies the accounting disclosure principles consistently from one period to the next. Where selecting and applying new accounting policies, changes in accounting policies applied, correction of errors, the amounts involved are accounted for and disclosed retrospectively in accordance with the requirement of BAS-8. We however have applied the same accounting and valuation principles in 2013 as in financial statements for 2012.



BAS 27

BAS 1

2.7 Segments

A segment is a distinguishable component of the company that engaged in providing different types of products and services, which is subject to requirement by local regulatory authority. Bangladesh Securities & Exchange Commission requires preparation of separate financials for Merchant Banking Unit. Company's primary reporting segment is business division, which corresponds with the way the operating businesses are organized and managed within the Company.

The Company has two reportable segments on the date of the reporting namely, Merchant Banking Operations and Financing Operations. Merchant banking operations include managing IPOs, underwriting of securities, management of investor's portfolio and other financial advisory services. Operating results of merchant banking operation have been presented separately as well as consolidated with that of the results of income from financing operations.

2.8 Basis of consolidation of operations of subsidiaries

The financial statements of the Company and its subsidiaries have been consolidated in accordance with Bangladesh Accounting Standard 27: *Consolidated and Separate Financial Statements.* The consolidation of the financial statement has been made after eliminating all material intra group balances, income and expenses arising from intragroup transactions.

The total profits of the Company and its subsidiaries are shown in the consolidated profit and loss account with the proportion of profit after taxation pertaining to minority shareholders being deducted as 'Noncontrolling Interest'. All assets and liabilities of the Company and of its subsidiaries are shown in the consolidated balance sheet. The interest of minority shareholders of the subsidiaries are shown separately in the consolidated balance sheet under the heading 'Non-controlling Interest'.

2.9 Going concern

The Company has adequate resources to continue in operation for foreseeable future. For this reason the Directors continue to adopt going concern basis in preparing the financial statements. The current credit facilities and resources of the Company provide sufficient funds to meet the present requirements of its existing businesses and operations.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Lease operations

Under BAS 17, lease operations are divided into finance leases and operating leases. Unlike operating lease, a finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset to the lessee. Title may or may not eventually be transferred.

Union Capital Limited as a lessor

Under finance leases, Union Capital Limited recognizes the leased assets in the balance sheet as investment in lease assets at an amount equal to the net investment in the lease. The lease payments are broken down into the finance charge and the redemption payment. The redemption payment reduces the amount of the outstanding liability (net investment); the finance charge is treated as interest income. Interest and similar income is recognized on the basis of a constant, periodic rate of return relating to the net investment outstanding.

In contrast, assets held under operating leases are recognized and valued using the same principles as, property, plant and equipment. Union Capital does not hold any property under operating lease.

Union Capital Limited as a Lessee

Under finance lease, the asset is recognized as property, plant and equipment, and the obligation as a liability. Each asset is stated at the lower of the following two values: either the fair value of the lease asset at the inception of the lease or, the present value of the minimum lease payments which ever is lower. In calculating the present value of the minimum lease payments, the interest rate implicit in the lease is applied.

Lease payments relating to finance leases are broken down into two components: the finance charge and the redemption payment. The redemption payment reduces the residual liability and the finance charges are shown as interest expenses.

3.2 Term finance and other finance

Such investments are stated at un-amortized amount. The recovery of principal amount is amortised and the carrying amount is adjusted with the principal recovery and stated at un amortized principal amount.

Investments are classified as non-accrual when there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Whenever a payment is 3 months past due, investments are classified as non accrual even if they are fully secured and collection efforts are reasonably expected to result in repayment within 6 months.

When loans/leases are identified as non accrual, the recognition of accrued interest is discontinued and credited to interest suspense account. Interest received on non-accrual investments are credited to profit & loss account on cash basis. Non-accrual investments are returned to performing status when required amounts including interest need to classify as regular has been collected.

3.3 Margin loan

Union Capital extends margin loan to the portfolio investors at an agreed ratio (between investors deposit



and loan amount) of purchased securities against the respective investor account. The investors are to maintain the margin as per set rules and regulations. The margin is monitored on daily basis as it changes due to change in market price of shares. If the margin falls below the minimum requirement, the investors are required to deposit additional fund to maintain the margin as per rules otherwise the securities are sold to bring the margin to the required level.

3.4 Investments in subsidiary

A subsidiary is an entity in which the Company has control as per as shareholding (more than 50 percent) or voting right is concerned. As on the reporting date Union Capital Limited has two subsidiary company namely 'UniCap Investments Limited' and 'UniCap Securities Limited'. Consolidated Financial Statements have been prepared for subsidiary investment as per Bangladesh Accounting Standards 27: Consolidated and Separate Financial Statements. Interest of the minority is shown as minority interest as separate line item of the shareholders equity which includes share capital of minority portion as well as profit earned that goes to the non-controlling interest.

3.5 Investment in securities

Investment in securities are classified broadly in two categories and accounted for as under:

Investment in listed securities:

Investments in listed securities are carried at cost. Adequate provision has been made considering each individual investment (where cost is less than market price) as guided by Bangladesh Bank. Unrealized gain or losses are not recognized in the profit and loss account.

Investment in unlisted securities:

Investment in unlisted securities is reported at cost under cost method. Adjustment is given for any shortage of book value over cost for determining the carrying amount of investment in unlisted securities.

3.6 Receivables

Accounts receivables

The main item included rentals/installments due from the clients but not received. No such receivables are accounted for if the loans are classified as bad and loss. Receivables carry interest for the periods for which the delay continues in payments of the amounts due from the clients continues. Such interest is not recognized as income until it is received in cash. Receivables from clients are stated at their nominal value.

Other receivables

Others receivables includes mainly receivable from brokerage houses against sale of securities, accrued IDCP (Interest During Construction Period) and interest receivable. These receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balance with Bangladesh Bank and its agent bank, and balance with other banks and financial institutions.

3.8 Liquidity statement

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term as per the following bases:

- Balance with other banks and financial institutions, money at call and short notice, etc. are on the basis of their maturity term.
- b) Investments are on the basis of their respective maturity.
- c) Leases, loans and advances are on the basis of their repayment schedule.
- d) Fixed assets are on the basis of their useful lives.
- e) Other assets are on the basis of their realization/amortization.
- f) Borrowings from other banks, financial institutions and agents are as per their maturity/repayment terms.
- g) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors.
- Provisions and other liabilities are on the basis of their payment / adjustments schedule.

3.9 Fixed assets including land, building, furniture and fixtures

Freehold assets

The cost of an item of property, plant and equipment is recognized as an asset if, and only if, it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Property, plant and equipments are stated at cost less accumulated depreciation in compliance with the Bangladesh Accounting Standards (BAS) 16: *Property, Plant and Equipment.* The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes if any.

Pre-operating expenses and borrowing costs

In respect of major projects involving construction, related pre-operational expenses form part of the value of assets capitalized. Expenses capitalised also include applicable borrowing cost considering the requirement of BAS 23: *Borrowing Costs*.

Subsequent expenditure

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable, that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the use of the fixed assets, the expenditure is capitalized as an additional cost of the assets. All other costs are recognized to the profit and loss account as expenses. All up-gradation/enhancement are generally charged off as revenue expenditure unless they bring similar significant additional benefits.



BAS 16.73



BAS 16.73(b)

Disposal of fixed assets including land, building, furniture and fixtures

On disposal of fixed assets, the cost and accumulated depreciation are eliminated and gain or loss on such disposal is reflected in the profit and loss account, which is determined with reference to the net book value of the assets' and net sales proceeds.

Depreciation on fixed assets including land, building, furniture and fixtures

Depreciation of an asset begins when the asset is available for use. Depreciation is provided for the period in use of the assets. Full month's depreciation has been charged on additions irrespective of date when the related assets are put into use and no depreciation is charged for the month of disposal. Depreciation is provided at the following rates on straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets:

Motor vehicles	20% per annum
Electric equipment	20% per annum
Furniture & fixtures	20% per annum
Office Decoration	33% per annum
Mobile phone	20% per annum
Staff appliance	20% per annum

3.10 Intangible asset

Components

The main item included in intangible asset is software.

Basis of recognition

An Intangible Asset shall only be recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with BAS 38: *Intangible Assets*. Accordingly, these assets are stated in the Balance Sheet at cost less accumulated amortization.

Subsequent expenditure

Subsequent expenditure on intangible asset is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization

Intangible asset is valued at amortized cost and written down within 5 to 10 years.

3.11 Merchant Bank operation

As stipulated in the Bangladesh Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Rules 1996, the services of issue management, portfolio management, underwriting of shares and securities and advisory services fall under the purview of Merchant Banking operation. Accordingly, profit and loss account of Merchant Banking operation includes income under the heads stated above. As advised by Bangladesh Securities and Exchange Commission (BSEC), the Compnay formed a separate subsidiary named "UniCap Investments Limited" for its Merchant Banking Operation. The Compnay has applied to the BSEC to transfer the existing merchant banking liceses of Union Capital Limited in the name of UniCap Investments Limited. After getting approval from BSEC, the Company's existing merchant banking services will be provided by its subsidiary, UniCap Investments Limited.

3.12 Bank loans

Interest bearing bank loans are recorded at the proceeds received. Interest on bank loans in accounted for on an accrued basis to profit and loss account under the head of financial expense at the implicit rate of interest. The accrued expenses are not added to carrying amounts of the loans.

3.13 Borrowing costs

All borrowing costs are recognized in the profit or loss account in the period in which they are incurred.

3.14 Accrued expenses and other payables

Liabilities are recognized for the goods and services received, whether paid or not for those goods and services. Payables are not interest bearing and are stated at their nominal value.

3.15 Provision for doubtful losses

The provision for doubtful losses is maintained at a level that management considers adequate to absorb identified credit related losses in the portfolio as well as losses that have been incurred but are not yet identifiable.

The provision is increased by the provision for doubtful losses, which is charged to profit and loss account, and decreased by the amount of write-offs, net of reverses.

The provision is determined based on management's identification and evaluation of problem accounts, estimated probable losses that exist on the remaining portfolio and on other factors including the composition and quality of the portfolio and changes in economic condition.

The provision is estimated based on two principles: 1. Bangladesh Accounting Standards (BAS) 37: *Provisions, contingent liabilities and contingent assets*, and 2. Bangladesh Bank guidelines. Methodology for measuring the appropriate level of the provision relies on several key elements, which include both quantitative and qualitative factors as set forth in the Bangladesh Bank guidelines. FID circular 08 dated August 03, 2002 and subsequent up-dictation by Bangladesh Bank in this regard is the basis for calculating the provision for doubtful losses.

3.16 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years or are never taxable or deductible. Company's liability for current tax is calculated using tax rates that have been enacted as at the balance sheet date.

b. Deferred tax

As per Bangladesh Accounting Standard (BAS) 12: *Income Taxes*, deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the BAS 39.43

BAS 23.9

BAS 39.43

BAS 37.14

BAS 12.46

BAS 12.1

BFRS 8.20

BAS 38.8

BAS 38.24

3AS 1.78 (d)

balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which such differences can be utilized.

Deferred tax is calculated at the tax rates, which are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to profit and loss account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and Union Capital intends to settle its current tax assets and liabilities on a net basis.

3.17 Employees benefit plans

Union Capital offers a number of benefit plans which includes contributory provident fund and gratuity scheme.

a. Contributory provident fund

The Company operates a contributory provident fund for its permanent employees. The fund is approved by the National Board of Revenue (NBR), administered separately by a Board of Trustees and is funded by equal contribution from the Company and the employees. This fund is invested separately from the Company's assets.

b. Gratuity scheme

The Company operates an unfunded gratuity scheme (which is a defined benefit scheme as specified in BAS 19: *Employee Benefits*). Employees are entitled to gratuity benefit after completion of minimum five years of service with the Company. The gratuity is calculated on the last basic pay and is payable at the rate of one month's basic pay for every completed year of service up to ten years of service, one and half months basic pay for every completed year of service up to fifteen years of service and two months basic pay for more than fifteen years of service. Full provision for gratuity has been made in the accounts for the existing employees based on their years of service with the Company. Gratuity amount is subject to a maximum ceiling of 50 (fifty) basic only.

c. Employee home loan scheme

To secure long-term commitment of deserving employees the Company introduced Home Loan Policy. An employee who is in service for a continuous period of at least five years (in 3 years service with Union Capital) is entitled to avail home loan to purchase residential apartment, purchase land and construction of house thereon etc. Interest rate of the loan is 6 percent per annum.

d. Employee car scheme

The Company provides car loan facility to the employees as per loan scheme. The Company provides full time car facility to the employees from the position of Executive Vice President.

e. Employee personal loan scheme

Union Capital provides personal loan facility to the employee as per loan scheme.

3.18 Branch accouting

The Company has four branches with no overseas branch as on 31 December 2013. Accounts of the branches are maintained at the head office from which these accounts are drawn up.

3.19 Write off

Write off describes a reduction in recognised value. It refers to recognition of the reduced or zero value of an asset. Generally, it refers to an investment for which a return on the investment is now impossible or unlikely. The item's potential return is thus canceled and removed ("written off") from the Company's balance sheet.

Recovery against debts written off/provided for is credited to revenue. Income is recognized where amounts are either recovered and /or adjusted against securities/properties of advances there against or are considered recoverable.

3.20 Interest suspense account

Accrued interest on lease finance, term finance, real estate finance, hire purchase agreement classified as Special Mention Account (SMA), Sub-Standard (SS), Doubtful (DF) and Bad & Loss (BL) are not recognized as income rather transferred to interest suspense accounts in compliance with Bangladesh Bank guidelines. Recovery of overdue credited to interest suspense account is recognised as income on cash basis.

3.21 Revenue recognition

Revenue is recognized in accordance with Bangladesh Accounting Standard (BAS) 18: *Revenue* unless otherwise mentioned or otherwise guided by the separate BAS/BFRS.

a. Lease income

The excess of gross lease rentals over the cost of the leased assets constitutes the total unearned income at the commencement of the execution of lease. This income is allocated over the period of lease that reflects a constant periodic return on the net investment. The pattern of the periodic return is, however, differs in case of structured lease finance depending on the structure of the particular lease contract. Income is recognized when it is earned, i.e. income on due installments on unclassified leases irrespective of whether received or not. Income is not taken into profit and loss account when a lease is classified as SMA and above and kept in interest suspense account. Interest on classified lease is recognized on cash basis.

b. Income from term finance

Interest income on term finance is recognized on accrual basis. Installment comprises both interest and principal. Interest part of the installments that become receivable is recognized as income in the financial statements. Interest on term finance ceases to be taken into income when such term finance are classified as SMA and above and kept in interest suspense account. Interest on classified term finances is recognized as income on cash basis.







BAS 24.1

BAS 18.30 (a)

BAS 18.30 (

BAS 18.30

BAS 1

BAS 1.107

c. Income from real estate finance

Interest income from real estate finance is recognized on accrual basis. Interest portion of the installments that become receivable is recognized as income in the financial statements. Interest on such finance ceases to be taken into income when such finance is classified as SMA and above and kept in interest suspense account. Interest on classified finance is recognized as income on cash basis.

d. Income from margin loan

Income from margin loan is recognized on accrual basis. Such income is calculated considering daily margin loan balance of the respective parties. Income is recognized on quarterly rest.

e. Income from secured term finance BAS 18.30 (a)

Income from secured term finance is recognized on accrual basis.

f. Dividend income

Dividend on ordinary shares

Dividend income from ordinary shares is recognized when the shareholders' legal rights to receive payments have been established i.e. during the period in which dividend is declared in the Annual General Meeting. Dividend declared but not received is recognized as deemed dividend.

Dividend on preference shares

Dividend from preference shares is recognized on cash basis.

g. Fee based income

Fee based income is recognized on accrual basis.

h. Gain on sale of securities

Capital gain on disposal of securities listed in the stock exchanges is recorded on cash basis i.e. only when the securities are sold in the market. Unrealized capital gains are not accounted for in the profit and loss account.

3.22 Event after the reporting period

Proposed dividend

The proposed dividend is not recognized as a liability in the balance sheet in accordance with the BAS 10: *Events After the Balance Sheet Date*. Dividend payable to the Company's shareholders are recognized as a liability and deducted from shareholders equity in the period in which the shareholders right to receive payment is established.

Bangladesh Accounting Standard (BAS) 1: *Presentation of Financial Statements* also requires the dividend proposed after the balance sheet date but before the financial statements are authorized for issue, be disclosed in the notes to the financial statements. Accordingly, the Company has disclosed the same in the notes to the financial statements.

All material events occurring after the balance sheet date has been considered and where necessary, adjusted for or disclosed in note 55.

3.23 Impairment of assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine

whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

Any impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account.

3.24 Related party transactions

As per Bangladesh Accounting Standard (BAS) 24: *Retaled Party Disclosures*, parties are considered to be related if one of the party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. All transactions involving related parties arising in normal course of business are conducted at arm's length basis at normal commercial rates on the same terms and conditions as third party transactions using valuation models.

3.25 Statutory reserve

Financial Institutions Regulations 1994 requires Nonbank Financial Institutions to transfer 20 percent of its current year's profit to reserve fund until such reserve equals to its paid up share capital. In conformity with the above requirement, the Company transferred 20 percent of its net profit to statutory reserve before declaration of dividend.

3.26 Guarantee, commitments and contingencies

Corporate guarantee represents irrevocable assurance that the Company will make payments in the event that a client cannot meet its obligation to third parties. The term of this guarantee is for one year and renewable at the expiry of the term.

In the normal course of operations, the Company provides indemnifications, which are often standard contractual terms to counter parties in transactions such as purchase agreements, service agreements, contract with employees and leasing transactions. This indemnification clause may require us to compensate the counter parties for cost incurred as a result of charges in laws and regulations or litigation claims that may be suffered by the counter party as a consequence of the transaction. The terms of these indemnifications clause vary based upon the contract.

3.27 Litigation

The Company is not a party to any lawsuits except those arising in the normal course of business, which were filed against the default clients for nonperformance in loans/leases repayment and against various level of tax authority regarding some disputed tax issues. The Company, however, provides adequate provisions as per guidelines of Bangladesh Bank and BAS 37.

3.28 Earnings per share

The Company calculates Earnings Per Share (EPS) in accordance with BAS 33: *Earnings Per Share* which has been shown on the face of Profit and Loss account, and the computation of EPS is stated in the notes to the financial statements.

BAS 33

BAS 33.31

a. Basic earnings per share

This represents earnings for the year attributable to ordinary shareholders. As there was no preference dividend or extra ordinary items, the net profit after tax for the year has been considered as fully attributable to the ordinary shareholders.

b. Diluted earnings per share

Diluted earnings per share reflects the potential dilution that could occur if additional ordinary shares are assumed to be issued under securities or contracts that entitle their holders to obtain ordinary shares in future, to the extent such entitlement is not subject to unresolved contingencies.

Effect of dilution to weighted average number of ordinary shares is given for potential ordinary shares. At 31 December 2013, there was no scope for dilution and hence no diluted EPS is required to be calculated.

c. Weighted average number of ordinary shares outstanding during the year

This represents the number of ordinary shares outstanding at the beginning of the year plus the number of ordinary shares issued during the year multiplied by a time-weighting factor. The timeweighting factor is the numbers of days the specific shares were outstanding as a proportion of the total number of days in the year.

3.29 Uniform accounting policies

The financial statements of Union Capital Limited, UniCap Securities Limited and UniCap Investments Limited have been prepared in accordance with the uniform principles of accounting.

3.30 Disclosure of deviations from few requirements of BAS/BFRS due to mandatory compliance of Bangladesh Bank's requirements

Bangladesh Bank is the prime regulatory body for all Non-banking Financial Institutions in Bangladesh. Some requirements of Bangladesh Bank contradict with those of BAS/BFRS. As such the Company has departed from those contradictory requirements of BAS/BFRS in order to comply with the rules and regulations of Bangladesh Bank, which are disclosed in note no. 62 and 63 of these financial statements.

BAS 1.114 (d) (ii)

BAS 1.19

3.31 Financial risk management

The risk of the Company is defined as the possibility of losses, financial or otherwise. The risk management of the Company covers core risk areas of financing namely, credit risk, liquidity risk, market risk that includes interest rate risk and equity risk, operational risk and reputation risk arising from money laundering incidences. The Company's objective of the risk management is that it takes well calculative business risks while safeguarding its capital, financial resources and profitability from various risks. In this context, the Company took steps to implement Bangladesh Bank's guidelines and some of the best practices as under:

3.31.1 Credit risk

It arises mainly from lending, trade finance, leasing and treasury businesses. This can be described as potential loss arising from the failure of a counter party to perform as per contractual agreement with the Company. The failure may result from unwillingness of the counter party or decline in his/her financial condition. Therefore, the Company's credit risk management activities have been designed to address all these issues.

The Company has segregated duties of the officers/executives involved in credit related activities. A separate Corporate Division has been formed at Head Office which is entrusted with the duties of maintaining effective relationship with the customer, marketing of credit products, exploring new business opportunities, etc. Moreover, credit approval, administration, monitoring and recovery functions have been segregated. For this purpose, three separate units have been formed within the credit division. These are (a) Credit Risk Management Unit, (b) Credit Administration Unit and (c) Credit Monitoring and Recovery Unit. Credit Risk Management Unit is entrusted with the duties of maintaining asset quality, assessing risk in lending to a particular customer, sanctioning credit, formulating policy/strategy for lending operation, etc.

A thorough assessment is done before sanction of any credit facility at Credit Risk Management Unit. The risk assessment includes borrower risk analysis, financial analysis, industry analysis, historical performance of the customer, security of the proposed credit facility etc. The assessment process starts at Corporate Division by the Relationship Manager/Officer and ends at Credit Risk Management Unit when it is approved/declined by the competent authority. Credit approval authority has been delegated to the Managing Director. Proposal beyond his delegation are approved/declined by the Executive Committee and/or the Board.

In determining Single borrower/Large loan limit, the instructions of Bangladesh Bank are strictly followed. Loans are classified as per Bangladesh Bank's guidelines.

3.31.2 Liquidity risk

The object of liquidity risk management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due. To this end, the Company is maintaining a diversified and stable funding base comprising of core retail and corporate deposits and institutional balance. Management of liquidity and funding is carried out by Treasury Department under an approved policy guidelines. Treasury front office is supported by a very structured back office. The liquidity management is monitored by Asset Liability Committee (ALCO) on regular basis. A written contingency plan is in place to manage extreme situation.

3.31.3 Market risk

The exposure of market risk of the Company is restricted to interest rate risk and equity risk.

3.31.4 Interest rate risk

Interest rate risk may arise either from trading portfolio and non-trading portfolio. The short-term movement in interest rate is negligible or nil. Interest rate risk of non-trading business arises from mismatches between the future yield of an asset and its funding cost. ALCO monitors the interest rate movement on regular basis.

3.31.5 Equity risk

It arises from movement in market value of equities. The risks are monitored by Merchant Banking Wing under a well designed policy framework.

3.31.6 Operational Risk

Appropriate internal control measures are in place at Union Capital to address operational risks. The Company has also established an internal control & compliance department (ICCD) to address operational risk and to frame and implement policies to encounter such risks. This department assesses operational risk across the Company as a whole and ensures that an appropriate framework exists to identify, assess and mange operational risk. The function of ICCD is to constant vigilance against leakage of Shareholders value by identifying, assessing, measuring, managing and transferring operational risk resulting from inadequate or failed internal control processes, people and system or from external events.

3.32 Basel II and its implementation

Basel II accords are the international standards for creating regulations about how much capital is needed to put aside to guard against the various types of financial and operational risks that the Financial Institutions face.

To cope with the international best practices and to make the capital more risks sensitive as well as more shock resilient, guidelines on 'Capital Adequacy and Market Discipline (CAMD) have been introduced by Bangladesh Bank from 01 January 2012 regarding Minimum Capital Requirement (MCR), Capital Adequacy Ratio (CAR), and Disclosure requirement as stated in the guidelines to be followed by all financial institutions for the purpose of statutory compliance. In line with the requirement of the guidelines, the Company has already formed BASEL Implementation Unit (BIU) to ensure timely implementation of BASEL II accord. Calculation of CAR and MCR are detailed out in note no. 14.

(Figures in BDT) 2013	2012	
4 CASH	2012	
4 CASH		
		In hand
62,910	20,000	Local currency
-	-	Foreign currencies
62,910	20,000	
		Balance with Bangladesh Bank
108,450,437	93,374,946	Local currency
-	-	Foreign currencies
108,450,437	93,374,946	
108,513,347	93,394,946	Total

4.a CASH (Consolidated)

		In hand	12			
62,910	20,000	Union Capital Ltd.	BAS 1.			
20,000	1,100	UniCap Securities Ltd.	ß			
-	-	UniCap Investments Ltd.				
82,910	21,100					
		Balance with Bangladesh Bank				
108,450,437	93,374,946	Union Capital Ltd.				
-	-	UniCap Securities Ltd.				
-	-	UniCap Investments Ltd.				
108,450,437	93,374,946					
108,533,347	93,396,046	Total				

4.1 Cash reserve requirement (CRR) and statutory liquidity reserve (SLR)

Cash reserve requirement and statutory liquidity reserve have been calculated and maintained in accordance with FID circular no. 6 dated 6 November 2003.

4.1.1 Cash reserve requirement (CRR)

		2.5% of total term deposits
105,345,688	88,693,548	Required reserve
112,515,981	93,374,946	Actual reserve held
7,170,293	4,681,398	Surplus(deficit)

4.1.2 Statutory liquidity reserve (SLR)

4.1.2 Statutory inquidity reserve (SER)					
		5% of average liabilities			
217,159,650	181,411,274	Required reserve			
222,888,301	224,670,700	Actual reserve held			
5,728,651	43,259,426	Surplus/(deficit)			
4.1.3 Held for c	ash reserve requ	uirement (CRR)			
108,450,437	93,374,946	Balance with Bangladesh Bank and its agent bank(s)			
4.1.4 Held for s	tatutory liquidity	reserve (SLR)			
62,910	20,000	Cash in hand			
108,450,437	93,374,946	Balance with Bangladesh Bank & its agent bank(s) as per statement			
265,267,920	131,275,753	Balance with other banks and financial institutions (note-5)			
373,781,267	224,670,700				

4.1.5 Cash in hand

Cash in hand represents the amount under imprest system of petty cash to meet petty cash expenses both for head office and branch offices. Under this system, the Company maintains Tk. 62,910 (year 2012 Taka 20,000). As per Bangladesh Bank guidelines, NBFI cannot make any cash transaction except petty cash.

$\label{eq:states} \begin{array}{l} \textbf{4.1.6 Balance with Bangladesh Bank \& its agent bank \end{array}$

Deposit with Bangladesh Bank is non-interest bearing and maintained to meet the cash reserve

requirement (CRR). As required by Bangladesh Bank, CRR @ 2.5 percent is required to maintain with Bangladesh Bank current account on all deposits taken from depositors other than Banks and Financial Institutions. On 31 December 2013 there is no shortage in CRR.

5 BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

This represents balance with various banks and financial institutions in Bangladesh.

BAS 1.77

(Figures in BDT)

(i iguics in DDT)		
2013	2012	
		Fixed deposit account
20,000,000	20,000,000	Shahjalal Islami Bank Limited, Dhaka Main Branch
50,000,000	50,000,000	Social Islami Bank Limited, Babu Bazar Branch
5,663,750	5,000,000	LankaBangla Finance Limited
8,965,289	8,059,601	Prime Bank Limited, Motijheel Branch
84,629,039	83,059,601	
		Current account
212,176	85,198	Mutual Trust Bank Limited, Dilkusha Branch
715,555	717,055	Southeast Bank Limited, Islamic Banking Branch
126,014	3,012,975	Prime Bank Limited, Motijheel Branch
183,065	184,106	The City Bank Limited, Principal Branch
432,001	225,067	Standard Bank Limited, Dhanmondi Branch
453	1,133,288	Shahjalal Islami Bank Limited, Dhaka Main Branch
78,736	80,352	The Trust Bank Limited, Sena Kallayan Bhaban Branch
74,499	75,649	BRAC Bank Limited, Gulshan Branch
45,714	46,984	Janata Bank Limited, Local Office
-	38,225	Mercantile Bank Limited, Elephant Road Branch
19,966	21,236	EXIM Bank (BD) Limited, Motijheel Branch
16,884	17,412	AB Bank Limited, Karwan Bazar Branch
-	9,232	Southeast Bank Limited, Principal Branch
1	1	BASIC Bank Limited, Shantinagar Branch
-	4,721	The Premier Bank Limited, Kawran Bazar Branch
287,687	-	State Bank of India, Dhaka Office
282	972	Social Islami Bank Limited, Babu Bazar Branch
22,278	23,548	Uttara Bank Limited, Local Office
-	1,739	EXIM Bank (BD) Limited, Panthapath Branch
42	-	NCC Bank Limited, Mirpur Branch
2,215,353	5,677,760	
		Short term deposit
20,488,119	4,210,013	HSBC, Dhaka Main Office
28,421,657	6,147,844	HSBC, Dhaka Main Office
70,593	70,593	HSBC, Dhaka Main Office
1,957,895	1,875,255	Southeast Bank Limited, Islamic Banking Branch
100,667,917	28,528,989	Bank Asia Limited, Corporate Branch
3,888,824	1,487,836	Dhaka Bank Limited, Local Office
128,969	126,123	Prime Bank Limited, Motijheel Branch
-	91,739	National Bank Limited, Kawran Bazar Branch
22,799,555	-	Mutual Trust Bank Limited, Principal Branch
178,423,529	42,538,392	
265,267,920	131,275,753	Total

Fixed deposits are maintained with commercial banks and Non-bank financial institutions for maintaining statutory liquidity reserve as required by Bangladesh Bank. Bangladesh Bank regulations require to maintain statutory liquidity reserve (SLR) @ 5 percent including the CRR of 2.5 percent on total liabilities, excluding loans from banks and financial institutions. Union Capital Limited maintains this reserve mostly in the form of deposits.

(Figures in BDT)

2013	2012	
		Maturity wise grouping
2,215,353	5,677,760	Up to 1 month
178,423,529	42,538,392	1 month to 3 months
84,629,039	83,059,601	3 months to 1 year
-	-	1 year to 5 years
-	-	More than 5 years
265,267,920	131,275,753	Total

5.a. BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS (consolidated)

276,641,150	130,340,233	Dalance as at or December	
276 644 450	196.546.299	Balance as at 31 December	
283,533,656	211,018,500	Less: Inter-company transactions	
560,174,806	407,564,799	Total	
288,611,200	211,066,545	UniCap Investments Ltd.	
6,295,686	65,222,501	UniCap Securities Ltd.	
265,267,920	131,275,753	Union Capital Ltd.	

6 INVESTMENTS

BAS 1.77

BAS 1.77

This represents investment made by the Company in listed securities. The investment is made up as under:			
-	-	Government securities	
344,721,150	522,393,455	Other investments (note 6.1)	
344,721,150	522,393,455	Total	

6.1 Other investments

(Figures in BDT)			Cost		
Ordinary share	No of Company	Market Value	2013	2012	
Listed securities	40	228,485,894	344,721,150	522,393,455	
Balance at 31 December	40	228,485,894	344,721,150	522,393,455	

Listed securities:

(Figures in BDT)

Investments have been recorded at cost and adequate provision for diminution in value of investment as per Bangladesh Bank guidelines has been made. Market value of securities has been determined on the basis of the value of securities at the last trading date of the year (Last trading date for 2013 was 30 December).

Sector wise investment in listed securities at cost

344,721,150	522,393,455	Total
116,183,719	177,042,276	Manufacturing companies and others
-	65,776,526	Fuel & power
79,467,851	86,431,816	Investment companies
68,252,252	41,702,414	Insurance companies
56,155,890	96,688,215	Non Banking Financial Institutions
24,661,438	54,752,208	Banking companies
2013	2012	
(i iguico ili bb i)	

Notes to the Financial Statements

1.61

Maturity wise grouping

(Figures in BDT)

BAS	2013	2012		
	-	-	Up to 1 month	
	86,180,288	78,359,018	1 month to 3 months	
	258,540,863	444,034,437	3 months to 1 year	
	-	-	1 year to 5 years	
	-	-	More than 5 years	
	344,721,150	522,393,455	Total	
	6.a INVESTME	6.a INVESTMENTS (consolidated)		
BAS 1.77	344,721,150	522,393,455	Union Capital Ltd.	
BAS	956,797,108	919,751,150	UniCap Securities Ltd.	
	326,230,745	-	UniCap Investments Ltd.	
	1,627,749,003	1,442,144,605	Balance as on 31 December	
2	7 LOANS, ADVANCES AND LEASES			
BAS 1.77	This represents loans, advances and leases financed fully in Bangladesh.		and leases financed fully in Bangladesh.	
BAS	1,907,028,019	1,786,889,061	Lease finance (note 7.1)	
	44,454,378	88,607,133	Advance against lease finance (note 7.2)	

	10,586,937,647	7,318,213,456	Total
	21,756,841	23,056,076	Staff loan (note 7.6)
	132,541,767	150,310,373	Loan against deposits (note 7.5)
	3,996,002,533	3,160,183,348	Margin loan (note 7.4)
	4,485,154,108	2,109,167,465	Term finance (note 7.3)
1	44,454,378	88,607,133	Advance against lease finance (note 7.2)

7.1 Lease finance

_				
BAS 1.7	1,907,028,019	1,786,889,061	Total	
	391,317,216	501,401,345	Accounts receivable	
	1,515,710,803	1,285,487,716	Principal outstanding (note 7.1.1)	
~	7. 1 Lease finance			

Q	7. 1.1 Principal outstanding			
47	2,126,658,169	1,762,323,130	Gross rental receivables	
3 17	(610,947,366)	(476,835,414)	Unearned lease income	
BAS	1,515,710,803	1,285,487,716	Net investment	

7. 2 Advance against lease finance

These represent amount paid for procurement of lease assets, which are yet to be executed. On execution of lease, advances will be transferred to lease finance.

BAS 1.77

7.3 Term finance

4	4,485,154,108	2,109,167,465	Total
	184,025,077	164,902,103	Accounts receivable
4	1,301,129,032	1,944,265,362	Principal outstanding (note 7.3.1)
-			

Term finance includes finance already executed and advance to be executed on later date as per terms of agreement. Such advances carry interest at an agreed rate until the advances are executed.

7. 3.1 Movement of term finance (Principal outstanding) is made up as under:

4,301,129,032	1,944,265,362	Balance at 31 December
(546,790,831)	(947,912,166)	Recovery during the year
2,903,654,500	667,157,007	Investment during the year
1,944,265,362	2,225,020,521	Balance at 1 January

7. 4 Margin Ioan

This represents net disbursement of margin loan to the portfolio investors for purchasing shares listed in the stock exchanges against their margin. Loans are fully secured by way of lien on shares purchased under margin loan account.

Movements of margin loan is made up as under:

(Figures in BDT)

BAS 1.77

2013	2012	
3,160,183,348	2,595,775,788	Balance at 1 January
1,058,005,127	672,290,894	Investment during the year
(222,185,942)	(107,883,334)	Recovery during the year
3,996,002,533	3,160,183,348	Balance at 31 December

7. 5 Loan against deposits

This represents outstanding loans given to depositors against term deposits. As per Company's policy, Union Capital Limited finances to depositors up to 95% of TDR value. Interest is charged on such loan @ 3% above the interest offered on TDR.

Movement of loan against term deposit is as under:

150,310,373	8,277,786	Balance at 1 January
117,557,000	196,510,000	Investment during the year
(135,325,606)	(54,477,413)	Recovery/adjustment during the year
132,541,767	150,310,373	Balance at 31 December
7. 6 Staff Ioan		
Staff loan include	es loan provided t	to the eligible employees as per Company's approved policy
16,588,762	16,534,599	Employees home loan
3,557,895	4,250,366	Employees car loan
1,610,184	2,271,111	Personal loan
21,756,841	23,056,076	Balance at 31 December
7. 7 Residual m	aturity grouping	of loans, advances and leases
-	-	Repayable on demand
1,066,325,384	935,522,235	Upto 1 months
1,740,028,374	527,922,989	Not more than 3 months
4,839,340,284	4,351,322,533	3 months to 1 year
2,099,402,843	914,622,668	1 year to 5 years
841,840,762	588,823,031	More than 5 years
10,586,937,647	7,318,213,456	Total
7. 8 Loans, adv	ances and lease	s on the basis of significant concentration
140,356,235	192,373,376	a) Directors and their concerns
21,756,841	23,056,076	b) Chief executive and other senior executives
10,424,824,571	7,102,784,004	c) Customer groups
10,586,937,647	7,318,213,456	Total

d. Details of large loans, advances and leases

As per Section 14 (1) (ga) of the Financial Institutions Act 1993 a financial institution can not sanction any loans, advances and leases exceeding 30 percent of its capital (capital plus reserve) without permission from Bangladesh Bank. As at 31 December 2013 the Company has no such loan.

e. Sector wise loans, advances and leases

2	e. Sector wise loans, advances and leases					
BAS 1.77	As per Banglade	esh Bank circular,	sector wise loans and advances are as follows:			
BA			Sector			
_	1,074,760,259	251,209,582	Trade and Commerce			
			Industry			
	210,689,751	454,670,071	Garments and Knitwear			
	945,642,145	530,789,304	Textile			
	24,910,512	25,136,261	Jute and Jute Products			
	441,921,695	312,793,324	Food Products and Processing Industry			
	185,507,557	7,429,986	Plastic Industry			
	-	-	Leather and Leather-Goods			
	664,748,375	299,443,872	Iron, Steel and Engineering			
	352,476,049	124,262,980	Pharmaceuticals and Chemicals			
	110,718,247	23,334,267	Cement and Allied Industry			
	3,719,899	9,072,849	Telecommunication and Information Technology			
	283,642,349	149,333,446	Paper, Printing and Packaging			
	-	-	Glass, Glassware and Ceramic Industry			
	320,058,840	221,795,127	Ship Manufacturing Industry			
	12,718,520	27,522,507	Electronics and Electrical Products			
	548,779,091	271,809,987	Power, Gas, Water and Sanitary Service			
	294,411,570	343,958,799	Transport and Aviation			
	-	-	Agriculture			
	181,674,224	203,384,687	Housing			
		,	Others			
	3,996,002,533	3,160,183,348	Merchant Banking			
	-	-	Margin Loan			
	934,556,031	902,083,059	Others			
	10,586,937,647		Total			
	7. 9 Geographi	7. 9 Geographical location wise loans, advances and leases				
2	8,208,229,380	5,911,999,874	Dhaka Division			
BAS 1.//	2,142,889,306	1,320,629,064	Chittagong Division			
	198,707,212	23,790,238	Rajshahi Division			
	12,201,237	36,658,019	Khulna Division			
	24,910,512	25,136,261	Sylhet Division			
	10,586,937,647		Total			
		s of loans, adva	aces and leases			
<u>(</u>)	2013	2012	SL Particulars			
BAS 1.112 (c)	5,201,434,512		I. Financing considered good in respect of which the company is fully secured			
A D	3,676,664,997	1,462,165,589	 II. Financing considered good in respect of which the company is partially secured 			
	1,658,663,026	1,471,157,267	 III. Financing considered good against which the company holds no security other than the debtors' personal guarantee 			
	50,175,112	39,741,717	IV. Financing considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors			
	-	-	V. Financing adversely classified, provision not			
			maintained there against			

Statement	
Financial	
o the	
Notes t	

S

(Figures in BDT)				
2013	2012	SL Particulars		
21,756,841	23,056,076	VI. Financing due by directors or officers of the company or any of them either separately or jointly with any other persons		
140,356,235	192,373,376	VII. Financing due from companies or firms in which the directors of the company have interest as directors, partners or managing agents or in case of private companies as members		
21,756,841	23,056,076	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		
140,356,235	192,373,376	IX Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the company have interest as directors, partners or managing agents or in case of private companies as members		
-	-	X. Due from banking companies and other financial institutions		
429,963,357	146,673,512	XI. Classified loans, advances and leases on which interest has not been charged		
282,626,133	102,853	a) Amount of written off loans, advances and leases		
1,833,707	-	b) Amount realized against the debts previously written off		
117,488,659	266,806,133	 c) Provision kept against loans and advances classified as bad/loss 		
44,381,258	292,318,016	 Amount of interest creditable to the interest suspense account 		
		XII. Cumulative amount of the written off loans/leases:		
102,853	102,853	Opening balance		
284,356,987	-	Add: Amount written off during the year		
1,833,707	-	Less: Amount recovered during the year		
282,626,133	102,853	Cumulative to date		
284,441,917	84,930	The amount of written off loans for which law suit filed		
7 11 Classification wise loans, advances and leases				

7. 11 Classification wise loans, advances and leases

BAS 1.77

9,141,246,226

509,177,539

9,650,423,765

 Unclassified

 5,688,777,213
 Standard

 440,240,401
 Special mention account (SMA)

 6,129,017,614
 Unclassified

 Classified

		Classified
140,209,031	307,544,457	Sub-standard (SS)
214,974,487	259,960,408	Doubtful (DF)
581,330,364	621,690,977	Bad/loss (BL)
936,513,882	1,189,195,842	Classified
10,586,937,647	7,318,213,456	Total
8.85%	16.25%	Rate of classified loans, leases and advnaces

7.12 Particulars of required provision for loans, advances and leases

Required provision has been made for loans, leases and advances as per Bangladesh Bank guidelines. As per guidelines, provisions at the following rate have been made in the accounts depending on the classification status.

Loans, advances and leases up to 5 years term	Classification status	Provision (%)
Up to 2 months	Standard	1
3 to 5 months	SMA	5
6 to 11 months	SS	20
12 to 17 months	DF	50
18 months and above	BL	100

Loans, advances and leases exceeding 5 years term	Classification status	Provision (%)
Up to 5 months	Standard	1
6 to 11 months	SMA	5
12 to 17 months	SS	20
18 to 23 months	DF	50
24 months and above	BL	100
	0	and the second second

However, as per DFIM Circular number -03 dated 29 April 2013, provision at the rate of 0.25 percent has been made against 'Small and Medium Enterprises (SME)' loan falling under the classification status of standard. Required provision according to classification status is mentioned below:

(Figures	

2013 Provision	2012 Provision	Rate	Base for provision	Unclassified - general provision
177,773,377	56,887,772	1%	9,141,246,226	Standard
24,676,440	20,540,096	5%	493,528,798	Special mention account
202,449,817	77,427,868		9,634,775,024	
				Classified - specific provision
11,605,018	42,226,296	20%	58,025,088	Sub-standard
84,763,157	80,031,004	50%	169,526,313	Doubtful
117,928,459	266,806,133	100%	117,928,459	Bad/loss
214,296,633	389,063,433		345,479,860	
416,746,450	466,491,301			Required provision for loans, advances and leases
418,333,334	466,715,515			Total provision maintained for loans, advances and lease
1,586,884	224,214			Excess provision for loans, advances and leases

7.a LOANS, ADVANCES AND LEASES (consolidated)

(Figures in BDT)		
2013	2012	
10,586,937,647	7,318,213,456	Union Capital Ltd.
511,664,642	410,342,750	UniCap Securities Ltd.
-	-	UniCap Investments Ltd.
11,098,602,289	7,728,556,206	Total
350,000,000	-	Less: Inter-company transactions
10,748,602,289	7,728,556,206	Balance as on 31 December

8 FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES

		Cost:
6,081,773	5,812,976	Furniture and fixtures
16,846,626	16,846,626	Office decoration
24,063,843	22,653,803	Electric equipment
1,542,500	1,542,500	Owned vehicles
8,760,000	8,760,000	Leased vehicles
1,980,831	1,381,631	Intangible assets (software)
412,002	412,002	Mobile phones
41,328	41,328	Staff appliances
59,728,904	57,450,867	Total cost
43,247,275	34,745,079	Less: Accumulated depreciation and amortization
16,481,629	22,705,788	Written down value as at 31 December

Details are shown in Annexure - A.

8.a FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES (consolidated)

	18,243,065	22,705,788	Balance as on 31 December
1	-	-	UniCap Investments Ltd.
	1,761,436	-	UniCap Securities Ltd.
	16,481,629	22,705,788	Union Capital Ltd.

BAS 1.77

BAS 1.78 (a)

9 OTHER ASSETS

BAS 1.77

BAS 1.77

(Figures in BDT)		
2013	2012	
347,498,771	297,498,771	Investment in subsidiary (note 9.1)
43,961,030	106,558,674	Accrued interest
491,550,919	490,151,040	Others
883,010,719	894,208,485	Income generating other assets
6,385,104	9,675,229	Advance office rent
171,574	912,200	Advance to employees
37,500	37,500	Deposits with T & T, water etc.
705,194,547	682,536,419	Advance corporate tax
263,003,368	28,665,990	Receivable from brokerage houses against sale of Shares
381,932,137	314,074,305	Receivable from subsidiary company
1,287,376	1,287,376	Transfer price receivable
10,714,663	8,451,388	Deferred tax assets (note 9.2)
133,173,074	27,164,089	Others
1,501,899,343	1,072,804,496	Non income generating other assets
2,384,910,062	1,967,012,981	Total

Management considers all the other assets as good.

9.1 Investment in subsidiary

9.1.1 Investment in Unicap Securities Limited

UniCap Securities Limited, a private limited company incorporated in Bangladesh, is a wholly owned subsidiary of Union Capital Limited, the entire issued shares of which were acquired by the Company at a nominal value of Taka one (1) in 1998. During the year 2003, an amount of Taka 2,498,900 was invested in UniCap Securities Limited against 24,989 ordinary shares of Taka 100 each. Further, in 2005, 2009 and 2010, Taka 10,000,000, Taka 35,000,000 and Taka 50,000,000 respectively were also invested in UniCap Securities Limited against allotment of 100,000, 350,000 and 500,000 ordinary shares of Taka 100 each.

9.1.2 Investment in UniCap Investments Ltd.

UniCap Investments Limited, a public limited company incorporated in Bangladesh, is a wholly owned subsidiary of Union Capital Limited of which Union Capital Limited holds 99.99 percent share of the said company. An aggregate amount of Taka 249,999,870 was invested in UniCap Investments Limited which includes Taka 99,999,935, Taka 99,999,935 and Taka 50,000,000 for the year 2011, 2012 and 2013 respectively.

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.

(Taxable)/deductible		Carring amount at	
temporary difference	Tax base	balance sheet	Assets
13,559,922	30,041,551	16,481,629	Fixed assets net of depreciation
			Liabilities
11,651,050	-	11,651,050	Employee gratuity fund
25,210,972	30,041,551	28,132,679	
42.50%			Applicable tax rate
10,714,663			Deferred tax assets as on December 31,2013
8,451,388			Deferred tax assets as on December 31,2012
2,263,275			Deferred tax income during the year 2013

9.a OTHER ASSETS (consolidated)

L	2,384,910,062	1,967,012,981	Union Capital Ltd.
L	245,098,267	132,470,251	UniCap Securities Ltd.
	23,089,272	5,126,181	UniCap Investments Ltd.
	2,653,097,601	2,104,609,413	Total
	2,653,097,601 1,527,277,450	2,104,609,413 1,092,613,632	Total Less: Inter-company transactions

10 BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS

~	10 BORROWIN	GS FROM OTHER	R BANKS, FINANCIAL INSTITUTIONS AND AGENTS
1.7	(Figures in BDT)	
3AS	2013	2012	
			Borrowings from other banks In Bangladesh
			Secured long term loans
	974,659,353	1,084,663,843	Bank loan (note 10.1)
			Unsecured
	81,897,918	4,000,000	Bangladesh Bank (Small Enterprise refinancing scheme-JICA) (note 10.2)
	12,500,000	-	Bangladesh Bank (Women entreprenure refinance scheme (Note 10.3)
	-	3,671,094	Fund from Bangladesh Bank (note 10.4)
	882,739,374	897,104,489	Short term borrowing (note 10.5)
	977,137,292	904,775,583	
	1,951,796,645	1,989,439,426	
	-	-	Outside Bangladesh
	1,951,796,645	1,989,439,426	Borrowings from banks
			Borrowings from financial institutions
-	36,995,391	-	The UAE-Bangladesh Investment Company Limited
1.77	1,988,792,036	1,989,439,426	Total

BAS 1.77

10.1 Bank loan

This represents long term loan taken from different commercial banks, and is made up as under:

974,659,353	1,084,663,843	Balance at 31 December
(560,004,490)	(627,537,364)	Repayment during the year
450,000,000	550,000,000	Received during the year
1,084,663,843	1,162,201,207	Balance at 1 January

Loans are secured by way of first charge on all fixed and floating assets of the company, ranking pari passu among all the lenders. The period of such loans ranges from three to five years.

10.1.1 Break up of bank loans:

IV.I.I DICak up	or burnt round.	
-	66,505,124	BASIC Bank Limited
46,001,010	130,112,085	Mutual Trust Bank Limited
43,435,687	-	NCC Bank Limited
200,013,256	-	Premier Bank Limited
221,211,086	345,907,220	Shahjalal Islami Bank Limited
35,862,453	-	Southeast Bank Limited
88,206,956	67,914,793	Standard Bank Limited
22,079,213	33,597,716	State Bank of India
-	72,901,919	Trust Bank Limited
55,760,141	88,582,065	United Commercial Bank Limited
262,089,552	279,142,921	Uttara Bank Limited
974,659,354	1,084,663,843	Total secured long term loans

10.2 SMESPD fund

BAS 1.77

Fund received from Japan International Cooperation Agency (JICA) through Bangladesh Bank. Details are as under:

4,000,000	-	Balance at 1 January
87,410,000	4,000,000	Received during the year
(9,512,082)	-	Repayment during the year
81,897,918	4,000,000	Balance at 31 December

Fund is disbursed on reimbursement basis against submission of the projects with requisite papers and documents.

10.3 Bangladesh Bank (Women entreprenure refinance scheme)

This fund was reimbursed from Bangladesh Bank under refinancing scheme against financing to women entreprenure. The period of loan ranges from one to five years, matching the terms of respective projects. Details are as under:

Statements

Financial

Notes to the

(Figures in BDT)		
2013	2012	
-	-	Balance at 1 January
12,500,000	-	Received during the year
-	-	Repayment during the year
12,500,000	-	Balance at 31 December

10.4 Fund from Bangladesh Bank

(Figures in BDT)

This fund was reimbursed from Bangladesh Bank under refinancing scheme against financing to small & medium enterprises as well as agricultural projects. The period of loan ranges from one to five years, matching the terms of respective projects. Details are as under:

BAS 1.77

BAS 1.61

337,631,070

643,597,063

2013	2012	
3,671,094	9,784,206	Balance at 1 January
-	497,363	Received during the year
(3,671,094)	(6,610,475)	Repayment during the year
-	3,671,094	Balance at 31 December

Break up of short term borrowings

10.5 Short-term borrowings

This represents money at call and on short notice and bank overdraft availed to meet short-term fund requirements.

Money at call and on short notice

As on the reporting date Tk. 880,000,000 was received from different banks as money at call and short notice. According to FID circular no. 05, dated June 08, 2005, non-banking financial institution can avail call money facility maximum upto 15 percent of its net assets. Based on the circular mentioned above, the maximum limit of call money for the company was Tk. 1,156.05 million (calculated based on the half yearly report of 2013 of the Company).

10.5.1 Short te	rm loans	
2,739,374	90,165,734	United Commercial Bank Limited
-	40,234,334	Shahjalal Islami Bank Limited
-	50,790,404	Mutual Trust Bank Limited
-	45,914,017	State Bank of India
2,739,374	227,104,489	Total
10.5.2 Call Loa	ns	
50,000,000	50,000,000	Bangladesh Development Bank Limited
330,000,000	50,000,000	BASIC Bank Limited
60,000,000	-	Mutual Trust Bank Limited
110,000,000	-	Premier Bank Limited
-	40,000,000	Pubali Bank Limited
-	130,000,000	Southeast Bank Limited
80,000,000	70,000,000	Standard Bank Limited
200,000,000	230,000,000	The City Bank Limited
-	100,000,000	United Commercial Bank Limited
50,000,000	-	The Farmers Bank Limited
880,000,000	670,000,000	Total
882,739,374	897,104,489	Total short term borrowings
10.5.3 Security	against borrowi	ngs from other banks and financial institutions
1,011,654,745	1,084,663,843	Secured
977,137,292	904,775,583	Unsecured
1,988,792,036	1,989,439,426	Total
10.6 Maturity v	vise grouping	
880,000,000	670,000,000	Repayable on demand
32,447,369	31,995,287	Up to 1 month
95,116,534	311,580,464	1 month to 3 months

Total

_

3 months to 1 year

1 year to 5 years More than 5 years

327,298,426

648,565,249

1,988,792,036 1,989,439,426

10.a BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS (consolidated) (Eiguroo in PDT)

(Figures in BDT)		
2013	2012	
1,988,792,036	1,989,439,426	Union Capital Limited
802,279,406	314,000,000	UniCap Securities Limited
303,249,548	74,305	UniCap Investments Limited
3,094,320,990	2,303,513,731	Total
1,105,528,954	314,074,305	Less: Inter-company transactions
1,988,792,036	1,989,439,42	Balance as on 31 December

11 TERM DEPOSIT

This comprises interest bearing deposits from individuals and organizations for period ranging from 6 months to 10 years.

7,658,525,439	4,532,440,286	Total
613,345,145	621,769,681	Total individual deposits
876,000.00	48,000.00	Monthly savings scheme
65,100,000	97,100,000	Income deposit
547,369,145	524,621,681	Term deposit
7,045,180,294	3,910,670,605	Total institutional deposits
3,239,180,294	2,690,670,605	Other institutions
3,806,000,000	1,220,000,000	Banks and financial institutions

Movements of deposits is made up as under:

		Maturity wise grouping
7,658,525,439	4,532,440,286	Balance at 31 December
(3,061,658,125)	(2,050,918,542)	Repayment during the year
6,187,743,278	2,912,876,052	Received/renewed during the year
4,532,440,286	3,670,482,776	Balance at 1 January

		Maturity wise grouping
-	-	Repayable on demand
462,643,324	378,196,161	Repayable within 1 month
3,848,634,251	2,758,471,763	1 month to 6 months
1,345,929,176	1,326,445,360	6 months to 1 year
1,556,782,410	68,577,002	1 year to 5 years
444,536,278	750,000	5 years to 10 years
-	-	More than 10 years
-	-	Unclaimed deposits for 10 years or more
7,658,525,439	4,532,440,286	Balance at 31 December

7,374,991,783	4,321,421,786	Balance as on 31 December	
283,533,656	211,018,500	Less: Inter-company transactions	
7,658,525,439	4,532,440,286	Total	
-	-	UniCap Investments Limited	
-	-	UniCap Securities Limited	
7,658,525,439	4,532,440,286	Union Capital Limited	
11.a TERM DEPC	11.a TERM DEPOSITS (consolidated)		

12 OTHER DEPOSITS

The amount received from clients as advance against finance and cash security deposit on the stipulation that the amount will be either adjusted with the outstanding rentals/installments or repaid at the end of term. This is made up as under:

461,863,431	276,879,475	Balance at 31 December
(686,539,111)	(1,005,362,724)	Repayment during the year
871,523,066	866,790,226	Received during the year
276,879,475	415,451,973	Balance at 1 January

BAS 1.77

BAS 1.77

BAS 1.61

BAS 1.77

Breakup of other deposits on the basis of category of finance is as under (Figures in BDT)

2013 2012 50,396,046 48,884,761 Lease advance 72,119,704 44,623,909 Term finance advance 339,347,681 183,370,806 Cash security	461,863,431	276,879,475	Balance as on 31 December
50,396,046 48,884,761 Lease advance	339,347,681	183,370,806	Cash security
	72,119,704	44,623,909	Term finance advance
2013 2012	50,396,046	48,884,761	Lease advance
	2013	2012	

Advance and security deposit reduce the exposure with the clients and thereby reduce the risks. No interest is payable on advances while cash security deposits are interest bearing.

13 OTHER LIABILITIES

2,105,608,249	1,902,938,657	Total	
276,260,939	41,028,559	Accrued expenses and other payable (note 13.7)	
482,274	348,301	VAT payable	
12,328,312	1,094,284	Withholding tax payable	
657,870	10,000	Excise duty	
4,594,220	6,697,243	Obligation under capital lease (note 13.6)	
383,952,565	282,192,313	Financial expenses payable (note 13.5)	
811,049,691	776,289,286	Provision for tax (note 13.4)	
174,701,994	292,318,016	Interest suspense (note 13.3)	
23,247,050	36,245,140	Provision for diminution in value of investments (note 13.2)	
418,333,334	466,715,515	466,715,515 Provision for loans, advances and leases (note 13.1)	
13 OTTIER EIADI	LITILS		

13.1 Provision for loans, advances and leases

Management, on the basis of analysis of portfolio and guidelines issued by Bangladesh Bank has determined provisions for doubtful losses. The provision is considered adequate to cover the possible future losses.

		· · · ·	
204,036,701	77,651,703	General provision on unclassified loans, advances and leases	
214,296,633	389,063,812	Specific provision on classified loans, advances and lea	ases
418,333,334	466,715,515	Provision as on 31 December	
Movement in gen	eral provision on u	nclassified loans/leases	
77,651,704	70,197,053	Provision as on 1 January	BAS 37.84 (a)
126,384,997	7,454,651	Add: Provision made/(released) during the year	BAS 37.84 (b)
204,036,701	77,651,704	Provision as on 31 December	BAS 37.84 (a)

Total provision includes 20 percent shortfall in of portfolio investors fund that has been provided as per Bangladesh Securities and Exchange Commission (BSEC) circular no. SEC/CMRRCD/2009-193/155 dated 9 December 2013.

13.1.a Provision	for loans, advance	s and leases (consolidated)	
126,384,997	7,454,651	Union Capital Limited	
8,597,015	1,492,580	UniCap Securities Limited	
-	-	UniCap Investments Limited	
134,982,012	8,947,231	Total	
13.1.b Movement	in specific provisi	on on classified loans/leases	
389,063,812	242,390,300	Provision as on 1 January	
(284,356,987)	-	Less: Fully provided debts written off during the year	
1,833,707	-	Add: Recoveries of amounts previously written off	
-	-	Add: Specific provision made during the year for other accounts	
(1,833,707)	-	Less: Provision no longer required	
-	-	Less: Adjustment for write off	
109,589,808	146,673,512	Add: Net charge to profit and loss account	BAS 37.84 (b)
214,296,633	389,063,812	Provision as on 31 December	BAS 37.84 (a)
13.1.c Provision	for loans, advance	s and leases (consolidated)	
418,333,334	466,715,516	Union Capital Limited	
10,129,839	1,532,824	UniCap Securities Limited	
-	-	UniCap Investments Limited	
428,463,173	468,248,340	Balance as on 31 December	



13.2 Provision for diminution in value of investments

23,247,050	36,245,139	Provision as on 31 December BAS 37.84 (a)
(12,998,089)	(80,095,075)	Add: Provision made/(released) during the year (note 13.2.1)
36,245,140	116,340,214	Provision as on 1 January BAS 37.84 (a)
(Figures in BDT) 2013	2012	

As on 31 December 2013, the amount of dimunution in the value of investment in shares was Tk. 116.24 million for which 20 percent has been made in the accounts as per Bangladesh Securities and Exchange Commission (BSEC) circular number SEC/CMRRCD/2009-193/155 dated 9 December 2013.

13.2.1 Allocation of provision for diminution in value of investments

(12,998,089) (80,095,075) Listed securities - - Unlisted securities (12,998,089) (80,095,075) Total 13.2.a Provision for diminution in value of investments (consolidated) (12,998,089) (12,998,089) (80,095,074) Union Capital Limited 14,687,715 9,666,520 UniCap Securities Limited 9,361,394 - UniCap Investments Limited 11,051,020 (70,428,554) Total		••• ••••••••••••••••••••		
(12,998,089) (80,095,075) Total 13.2.a Provision for diminution in value of investments (consolidated) (12,998,089) (80,095,074) Union Capital Limited 14,687,715 9,666,520 UniCap Securities Limited 9,361,394 - UniCap Investments Limited	(12,998,089)	(80,095,075)	Listed securities	
13.2.a Provision for diminution in value of investments (consolidated)(12,998,089)(80,095,074)Union Capital Limited14,687,7159,666,520UniCap Securities Limited9,361,394-UniCap Investments Limited	-	-	Unlisted securities	
(12,998,089) (80,095,074) Union Capital Limited 14,687,715 9,666,520 UniCap Securities Limited 9,361,394 - UniCap Investments Limited	(12,998,089)	(80,095,075)	Total	
14,687,7159,666,520UniCap Securities Limited9,361,394-UniCap Investments Limited	13.2.a Provision	13.2.a Provision for diminution in value of investments (consolidated)		
9,361,394 - UniCap Investments Limited	(12,998,089)	(80,095,074)	Union Capital Limited	
	14,687,715	9,666,520	UniCap Securities Limited	
11,051,020 (70,428,554) Total	9,361,394	-	UniCap Investments Limited	
	11,051,020	(70,428,554)	Total	

13.3 Interest suspen	13.3 Interest suspense BAS 37.84 (
292,318,016	195,156,647	Balance as on 1 January	BAS 37.84 (b)
44,381,258	97,161,369	Add: Transferred during the year	
88,840,980	-	Less: Amount of interest suspense recovered	
73,156,301	-	Less: Write off during the year	BAS 37.84 (a)
174,701,994	292,318,016	Balance as on 31 December	

Bangladesh Bank FID circular no. 3 of 2006 requires that interest on loans/leases classified as SMA and above will be credited to interest suspense account, instead of crediting the same to income account. In accordance with the above circular interest on various facilities classified as SMA, SS, DF and BL, has been set-aside in this account.

13.3.1 Product wise interest suspense accounts

174.701.994	292.318.016	Total
38,858,392	60,217,713	On term finance
135,843,602	232,100,303	On lease finance

13.4 Provision for tax

Provision for tax comprises provision for current tax and provision for deferred tax as well.

Provision for current tax

The company calculated taxable profit/losses based on Income Tax Ordinance 1984 and determined current tax liability as per applicable rate enacted by Finance Act 2013.

Tax on capital gain

The Government through Finance ACT 2010 imposed tax on capital gain from sale of listed companies shares @10 percent effective from 1st July 2010, which is considered in this report.

811,049,692	776,289,286	Balance at 31 December	BAS 37.84 (a)
-	-	Transferred to/(from)	
34,760,406	32,617,559	Provision made during the year	BAS 37.84 (b)
776,289,286	743,671,727	Balance at 1 January	BAS 37.84 (a)

While estimating the current income tax for the year ended 31 December 2013, the Company has considered certain types of allowances made during the year as an admissible expense for income tax in current period. Shortfall, if any between the current tax and tax ultimately payable by the Company shall be charged to the profit and loss at the time of final settlement.

8,333,463 69,093,869	5,828,324 53,217,334	UniCap Investments Ltd. Total	
	, ,	'	
26,000,000	14.771.450	UniCap Securities Limited	
34,760,406	32,617,559	Union Capital Ltd.	
13.4.a Provisio	n for current tax	(consolidated)	BAS 1.77

Statements

13.5 Financial expenses

(Figures in BDT)

BAS 1.77

BAS 1.77

This comprises interest accrued on bank loans, term deposits and security deposits.

13.6 Obligation under capital lease

This represents fixed assets acquired under capital

2013	2012			
Principal outstanding	Principal outstanding	Financial charges for future periods	Minimum lease payments	
1,128,991	2,093,024	647,315	1,776,306	Within one year
3,465,229	4,604,219	935,962	4,401,191	More than one year
4,594,220	6,697,243	1,583,277	6,177,497	Total

exercise it.

13.7 Accrued expenses and other payable

276,260,939	41,028,559	Balance as on 31 December
-	-	Others payables
14,803,128	11,872,285	Management expenses
261,457,811	29,156,274	Portfolio investors' fund (note 13.7.1)
(Figures in BDT) 2013	2012	

Portfolio investors' fund

This represents fund of portfolio investors deposited with Union Capital for investment in different listed securities at investors' discretion as per regulation 30 of the Bangladesh Securities and Exchange Commission (Merchant Bankers & Portfolio Manager) Regulations, 1996.

13.7.1 Portfolio investors' fund

This represents the balance of deposits made with the Company by the portfolio investors to take margin loan and buy marketable securities. The balance of fund has been arrived at as follows:

lease. Lease rentals are payable on monthly basis

charges as per repayment schedule. The Company

which include principal repayment and financial

has the option to purchase the assets upon completion of lease period and has the intention to

261,457,811	29,156,274	Balance of fund at the end of the year
5,535,248,190	5,787,833,425	Total
667,874,125	533,908,168	Interest and other charges
4,867,374,065	5,253,925,257	Less: Investment in securities
5,796,706,001	5,816,989,699	Total
3,996,002,533	3,160,183,348	Margin loan extended for purchase of securities
1,800,703,468	2,656,806,351	Deposit made by the portfolio investors for purchases of securities

BAS 1.79

13 a OTHER LIABILITIES (consolidated)

2,105,608,249	1,902,938,657	Union Capital Limited	
305,746,943	602,720,173	UniCap Securities Limited	
82,170,873	14,154,651	UniCap Investments Limited	
2,493,526,065	2,519,813,481	Total	
424,249,715	481,114,852	Less: Inter-company transactions	
2,069,276,350	2,038,698,629	Balance as on 31 December	

14 SHARE CAPITAL

As at 31 December 2013, a total number of 109,909,326 (FY 2012: 104,675,549) ordinary shares of Tk.10 each were issued, subscribed and fully paid up. Details are as follows:

BAS 1.79 (a)(i) Authorized capital 2,000,000,000 2,000,000,000 200,000,000 ordinary shares of Tk. 10 each BAS 1.79 (a)(ii) Issued, subscribed and paid up capital: 1,046,755,490 951,595,900 104,675,549 ordinary shares of Tk.10 each 52,337,770 95,159,590 5,233,777 bonus shares 1,099,093,260 1,046,755,490 Total 109,909,326

Notes to the Financial Statements

BAS 1.79

Pattern of shareholdings

		No. of	
Directors/ Executives	Represented by	shares held	Percentage
Enrilco Limited	Mr. Nadeem A. Chaudhury	5,032,834	4.58
Palmal Garments Hosiery Ltd.	Mrs. Tajrina Sikder	10,695,156	9.73
Palmal Garments Hosiery Ltd.	Mr. Kazi Russel Mahbub		
EC Securities Ltd.	Mr. Chowdhury Tanzim Karim	7,935,120	7.22
EC Securities Ltd.	Mrs. Rumana Sharif		
Mr. M. A. Salam	Self	6,884,070	6.26
Mr. M. Faizur Rahman	Self	5,224,543	4.94
Mr. Nasir A. Choudhury	Self	4,890,672	4.45
Mrs. Meherunnesa Haque	Self	2,226,292	2.02
Mr. Kazi Golam Samiur Rahman	Self	3,937,201	3.58
Mr. N. H. Khan, Independent Director	Self	Nil	Nil
Mr. Ziaul Hasan Siddiqui, Independent Director	Self	Nil	Nil
Md. Akter H. Sannamat FCA, FCS, Managing Dire	ctor & CEO N/A	Nil	Nil

Composition of shareholdings

Composition of shareholdings as on 31 December 2013 was as under:

No. of Sh	No. of Shareholders No. of Shares Percentage					
2013	2012	2013	2012	2013	2012	
5	5	26,035,009	24,795,249	23.69	23.69	Sponsors (Institutions)
14	14	34,883,984	33,791,897	31.74	32.28	Sponsors (Individuals)
304	272	21,413,980	17,373,933	19.48	16.60	General Public (Institutions)
9,847	9,874	27,576,353	28,714,470	25.09	27.43	General Public (Individuals)
10,170	10,165	109,909,326	104,675,549	100.00	100.00	

Range of shareholdings

The distribution schedule of shareholdings as on 31 December 2013 was as under:

No. of Sh	areholders	No.	of Shares	Perc	entage	
2013	2012	2013	2012	2013	2012	
3,937	2,764	634,235	673,454	0.58	0.64	Less than 500 shares
5,266	6,276	8,439,920	10,447,410	7.68	9.98	500 to 5,000 shares
501	607	3,437,775	4,318,807	3.13	4.13	5,001 to 10,000 shares
236	269	3,171,119	3,792,494	2.89	3.62	10,001 to 20,000 shares
83	74	1,942,267	1,848,091	1.77	1.77	20,001 to 30,000 shares
28	40	978,729	1,380,154	0.89	1.32	30,001 to 40,000 shares
20	22	907,468	973,509	0.83	0.93	40,001 to 50,000 shares
34	43	2,410,569	3,142,768	2.19	3.00	50,001 to 100,000 shares
46	54	18,552,471	20,061,679	16.88	19.17	100,001 to 1,000,000 shares
19	16	69,434,773	58,037,183	63.17	55.44	Over 1,000,000 shares
10,170	10,165	109,909,326	104,675,549	100.00	100.00	Total

Capital requirement

The Company is subject to the regulatory capital requirement as stipulated in DFIM circular no 05 dated 4 July 2011 of Bangladesh Bank that a financial institution is required to have a minimum paid up capital of Tk. 1,000 million. Moreover, as per

DFIM circular no. 14 dated 28 December 2011, the financial institutions are required to follow the prudential guidelines on Capital Adequacy and Market Discipline (CAMD) from 01 January 2012. Details are as under:

(Figures	in	BDT)	
0040			

2013	2012	
		Solo basis
		Core capital (Tier-1)
1,099,093,260	1,046,755,490	Paid up capital
-	-	Share premium
281,817,425	254,068,611	Statutory reserves
-	-	General reserves
-	7,000,000	Dividend equalization reserves
111,131,917	45,474,434	Retained earnings
1,492,042,602	1,353,298,535	Sub-Total
004 000 704	407 500 400	Supplimentary capital (Tier-2)
204,036,701	137,523,436	General provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet exp.)
-	-	Asset revaluation reserves up to 50%
-	-	Revaluation reserve for securities upto 45%
-	-	All other preference shares
-	-	Other (if any item approved by Bangladesh Bank)
204,036,701	137,523,436	Sub-Total
1,696,079,302	1,490,821,971	Total eligible capital (A)
11,510,352,821	11,001,874,911	Total risk weighted assets (RWA) (B)
1,151,035,282	1,100,187,491	Required capital based on risk weighted assets (10% of B) (C)
545,044,020	390,634,479	Capital surplus (A-C)
14.74%	13.55%	Capital adequacy ratio (%) (A/B*100)
		Consolidated basis
		Core capital (Tier-1)
1.099.093.260	1.046.755.490	Core capital (Tier-1) Paid up capital
1,099,093,260	1,046,755,490	Paid up capital
-	-	Paid up capital Share premium
-	1,046,755,490 - 254,068,611 -	Paid up capital Share premium Statutory reserves
-	- 254,068,611 -	Paid up capital Share premium Statutory reserves General reserves
- 281,817,425 - -	- 254,068,611 - 7,000,000	Paid up capital Share premium Statutory reserves General reserves Dividend equalization reserves
- 281,817,425 - - 170	- 254,068,611 - 7,000,000 149	Paid up capital Share premium Statutory reserves General reserves Dividend equalization reserves Non-controlling interest
- 281,817,425 - - 170 124,254,553	- 254,068,611 - 7,000,000	Paid up capital Share premium Statutory reserves General reserves Dividend equalization reserves
- 281,817,425 - - 170 124,254,553	- 254,068,611 - 7,000,000 149 55,581,159	Paid up capital Share premium Statutory reserves General reserves Dividend equalization reserves Non-controlling interest Retained earnings Sub-Total
- 281,817,425 - - 170 124,254,553 1,505,165,407	254,068,611 7,000,000 149 55,581,159 1,363,405,409	Paid up capital Share premium Statutory reserves General reserves Dividend equalization reserves Non-controlling interest Retained earnings Sub-Total Supplimentary capital (Tier-2)
- 281,817,425 - - 170 124,254,553 1,505,165,407	- 254,068,611 - 7,000,000 149 55,581,159	Paid up capital Share premium Statutory reserves General reserves Dividend equalization reserves Non-controlling interest Retained earnings Sub-Total
- 281,817,425 - 170 124,254,553 1,505,165,407 124,700,648	254,068,611 7,000,000 149 55,581,159 1,363,405,409	Paid up capital Share premium Statutory reserves General reserves Dividend equalization reserves Non-controlling interest Retained earnings Sub-Total Supplimentary capital (Tier-2) General provision (Unclassified loans upto
- 281,817,425 - 170 124,254,553 1,505,165,407 124,700,648	254,068,611 7,000,000 149 55,581,159 1,363,405,409 145,566,139	Paid up capital Share premium Statutory reserves General reserves Dividend equalization reserves Non-controlling interest Retained earnings Sub-Total Supplimentary capital (Tier-2) General provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet exp.)
- 281,817,425 - 170 124,254,553 1,505,165,407 124,700,648	254,068,611 7,000,000 149 55,581,159 1,363,405,409 145,566,139	Paid up capital Share premium Statutory reserves General reserves Dividend equalization reserves Non-controlling interest Retained earnings Sub-Total Supplimentary capital (Tier-2) General provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet exp.) Asset revaluation reserves up to 50%
- 281,817,425 - 170 124,254,553 1,505,165,407 124,700,648	254,068,611 7,000,000 149 55,581,159 1,363,405,409 145,566,139 252,750,000	Paid up capital Share premium Statutory reserves General reserves Dividend equalization reserves Non-controlling interest Retained earnings Sub-Total Supplimentary capital (Tier-2) General provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet exp.) Asset revaluation reserves up to 50% Revaluation reserve for securities upto 45%
1,099,093,260 - 281,817,425 - - 170 124,254,553 1,505,165,407 124,700,648 252,750,000 - - - 377,450,648	254,068,611 7,000,000 149 55,581,159 1,363,405,409 145,566,139 252,750,000	Paid up capital Share premium Statutory reserves General reserves Dividend equalization reserves Non-controlling interest Retained earnings Sub-Total Seneral provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet exp.) Asset revaluation reserves up to 50% Revaluation reserve for securities upto 45% All other preference shares
- 281,817,425 - 170 124,254,553 1,505,165,407 124,700,648 252,750,000 - -	254,068,611 - 7,000,000 149 55,581,159 1,363,405,409 145,566,139 252,750,000 - -	Paid up capital Share premium Statutory reserves General reserves Dividend equalization reserves Non-controlling interest Retained earnings Sub-Total Supplimentary capital (Tier-2) General provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet exp.) Asset revaluation reserves up to 50% Revaluation reserve for securities upto 45% All other preference shares Other (if any item approved by Bangladesh Bank)
- 281,817,425 - 170 124,254,553 1,505,165,407 124,700,648 252,750,000 - - - 377,450,648	254,068,611 7,000,000 149 55,581,159 1,363,405,409 145,566,139 252,750,000 - - - - 398,316,139 1,761,721,548	Paid up capital Share premium Statutory reserves General reserves Dividend equalization reserves Non-controlling interest Retained earnings Sub-Total Supplimentary capital (Tier-2) General provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet exp.) Asset revaluation reserves up to 50% Revaluation reserve for securities upto 45% All other preference shares Other (if any item approved by Bangladesh Bank) Sub-Total
- 281,817,425 - 170 124,254,553 1,505,165,407 124,700,648 252,750,000 - - - 377,450,648 1,882,616,055 12,013,868,830	254,068,611 7,000,000 149 55,581,159 1,363,405,409 145,566,139 252,750,000 - - - - 398,316,139 1,761,721,548	Paid up capital Share premium Statutory reserves General reserves Dividend equalization reserves Non-controlling interest Retained earnings Sub-Total Supplimentary capital (Tier-2) General provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet exp.) Asset revaluation reserves up to 50% Revaluation reserve for securities upto 45% All other preference shares Other (if any item approved by Bangladesh Bank) Sub-Total
- 281,817,425 - 170 124,254,553 1,505,165,407 124,700,648 252,750,000 - - 377,450,648 1,882,616,055	254,068,611 7,000,000 149 55,581,159 1,363,405,409 252,750,000 252,750,000 - 398,316,139 1,761,721,548 11,645,291,102	Paid up capital Share premium Statutory reserves General reserves Dividend equalization reserves Non-controlling interest Retained earnings Sub-Total Supplimentary capital (Tier-2) General provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet exp.) Asset revaluation reserves up to 50% Revaluation reserve for securities upto 45% All other preference shares Other (if any item approved by Bangladesh Bank) Sub-Total Total eligible capital (A) Total risk weighted assets (RWA) (B)

Notes to the Financial Statements

15 STATUTORY RESERVE (Figures in BDT) 2013 2012 254,068,611 243,107,034 Balance as on 1 January 10,961,577 Add: Transferred from profit during the year 27 748 814 Balance as on 31 December 281,817,425 254,068,611 **16 RETAINED EARNINGS** 45.474.434 143.947.308 Balance as on 1 January Less: Issuance of bonus shares (2012) (52, 337, 770)(95,159,590) (95,159,590) Less: Payment of cash dividend (Year 2011) 7.000.000 48,000,000 Add: Transfer from dividend equalization reserve 138,744,068 Add: Profit after tax for the year 54,807,883 (27,748,814)(10,961,577) Less: Transferred to statutory reserve 111,131,917 45,474,434 Balance as on 31 December 16.a RETAINED EARNINGS (Consolidated) 55,581,160 152,137,144 Balance as on 1 January (52, 337, 770)(95,159,590) Less: Issuance of bonus shares (2012) (95,159,590) Less: Payment of cash dividend (Year 2011) 7,000,000 48,000,000 Add: Transfer from dividend equalization reserve 141,759,977 Add: Profit after tax for the year 56,724,773 (27,748,814)(10,961,577)Less: Transferred to statutory reserve 124,254,553 55,581,160 Balance as on 31 December **17 INCOME STATEMENT** Income 1,457,870,872 942,637,193 Interest, discount and similar income (note 18) 35,970,012 27,777,698 Dividend income (note 20) 76.952.027 64.641.965 Fees, commission, exchange and brokerage (note 21) (23,765,614) 24,233,191 Gains less losses arising from investment in securities (note 20) 39,335,962 93,258,472 Other operating income (note 22) **Total income** 1,586,363,259 1,152,548,519 Expenses 1,092,604,443 910,068,469 Interest paid on deposits, borrowings etc. (Note 19) 76,178,680 60,133,850 Administrative expenses (note 17.1) 10,530,850 11,034,444 Depreciation and impairment on company assets 12,831,373 11,109,624 Other operating expenses 74,033,089 222,976,715 Provision for leases, loans, advances and investments 1,415,122,060 1,066,379,475 **Total expenses** 17.1 Administrative expenses 45,853,150 36,800,057 Salary and allowances (note 23) 11,907,949 11,622,223 Rent, taxes, insurance, electricity, etc (note 24) 483,458 248,891 Legal expenses 1,879,692 1,311,484 Postage, stamp, telecommunication, etc (note 25) 7,839,930 5,284,694 Stationery, printings, advertisements, etc (note 26) 7,080,000 3,960,000 Managing Director's salary and allowances (note 27) 755,000 985,000 Directors' fees (note 28) 149,500 151,500 Auditors' fees (note 29)

76,178,680

60,133,850

Total

18 INTEREST INCOME

BAS 18.35 (b)

BAS 1.97

BAS 1.97

1,457,870,872	942,637,193	Total
1,656,183	1,646,926	Income form other finance
116,696,383	58,243,424	Interest on loan to subsidiaries
592,386,298	474,565,226	Income from margin loan (note 18.1)
542,135,636	278,445,109	Income from term finance
204,996,372	129,736,508	Income from lease finance
(Figures in BDT) 2013	2012	

18.1 Interest from margin loan

This represents interest accrued on total margin loan of all customers of merchant bank including those having negative equity. Till today no customer has applied for any waiver or suspension of such interest . They have accepted our interest claim and every month we forward their updated account statements. Those customers are active and doing regular business with us. So we believe the interest accrued on margin loan is realizable from the customers.

18.a INTEREST INCOME (Consolidated)

1,457,870,872	942,637,193	Union Capital Limited
87,600,460	72,455,269	UniCap Securities Limited
35,172,435	-	UniCap Investments Limited
1,580,643,767	1,015,092,462	
151,868,818	117,943,223	Less: Inter-company transactions
1,428,774,949	897,149,239	Total

19 INTEREST PAID ON DEPOSITS, BORROWINGS, etc.

177,393,076	214,108,442	Interest on bank loan
1,473,918	37,222	Interest on JICA fund
65,698	460,141	Interest on fund from Bangladesh Bank
151,667	-	Interest on women entreprenure fund
817,658,494	535,876,705	Interest on term deposits
69,987,082	139,439,570	Interest on money at call & short notice
23,840,700	18,113,496	Interest on cash security deposit
919,357	715,515	Interest on obligation under capital leases
1,114,451	1,317,378	Bank charges
1,092,604,443	910,068,469	Total

Allocation of the above expenses is as under

1,092,604,443	910,068,469	Total
540,116,919	446,649,625	Merchant banking operation (a)
552,487,524	463,418,844	Financing operation
	•	

(a) Interest paid on deposits, borrowings etc have been allocated to Merchant Banking Unit applying the weighted average rate of borrowed fund on the basis of daily usage of fund used for margin loan provided to the portfolio investors.

2
1.0
Ś
BB

19.a INTEREST PAID ON DEPOSITS, BORROWINGS etc. (consolidated)

Total

1,057,469,365	836,127,135	Total
151,868,818	75,397,709	Less: Inter-company transactions
1,209,338,183	911,524,844	
23,942,835	-	UniCap Investments Limited
92,790,905	59,699,799	SES Company Limited
1,092,604,443	851,825,045	Union Capital Limited

	20 INVEST
8.35 2	(23,765,614
.	35,970,012
BAS	12,204,398

INVESTMENT INCOME 3,765,614) 24,233,191 Capital gain on sale of securities (note 20.1) 5,970,012 27,777,698 Dividend income

52,010,889

ľ	١	/	e	è
	f	r)

2013 Annual Report

97	20.1 Capital gain	n/(loss) on sale	of securities	
BAS 1.97	(Figures in BDT)			
BA	2013	2012		
	57,706,853	51,251,025	Gain on sales of shares	
	(81,472,467)	(27,017,834)	Loss on sales of shares	
	(23,765,614)	24,233,191	Net gain/(loss) from sale of securities	
26	20.a INVESTME	NT INCOME (cor	nsolidated)	
BAS 1.97	12,204,398	52,010,889	Union Capital Limited	
BA	7,936,616	13,070,054	UniCap Securities Limited	
_	41,753,740	-	UniCap Investments Limited	
	61,894,754	65,080,943		
	34,500,000	22,000,000	Less: Inter-company transactions	
	27,394,754	43,080,943	Total	
Q	21 FEES, COMN	IISSION, EXCHA	NGE AND BROKERAGE	
BAS 18.35 (b)	1,037,950	1,775,000	Issue management fee (a)	
18.	426,250	3,524,023	Underwriting commission (b)	
BAS	75,487,827	59,342,942	Portfolio management fee and other charges (c)	
	76,952,027	64,641,965	Total	
	Allocation of the above income is as under:			
	1,464,200	5,299,023	Financing operation	
	75,487,827	59,342,942	Merchant banking operation	
	76,952,027	64,641,965	Total	
		ement fee include), rights issues e	es fees received by the Company during the year for managing initial public etc.	
		nderwriting comm	ludes commission received from Public issues for underwriting of the issued ission is determined as per rules of the Bangladesh Securities & Exchange	
	c. The amount i by the Comp		charges received from portfolio account holders for managing portfolio accounts	
97			IANGE AND BROKERAGE (consolidated)	
BAS 1.97	76,952,027	64,641,965	Union Capital Limited	
BA	88,407,458	47,495,407	UniCap Securities Limited	
	-	-	UniCap Investments Limited	
	165,359,485	112,137,372	Total	
â	22 OTHER OPE	RATING INCOME	E	
35 (11,814,354	40,723,276	Delinquent interest, IDCP etc.	
BAS 18.35 (b)	681,146	857,103	Renewals and proceeds	
BAS	12,026,170	8,986,643	Interest on deposits	
	35,492	(53,920)	Gain/(loss) on sale of fixed assets	
	14,778,800	42,745,371	Others	

39,335,962 93,258,472 Total Allocation of the above income is as under: 39,335,962 93,258,472 Financing operation -Merchant banking operation -39,335,962 93,258,472 Total

22.a OTHER OPERATING INCOME (consolidated) (Figures in BDT)

BAS 1.97

BAS 1.97

BAS 1.97

7,933,556

(Figures in BDT)		
2013	2012	
39,335,962	93,258,472	Union Capital Limited
2,936,263	2,378,331	UniCap Securities Limited
-	-	UniCap Investments Limited
42,272,225	95,636,803	Total
	39,335,962 2,936,263 -	2013 2012 39,335,962 93,258,472 2,936,263 2,378,331

57	23 SALARIES AN	D OTHER EMP	LOYEE BENEFITS		
.10	41,396,355	32,183,684	Salaries & allowances		
AS 1	4,456,795	4,616,373	Festival and incentive bonus		
B	45,853,150	36,800,057	Total		
	Salaries and allowances include contribution to approved Provident Fund and Gratuity Fund amounting to Tk. 2,236,642 and Tk. 2,053,893 for the year 2013 and 2012 respectively.				

	23.a SALARIE	S AND OTHER EM	IPLOYEE BENEFITS (consolidated)
1.97	45,853,150	36,800,057	Union Capital Limited
AS AS	19,117,060	16,239,005	UniCap Securities Limited
ΒA	l -	-	UniCap Investments Limited
	64,970,210	53,039,062	Total

24 RENT, TAXES, INSURANCE, ELECTRICITY etc.

11,507,545	11,022,223	
11,907,949	11.622.223	Total
1,749,200	1,648,330	Power and electricity
206,918	223,089	Insurance
9,951,832	9,750,804	Office rent, rates and taxes
· · · · ·	-,,	

_	24.a RENT, 1	AXES, INSURANCE,	ELECTRICITY etc. (consolidated)
.97	11,907,949	11,622,223	Union Capital Limited
S 1	6,771,636	6,584,598	UniCap Securities Limited
BA	-	-	UniCap Investments Limited
	18,679,585	18,206,821	Total

25 POSTAGE, STAMP, TELECOMMUNICATION etc.

AS 1.	203,396 731,879 944,417		Telegram, telex, fax and e-mail	
ß	944,417 1,879,692	615,979 1.311.484	Telephone - office	
	1 970 602	1 311 484	Total	

25.a POSTAGE, STAMP, TELECOMMUNICATION etc. (consolidated)

	3,323,900	5,214,552	
	3.323.908	3.214.392	Total
i	-	-	UniCap Investments Limited
	1,444,216	1,902,908	UniCap Securities Limited
5	1,879,692	1,311,484	Union Capital Limited

26 STATIONERY, PRINTING, ADVERTISEMENTS etc.

5,996,982

Total

97	1,508,048	709,234	Printing and stationery
	6,331,883	4,575,460	Advertisement and publicity
BAS 1.97	7,839,930	5,284,694	Total
	26.a STATION	ERY, PRINTING, A	DVERTISEMENTS etc.(consolidated)
.97	7,839,930	5,284,694	Union Capital Limited
1.0	93,626	712,288	UniCap Securities Limited
BAS 1.	-	-	UniCap Investments Limited

27 MANAGING DIRECTOR'S SALARY AND FEES

(Figures in BDT 2013	,	2012			
7,080,000	3,960	0,000	Managing Director's Sa	alary and Fees	
In 2013 Manag	ing Director'	s salar	y and allowances	28 DIRECTORS' FEES	
the other hand of July to Dece	in 2012 the mber 2012. ne is also pro	same v In addi	ecember 2013, on vas for the period tion to with Company's	The Company pays fees to its Directors for attending the Board meetings and its Committee meetings as permitted by the Bangladesh Bank. As per Bangladesh Bank's DFIM circular no. 03 dated 24 February 2010, a Director may be paid fees for attending Board or its Committee meetings which shall not exceed Tk. 5,000 for attending each meeting. Details are as under:	
12	11	Total	Board Meetings (nos.)		
9	5	Total	Board Audit Committee N	Meetings (nos.)	
10	9	Total	Board Executive Commit	tee Meetings (nos.)	
985,000	755,000	Total	fees paid		
12	12	Total	members of the Board (n	nos.)	
5	5	Quor	um for Board Meeting (no	os.)	
9.17	9.27		•	present in the Board Meetings (nos.)	
2	2	Quor	um for Board Audit Comn	nittee Meeting (nos.)	
4.44	3.8			ent in the Audit Committee Meetings (nos.)	
2	2			Committee Meeting (nos.)	
4.47	4.11	Avera	ge no. of Directors prese	ent in the Executive Committee Meetings (nos.)	
28.a DIRECTO	RS' FEES (consol	idated)		
985,000	755	5,000	Union Capital Limited		
126,500		-	UniCap Securities Limit	ted	
-		-	UniCap Investments Li	mited	
1,111,500	755	5,000	Total		
29 AUDITORS'	FEES				
130,000	130	0,000	Auditors' fee		
9,500	21	1,500	VAT on audit fee		
149,500	151	,500	Total		
29.a AUDITOR	S' FEES (co	onsolic	ated)		
149,500	151	,500	Union Capital Limited		
97,750	97	7,750	UniCap Securities Limited		
57,500	57	7,500	UniCap Investments Limited		
304,750	306	6,750	Total		
30 DEPRECIAT	TION AND F	REPAIR	OFASSETS		
7,359,157	8,160),857	Depreciation of fixed as	ssets-freehold	
1,752,000	1,394		Depreciation of fixed assets-leasehold vehicle		
311,870	247	7,739	Amortization of intangible assets		
1,107,823	1,231	1,780	Repairs and maintenan		
10,530,850	11,034	1,444	Total		
30.a DEPRECI		REPA	IR OF ASSETS (consoli	idated)	
10,530,850	11,034	1,444	Union Capital Limited		
467,098	739	9,260	UniCap Securities Limit	ted	
-		-	UniCap Investments Li		
	11,773		Total		

BAS 1.97

BAS 1.97

BAS 1.104

BAS 1.97

31 OTHER EXPENSES

12,831,372	11,109,624	Total
510,000	-	Donation
1,812,549	958,721	Entertainment and public relation & others
2,573,406	3,094,753	AGM expenses (note 31.1)
61,849	30,201	Books, magazines, newspapers, etc
1,497,968	1,724,111	Subscription and fees
1,271,149	1,021,571	Motor vehicle expenses
4,935,450	4,139,493	Travelling and conveyance
169,000	140,774	HR development
(Figures in BDT) 2013	2012	

BAS 1.97

2,573,406	3,094,753	Total
43,676	67,140	Others
657,180	705,000	Entertainment
146,300	126,242	Publication of notice
1,696,250	2,160,054	Printing of annual report and database
30,000	36,317	Rent for venue
31.1 AGM expe		Dont for young

	31.a OTHER EXPENSES (consolidated)				
2	12,831,372	11,109,624	Union Capital Limited		
	13,833,662	9,289,868	UniCap Securities Limited		
1	247,463	98,211	UniCap Investments Limited		
	26,912,497	20,497,703	Total		
	-	-	Less: Inter-company transactions		
	26,912,497	20,497,703	Total		

32 MANAGEMENT EXPENSES

Management expenses include salaries, other employee benefits and proportionate other management expenses. It is determined on the basis of proportionate operating revenue of Merchant Banking Unit.

33 RECEIPTS FROM OTHER OPERATING ACTIVITIES

39,300,470	93,312,392	Total
14,778,800	42,745,371	Others
12,026,170	8,986,643	Interest on deposits
681,146	857,102	Renewals and proceeds
11,814,354	40,723,276	Delinquent interest, IDCP etc.

34 PAYMENTS FOR OTHER OPERATING ACTIVITIES 169,000 140,774 HR development 4,935,450 4,139,493 Travelling and conveyance 1,271,149 1,021,571 Motor vehicle expenses 1,497,968 1,724,111 Subscription and fees 61,849 30,201 Books, magazines, newspapers, etc 2,573,406 3,094,753 AGM expenses (note 31.1) 1,812,550 958,721 Entertainment and public relation & others 510,000 Donation 12,831,373 11,109,624 Total

BAS 1.97

BAS 33.70

BAS 33.70 (b)

BAS 1.97

35 EARNINGS PER SHARE

Earnings Per Share (EPS) is calculated in accordance with Bangladesh Accounting Standard 33: *Earnings Per Share* which has been shown on the face of Profit and Loss account.

Basic earnings per share

The calculation of basic earnings per share at 31 December 2013 was based on the profit attributable to ordinary shareholders of Tk. 138,744,068 (2012: Tk. 54,807,883) and a weighted average number of ordinary shares outstanding for the year ended 31 December 2013 of 109,909,326 (2012: 104,675,549).

(Figures in BDT))	
2013	2012	
		Profits attributable to ordinary shareholders
138,744,068	54,807,883	Net profit for the year
		Weighted average number of ordinary shares
104,675,549	95,159,590	Ordinary shares at 1 January
5,233,777	9,515,959	Bonus shares issued
109,909,326	104,675,549	Weighted average number of ordinary shares at 31 December
109,909,326	109,909,326	Restated weighted average number of ordinary shares
1.26	0.52	Earnings per share
1.26	0.50	Earnings per share (restated)

Diluted earnings per share

The dilutive effect relates to the average number of potential ordinary share held under option of convertibility. There was no such dilutive potential ordinary share during the year 2013 and hence no diluted earnings per share is required to be calculated.

35.a EARNINGS PER SHARE (consolidated)

		Profits attributable to ordinary shareholders		
141,759,977 56,724,791		Net profit for the year (consolidated)		
		Weighted average number of ordinary shares		
104,675,549	95,159,590	Ordinary shares at 1 January		
5,233,777	9,515,959	Bonus shares issued		
109,909,326	104,675,549	Weighted average number of ordinary shares at 31 December		
109,909,326	109,909,326	Restated weighted average number of ordinary shares		
1.29	0.54	Earnings per share- consolidated		
1.29	0.52	Earnings per share- consolidated (restated)		

36 OPERATING SEGMENT REPORT

.97
S
\triangleleft
ш

(Figures in BDT)		2013	
Core Business	Merchant Banking	Total	Revenue and profit External revenue
312,997,050	52,269,379	365,266,429	Net Interest Income
12,204,398	-	12,204,398	Investment Income
1,464,200	75,487,827	76,952,027	Fees, commission, exchange and brokerage
39,335,962	-	39,335,962	Other operating Income
-	-	-	Inter-segment revenue
366,001,610	127,757,206	493,758,817	Total segment revenue
81,106,086	9,011,788	90,117,874	Other operating expenses
			Major non-cash expenses
9,423,027	-	9,423,027	Depreciation
214,217,197	8,759,519	222,976,716	Provision for future losses
304,746,310	17,771,307	322,517,617	
61,255,300	109,985,899	171,241,199	Reportable segment profit before tax

(Figures in BDT)		2012	
Core Business	Merchant Banking	Total	Revenue and profit External revenue
4,653,123	27,915,601	32,568,724	Net Interest Income
52,010,889	-	52,010,889	Investment Income
5,299,023	59,342,942	64,641,965	Fees, commission, exchange and brokerage
93,258,472	-	93,258,472	Other operating Income
-	-	-	Inter-segment revenue
155,221,507	87,258,543	242,480,050	Total segment revenue
65,234,717	7,240,536	72,475,253	Other operating expenses
			Major non-cash expenses
9,802,664	-	9,802,664	Depreciation
68,422,895	5,610,193	74,033,088	Provision for future losses
143,460,276	12,850,729	156,311,005	
11,761,231	74,407,814	86,169,045	Reportable segment profit before tax

Segment assets and liabilities

The necessary information regarding assets and liabilities of operating segments in not separable and individually identifiable for this purpose. For this reason the assets and liabilities of the respective segments is has not been presented here.

36.a OPERATING SEGMENT REPORT (consolidated)

		2013	
Merchant Banking	Subsidiary	Total	Revenue and profit External revenue
52,269,379	24,300,460	371,305,584	Net Interest Income
-	49,690,356	27,394,754	Investment Income
75,487,827	88,407,458	165,359,485	Fees, commission, exchange and brokerage
-	2,936,263	42,272,225	Other operating Income
-	-	-	Inter-segment revenue
127,757,206	165,334,537	606,332,049	Total segment revenue
9,011,788	42,438,184	132,556,058	Other operating expenses
			Major non-cash expenses
-	139,531	9,562,558	Depreciation
8,759,519	32,646,124	255,622,840	Provision for future losses
17,771,307	75,223,839	397,741,456	
109,985,899	90,110,698	208,590,592	Reportable segment profit before tax
	Banking 52,269,379 - 75,487,827 - 127,757,206 9,011,788 - 8,759,519 17,771,307	Banking Subsidiary 52,269,379 24,300,460 49,690,356 49,690,356 75,487,827 88,407,458 2,936,263 2,936,263 - - 127,757,206 165,334,537 9,011,788 42,438,184 - - 139,531 32,646,124 17,771,307 75,223,839	Merchant Banking Subsidiary Total 52,269,379 24,300,460 371,305,584 52,269,379 24,300,460 371,305,584 49,690,356 27,394,754 75,487,827 88,407,458 165,359,485 2,936,263 42,272,225 2,936,263 42,272,225 2,936,263 42,272,225 2,936,263 42,272,225 3,011,788 165,334,537 9,011,788 42,438,184 132,556,058 8,759,519 32,646,124 255,622,840 17,771,307 75,223,839 397,741,456

(Figures in BDT)				2012
Core Business	Merchant Banking	Subsidiary	Total	Revenue and profit External revenue
20,351,033	27,915,601	12,755,470	61,022,104	Net Interest Income
30,010,889	-	13,070,054	43,080,943	Investment Income
5,299,023	59,342,942	47,495,407	112,137,372	Fees, commission, exchange and brokerage
93,258,472	-	2,378,331	95,636,803	Other operating Income
-	-	-	-	Inter-segment revenue
148,919,417	87,258,543	75,699,262	311,877,222	Total segment revenue
65,234,717	7,240,536	35,721,386	108,196,639	Other operating expenses
				Major non-cash expenses
9,802,664	-	2	9,802,666	Depreciation
68,422,895	5,610,193	11,159,101	85,192,188	Provision for future losses
143,460,276	12,850,729	46,880,489	203,191,494	
5,459,141	74,407,814	28,818,773	108,685,729	Reportable segment profit before tax

Segment assets and liabilities

The necessary information regarding assets and liabilities of operating segments in not separable and individually identifiable for this purpose. For this reason the assets and liabilities of the respective segments is has not been presented here.

37 AVERAGE EFFECTIVE TAX RATE

The average effective tax rate is calculated below as per Bangladesh Accounting Standard (BAS) 12: *Income Taxes*.

(Figures in BDT)

	'	
2013	2012	
32,497,131	31,361,162	Tax expenses
171,241,199	86,169,044	Accounting profit before tax
18.98%	36.39%	Average effective tax rate

37.a AVERAGE EFFECTIVE TAX RATE (consolidated)

The consolidated average effective tax rate is calculated below as per Bangladesh Accounting Standard (BAS) 12: *Income Taxes*.

(Figures in BDT)

2013	2012	
66,830,594	51,960,937	Tax expenses
208,590,592	108,685,729	Accounting profit before tax
32.04%	47.81%	Average effective tax rate

38 INCREASE/(DECREASE) IN OTHER LIABILITIES.

464,521,502	99,210,163	Total
235,232,380	(29,360,195)	Accrued expenses and other payable
133,973	190,750	VAT payable
11,234,028	55,541	Withholding tax payable
647,870	5,650	Excise duty
(2,103,023)	602,906	Obligation under capital lease
101,760,252	30,554,142	Financial expenses payable
117,616,023	97,161,369	Interest suspense

39 (INCREASE)/DECREASE IN OTHER ASSETS

(342,975,678)	116,035,778	Total
(107,408,863)	(58,667,662)	Others
-	137,500	Transfer price receivable
(67,857,832)	(34,074,305)	Receivable from subsidiary company
(234,337,378)	217,030,103	Receivable from brokerage houses against sale of shares
740,626	(418,193)	Advance to employees
3,290,125	9,107,298	Advance office rent
62,597,644	(17,078,963)	Accrued interest

40 MARKTE CAPITALISATION AND SHARE PRICE

Market capitalization of the Company, which is the number of ordinary shares in issue multiplied by the market value of a share. Total number of ordinary shares outstanding as at 31 December 2013 was 109,909,326 and the market value per share of last trading day (30 December 2013) was Tk. 34.60 in DSE. Thus market capitalization based on DSE value was Tk. 3,802.86 million (Year 2012: Tk. 2,910 million).

Market for Union Capital's ordinary shares

The Company's ordinary shares are traded on the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) under the symbol of 'UNIONCAP'. The following table indicates the high and low prices for shares of Union Capital, as reported by DSE and CSE.

			DSE		CSE	
	Quarter	High	Low	High	Low	
	First quarter	32.90	24.40	32.80	23.40	
	Second quarter	32.20	19.70	32.00	19.10	
High low share price	Third quarter	36.90	27.20	36.00	26.70	
	Fourth quarter	35.30	27.00	35.10	26.90	

No. of shareholders There were 10,170 shareholders as per share register as on 31 December 2013.

41 RELATED PARTY TRANSACTIONS

BAS 24.12, 24.17

Union Capital in normal course of business carried out a number of transactions with other entities that fall within the definition of related party contained in Bangladesh Accounting Standard 24: *Related Party Disclosures*. The Company extends loans/leases to related parties including its directors and related companies. At 31 December 2013, related party loans/leases was Tk. 515.32 million representing 34.50 percent of shareholders equity. These related party loans/leases were made at the competitive terms including interest rates and collateral requirements, as those offered to other customers of similar credentials. During 2013, there were no loans/leases to related parties that were charged off.

Union Capital also takes deposits from its related parties. The rates on deposits offered to them also similar to those offered to other depositors. Total onbalance sheet exposure with the related parties as at 31 December 2013 was as under:

(Figures in BD 2013	ОТ) 2012	Name of the related party	Relationship	Nature of transaction
(3,000,000)	(3,000,000)		Director	Term deposit
	(107,866,362)	•	Common Directors	Term deposit
(113,704,334)	(3.100.000)		Director	
-	(-, -, -, -, -, ,	Kazi Golam Samiur Rahman		Term deposit
(20,000,000)	(20,000,000)	Meherunnesa Haque	Director	Term deposit
(1,000,000)	(1,000,000)	N. H. Khan	Independent Director	Term deposit
(283,533,656)	(211,018,500)	UniCap Investments Limited	Subsidiary Company	Term deposit
-	(11,013,950)	Dr. Sabita Rezwana Rahman	Shareholder	Term deposit
(4,852,401)	(6,141,725)	Kazi Golam Rahman	Shareholder	Term deposit
47,143,561	30,394,522	Green Delta Insurance Company Limited	Common Directors	Lease finance
93,212,674	137,807,200	Barisal Power Company Limited	Common Directors	Term finance
12,774,764	11,628,519	Barnali Fabrics Ltd.	Shareholder	Lease finance
11,888,966	11,102,843	Fortuna Agro Fisheries Itd.	Shareholder	Term finance
-	688,920	M. A. Salam	Director	Lease finance
-	273,718	M. Faizur Rahman	Director	Lease finance
296,782	477,654	Nadeem A. Chaudhury	Director	Lease finance
871,003,946	740,779,406	UniCap Securities Limited	Subsidiary Company	Inter-company
327,145,218	74,305	UniCap Investments Limited	Subsidiary Company	Inter-company
935,375,460	570,086,550	Total		

42 PARTICULARS OF THE DIRECTORS

	Represented by	Designation	Present address	% of shares as at 31 December 2013
EC Securities Ltd.	Chowdhury Tanzim Karim	Chairman	East Coast Center, SWG-8 Gulshan Avenue, Dhaka 1212	- 7.22
EC Securities Ltd.	Rumana Sharif	Director	East Coast Center, SWG-8 Gulshan Avenue, Dhaka 1212	— 1.22
Palmal Garments Hosiery Ltd.	Tajrina Sikder	Director	House # 2/B, Road # 29 Gulshan – 1, Dhaka-1212	9.73
Palmal Garments Hosiery Ltd.	Kazi Russel Mahbub	Director	House # 2/B, Road # 29 Gulshan – 1, Dhaka-1212	
Enrilco Limited	Nadeem A. Chaudhury	Director	3/21,Barokot House, Iqbal Road Asad Avenue, Mohmmadpur, Dl	
Mr. M. Faizur Rahman	Self	Director	House no. 33, Road no. 12 Baridhara, Dhaka	4.94
	EC Securities Ltd. Palmal Garments Hosiery Ltd. Palmal Garments Hosiery Ltd. Enrilco Limited	Shareholding companybyEC Securities Ltd.Chowdhury Tanzim KarimEC Securities Ltd.Rumana SharifPalmal Garments Hosiery Ltd.Tajrina SikderPalmal Garments Hosiery Ltd.Kazi Russel MahbubEnrilco LimitedNadeem A. Chaudhury	Shareholding companybyDesignationEC Securities Ltd.Chowdhury Tanzim KarimChairmanEC Securities Ltd.Rumana SharifDirectorPalmal Garments Hosiery Ltd.Tajrina Sikder MahbubDirectorPalmal Garments Hosiery Ltd.Kazi Russel MahbubDirectorEnrilco LimitedNadeem A. ChaudhuryDirector	shareholding companybyDesignationPresent addressEC Securities Ltd.Chowdhury Tanzim KarimChairmanEast Coast Center, SWG-8 Gulshan Avenue, Dhaka 1212EC Securities Ltd.Rumana SharifDirectorEast Coast Center, SWG-8 Gulshan Avenue, Dhaka 1212Palmal Garments Hosiery Ltd.Tajrina SikderDirectorHouse # 2/B, Road # 29 Gulshan - 1, Dhaka-1212Palmal Garments Hosiery Ltd.Kazi Russel MahbubDirectorHouse # 2/B, Road # 29 Gulshan - 1, Dhaka-1212Palmal Garments Hosiery Ltd.Kazi Russel MahbubDirectorHouse # 2/B, Road # 29 Gulshan - 1, Dhaka-1212Palmal Garments Hosiery Ltd.Kazi Russel MahbubDirectorHouse # 2/B, Road # 29 Gulshan - 1, Dhaka-1212Parriloo LimitedNadeem A. ChaudhuryDirector3/21,Barokot House, Iqbal Road

7	M. A. Salam	Self	Director	House # 336, Road # 23 New DOHS, Mohakhali, Dhaka	6.26
8	Meherunnesa Haque	Self	Director	House no.73, Road no.7/A Dhanmondi R/A, Dhaka 1205	2.02
9	Kazi Golam Samiur Rahman	Self	Director	Royal Concord, Apt # 604 House # 54, Road # 84 Gulshan -2, Dhaka 1212	3.58
10	Nasir A. Choudhury	Self	Director	House # 5, Road # 82 Gulshan-2, Dhaka	4.45
11	N. H. Khan	Self	Independent Director	A-2, House # 59, Road # 28 Gulshan - 1, Dhaka	-
12	Ziaul Hasan Siddiqui	Self	Independent Director	6-C-1, Baily Heights 2 New Ratan Colony, New Baily Road PO: Shantinagar, Ramna, Dhaka 1217	-

43 DIRECTORS AND THE ENTITIES IN WHICH THEY HAVE INTEREST

SI.	Name of the Directors	Designation	Entities where they have interest
1	Chowdhury Tanzim Karim	Chairman	 UniCap Investments Limited UniCap Securities Ltd.
2	Rumana Sharif	Director	Pubali Bank Ltd.
3	Tajrina Sikder	Director	 Palmal Garments Hosiery Ltd. Palmal Garments Washing Ltd. Amazon Garments Ltd. NKK Knitwear Ltd. Max Speed Plastic Ltd. Designer Line (Pvt.) Ltd. UniCap Investments Ltd. UniCap Securities Ltd.
4	Kazi Russel Mahbub	Director	Floral Accessories Ltd.
5	Nadeem A. Chaudhury	Director	 Enrilco Limited Green Delta Securities Ltd.
6	M. Faizur Rahman	Director	 Asian Surveyors Ltd. Credit Rating Agency of Bangladesh Ltd. Pubali Bank Ltd. Tiger Tours Limited UniCap Securities Ltd.
7	M. A. Salam	Director	 SAS Holdings Ltd. Ekushey Television Ltd. Semisam International Ltd. SAS Fashion Wear Ltd. One Bank Ltd.
8	Meherunnesa Haque	Director	 Palmal Garments Washing Ltd. Palmal Knitwear Factory Ltd. Palmal Styles Ltd. Palmal Packaging Ltd. NKK Knitwear Ltd. NKK Sweaters Ltd. NKK Sweaters Ltd. Anazon Garments Ltd. Al-Hamra Garments Ltd. UniCap Investments Ltd. UniCap Securities Ltd.
9	Kazi Golam Samiur Rahman	Director	Nil
10	Nasir A. Choudhury	Director	Green Delta Insurance Company
11	N. H. Khan	Independent Director	UniCap Securities Ltd.
12	Ziaul Hasan Siddiqui	Independent Director	 UniCap Investments Limited Summit Power Ltd. Summit Uttaranchal Power Co. Ltd. Summit Purbanchal Power Co. Ltd. Summit Narayangonj Power Co. Ltd. UniCap Securities Ltd.

44 DISCLOSURES ON THE BOARD AUDIT COMMITTEE

Composition of audit committee

The audit committee consists of the following Directors of the Board:

Status with the Company	Status with the Committee	Educational Qualification
Independent Director	Chairman	Post Graduate from University of Dhaka
Director	Member	Graduate from University of Dhaka
Director	Member	Graduate in Civil Engineering
Director	Member	Graduate from ABAC University of Thailand
Independent Director	Member	Post Graduate from University of Dhaka
	the Company Independent Director Director Director Director	the Company the Committee Independent Director Chairman Director Member Director Member Director Member

Audit Committee meetings held during the year

	_	
SI.	Meeting no.	Meeting date
1	18th Audit Committee Meeting	24-Feb-13
2	19th Audit Committee Meeting	28-Feb-13
3	20th Audit Committee Meeting	28-Apr-13
4	21st Audit Committee Meeting	29-May-13
5	22nd Audit Committee Meeting	19-Jun-13
6	23rd Audit Committee Meeting	21-Jul-13
7	24th Audit Committee Meeting	23-Sep-13
8	25th Audit Committee Meeting	10-Oct-13
9	26th Audit Committee Meeting	31-Oct-13

The committee discussed the following issues during the year

- Reviewed the draft consolidated financial statements for the year ended 31 December 2012 along with auditors report thereon and recommended it to the Board of Directors for consideration'
- Reviewed the internal control functions and recommended before the Board for enhancement of the activities streamlining operational risk
- c) Reviewed with the senior management of the Company's policies and procedures to prevent illegal or unethical activities, key accounting policies and procedures, internal controls, significant areas of risk, legal or regulatory matters that may have an impact on the financial

(Figures in BDT)

statements, and any other matters that may affect financial reporting

- Reviewed the reports submitted by the Internal Control and Compliance Department and advised management for timely implementation and follow up
- Recommended to the Board for appointment of auditors for the year 2013 and fixation of their remuneration
- Reviewed the management letter of external auditors submitted for the year ended on 31 December 2012
- g) Reviewed the quarterly, half yearly financial statements for the year 2013
- Reviewed the inspection report of Bangladesh Bank for the year 2012 and management response thereon
- i) Reviewed quarterly operation report of the Company for the year 2013

45 BUSINESS COMMITMENTS

The Company makes various commitments in the normal course of business. No material losses are anticipated as a result of these transactions. These business commitments are quantified below:

2013	2012	
986,200,000	400,000,000	Lease and term finance commitments outstanding at 31 December
-	-	Real estate finance commitments outstanding at 31 December
986,200,000	400,000,000	

46 CAPITAL EXPENDITURE COMMITMENTS

There was no capital expenditure contracted but not incurred or provided as at 31 December 2013. There was no material capital expenditure authorised by the Board but not contracted as at 31 December 2013.

47 UNACKNOWLEDGED DEBT

The Company had no claim, legal or other, against it which has not been acknowledged as debt at the balance sheet date.

48 NEW CONTRACTS/SANCTIONS AND DISBURSEMENTS

During the year the Company contracted and disbursed the following amount:

(Figures in BDT)

2013		2012		
Disbursements	Contracts/ Sanctions	Disbursements	Contracts/ Sanctions	
3,668,861,900	4,355,061,900	1,047,440,007	1,106,400,000	Lease and term finance
-	-	-	-	Real estate finance
-	-	-	-	Car loan
3,668,861,900	4,355,061,900	1,047,440,007	1,106,400,000	Total

49 LEGAL PROCEEDINGS

The Company is not currently a defendant or a plaintiff in any material lawsuits or arbitration. From time to time, however, the Company is involved as a plaintiff in some actions taken against the default clients in the ordinary course of business for nonpayment of rentals/ installments. We believe that the ultimate dispositions of those matters will be favorable and will have no material adverse effect on business, financial conditions or results of operations.

50 BOARD MEETINGS AND NUMBER OF DIRECOTRS

During the year 2013, 12 (twelve) Board meetings were held. As on 31 December 2013, there were 10 members in the Board, excluding two Independent Directors and the Managing Director. As per FID circular no. 09 dated 11 September 2002, a nonbanking financial institution shall have maximum 11 (eleven) Directors in the Board. The Managing Director is an ex-officio Director having no voting right.

51 NUMBER OF EMPLOYEES

As of 31 December 2013 a total number of 89 employees were employed in Union Capital Limited. Each of the employees received salary more than Tk. 36,000 per annum during the year 2013.

3AS 1.51 (d

52 REPORTING CURRENCY AND LEVEL OF PRECESION The figures in the financial statements represent

Bangladesh currency (Taka/Tk.), which has been rounded off to the nearest integer.

53 IMPACT OF INFLATION AND CHANGING PRICES

Financial Institutions are affected differently by inflation than those of industrial ventures. While industrial and manufacturing companies generally have significant investments in inventories and fixed assets, financial institutions ordinarily do not have such investment. As a result, financial institutions are generally in a better position than industrial ventures to respond to inflationary trends by monitoring the spread between interest cost and interest income yields through adjustments of maturities and interest rates of assets and liabilities.

Financial statements presented herein have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), which required the measurement of the financial position and operating results in terms of historical costs. However, in some cases, particular BAS/BFRS specifically suggests to measure some assets/liabilities at fair value. Such as, BAS 39 suggests to measure investment in tradable securities at its fair value by crediting shareholders' equity.

54 MERCHANT BANKING OPERATION

Bangladesh Securities and Exchange Commission (BSEC) has approved transfer of the merchant banking liceses of Union Capital Limited in the name of UniCap Investments Limited on 30 December 2013 and from 1 January 2014 the operation of merchant banking has been operated in the name of its wholly owned subsidiary, UniCap Investments Limited.

55 EVENTS AFTER THE REPORTING PERIOD

55.1 Dividend for the year 2013

BAS 10.2

BAS 21

The Board of the Directors in its 187th meeting held on 4 March 2014 recommended 10 percent stock dividend amounting to Tk. 109,909,326 for the year ended 31 December 2013 subject to the approval of the shareholders in the ensuing 16th Annual General Meeting (AGM).

55.1 Others

No other material event occurred after the reporting period, which could materially affect the amounts or disclosures in these financial statements.

56 FOREIGN CURRENCY EXPOSURE PROFILE

There were no foreign currency monetary assets or liabilities that would give rise to gains or losses in the profit and loss account.

57 COMPARATIVE FIGURES

Comparative information has been disclosed in respect of the year 2012 for all numerical data in the financial statements and also the narrative and descriptive information when it is relevant for better understanding of the current year's financial statements. Figures of the year 2012 have been restated, reclassified and rearranged whenever considered necessary to ensure comparability with the current period.

Statements

Financial

Notes to the

58 FINANCIAL HIGHLIGHTS

Key financial highlights of the Company are annexed as Annexure-B.

59 GEOGRAPHICAL AREA OF OPERATIONS

Union Capital Limited is currently operating in Chittagong and Sylhet along with its other branches at Gulshan and Motijheel in Dhaka.

60 INTERIM FINANICAL STATEMENTS

Union Capital Limited publishes its interim financial statements quarterly as required by the Bangladesh Securities and Exchange Commission.

61 CHANGE IN AND DISAGREEMENT WITH AUDITORS

There were no changes and disagreement with the Auditors on accounting and financial disclosures.

62 DEPARTURE FROM BANGLADESH ACCOUNTING STANDARD (BAS) 1

According to DFIM Circular no. 11 dated 23 December 2009 there is no scope to use the name or include Statement of Financial Position and Other Comprehensive Income. As such the Company does not use the caption and also not prepare the same.

63 DEPARTURE FROM BAS 39

The requirement of DFIM circular no. 11 dated 23 December 2009 contradict with the requirement of BAS 39. As per BAS 39 investment in shares falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value at the year end is to be taken to profit and loss account or revaluation reserve respectively. Union Capital Limited followed the guidelines of Bangladesh Bank's circular under which investment in both quoted and unquoted shares were recognized at cost and required provision has been made for the losses arising from diminution in value of investment.

64 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors of the Company on 4 March 2014. BAS 1.19

sd/-Chairman

BAS 34

sd/-Director sd/-Managing Director & CEO sd/-Company Secretary

BAS 16.73		COST BAS 16.73 (e)(i)	3 16.73 (e)(i)			DEPRECI	ATION BAS	DEPRECIATION BAS 16.73 (e)(vii)		BAS 16.73 (d)
	Balance as at 1 January	Additions during	Disposal/ adjustment during	Balance as at 31 December	Rate of	Balance as at 1 Januarv	Charged during	Disposal/ adjustment during	Balance as at 31 December	Written down value as at
Particulars	2013	the year	the year	2013	depreciation	2013	the year	the year	2013	31-12-2013
Freehold assets										
Furniture and fixtures	5,812,976	268,797	•	6,081,773	20%	3,892,582	825,322	•	4,717,904	1,363,869
Office decoration	16,846,626	,	•	16,846,626	33%	12,570,293 2,987,924	2,987,924	'	15,558,217	1,288,409
Electrical equipment	22,653,803	2,350,379	940,339	24,063,843	20%	14,074,643 3,528,975	3,528,975	920,839	16,682,780	7,381,064
Owned vehicles	1,542,500	,		1,542,500	20%	1,542,500	•	'	1,542,500	I
Software	1,381,631	599,200		1,980,831	20%	906,637	311,868	'	1,218,505	762,326
Mobile Phone	412,002	,		412,002	20%	361,762	16,947	'	378,709	33,293
Staff appliance	41,329			41,329	20%	41,326			41,326	3
	48,690,867	3,218,377	940,339	50,968,905		33,389,743 7,671,036	7,671,036	920,839	40,139,941	10,828,965
Leasehold assets										
Leased vehicles	8,760,000			8,760,000	20%	1,355,336	1,752,000		3,107,336	5,652,664
As at 31 December 2013	57,450,867	3,218,377	940,339	59,728,905		34,745,079	9,423,036	920,839	43,247,277	16,481,629
As at 31 December 2012	55,555,160	8,160,706	6,264,999	57,450,867		27,528,425	9,802,664	2,586,010	34,745,079	22,705,788

Annexure-A

Schedule of fixed assets as at 31 December 2013

Annexure-A

Consolidated Schedule of fixed assets as at 31 December 2013

BAS 16.73		COST B	BAS 16.73 (e)(i)			DEPRECI	DEPRECIATION BAS 16.73 (e)(vii)	16.73 (e)(vii		BAS 16.73 (d)
Particulars	Balance as at 1 January 2013	Additions during the year	Disposal/ adjustment during the year	Balance as at 31 December 2013	Rate of depreciation	Balance as at 1 January 2013	Charged during the year	Disposal/ Charged adjustment during during the year the year	Balance as at 31 December 2013	Written down value as at 31-12-2013
Freehold assets					-					
Furniture and fixtures	5,865,334	268,797		6,134,131	20%	3,944,939	825,322		4,770,261	1,363,870
Office decoration	16,846,626		•	16,846,626	33%	12,570,294	2,987,924	'	15,558,218	1,288,408
Electrical equipment	22,653,803	4,251,346	940,339	25,964,810	20%	14,074,643	3,668,506	920,839	16,822,311	9,142,500
Owned vehicles	1,542,500		•	1,542,500	20%	1,542,500	'	'	1,542,500	ı
Software	1,511,631	599,200	•	2,110,831	20%	1,036,637	311,868	'	1,348,505	762,326
Mobile Phone	412,002		•	412,002	20%	361,762	16,947	'	378,709	33,293
Staff appliance	41,329		•	41,329	20%	41,326	•	•	41,326	£
	48,873,225	5,119,344	940,339	53,052,230		33,572,101	7,810,567	920,839	40,461,830	12,590,401
Leasehold assets										
Leased vehicles	8,760,000	•	•	8,760,000	20%	1,355,336	1,752,000	•	3,107,336	5,652,664
As at 31 December 2013	57,633,225	5,119,344	940,339	61,812,230		34,927,437	9,562,567	920,839	43,569,166	18,243,065
As at 31 December 2012	55,737,518	8,160,706	6,264,999	57,633,225		27,710,780	9,802,667	2,586,010	34,927,437	22,705,788

Annexure-B

Highlights

(as per Bangladesh Bank Guidelines)

2013	2012	Particulars
1,099.09	1,046.76	Paid-up capital
1,696.08	1,490.82	Total capital
545.04	390.63	Capital surplus
13,706.83	10,055.00	Total assets
8,120.39	4,809.32	Total deposits
10,586.94	7,318.21	Total loans, advances and leases
986.20	400.00	Total contingent liabilities and commitments
1.30	1.52	Credit deposit ratio
8.85	16.25	Percentage of classified loans against total loans, advances and leases
138.74	54.81	Profit after tax and provision
936.51	1,189.20	Amount of classified loans during current year
214.30	389.06	Provisions kept against classified loans
1.59	0.22	Provision surplus against classified loan
13.41	15.50	Cost of fund (%)
11,141.21	7,671.22	Interest earnings assets
2,565.62	2,383.78	Non-interest earnings assets
9.75	3.99	Return on investment (ROI) (%)
1.01	0.55	Return on assets (ROA) (%)
12.20	52.01	Income from investment
1.26	0.50	Earnings per share (restated :2012)
1.26	0.50	Net income per share (restated:2012)
27.41	53.09	Price earnings ratio

FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES

IN THIS SECTION

UniCap Securities LimitedAuditors' Report to the Shareholders224Statement of Financial Position225Statement of Comprehensive Income226Statement of Cash Flows227Statement of Changes in Equity228Notes to the Financial Statements229

UniCap Investments Limited

Auditors' Report to the Shareholders	231
Statement of Financial Position	232
Statement of Comprehensive Income	233
Statement of Cash Flows	234
Statement of Changes in Equity	235
Notes to the Financial Statements	236

Hoda Vasi Chowdhury & Co

Independent Correspondent Firm to Deloitte Touche Tohmatsu

Auditors' Report to the Shareholders of UniCap Securities Limited

We have audited the accompanying financial statements of UniCap Securities Limited, previously known as SES Company Limited (the "Company") which comprise the Statement of Financial Position (Balance Sheet) as at 31 December 2013, and the related statement of Comprehensive Income (Profit and Loss Account), Statement of Changes in Equity and Statement of Cash Flows 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 in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the Financial Statements prepared in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

Further to our opinion in the above paragraph, we state that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- iii) the Company's statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- iv) the expenditure incurred were for the purpose of the Company's business.

Hola Vasi chow Shuoyth

Hoda Vasi Chowdhury & Co Chartered Accountants

Dhaka, 11 Februay 2014

224

UniCap Securities Limited Statement of Financial Position

as at 31 December

(Figures in BDT)	0040	Natas	
2013	2012	Notes	
613,610,789	611,067,579		Shareholders' equity
100,000,000	100,000,000	4	Share capital
507,500,000	507,500,000	5	Revaluation reserve
6,110,789	3,567,579		Retained earnings
357,862,829	314,000,000		Long term liabilities
350,000,000	314,000,000	6	Long term loan
7,862,829	-	7	Deferred liability- employee gratuity
971,473,618	925,067,579		Total capital employed
931,590,514	919,751,150		Non-current assets
518,500,000	518,500,000	8	Membership of stock exchanges
411,329,078	401,251,150	9	Investment in listed securities
1,761,436	-	10	Property, plant & equipments
752,948,756	608,036,602		Current assets
127,969,689	105,870,238	11	Advances, deposits and prepayments
501,534,803	410,342,750	12	Margin loan to clients
111,501,167	25,890,864	13	Receivable from stock exchanges
5,627,411	709,149	14	Other receivables
6,315,686	65 000 601		
0,010,000	65,223,601	15	Cash and cash equivalents
		15	·
713,065,652	602,720,173		Current liabilities
713,065,652 89,099,383	602,720,173 57,278,796	16	Current liabilities Payable to clients
713,065,652 89,099,383 651,399	602,720,173 57,278,796 1,073,395	16 17	Current liabilities Payable to clients Payable to stock exchanges
713,065,652 89,099,383 651,399 42,538,474	602,720,173 57,278,796 1,073,395 1,091,587	16 17 18	Current liabilities Payable to clients Payable to stock exchanges Accruals and payables
713,065,652 89,099,383 651,399	602,720,173 57,278,796 1,073,395 1,091,587 426,779,406	16 17 18 19	Current liabilities Payable to clients Payable to stock exchanges Accruals and payables Short term loan
713,065,652 89,099,383 651,399 42,538,474	602,720,173 57,278,796 1,073,395 1,091,587	16 17 18 19 20	Current liabilities Payable to clients Payable to stock exchanges Accruals and payables Short term loan Dividend payable (interim)
713,065,652 89,099,383 651,399 42,538,474 452,279,406 - 128,496,989	602,720,173 57,278,796 1,073,395 1,091,587 426,779,406 14,000,000 102,496,989	16 17 18 19	Current liabilities Payable to clients Payable to stock exchanges Accruals and payables Short term loan Dividend payable (interim) Provision for current tax
713,065,652 89,099,383 651,399 42,538,474 452,279,406	602,720,173 57,278,796 1,073,395 1,091,587 426,779,406 14,000,000	16 17 18 19 20	Current liabilities Payable to clients Payable to stock exchanges Accruals and payables Short term loan Dividend payable (interim)

The annexed notes 1-40 form an intergral part of these financial statements.

sd/-	sd/-	sd/-
Chairman	Director	Chief Executive Officer

Auditor's report to the shareholder's of UniCap Securities Limited see annexed report of date

sd/-Hoda Vasi Showdhury & Co. Chartered Accountants

Dhaka 11 February 2014

UniCap Securities Limited Statement of Comprehensive Income

for the year ended 31 December

(Figures in BDT)			
2013	2012	Notes	
186,880,797	135,399,062		OPERATING INCOME
88,407,458	47,495,407	22	Brokerage commission
7,936,616	13,070,055	23	Income from investment
87,600,460	72,455,269	24	Interest on margin Loan
2,936,263	2,378,331	25	Other operating income
135,052,856	95,265,476		OPERATING EXPENSES
92,790,905	59,699,799	26	Financial expenses
12,240,750	7,659,779	27	Laga, howla and CDBL charges
30,021,201	27,905,897	28	Management expenses
51,827,940	40,133,586		OPERATING PROFIT
23,284,730	11,159,101		PROVISION FOR FUTURE LOSSES
8,597,015	1,492,581	29	Provision for doubtful debts
14,687,715	9,666,520	29	Provision for diminution in value of investments
28,543,210	28,974,485		PROFIT BEFORE TAX
26,000,000	14,771,450	21	Provision for current tax
2,543,210	14,203,035		NET PROFIT AFTER TAX
2.54	14.20	30	EARNINGS PER SHARE (EPS) OF TK. 100 EACH

The annexed notes 1-40 form an intergral part of these financial statements.

sd/-	sd/-	sd/-
Chairman	Director	Chief Executive

Auditor's report to the shareholder's of UniCap Securities Limited see annexed report of date

Dhaka 11 February 2014 sd/-Hoda Vasi Showdhury & Co. Chartered Accountants

Officer

UniCap Securities Limited Statement of cash flows

for the year ended 31 December

(Figures in BDT	Γ)	
2013	2012	
		CASH FLOW FROM OPERATING ACTIVITIES
28,543,210	28,974,485	Profit before tax
		Adjustment for items not involving movement of cash:
139,531	2	Depreciation and amortization
7,862,829	-	Employee- Gratuity
23,284,730	11,159,101	Provision for doubtful losses
78,091,605	40,133,588	Profit after adjustment
		Changes in working capital components:
(99,789,068)	(48,040,319)	Increase in margin loan to clients
(4,918,262)	(699,210)	Increase in other receivables
(85,610,303)	258,450,641	(Increase)/decrease in receivable from stock exchanges
(19,078,715)	(14,070,640)	Increase in advance income tax
(3,020,736)	-	Increase of other advances
31,820,587	(259,383,651)	Increase/(decrease) in payable to clients
(421,996)	(99,159,113)	Decrease in payable to stock exchanges
25,500,000	53,909,699	Increase of short term loan
19,998	(3,141,876)	Increase/(decrease) in withholding tax & VAT
41,426,889	745,345	Increase in liabilities for expenses
(54,241,306)	(71,255,536)	Cash (used in)/generated from operating activities
-	-	Income tax paid
(54,241,306)	(71,255,536)	Net cash (used in)/generated from operating activities
		CASH FLOW FROM INVESTING ACTIVITIES
(1,900,967)	-	Purchase of fixed assets
(24,765,643)	(42,415,356)	Investment in securities
(26,666,610)	(42,415,356)	Net cash used in investing activities
		CASH FLOW FROM FINANCING ACTIVITIES
(14,000,000)	_	Cash divident paid
350,000,000	104,000,000	Receipts from long term loan
(314,000,000)	(70,000,000)	Repayment of long term loan
22,000,000	34,000,000	Net cash from financing activities
(58,907,915)	(79,670,891)	NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS
65,223,601	144,894,493	Opening cash and cash equivalents
6,315,686	65,223,602	CLOSING CASH AND CASH EQUIVALENTS
-,,		

UniCap Securities Limited Statement of Changes in Equity for the year ended 31 December

(Figures in BDT)	Retained	Revaluation	Share	
Total	Earnings	Reserve	Capital	Particulars
				For 2013
611,067,579	3,567,579	507,500,000	100,000,000	Balance at 1 January
2,543,210	2,543,210	-	-	Net Profit for the year
613,610,789	6,110,789	507,500,000	100,000,000	Balance at 31 December
				For 2012
610,864,544	3,364,544	507,500,000	100,000,000	For 2012 Balance at 1 January
610,864,544 14,203,035	3,364,544 14,203,035	507,500,000	100,000,000	
, ,	- / / -	507,500,000 - -	, ,	Balance at 1 January

UniCap Securities Limited Notes to the financial statements

For the year ended 31 December 2013

1 COMPANY AND ITS ACTIVITIES

1.1 Legal status of the Company

SES Company Limited was incorporated with the Registrar of Joint Stock Companies and Firms (RJSC) vide registration no. C-29454 (742)/95 dated 9 October 1995 under the Companies Act, 1994 as a private limited company. The name of the Company has been changed to UniCap Securities Limited ("the Company") and registered RJSC on 21 October 2013. The registered office of the Company situated at Richmond Concord (6th Floor), 68 Gulshan Avenue, Gulshan 01, Dhaka-1212, Bangladesh.

1.2 Principal activities of the Company

Principal activities of the Company is to carry out business of investments in shares and brokerage and dealing of securities under the license from the Bangladesh Securities & Exchange Commission. The Company having membership at both Dhaka and Chittagong Stock Exchange Limited (membership number 163 and 082 respectively) and also full service depository participant of CDBL.

As a Stock Broker and Stock Dealer, the Comapny cater services to the institutional and individual investors for trading of securities under Bangladesh Securities and Exchange Commission (Stock-Dealer, Stock-Broker & Authorized Representative) Rules 2000 and to extend margin loan facilities to the investors under Margin Rules 1999.

2 BASIS OF PREPARATION

2.1 Components of the financial Statements

The financial statements have been prepared with due consideration of Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards. The financial statements comprises of the following as complied with Bangladesh Accounting Standards 1:

- a) Statement of financial position
- b) Statement of comprehensive income
- c) Statement of cash flows
- d) Statement of changes in equity
- e) Notes to the financial statements

2.2 Statement of compliance

The financial statements have been prepared in accordance with the Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, Bangladesh Securities and Exchange Commission Rule 1987 and other applicable laws and regulations.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except for investments in stock exchanges which are measured at fair value.

2.4 Functional and presentational currency

These financial statements are prepared in Bangladesh Taka (Taka/Tk.), which is the Company's functional currency. All financial information presented in Taka has been rounded to the nearest integer.

2.5 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The most significant areas where estimates and judgements have been made are on valuation of investments and taxation.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision of accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.6 Going concern basis

The Company has adequate resources to continue in the operation for the forseeable future. For this reason the Directors continue to adopt going concern basis in preparing the financial statement. The current credit facilities and adequate resources of the Company provide sufficient funds to meet the present requirements of its existing business and operations.

2.7 Reporting period

Financial statements of the Company consistently cover one calendar year from 1 January to 31 December.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Revenue recognition

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the enterprise in accordance with the Bangladesh Accounting Standard (BAS) 18: *Revenue*.

Brokerage commission is recognized as income when trades are executed.

Interest on margin loan is recognized on accrual basis. Such income is calculated on daily margin loan balance of the respective parties. Income is recognized on monthly basis.

Dividend income is recognized when right to receive payment is established.

Capital gain or loss on sale of securities is accounted for only when shares are sold in market and gain is realized or loss is incurred.

3.2 Earnings per share

The Company calculates its earnings per share (EPS) in accordance with BAS 33: *Earnings Per Share*, which has been shown on the face of profit and loss statement.

3.3 Property, plant and equipment

3.3.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

3.3.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit and loss account as incurred.

3.3.3 Depreciation

Depreciation is charged to property, plant and equipment on a straight line basis at rates varying from 10 percent to 25 percent in order to write them off over their useful economic life.

3.4 Intangible assets

3.4.1 Recognition and measurement

Computer software acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation.

3.4.2 Subsequent costs

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss when incurred.

3.4.3 Amortisation of intangible assets

Intangible assets are amortised at the rate of 33 percent on straight line method.

3.5 Investment in stock exchanges for membership

Investments for membership are initially recognized at cost and are subsequently remeasured at fair value based on quoted bid prices. Surplus arising from changes in the fair value of investment for membership are transferred to revaluation reserve account.

3.6 Investment in listed securities

Investment in quoted shares and unquoted shares are initially recognized at cost plus transaction costs that are directly attributable to acquisition of shares. After initial recognition investment in quoted shares has been revalued at market price at reporting date. Required provision has been made for impairment when the market value of investments fall below the cost.

3.7 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposits held with banks and financial institution and short term liquid investments that are readily convertible to known amount of cash and that are subject to insignificant risk of change in value.

3.8 Laga, howla and CDBL charges

The charges of stock exchanges booked on daily basis as per trading after receiving the trading note and Central Depository Bangladesh Ltd. (CDBL) booked on monthly basis, after receiving the bill from CDBL.

3.9 Borrowing Costs

Borrowing cost is charged to profit and loss account as per Bangladesh Accounting Standard 23: *Borrowing Cost.*

3.10 Bad debt

3.10.1 Provision for bad debts

The Company creates provision for doubtful debts on yearly basis considering collection during the year and value of shares held as security.

3.10.2 Recovery of bad debts

Any recovery is adjusted with the provision for bad debts in the period of recovery.

3.11 Related party disclosure

As per BAS - 24: *Related Party Disclosures*, parties are considered to be related if one has the ability to control or exercise significant influence over other in making financial and operating decisions.

3.12 Taxation

Provision for tax is assessed under section 82C of the Income Tax Ordinance (ITO) 1984 on income from Company's normal course of business and at 37.5 percent on the Company's income from other sources. Under Section 82C, income tax deducted under certain Sections of the ITO is treated as final discharge of tax liabilities from that source.

3.13 Contributory provident fund

The Company operates a contributory provident fund scheme for its permanent employees. Provident fund is administered by a separate Board of Trustees and is funded by equal contribution both from the Company and the employees. The contributions are invested separately from the Company's assets.

3.14 Gratuity scheme

The Company operates a gratuity scheme to retain and motivates its employees for long term retention. Gratuity scheme is applicable for all its permanent employees who have completed their continuous service at least for five years. Provision for gratuity is made annually based on terms of gratuity scheme.



House 25, Road 13A Block D, Banani Dhaka 1213, Bangladesh Phones: (880-2) 989-4258 & 989-4346 Fax: 882-5153 E-mails: (i) sfaco@citechco.net (ii) sfaco@sfahmedco.org

Auditors' Report to the Shareholders of UniCap Investments Limited

We have audited the accompanying financial statements of UniCap Investments Limited (the company), which comprise the statement of financial position (balance sheet) as at 31 December 2013, statement of comprehensive income (profit and loss statement), statement of cash flows and statement of changes in equity 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 in accordance with Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards, the Companies Act 1994 and other applicable laws and regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards, give a true and fair view of the state of the company's affairs as at 31 December 2013 and of the results its operations and its cash flows for the year then ended and comply with the requirements of Companies Act 1994 and other applicable laws and regulations.

We also report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) 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
- c) the statement of financial position (balance sheet) and statement of comprehensive income (profit and loss statement) dealt with by the report are in agreement with the books of account and returns.

House 25, Road 13A, Block D Banani, Dhaka 1213, Bangladesh Dated, 28 January 2014



S. F. AHMED & CO Chartered Accountants

UniCap Investments Limited Statement of Financial Position as at 31 December

(Figures in BDT)				
2013	2012	Notes		
			SOURCES OF FUND	
250,000,000	200,000,000	5	Share capital	
2,510,796	2,038,076	6	Retained earnings	
252,510,796	202,038,076		Shareholders' equity	
-	-		Long -Term Liabilities	
252,510,796	202,038,076		Total Capital Employed	
			APPLICATIONS OF FUND	
			Non-Current Assets	
316,869,351	-		Investment in securities	
			Current Assets	
288,611,200	211,066,545	4	Cash and cash equivalents	
4,611,867	3,595,160	10	Interest receivable on term deposit	
9,569,219	1,531,021		Advance income tax	
8,908,186	-	11	Receivable against share trading	
311,700,471	216,192,726		Total Current Assets	
			Current Liabilities	
23,953,170	57,500	7	Accrued expenses	
303,249,548	74,305		Accounts payable	
34,500,000	8,000,000	8	Dividend payable - interim	
14,356,309	6,022,845	9	Provision for taxation	
376,059,026	14,154,650		Total current liabilities	
(64,358,555)	202,038,076		Net Current Assets	
252,510,796	202,038,076		Total Assets	
See annexed notes				
sd/-		sd/-	sd/-	
Chairman		Director	Director	
		Si	gned in terms of our report of even date annexed	
			sd/-	

S. F. AHMED & CO **Chartered Accountants**

Dhaka 28 January 2014

UniCap Investments Limited Statement of Comprehensive Income

For the year ended 31 December

(Figures in BDT)			
2013	2012	Notes	
35,172,435	15,697,910	10	Interest income
41,099,740	-	11	Investment Income
654,000	-		Dividend
76,926,175	15,697,910		Total income
23,905,478	-		Interest expenses
37,357	15,440		Bank charge
10,800	-		Professional fees
224,463	79,771		Subscription and fees
57,500	57,500		Audit fee
22,999	3,000		Other expenses
24,258,597	155,711		Total expenses
52,667,577	15,542,199		Profit before tax
8,333,463	5,828,324		Provision for taxation
44,334,114	9,713,875		Net profit after tax
			Other comprehensive income
9,361,394	-		Changes in fair value of financial assets
34,972,720	9,713,875		Total comprehensive income
1.40	0.49		Earnings Per Share (EPS)
See annexed notes			
sd/-		sd/-	sd/-
Chairman		Director	Director
		S	Signed in terms of our report of even date annexed
			sd/-
Dhaka			S. F. AHMED & CO

28 January 2014

Chartered Accountants

UniCap Investments Limited

Statement of Cash Flows For the year ended 31 December

(Figures in BDT)		
2013	2012	
		Cash flow from operating activities
35,172,435	15,697,910	Interest income
	15,097,910	Interest Payment
(23,905,478) 654,000	-	Dividend receipts
,	- (155,711)	Payments for expenses
(353,119)		
(8,038,198)	(1,531,021) 14,011,178	Advance income taxes paid
3,529,640	14,011,176	Cash generated from operating activities before changes in operating assets and liabilities
		Changes in operating activities
(8,908,186)	(2,332,910)	Increase in accounts receivable
(1,016,707)	-	Increase in accounts receivable from TDR
23,895,670	-	Increase in accrued expenses
303,175,244	74,305	Increse in accounts payable
317,146,021	(2,258,605)	
320,675,661	11,752,573	Net cash from/(used in) operating activities
		CASH FLOW FROM INVESTING ACTIVITIES
(326,230,745)	-	Investment in shares
41,099,740	-	Income from share trading
(285,131,005)	-	Net cash from/(used in) investing activities
		CASH FLOW FROM FINANCING ACTIVITIES
50,000,000	100,000,000	Issue of share capital
(8,000,000)	.00,000,000	Dividend paid
42,000,000	100,000,000	Net cash from financing activities
	,,	
77,544,655	111,752,573	Net charges in cash and cash equivalents
211,066,545	99,313,972	Opening cash and cash equivalents
288,611,200	211,066,545	Closing cash and cash equivalents

234

UniCap Investments Limited Statement of Changes in Equity for the year ended 31 December

(Figures in BD	T)	Statement of		
	Retained	Comprehensive	Share	
Total	Earnings	income	Capital	Particulars
202,038,076	2,038,076	-	200,000,000	Balance at 01 January 2013
50,000,000	-	-	50,000,000	Share issued during the period
44,334,114	-	44,334,114	-	Net profit for the period
-	44,334,114	(44,334,114)	-	Transfer to retained earnings
(9,361,394)	(9,361,394)	-	-	Net change in fair value of financial assets
(34,500,000)	(34,500,000)	-	-	Interim cash dividend
252,510,796	2,510,796	-	250,000,000	Balance at 31 December 2013
100,324,201	324,201	-	100,000,000	Balance at 01 January 2012
100,000,000	-	-	100,000,000	Share issued during the year
9,713,875	-	9,713,875	-	Net profit for the year
-	9,713,875	(9,713,875)	-	Transfer to retained earnings
(8,000,000)	(8,000,000)	-	-	Interim cash dividend
202,038,076	2,038,076	-	200,000,000	Balance at 31 December 2012

UniCap Investments Limited Notes to the financial statements

For the year ended 31 December 2013

1. REPORTING ENTITY

UniCap Investments Limited (the Company), a subsidiary of Union Capital Limited is a public company limited by shares was incorporated in Bangladesh on 24 May 2011 vide certificate of incorporation no. C-93014/11 under the Companies Act 1994. The registered office of the Company is situated at A-A Bhaban, 23 Motijheel Commercial Area, Dhaka 1000.

Nature of business

UniCap Investments Limited delivers a whole range of investment banking services including merchant banking activities such as issue management, underwriting, portfolio management and corporate advisory.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statement

The financial statements of UniCap Investments Limited include the Statement of Financial Position (Balance Sheet), Statement of Comprehensive Income (Profit and Loss Statement), Statement of Cash Flows, Changes in Equity and notes to the accounts. These financial statements have been prepared under the historical cost convention on a going concern basis in accordance with Bangladesh Accounting Standards (BAS)/ Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994 and Bangladesh Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Regulations 1996.

2.2 Provision for taxation

Provision for current income tax is made at the rate of 37.5 percent on the accounting profit of the Company without considering taxable allowances and disallowances.

2.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and fixed deposits which are held and are available for use by the Company.

2.4 Currency

The amounts in the Financial Statements have been rounded off to the nearest Taka.

2.5 Cash Flow Statements

The net cash flow from operating activities is determined for the year under direct method as per BAS-7.

2.6 Events after reporting period

Events after the reporting period that provide additional information about the Company's position at the reporting period are reflected in the financial statements. Events after the reporting period that are not adjusting event are disclosed in the note when material.

No material event had occurred after the reporting period, which could substantially effect the values reported in the financial statements.

SHAREHOLDERS' ADDITIONAL INFORMATION

IN THIS SECTION

Letter of invitation from the Chairman	238
Questions form for Annual General Meeting	239
Notice of 16th Annual General Meeting	241
Form of Proxy	243
Financial Calender 2013	245
Company Milestones	246
Redressal of Investors complaint	247
Other useful Information for Shareholders	248
Definitions	250
General Index	254
CG Index	256

LETTER OF INVITATION FROM THE CHAIRMAN

extend a warm invitation to you to attend in the 16th Annual General Meeting of Union Capital Limited to be held on 31 March 2014 at 10:30 am at LGED Auditorium, Agargaon, Dhaka. Included in this document are the following:

- The Notice of the Annual General Meeting setting out the businesses to be transacted;
- Annexure I to the Notice of the Annual General Meeting setting out explanatory notes regarding
 proxies and resolutions as well as important notes about the Annual General Meeting;
- A form of proxy.

The agenda as set out in the notice will be put to the shareholders for approval which will ensure an exact reflection of the views of the shareholders.

I would like to remind the shareholders of their right to raise questions at the Annual General Meeting. As it is not always possible to answer every question raised at the Annual General Meeting, and to ensure that all matters of particular interest to shareholders are covered, shareholders may use the attached question form to raise questions in advance. From these question forms the most relevant and important topics will be assessed and I will endeavour to address these at the Annual General Meeting. This advance notice of relevant questions will, of course, not prevent any shareholder from raising questions at the appropriate time during the meeting.

The question form can be forwarded to the Company Secretary, Union Capital Limited, Noor Tower, 73 Sonargoan Road, Dhaka-1205, to be received no later than 06:00 pm on Thursday, 27 March 2014, or handed in at the time of registering attendance at the Annual General Meeting, should the first option not have been chosen.

Yours faithfully,

sd/-

Chowdhury Tanzim Karim Chairman Dhaka, 15 March 2014

HEAD OFFICE

Union Capital Limited Noor Tower, 73 Sonargoan Road Dhaka-1205 Tel: +88 02 9662888 Fax +88 02 8616878 www.unicap-bd.com

238

QUESTION FORM FOR ANNUAL GENERAL MEETING

Name of shareholder	
Address	
30 ID	
Number of shares held	
Telephone	
Fax	
Email	
Signature	
Questions	
Agendum no.	



Question form for Annual General Meeting

NOTICE OF THE 16TH ANNUAL GENERAL MEETING



Union Capital Limited [Incorporated in Bangladesh] [Registration number: C-36021(321/98) [Share code: UNIONCAP]

otice is hereby given to the shareholders recorded in the Depository Register of Union Capital Limited on 13 March 2014 that the 16th Annual General Meeting of the Company will be held on Monday, the 31 March 2014 at 10:30 am at the LGED Auditorium, Agargaon, Dhaka to deal with the following businesses in the manner required by the Companies Act, 1994:

ORDINARY BUSINESS

AGM 14-16-01	:	Receive and adopt the audited financial statements of the Company as of and for the year ended 31 December 2013 together with the reports of the Auditors and Directors thereon;
AGM 14-16-02	:	Declaration of dividend for the year 2013;
AGM 14-16-03	:	Re-appointment of Directors;
AGM 14-16-04	:	Appointment of the Auditors of the Company for the year 2014 and fixation of their remuneration;
AGM 14-16-05	:	Approval of the appointment of the Independent Director;

SPECIAL BUSINESS

AGM 14-16-06 : Issuance of Non-convertible Preference Shares;

By order of the Board,

sd/-

Tauhidul Ashraf FCS SVP & Company Secretary Dhaka, 15 March 2014

NOTES

- 1. The 13 March 2014 is the 'Record Date' to determine the shareholders' entitlement to the dividend and their eligibility to attend and vote at the meeting.
- The Board of Directors recommended 10 percent Stock Dividend for the year 2013 subject approval of the shareholders.
- 3. A member eligible to attend and vote at the Annual General Meeting may appoint a proxy to attend, speak and vote or abstain from voting in his/her/its/their stead. The Proxy Form duly completed and stamped must be deposited at the Registered Office of the Company no later than 72 hours before the time appointed for holding the meeting.
- 4. Members are requested to notify change of their address, if any, through their respective Depository Participants well in advance.
- Annual Report, Attendance Slip and Proxy Form along with the notice will be sent to all the Members by courier service/post. The Members may also collect the Proxy Form from the Registered Office of the Company.

SPECIAL NOTE

As per BSEC's Notification dated 24 October 2000 and 2013, no food box/gift/gift coupon etc. will be given at the Annual General Meeting.

$16^{TH} AGM$

11

MARCH 2014

5



Union Capital Limited 2013 Annual Report

Explanatory notes to the notice of AGM

ITEM ONE

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

In terms of the Companies Act, 1994, the Directors are required to present to the Shareholders at the Annual General Meeting the annual financial statements, incorporating the Directors' Report and Auditors' Report, for the year ended 31 December 2013. The Directors' Report, the Financial Statements and the Auditors Report for the year ended 31 December 2013 are contained in this Annual Report.

ITEM TWO

DECLARATION OF DIVIDEND

The Board of Directors in its meeting held on 4 March 2014 recommended 10 percent Stock Dividend i.e 10 shares for every 100 shares held for the year 2013 subject to the approval of the shareholders in the Annual General Meeting. Bonus shares, if approved, will be transferred to the respective BO Account of the shareholders within April 2014. The dividend will be paid to the shareholders whose name appeared in the Depository Register of shareholders at the close of business on 13 March 2014 being the record date.

ITEM THREE

RE-APPOINTMENT OF DIRECTORS

In terms of the Company's Articles of Association, onethird of the Directors are required to retire at each Annual General Meeting and may make themselves available for re-election. Accordingly, Chowdhury Tanzim Karim, Mr. Nadeem A. Chaudhury, Mrs. Meherunnesa Haque and Mr. Nasir A. Choudhury will retire by rotation and being eligible offered themselves for re-appointment.

Moreover, as per Regulation 86 of the Companies Act, 1994 any Director appointed by the Board during the period since the last Annual General Meeting is required to retire and is eligible for election at the next Annual General Meeting. Accordingly, Capt. Minhazur Reza Chowdhury, nomineted by EC Securities Limited and Mr. Mohammad Nurun Nabi FCA, Independent Direcor who was appointed by the Board during the year shall retire in the 16th Annual General Meeting and eligible for re- appointment. Biographical details of the Directors of the Company retiring at the AGM are set out on pages 48 to 52 of this annual report.

ITEM FOUR

APPOINTMENT OF EXTERNAL AUDITORS

The Financial Institutions Act, 1993 stipulated that an auditor of a financial institution cannot be appointed for more than three consecutive years. M/S. Hoda Vasi Chowdhury & Co., Chartered Accountants has completed their second year of audit and hence

eligible for re-appointment. The Audit Committee proposes for re-appointment of existing Auditors M/S. Hoda Vasi Chowdhury & Co. for the year 2014 to hold office from the conclusion of the 16th Annual General Meeting until the conclusion of the next Annual General Meeting of Union Capital Limited.

Section 210(10) of the Companies Act, 1994 gives authority to the shareholders of Union Capital Limited to fix the remuneration of the Auditors (proposed to be re-appointed). The Auditors' remuneration for audit services paid to the Auditors for the financial year ended 31 December 2013 amounted to Tk. 130,000/- plus VAT. On recommendation of the Audit Committee, the Board in its meeting held on 4 March 2014 recommended for re-appointment of the existing Auditors at a remuneration of Tk. 140,000 plus VAT.

ITEM FIVE

APPOINTMENT OF INDEPENDENT DIRECTOR

As per BSEC's Notification of 7 August 2012, the appointment of Independent Director should be approved by the shareholders in the Annual General Meeting. Mr. Mohammad Nurun Nabi, FCS was appointed by the Board on 9 February 2014 as Independent Director in compliance with the condition of BSEC's notification. The shareholders are now required to approve the appointment of the Independent Director.

ITEM SIX

ISSUANCE OF NON-CONVERTIBLE PREFERENCE SHARE

The Board of Directors of Union Capital Limited in its 184th Meeting held on 18 December 2013 approved the proposal for issuance of Nonconvertible Preference Share to the tune of Tk. 500 million subject to the approval of the shareholders and regulatory authorities. The objective of issuance of the preference share is to improve the capital adequacy ratio of the Company by strengthening the Tier II capital of the Company. We have already applied to Bangladesh Bank for its consent. After having consent from Bangladesh Bank and approved by the shareholders in the Annual General Meeting, the Information Memorandum for issuance of Non-convertible Preference Share would be submitted to the Bangladesh Securities and Exchange Commission for raising fund.

242

FORM OF PROXY



Union Capital Limited [Incorporated in Bangladesh] [Registration number: C-36021(321/98) [Share code: UNIONCAP]

or use of the shareholders of Union Capital Limited who on the Record Date of 13 March 2014 are entitled to exercise any voting rights in relation to the resolutions to be proposed at the Annual General Meeting to be held on 31 March 2014 at 10:30 am at the LGED Auditorium, Agargaon, Dhaka or at any adjournment thereof. Should a shareholder not wish to attend the Annual General Meeting in person, such shareholder may provide his/her/its/their nominee with his/her/its voting instruction and such nominee will complete all necessary documentations in order to attend and vote at the Annual General Meeting.

I/We _____ of (address)

being the holder(s) of ______ordinary shares in the company, appoint Mr.

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting that will be held for the purpose of passing ordinary resolutions to be proposed thereat or at any adjournment thereof, and to vote for and/or against such resolutions and/or to abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions:

ORDINARY BUSINESS		Number of votes (one vote per ordinary share)			
Agendum		For	Against	Abstain	
AGM 14-16-01 :	Receive and adopt the audited financial statements of the Company as of and for the year ended 31 December 2013 together with the reports of the auditors and Directors thereon;				
AGM 14-16-02 :	Declaration fo dividend for the year 2013;				
AGM 14-16-03 :	Re-appointment of Directors;				
AGM 14-16-04 :	Appointment of the Auditors of the Company for the year 2014 and fixation of their remuneration;				
AGM 14-16-05 :	Approval of the appointment of Independent Director;				
SPECIAL BUSINE	ESS				
AGM 14-16-06 :	Issuance of Non-convertible Preference Share				
be in force and ef	delegate his/her/its/their authority to any other person. This fect immediately after the Annual General Meeting of the C e LGED Auditorium, Agargaon, Dhaka or at any adjournme	ompany to	be held on 31	March 2014	
Signed at (place)	on (date)	Marc	h 2014	

Signature _____

Attested by me ____

(where applicable)

Please read the notes given on next page.

NOTES TO FORM OF PROXY

S UMMARY OF RIGHTS OF A SHAREHOLDER TO BE REPRESENTED BY PROXY AS CONTAINED IN SECTION 85 OF THE COMPANIES ACT 1994 AND NOTES TO THE FORM OF PROXY

- 1 Each holder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend, participate in, speak and vote or abstain from voting in place of that holder at the Annual General Meeting.
- 2 A proxy appointment must be in writing, dated and signed by the holder appointing the proxy.
- 3 A holder's instructions to the proxy have to be indicated by the insertion of the relevant number of votes exercisable by that holder in the appropriate box provided. Failure to comply with this will be deemed to vote in favour of the ordinary resolutions at the Annual General Meeting.
- 4 A holder or his/her/its/their proxy is not obliged to vote in respect of all the ordinary shares held by such holder or represented by such proxy, but the total number of votes for or against the ordinary resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the holder or his/her/its/their proxy is entitled.
- 5 Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity has to be attached to this form of proxy, unless previously recorded by the Company Secretary. Examples of satisfactory identification include a valid National ID card, a valid driving licence or a valid passport.

- 6 Any alterations or corrections to this form of proxy must be initialled by the authorized signatory/ signatories.
- 7 The completion and lodging of this form of proxy will not preclude the original shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such holder wish to do so, in which case this proxy will be suspended accordingly.
- 8 Form of Proxy have to be lodged with or posted to the Company Secretary, Union Capital Limited, Noor Tower, 73 Sonargoan Road, Dhaka-1205 before a proxy may exercise any voting rights of a holder at the Annual General Meeting. The Form of Proxy is requested to be received no later than 6:00 pm on 27 March 2014.
- 9 Holders attending the Annual General Meeting will be offered the opportunity of putting questions to the Directors and Management. A question form has been included in this report on page 239 for this purpose.

244

FINANCIAL CALENDAR 2013

2012	Dec	Financial year-end - 31 December;
2013	Feb	Annual results and announcement of final dividend on 28 February for 2013;
	Mar	Notice of 15th AGM;
		Publications and posting of 2012 Annual Reports;
		15th Annual General Meeting held on 31 March;
	Apr	Final dividend payment;
		First-quarter Business Results;
	Jul	Half-year Business Results;
	Oct	Third-quarter Business Results;
	Dec	Financial year-end - 31 December
2014	Jan	
	Mar	Annual results and announcement of final dividend on 4 March for 2014;
		Notice of 16th AGM;
		Publications and posting of Annual Reports;
		16th Annual General Meeting;
	Apr	Final dividend payment
		First-quarter Business Results (expected)

ANNUAL GENERAL MEETING

UCL's Annual General Meeting will be held on Monday, 31 March 2014, at 10:30 am; Venue: LGED Auditorium, Agargaon, Dhaka.

DISTRIBUTION POLICY

All reports are available in English and can be downloaded from Company website www.unicap-bd.com.

Despite UCL's initiatives on sustainability, we have not condensed our printed annual report. This report has been distributed to current shareholders.

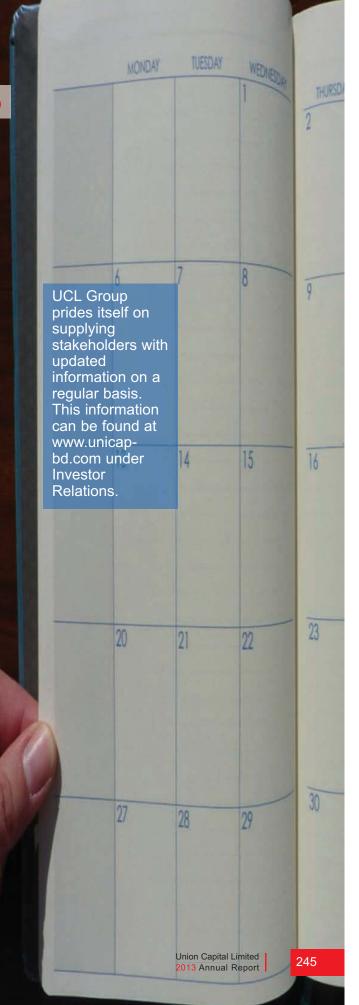
Shareholders, the public and prospective investors may request a printed copy of this version via email at investorsrelation@unicap-bd.com.

CONTENT OF THE REPORT

This Annual Report is targeted primarily at our current shareholders and potential investors. It has been prepared to assist all our stakeholders in making an informed assessment of the UCL's ongoing ability to create and sustain value. All necessary information may be available online at www.unicap-bd.com.

INVESTOR RELATIONS

Name: Tauhidul Ashraf FCS Department of Corporate Affairs Tel: +88 02 9662888 Email: investorsrelation@unicap-bd.com



COMPANY MILESTONES | The progress markers





Redressal of INVESTORS' COMPLAINT | The voice of the shareholders

INVESTORS REDRESSAL POLICY

We at UCL Group believe that Investor service is an important imperative for sustained business growth and we want to ensure that our investors receive exemplary service across different areas of operations of the Group. Prompt and efficient service is essential to retaining existing relationships and investor satisfaction is critical to UCL. Investor complaints constitute an important voice of investor, and this policy details complaint handling through a structured grievance redressal framework. Complaint redressal is supported by a review mechanism, to minimize the recurrence of similar issues in future. UCL follows the following principles:

- Investors must be treated fairly at all times;
- Complaints raised by investors must be dealt with courtesy and in a timely manner;
- Investors are informed of avenues to raise their complaints within the organization,
- Complaints are treated efficiently and fairly;
- UCL employees work in good faith and without prejudice, towards the interests of the investors.

HOW DO WE REDRESS INVESTOR COMPLAINTS

- The Company has a designated investor grievances email id investorsrelation@unicap-bd.com on which an investor can make a complaint.
- An Investor can make a written complaint through letter also.
- The Company maintains investor grievance register in which full detail of every written complaint shall enter.
- Designated person shall login to look after the investor grievances on daily basis.
- The full detail of the written complaint must be passed to the concerned department and inform the compliance officer of the Company as soon as it is received.
- A letter or email must be written to all the investor who have submitted written complaints by the designated person or Compliance Officer acknowledging receipt of the complaint and informing them it will be dealt with.
- Audit & Compliance Department will obtain all information available on the complaint which is considered necessary for a proper investigation, look into all the necessary information and resolve these soon as possible.
- UCL must resolve investor complaint within seven days of the receipt of the same except the complicated case
- A serious complaint must be referred to the CEO and even to Directors of the Company if so warrants.
- The Compliance Officer of the Company shall review the investor complaint register on weekly basis to find out whether complaint has been resolved within time or not.

Investor complaints constitute an important voice of investor, and this policy details complaint handling through a structured grievance redressal framework. Complaint redressal is supported by a review mechanism to minimize the recurrence of similar issues in future.

Other Useful INFORMATION FOR SHAREHOLDERS | Shareholders' rights to access

CAPITAL FORMATION HISTORY

The history of raising of share capital of UCL is given below:

Time line	Mode of raising capital	No. of shares	Amount in Taka
09 August 1998	As per MOA & AOA	5,050,000	50,500,000
26 June 2004	20% Bonus Share	1,010,000	10,100,000
27 July 2004	Rights Share	1,683,335	16,833,350
28 December 2004	Rights Share	5,526,235	55,262,350
17 February 2005	Rights Share	318,067	3,180,670
19 March 2005	Rights Share	118,066	1,180,660
28 May 2005	18% Bonus Share	2,388,523	23,885,230
28 May 2006	20% Bonus Share	3,218,846	32,188,460
24 July 2007	Initial Public Offer	7,500,000	75,000,000
23 July 2008	30% Bonus Share	8,043,922	80,439,220
17 May 2009	20% Bonus Share	6,971,398	69,713,980
19 May 2010	30% Bonus Share	12,548,517	125,485,170
3 May 2011	75% Bonus Share	40,782,681	407,826,810
8 April 2012	10% Bonus Share	9,515,959	95,159,590
31 March 2013	5% Bonus Share	5,233,777	52,337,770
31 March 2014	10% Bonus Share*	10,990,932	109,909,320
End of the year		120,900,258	1,209,002,580

* Subject to approval of Shareholders in 16th AGM.

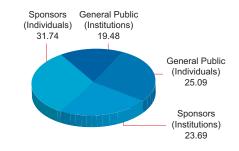
KEY SHARE INFORMATION

(As on 31 December)	2013	2012	2011
Total no. of shareholders	10,170	10,165	9,757
Share price (Taka)	34.60	27.8	60.5
No. of outstanding shares	109,909,326	104,675,549	95,159,590
Market Capitalization (Taka in million) 3,802.86	2,909.98	5,757.16

SHAREHOLDERS

At the end of 2013, there were 10,170 shareholders in UCL as against 10,165 shareholders at the end of 2012. The Sponsor Shareholders hold 60,918,993 no shares of Tk.10 each which represent 55.43 percent of the total paid up shares of the Company.

COMPOSITION OF SHAREHOLDINGS (%)



LEGAL FORM

Public Limited Company incorporated in Bangladesh on 9 August 1998 under Companies Act, 1994 and listed with Dhaka and Chittagong Stock Exchange

COMPANY REGISTRATION NUMBER

C-36021(321)/98 Dated 9 August 1998

BANGLADESH BANK LICENSE NUMBER

FID(L) / 19 Dated 12 August 1998

REGISTERED AND CORPORATE OFFICE

Noor Tower

73 Sonargaon Road, Dhaka 1205, Bangladesh Tel: +880 (2) 966 2888, Fax: +880 (2) 861 6878 Email: mailbox@unicap-bd.com

CORPORATE WEBSITE

www.unicap-bd.com

BRANCH OFFICES

Main Branch

Noor Tower 73 Sonargaon Road Dhaka 1205, Bangladesh Tel: +880 (2) 966 2888 Fax: +880 (2) 861 6878

Chittagong Branch

Ayub Trade Centre 1269/B Sk. Mujib Road, Agrabad C/A Chittagong 4100, Bangladesh Tel: +880 (31) 251 3353 - 54 Fax: +880 (31) 251 3356

Sylhet Branch

Bengal Shopping Complex Sobhanighat, Mehendibagh Bishaw Road Sylhet 3100, Bangladesh Tel: +880 (821) 728438-41 Fax: +880 (821) 728437

Motijheel Branch

A-A Bhaban, 23 Motijheel C/A Dhaka 1000, Bangladesh Tel: +880 (2) 9515946 - 55 Fax: +880 (2) 7169075

Gulshan Branch

Richmond Concord 68 Gulshan Avenue Dhaka 1212, Bangladesh Tel: +880 (2) 882 0366 Fax: +880 (2) 882 5740

AUDITORS

Hoda Vasi Chowdhury & Co. Chartered Accountants BTMC Bhaban, 7-9 Karwan Bazar C/A Dhaka-1215, Bangladesh

LEGAL ADVISOR

A. Hossain & Associates3/B Outer Circular RoadMoghbazer, Dhaka.

Hasan & Associates 65-66 Motijheel C/A Dhaka-1000.

STOCK BROKER/DEALER

UniCap Securities Limited (Former SES Company Limited) (Membership DSE-163; CSE-82)

TAX CONSULTANTS

K. M. Hasan & Co. Chartered Accountants Hometown Apartment 87 New Eskaton Road, Dhaka-1000

STOCK LISTING

Bourse	Symbol	Date of listing
DSE	UNIONCAP	24 July 2007
CSE	UNIONCAP	24 July 2007

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited State Bank of India Bank Asia Limited United Commercial Bank Limited Mutual Trust Bank Limited

SUBSIDIARY COMPANY

UniCap Securities Limited UniCap Investments Limited

INVESTORS INQUIRIES

Department of Corporate Affairs Phone: +880 (2) 966 2888 Email: investorsrelation@unicap-bd.com

MEMBERSHIPS

Bangladesh Leasing & Finance Companies Association Bangladesh Merchant Bankers Association (BMBA) Dhaka Chamber of Commerce and Industry (DCCI) Bangladesh Association of Publicly Listed Companies Federation of Bangladesh Chamber of Commerce and Industry (FBCCI) The Institute of Bankers, Bangladesh (IBB)

249

We would not always be able to avoid technical terms, but we can explain them, and if there are any open question, answer them personally.

DEFINITIONS Interpret the hieroglyphics

BANGLADESH FINANCIAL REPORTING STANDARDS

Bangladesh Financial Reporting Standards (BFRS) means those standards adopted by the ICAB. UCL's consolidated financial results are prepared in accordance with BFRS.

BANK RATE

The rate at which Bangladesh Bank discounts approved securities. treasury bills etc. Bank rate is used by Bangladesh Bank as a means of regulating the money on demand and checking the growth of inflation in the country.

BASEL CAPITAL ACCORD

The new Basel Capital Accord (Basel II) of the Bank for International Settlements is an improved capital adequacy framework accomplished by closely aligning banks' capital requirements with improved modern risk management practices and sophisticated risk assessment capabilities. It further ensures the risk sensitivity of the minimum capital requirements by including supervisory reviews and market discipline through enhanced disclosure.

BUSINESS RISK

Business risk arises from the specific business activities of a company and the effects these could have on its earnings.

BOOK VALUE PER SHARE

Book value of shareholders equity divided by the number of ordinary shares outstanding.

CAPITAL ADEQUACY RATIO

The capital adequacy of UCL is measured in terms of the Bangladesh Bank requirements. The ratio is calculated by dividing the primary (Tier 1) and secondary (Tier 2) capital by the risk-weighted assets.

CAMEL RATING

It is a measure for examining a financial institution or bank - the five things to examine are:

- **Capital Adequacy**
- Asset Quality
 - Management Quality
- Earnings
- Liquidity

CASH RESERVE REQUIREMENT (CRR)

CRR is a statutory requirement of maintaining cash balance with Bangladesh Bank applicable for banks and financial institutions. An NBFI is required to maintain @ 2.5% of its average balance of term deposits with Bangladesh Bank current account. Deposits taken from banks and financial institutions are not considered in determining CRR.

CREDIT AND COUNTERPARTY RISK

Credit and counterparty risk is the potential loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan or honor another predetermined financial obligation.

COLLATERAL

Assets pledged as security for a loan or other obligation. Collateral is generally cash or a highly rated security.

CONTINGENT LIABILITIES

A situation existing at reporting date, where past events have led to a possible obligation the outcome of which depends on uncertain future events, but the outcome is not sufficiently probable or reliably measurable to warrant recognising the liability at this reporting date

CORE (TIER 1) CAPITAL

Core capital consists of issued ordinary share capital and retained earnings and reserves, less regulatory deductions.

DEFAULT RISK

The risk that a client may be unable to make payments of rentals/installments on time.

DEFAULTED ADVANCE

Any advance or group of advances that has triggered relevant definition of default criteria for that portfolio that is in line with Bangladesh Bank regulations relating to NBFIs.

DEFERRED TAXATION ASSETS

Deferred taxation assets are the amounts of income taxation recoverable in future periods in respect of:

- deductible temporary differences arising due to differences between the taxation and accounting treatment of transactions; and
- the carrying forward of unused taxation losses.

DEFERRED TAXATION LIABILITIES

Deferred taxation liabilities are the amounts of income taxation payable in future periods due to differences between the taxation and accounting treatment of transactions.

DEFINITION OF DEFAULT

At a minimum, a default is deemed to have occurred where a loan is overdue for more than 150 days.

DIVERSIFICATION

Distribution of investments among various sectors and geographic region to minimize risk.

EARNING ASSETS

Those assets of a bank or financial institution which earn an income for the institution i.e. loans and leases, advances and money at call & short notice to banks etc.

EARNINGS PER SHARE

BASIC EARNINGS BASIS

Income attributable to equity holders for the period divided by the weighted average number of ordinary shares in issue during the period.

FULLY DILUTED BASIS

The relevant earnings figure is adjusted for the assumed adjustments to income that would have been earned on the issue of shares issued from dilutive instruments. The resultant earnings are divided by the weighted average number of ordinary shares and other dilutive instruments (i.e. potential ordinary shares) outstanding at the period end, assuming they had been in issue for the period.

EFFICIENCY RATIO (COST-TO-INCOME RATIO)

Total expenses as a percentage of income from normal operations (net interest income plus noninterest revenue).

EQUITY RATIO/CAPITAL RATIO

Indicator showing the relation of equity to total assets.

FAIR VALUE

The amount of consideration that would be exchanged in an arm's length transaction between knowledgeable and willing parties, under no compulsion to act.

FAILING TO PROPERLY MANAGE REGULATORY RISK

Failing to properly manage regulatory risk may result in regulatory sanctions being imposed, and could harm our reputation.

FISCAL YEAR (FY)

FY means the fiscal year commencing from 1 July ending on 30 June.

FREE FLOAT SHARES

The ordinary shares of the company which are free for trading in the stock exchanges. Shares on which there is no restriction or lock-in condition for transfer or sale imposed by the regulatory authorities are considered as free float shares. Sponsors shares of a listed company are locked-in for 3 years from the date of publication of prospectus.

GOING CONCERN

The ability of a concern to continue its operation for a foreseeable future.

IMPAIRMENT OF LOANS AND ADVANCES

Impairment of loans and advances arises where there is objective evidence that the group will not be able to collect an amount due. The impairment is the difference between the carrying amount and the estimated recoverable amount. Liquidity and funding risk is the potential loss if Company is unable to meet financial commitments in a timely manner at reasonable prices as they fall due. Financial commitments include liabilities to depositors and suppliers, and lending, investment and pledging commitments.

MARKET CAPITALIZATION

The Company's closing share price multiplied by the number of shares in issue.

MARKET RISK

Market risk is the potential for a negative impact on the balance sheet and/or income statement resulting from adverse changes in the value of financial instruments as a result of changes in certain market variables. These variables include interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, as well as credit spreads, credit migration and default.

NET ASSET VALUE PER SHARE

Total equity attributable to equity holders of the company divided by the number of shares in issue, shares held by group entities.

NET INTEREST INCOME

The difference between interest earned on assets (such as loans and securities) and interest incurred on liabilities (such as deposits and subordinated indebtedness).

NET INTEREST MARGIN

Net interest margin as a percentage of average assets.

NON-PERFORMING ASSETS

Consists of total sum of non-accrual loans/leases, experiencing 6 months or more delinquent. A loan/lease is considered non-performing when the total or a part thereof is past due for 6 months or more even if the finance is well secured and in the process of collection.

NON-ACCRUAL LOANS/LEASES

A loan/lease is automatically classified as a nonaccrual when it is past due for 3 months or more and no matter the Management is confident about its collectibility of the entire amount at the time when a loan/lease is placed on non-accrual status. A loan/lease is generally returned to accrual status when the loan/lease is less than 3 months past due and the Company has reasonable assurance that the loan will be fully collectible and is in the process of collection.

OPERATIONAL RISK

Operational risk is the potential loss resulting from inadequate or failed internal processes or systems, human interactions or external events, but excludes business risk.

PAST DUE

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

PROXY

A proxy is a written document authorizing the person named therein to attend and vote at a meeting for and in place of the Original Shareholder.

PROVISION FOR DOUBTFUL DEBTS

The amount of revenue charged to profit and loss account to absorb losses inherent in the investment portfolio. The provision is increased by the allowances for loans/leases which is charged against current year's operating results.

RECORD DATE

The date fixed by the Board at least 14 days before the date of Annual General Meeting to determine the eligibility of shareholders to attend and vote at the meeting and the right to current dividend.

RELATED PARTIES

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

REPO RATE

The rate at which Bangladesh Bank lends money to banks.

RETURN ON AVERAGE ASSETS

An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing profit before tax by its total average assets.

RETURN ON AVERAGE EQUITY

Return on equity measures a small Company's profitability by revealing how much profit a company generates with the outstanding shareholders money. Calculated by dividing net profit after tax by average shareholders equity.

RETURN ON AVERAGE INVESTMENT

A performance measure used to evaluate the efficiency of investment or to compare the efficiency of a number of different investments. To calculate ROI, profit before tax is divided by the cost of the average investment.

REVERSE REPO RATE

The rate at which banks park surplus liquidity with Bangladesh bank.

REGULATORY RISK

Regulatory risk is the risk of not complying with regulatory requirements, regulatory changes or regulators' expectations.

Definitions

RETURN ON EQUITY (ROE)

Net income, less preferred share dividends and premium on redemptions, expressed as a percentage of average common shareholders' equity.

RISK MANAGEMENT

The process of identifying the level of risk an entity wants, measuring the level of risk the entity has, taking actions that bring the actual level of risk to the desired level of risk and monitoring the actual level of risk so that it continues to be aligned with the desired level of risk.

RISK-WEIGHTED ASSETS

Risk-weighted assets (RWA) are determined by applying risk weights to balance sheet assets and offbalance-sheet financial instruments according to the relative credit risk of the counterparty. The risk weighting for each balance sheet asset and offbalance sheet financial instrument is regulated by Banglagesh Bank regulations in the respective countries of the other banking licences.

SEGMENTAL REPORTING

OPERATIONAL SEGMENT

A distinguishable component of the group, based on the market on which each business area focuses, that is subject to risks and returns that are different from those of other operating segments.

GEOGRAPHICAL SEGMENT

A distinguishable component of the group that is engaged in providing services within a particular economic environment and is subject to risks and returns that are different from those of components operating in other economic environments.

STATUTORY LIQUIDITY RATIO (SLR)

Bangladesh Bank requires a non-bank financial institution to maintain liquid reserve @ 5% with banks/financial institutions on its total liabilities excluding funds from banks/financial institutions. This includes 2.5% of CRR.

SMALL AND MEDIUM ENTERPRISES

This asset class covers all exposures to small and medium enterprises (SME) that are classified as corporate and retail based on criteria prescribed by the Regulator.

SUBSIDIARY COMPANY

A Company is a subsidiary of another company, if the parent company holds more than 50% of the nominal shares and controls the composition of its Board of Directors.

THIN MARKET

The stock market where there are very few bids to buy and few offers to sell any shares, so the price is distorted.

TIER 2 CAPITAL

It is the supplementary capital made up of general provision, 50 percent of revaluation reserve for fixed assets, 45 percent of revaluation reserve for securities and preference shares less regulatory deductions.

UNREALIZED CAPITAL GAINS

Capital gains that reflect the price appreciation of currently held unsold shares; such gains are not accounted for until realized.

WEIGHTED AVERAGE NUMBER OF SHARES

The number of shares in issue increased by shares issued during the period, weighted on a time basis for the period during which they participated in the income of the group, less shares held by group entities, weighted on a time basis for the period during which the entities held these shares.

These definitions should be read in conjunction with the group's accounting policies, which also clarify certain terms used.

GENERAL INDEX

A reference for quick view

CORPORATE OBJECTIVES, VALUES & STRUCTURE

Vision	06
Mission	07
Overall Strategic Objectives	10
Core Values	09
Business Principles	12
Ethical Principles	15
Profile of the Group	04
Directors Profile	48
Organization Chart	138

DIRECTORS REPORT/CHAIRMAN'S & CEO'S REVIEW

22
27-31, 65-67
183, 212-213
33-36
76
142
148
151, 154
151

DISCLOSURE OF ACCOUNTING POLICIES

Accounting policies	183
Impairment of Assets	187
Segment information	183, 212-213
Changes in accounting policies and estimates	25, 181

FINANCIAL STATEMENTS

Consolidate financial statements	166-171
Contingencies and commitments	187, 217
Related partly disclosure	215
Remuneration and facilities to Directors	99, 210
Remuneration and facilities to MD & CEO	98, 210
Statement of financial Position of UCL	172
Income Statement of UCL	174
Statement of cash flow of UCL	177
Statement of changes in equity of UCL	178
Disclosure of share capital	77-78, 203-205, 248
Compliance with IAS/IFRS	182
Notes to the financial statements	180

INDEX

STATEMENTS OF VALUE ADDED ADDITIONAL DISCLOSURES SPECIFIC DISCLOSURES

CORPORATE OBJECTIVES, VALUES & STRUCTUF

HORIZONTAL/VERTICAL PERFORMANCE SUMMARY

DISCLOSURE OF ACCOUNTING POLICIES

STAKEHOLDERS INFORMATIC

GRAPHICAL/PICTORIAL DA

FINANCIAL STATEMEN

CORPORATE GOVERNANCE

Board of Directors	48-52
Chairman and CEO	18, 20, 48, 52
Audit Committee & its role	79
Audit Committee Charter	79
Internal Control	81
Risk Management	117
Ethics and compliance	96, 103, 108
Committees of the Board	53
Human Capital	151, 157
Communications with shareholders	38, 74
Environmental & Social Obligations	142, 148-149
Management review and responsibility	22, 85-86, 136
Evaluation of quarterly reports	72
Other investors' friendly information	248-249

STAKEHOLDERS INFORMATION

Distributions of shareholdings	78, 204
Share holdings of Directors and Sr. Executives	78, 204
Redressal of investors complaints	247

HORIZONTAL/VERTICAL PERFORMANCE SUMMARY

Operating performance	40-44
Financial performance	40-44
Profitability, liquidity and other ratios	40-44

STATEMENTS OF VALUE ADDED

Value added and its distributions	160
Economic Value Added	162
Company's products & services	16

ADDITIONAL DISCLOSURES

Sustainability development report	140-154
Human Resource Accounting	157

SPECIFIC DISCLOSURES

Credit Rating	71
Portfolio classification & Sector wise expos	sure 191, 197
Non-performing assets	30, 195
Movement of Non-performing Assets	195
Movement of Provisions	201-202
Details of Non-performing Assets Structure	e 195
Maturity Pattern of assets & liabilities	29, 179
Valuations of Investment/assets	184
Business Ratios	40
Sector wise exposure	43, 194
Breakup of provisions	201-202
Disclosure and regulatory guidelines	108, 113, 222
Operating & Finance lease	183
Branch/company's network	249

CG INDEX

BOARD OF DIRECTORS, CHAIRMAN AND CEO

Policy on appointment of Directors	90
Representation of non-executive Directors	91
Independent Director on the Board	91
Disclosure on Director's independence	91, 92
Independence of Chairman and CEO	91
Responsibilities of the Chairman	91
Disclosure of independence of non-executive Directors	92
Scheme for annual appraisal of the Boards' performance	91
Policy on annual evaluation of the CEO	93
Policy on training of Directors	92
Directors knowledge and expertise in finance and accounting	92
Number of meetings of the Board and participation of each Director	98
Report on compliance on Corporate Governance reviewed by external auditors	107

VISION/MISSION AND STRATEGY

Company's vision and mission statements	6, 7
Business objectives	8
Areas of business	4, 16
Business focus	4
Business strategies	10

AUDIT COMMITTEE

Appointment and composition	94
Chairman of the Audit Committee	94
Terms of reference of Audit Committee	56
Number of Non-executive Directors in Audit Committee	95
Qualification and expertise of the members of the Audit Committee	48, 94
Access of the Head of internal audit to the Audit Committee	95
Number of meetings and attendance by members of Audit Committee	98
Objective of Audit Committee	79
Activities of Audit Committee	80
Statement of Audit Committee on internal control	80
Statement of Audit Committee regarding compliance with Laws & Regulations	95
Audit Committee on involvement in review of external audit function	95
Audit committee involvement in selection of appropriate accounting policies	95
Audit committee involvement in the review of annual and interim financial releases	95

INTERNAL CONTROL AND RISK MANAGEMENT

Directors' responsibility to establish appropriate system of internal control	96
Key features and monitoring of the internal control system	82, 95
Review the adequacy of the system of internal controls	95
Disclosure of the information of risks	32-36
Management and mitigation of the risks	32-36

ETHICS AND COMPLIANCE

Disclosure of statement of ethical principles and values	103
Communication of the Ethics & business practices to the employees	105
Board's commitment to establishing high level of ethics & compliance	75
Anti-fraud programs and controls, including protection of whistle blowers	99

REMUNERATION COMMITTEE

Charter of the committee	97
Composition of the committee	97
Policies with regard to remuneration of Directors, senior management and employees	97
Number of meetings and work performed	97
Remuneration of Directors, Chairman, CEO and senior executives	98

HUMAN CAPITAL

Policies and practices with respect	
to Human Resources	154
Organizational Chart	138

COMMUNICATION TO SHAREHOLDER AND STAKEHOLDERS

Company's policy and strategy	101
Company's policy on ensuring participation of shareholders in the AGM 38, 7	3, 101
ENVIRONMENTAL AND SOCIAL OBLIGATION	
Company's policies and practices	148
Activities undertaken by the entity	142

DISCLAIMER

UCL Group has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this document, including all information that may be defined as forward-looking statements.

Forward-looking statements are not statements of fact, but statements by the management of UCL Group based on its current estimates, projections, expectations, beliefs and assumptions regarding the group's future performance.

No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements. The risks and uncertainties inherent in the forward-looking statements are contained in this document.



www.unicap-bd.com



