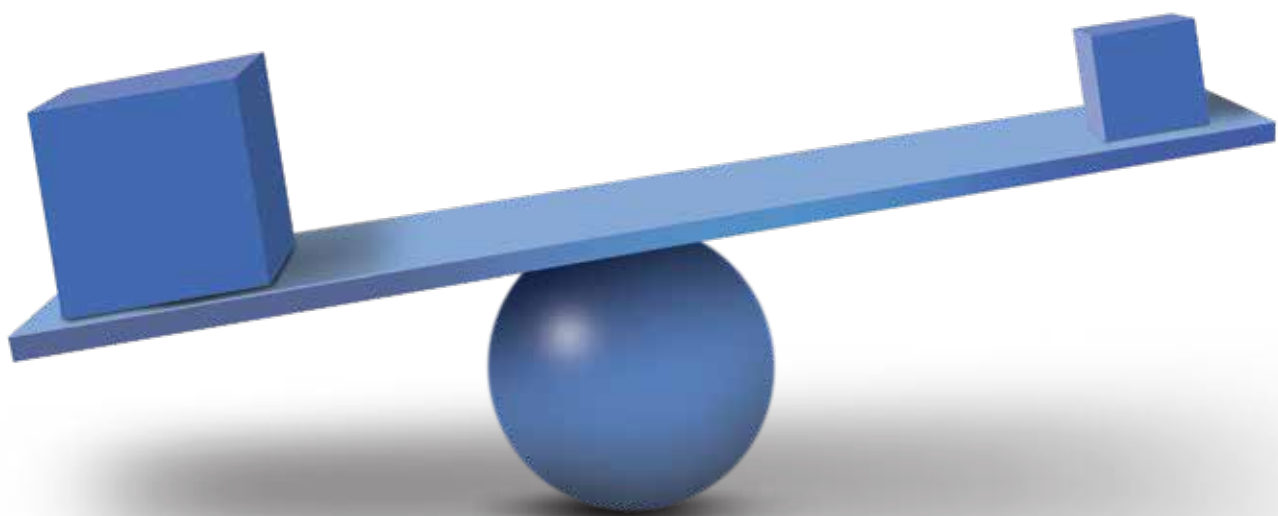


# ANNUAL REPORT 2021

## Sustainability Through Challenge



**Union Capital Limited**  
Building a sustainable future

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## GROUP PROFILE

### Sketch UCL's operational sphere

*UCL is a financial services group operating in Bangladesh, consisting of Union Capital Limited, UniCap Securities Limited and UniCap Investments Limited. The subsidiaries of UCL are providing capital market services while UCL is a non-banking financial institution that provides comprehensive financial services. UCL's ordinary shares are traded on both the exchanges of Bangladesh since 2007.*

UCL and its subsidiaries constitute one of the largest financial services groups, which began its activities more than 23 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 nonbanking activities in Bangladesh. UCL operates through its 6 offices located in Dhaka, Chattogram, Sylhet, Gazipur and Bogura along with its subsidiaries namely UniCap Securities Ltd. and UniCap Investments Ltd. 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 need. 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. UCL is a publicly traded company listed on both the Dhaka and Chittagong Stock Exchange. UCL is a diversified company that creates value and delivers shareholder returns from core operating business. Our focus, core competency and competitive advantage is driven by our team's depth of knowledge, experience and hands-on expertise.

#### THE GROUP SERVICES

- Different deposit schemes
- Corporate and SME finance
- Retail 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 (a full fledged Merchant Bank)

#### BUSINESS FOCUS

- Local Market
- Access to major areas of financial & 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 shareholders' value

#### BUSINESS LOCATION

- Registered office in Dhaka
- Major operating centres in Dhaka
- Branch network in Dhaka, Chattogram, Sylhet, Gazipur and Bogura.

*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.*

## CORPORATE FRAMEWORK

### Outlines Vision, Mission, Strategy and Guiding Principles

*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.*

#### VISION



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 values for all stakeholders through excellence in performance and good governance.

#### MISSION



To be the best run, customer-focused and integrated financial institution with a unique and inclusive employee culture.

#### STRATEGY



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

#### COMMITMENT



We are committed to returning superior value to our Stakeholders through leadership in innovation, an absolute focus on customers and operational excellence.

#### 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 expect to:

- Make a positive impact;
- Build for the future;
- Inspire the 'will to win';
- Work effectively in teams;
- Live transparency;
- Show excellent judgement;
- Demonstrate unwavering integrity

*We have a clear vision and deliverable strategy underpinned by our values which provide the opportunity to generate excellent return.*

## OUR VISION

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

*Our vision is to become a leading and sustainable financial institution providing integrated financial services that reflect its principles and values by aligning with our mission giving special focus on enhancing value through our continuing efforts to provide higher levels of product quality and customer service with excellence in performance and good governance for our stakeholders.*



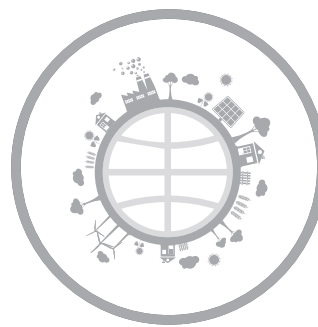
**OUR  
SHARE HOLDERS**

Maximizing shareholders' wealth by achieving superior performance



**OUR  
EMPLOYEES**

Providing a safe and supportive working environment for our employees



**OUR  
ENVIRONMENT**

Protecting our environment and benefitting the community where we do business



**OUR  
CUSTOMERS**

Developing strong and mutual beneficial relationships by working closely with our customers



**OUR  
COMMUNITY**

Be good citizen supporting community initiatives in health, education, arts and socio-economic development

## OUR MISSION

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

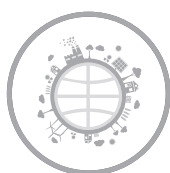
*Our mission is to be the best run, customer-focused and integrated financial institution with a unique and inclusive employee culture. We are committed to return superior value to our stakeholders. We will achieve this through leadership in innovation, an absolute focus on customers and operational excellence.*

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



### CUSTOMERS

Provide the most preferred products and services to customers by offering values that exceed customers expectation. We believe our customers' success determines our future



### ENVIRONMENT

Be an environmentally responsible company working together with all stakeholders to reduce environmental impact by embedding the environment into our business and involving our employees, customers and the community



### SHAREHOLDERS

Increase corporate values and generate shareholders benefits through constant growth, profit generation and employee commitment to excellence



### EMPLOYEES

Strive to have high performing corporate structure and ensure the employees to work with winning spirit and excitement having vision and pride in their mind



### COMMUNITY

Contribute to the community development maintaining high ethical standards, obey all laws, and respect customs



## CORE VALUES

The basis of our success that sets out what we collectively believe in and guide our behaviors

*Our values highlight what is important to us, what makes us distinctive and what it's like to work at UCL. To describe how we do things when we are at our best. We believe our strength is rooted in our seven core values. They determine the way in which we interpret and respond to business opportunities and challenges. They shape the culture and define the character of our company. They guide how we behave and make decisions.*

### INTEGRITY

We act with integrity. We act consistently based on a set of values, ethical standards and principles. We conduct all our activities with fairness, honesty and integrity.

### TRUST

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

### TEAMWORK

We create a caring, engaged and enabled work environment that recognizes both individual and team contributions in pursuit of high performance. We believe that a good team in an entrepreneurial environment results in achieving UCL's vision.

### 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.

### RESILIENCE

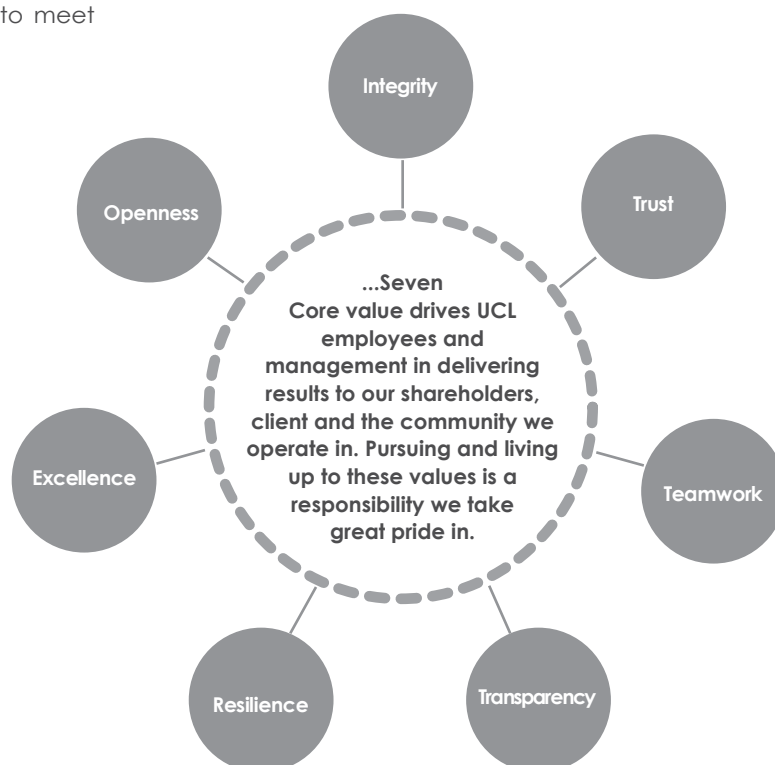
We welcome a challenge; we show strength of character, remain positive, even when things are tough; we see difficulty as an opportunity to demonstrate our ability.

### EXCELLENCE

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

### 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.



*...our values and standards are the basis of our success. They always have been. They always will be. They shape the culture and define the character of our company. They guide how we behave and make decisions.*

## BUSINESS PRINCIPLES

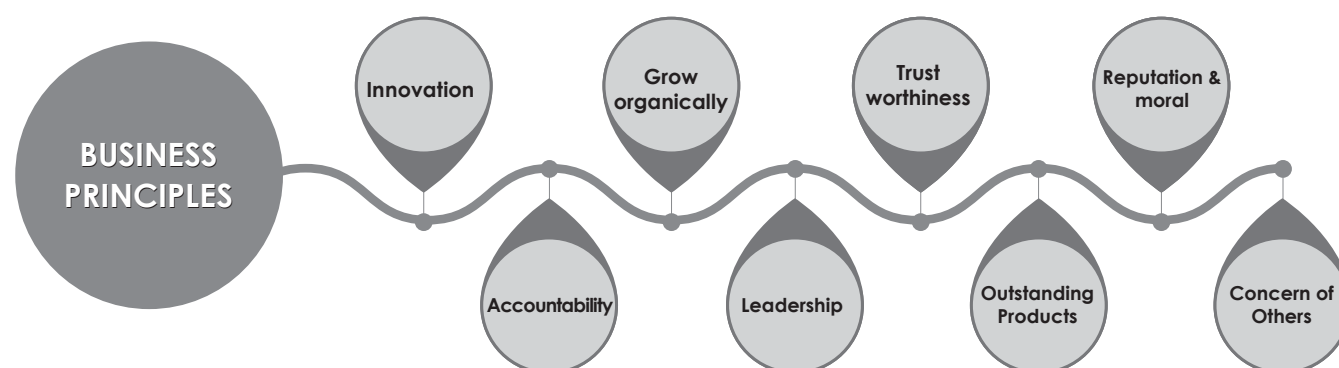
The roadmap on how UCL operates and why we make our decision

Certain 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).



### 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 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.

... 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 and the community can be proud.

### EXECUTE MAGNIFICENTLY

#### 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.

#### Maintain the best systems and operations

Financially strong 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.

## **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 right example.

All our employees must be engaged in 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.

### **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 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 the company and the 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.

### **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

*...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.*

## ETHICAL PRINCIPLES

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

*The 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.
- 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.
- 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 customers' personal and financial information as required by law.

### 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 property.
- We safeguard company's tangible and intangible assets.
- Company's 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.*

## PRODUCTS & SERVICES

The strength of diversity

*Across our 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. As a full service financial institution, UCL Group offers tailored products and services to meet appropriate and diverse needs of our customers, which include:*

### FINANCING AND INVESTMENT PRODUCTS

- Lease Finance
- Term Finance
- SME Finance
- Project Finance
- Syndication Finance
- Apartment Finance
- Bridge Finance
- Car Finance
- Professionals Loan
- Real Estate Finance
- Unsecured Personal Loan
- New Entrepreneur Finance
- Women Entrepreneur Finance
- Construction & Renovation Finance
- Retail Service

### 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
- Monthly Income Deposit
- Periodic Income Deposit
- Double Money Deposit
- Triple Money Deposit
- Cumulative Income Deposit
- Millionaire Plus (MPlus)
- Marriage Deposit
- Monthly Saving Scheme (MSS)
- Profit First Deposit
- Home Planning Deposit
- Education Deposit
- Women Entrepreneur Deposit

# BUSINESS REVIEW

## In This Section

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## STATEMENT FROM THE CHAIRMAN

**Honorable Shareholders,**

I extend a warm and gracious welcome to all our respected shareholders to the 24<sup>th</sup> Annual General Meeting of Union Capital Limited ("UCL") on behalf of the Board of Directors. I feel greatly honored and privileged in taking this opportunity to report to our valued shareholders and present the Annual Report for the financial year ended 31 December 2021 along with the Auditors' Report.

You all are aware that the Non-Banking Financial Institution ("NBFI") sector has been experiencing huge erosion of stakeholders' confidence since the mid of 2019 primarily due to (i) liquidation of a NBFI; and (ii) the unearthing of significant irregularities/embezzlement in a number of other NBFIs. UCL also witnessed the same and for the first time incurred financial loss in 2019 in its 21 years' journey which continued to FY 2021. With a view to recovery from financial loss, the UCL Group started the FY 2020 with full

determination and enthusiasm but the spread of Covid - 19 pandemic in our country like all other countries of the world impeded our all-out efforts.

Although the economy started to regain in a normal scale after the several transmissions of Covid - 19, most of our borrowers were not in a position to service their debt obligation even in 2021. The borrowers had the opportunity to regularize their loan accounts with a repayment of 15% of total installment due during the year 2021 in line with the circulars of the central bank but our several large borrowers even failed to avail that installment deferral facility which led to increase in NPL to 27.32% in 2021 from 11.00% in 2020. On the other hand, deposit encashment demand of our depositors reached to an extensive height in surprising manner at the same time. Throughout the year 2021, UCL only prioritized to repay its debt obligation refraining itself



from fresh lending business by the amount recovered mainly from its loan/lease portfolio. Facing all these challenges, like previous two years, UCL experienced consecutive financial loss for third year mainly due to:

- i) increase in provision requirements and suspended interest that resulted from increasing of Non-Performing Loan (NPL);
- ii) keeping short fall provision as per Bangladesh Bank guideline;
- iii) keeping extra provision for the clients who availed installment deferral facility in 2021;
- iv) a significant amount of interest was not earned against our deposits lying with two NBFIs; and
- v) decrease of interest income and other operating income because of no disbursement of fresh loan, decreasing good portfolio as well as insignificant recovery from written off clients in 2021.

Despite all odds, by the blessings of the Almighty, the proactive efforts of our dedicated employees under the guidance of the Board of Directors and senior management resulted in the following accomplishments for the financial year ending on 31 December 2021:

- i) Our wholly owned subsidiaries "Unicap Securities Limited" made a profit of Tk. 45.75 million in FY 2021 from a loss of Tk. 32.52 million in 2020 and "Unicap Investments Limited" made a profit of Tk. 4.54 million in FY 2021 from a loss of Tk. 1.13 million in 2020.
- ii) UCL became able to pay an amount of Tk. 527.40 million to its depositors and repaid Tk. 422.70 million against term loans.
- iii) Unicap Investments Limited became able to repay its loan to UCL for an amount of Tk. 211.50 million as against Tk. 7.00 million in 2020.

I admit that next few years ahead might be more challenging for UCL but we have all faith and confidence to our dedicated management team to overcome this adverse situation. We are committed to utilize all sorts of resources and strategy to return in the path of profitability in future.

I would like to express my gratitude to all the shareholders of UCL for your unwavering support and trust, which have been the key source of our inspiration behind taking the UCL group to new heights. I convey my sincere appreciation to my colleagues in the Board of Directors for their continuous supervision and guidance which showed us right path and helped us to deal with the challenges that we faced last few years.

We are grateful to Bangladesh Bank for their constant support and prudent guidance all the way. I take the opportunity to thank our regulators, Bangladesh Bank, Bangladesh Securities & Exchange Commission, CDBL, RJSC, and the Stock Exchanges for their support extended to us.

I conclude by reiterating my appreciation to all the shareholders of the Company who have taken the time and efforts to attend the Annual General Meeting. The suggestions, advice and constructive criticism offered by our shareholders at the general meeting have always proved to be immensely helpful. I eagerly look forward to receiving your thoughtful inputs at this 24<sup>th</sup> Annual General Meeting which will contribute towards UCL's improvement in the coming days.

Wishing you all good health and life.

With warm regards,

Sd/-

**Chowdhury Tanzim Karim**  
Chairman



## LETTER FROM THE MANAGING DIRECTOR &amp; CEO

**Dear Shareholders & Stakeholders,**

Assalamu Alaikum Warahmatullah

It is a great honor for me to welcome you all to the 24<sup>th</sup> Annual General Meeting of Union Capital Limited "UCL" scheduled to be held on 17 July 2022 through digital platform. At the very beginning I wish all of you with good health & happiness. I would like to express my heartfelt gratitude and regards to all of you for continued support & inspiration that help us to continue our business operation despite facing enormous challenges throughout the year 2021.

You are well aware that the Non-Bank Financial Institutions (NBFI) have been struggling for cash flow crisis since last 03 years' because of declining depositors' confidence on this sector arising from the news of liquidation of one of the financial institutions and also some financial scam occurred in few other NBFIs which were widely circulated by print and electronic media. Not only that most of the banks, another prime sources of fund for NBFIs, refrained themselves to extend credit facility or to provide fresh deposits to NBFIs.

UCL also experienced the consequences of non-confidence of its depositors and other lenders. Consequently, UCL couldn't mobilize deposit as expectedly whereas deposit encashment pressure increased in an unprecedented manner. Despite having acute liquidity crisis, UCL has been trying to meet up encashment demand of its depositors giving highest priority. UCL refrained itself from fresh disbursement since the mid of 2019 only to pay back depositors money as well as to pay off bank liabilities. UCL has been depending only on collection from loan/lease portfolio for its cash inflow since last 03 years. But breaking out of Covid-19 pandemic severely hampered this cash management.

Like previous two years, UCL incurred consolidated financial loss of BDT1,385.59 million with negative earnings of BDT 8.03 per share in 2021. The total loan/lease portfolio of the Company stood at BDT 13,356.83 million in 2021. As on 31 December 2021,

classified loans, advances & leases stood at 27.32 percent against 11.00 percent as on 31 December 2020. In the year 2020, the borrowers enjoyed relaxation facility in classification provided by Bangladesh Bank resulting from breaking out of COVID-19 pandemic in the country. In the year 2021, although the economy was started to regain from the devastating impact of corona virus because of adopting timely initiatives by the Government, but borrowers of financial sectors couldn't recover in full from their business sufferings. With a view to reviving the business sectors, in the year 2021 the central bank also extended similar installment deferral facility to the borrowers imposing a condition that borrowers can avail the facility by paying only 15% of total installment payable for the year 2021. Unfortunately, few large borrowers of UCL couldn't meet the criteria towards availing the facility which resulted surge of non-performing loan in 2021 from 2020. The major reasons behind recording financial loss for the 3rd consecutive year were i) keeping substantial amount of provision for- a) increasing NPL, b) additional provision for the clients who availed installment deferral facility in 2021, and c) building shortfall provision as per Bangladesh Bank guideline ii) increasing suspended interest amount resulting from poor recovery of loan/lease portfolio iii) not charging interest on the loan (amalgamated margin loan outstanding of thousands of small investors) to subsidiary Unicap Investments Limited considering huge amount of negative equity against their margin loan. Due to recording financial loss for consecutive 3 years, almost all key financial indicators have become negative in 2021.

During the year under review, the Management emphasized on increasing recovery from loan/lease portfolio by taking all sorts of conventional and non-conventional measures. We also tried to reduce the operational expenses by taking all possible measures. The whole hearted support and guidance

of the Board of Directors were always in place towards our journey. We are exerting our all-out efforts to come from the current distressed situation. In the coming days, our utmost goal will be to convert non income generating assets into income generating assets. We have an experienced, visionary and most transparent Board of Directors. We strongly believe that under the supervision and guidance of the Board of Directors and the Regulatory bodies, the hard working management team will be able to come back to profitability again by resuming fresh business, maximizing recovery from default loans, mobilizing new deposits, settlement of existing deposit encashment demands by mutual understanding, managing to re-open credit facilities from banks and exploring all other possible avenues in this regard.

I would like to thank our employees for facing the challenges amid many adversities during the year. UCL is always committed to serve its valued customers with utmost professionalism maintaining high level of ethical standard. We are maintaining a total compliance culture to safeguard the interest of the Company and its Stakeholders. On behalf of the management, my sincerest gratitude to all of our honorable shareholders, valued customers, and stakeholders for their continued support and trust in us, the regulators for their guidance and to our Board of Directors for their valuable advice and leadership. We are looking forward for a better tomorrow, In-Sha-Allah.

With warm regards,

Sd/-

**A. N. M. Golam Shabbir**

Managing Director & CEO (CC)

## MANAGEMENT REVIEW & FINANCIAL ANALYSIS

### Outlines UCL's operations and financial condition

The Managing Director & CEO and the Chief Financial Officer have signed a statement which can be found on page 55 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 2021. This should be read in conjunction with our consolidated financial statements for the year ended 31 December 2021. Unless otherwise indicated, all amounts are stated in Bangladesh Taka and have been derived from financial statements prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), the Circulars and directives issued by Bangladesh Bank, the Securities and Exchange Rules 1987, the Companies Act 1994 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.

### 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 6 offices located in Dhaka, Chattogram, Sylhet, Gazipur, and Bogura. UCL is a publicly traded Company listed in both the Dhaka and Chattogram 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 business. 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.

### Disclosure on Control Procedures and Internal Control over Financial Reporting

#### Disclosure on Control Procedures

Disclosure on control 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 on control procedures was conducted as at 31 December 2021 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 2021, our disclosure on control 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 IAS/IFRS and the requirements of Bangladesh Bank and Bangladesh Securities and Exchange Commission, the Company Act 1994 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 disposal of the assets of UCL;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IAS/IFRS and the requirements of Bangladesh Bank, Bangladesh Securities and Exchange Commission, Companies Act, as applicable, and that receipts and expenditures of UCL are being made only in accordance with authorization by management and Board of Directors of UCL; and
- provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or

disposal of UCL's assets that could have a material effect on the financial position as described in the financial statements. Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance and may not prevent or detect all sorts of 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 2021.

### Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting in 2021 control over financial reporting. The ongoing preparation of financial statements in accordance with the amendments in IASs/IFRSs did not change the Company's internal control over financial reporting.

### Auditors services and fees

The external auditors of UCL, Ahmed Zaker & 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 its subsidiaries namely, UniCap Securities Limited and UniCap Investments 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. 2,00,000 net of VAT for their audit of Union Capital Limited.

### 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 materially 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 Company's results in future.

### Changes in Accounting Policies, Estimates and IAS/IFRS

We did not adopt any new significant accounting policies during the year 2021. The following standards, interpretations and amendments thereto will be relevant to UCL Group. The Group's initial view of the impact of these accounting changes is outlined below:

| Pronouncement   | Nature of change   | Effective date   | Impact   |
|---|--|--|--|
| Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)       | The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.   | Annual reporting periods beginning on or after 01 January 2023 | The Group is assessing the impact of adopting the amended. |
| Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16) | The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.   | Annual reporting periods beginning on or after 01 January 2022 | The Group is assessing the impact of adopting the amended. |
| Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)            | The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). | Annual reporting periods beginning on or after 01 January 2022 | The Group is assessing the impact of adopting the amended. |

### 2021 Financial performance and financial condition review Challenges faced in 2021

- Huge negative impact of COVID-19
- Liquidity crisis
- Volatile capital market;
- Lack of confidence of investors;
- Increased competition;
- Maintenance of asset quality;
- Higher corporate tax rate.

### Major Financial indicators of 2021

Major performance indicators in 2021 were as under:

- Investment of the Group decreased to Tk. 13,950.95 million from Tk. 14,293.28 million registering negative growth of (2.40) percent due to impact of COVID-19 and liquidity crunch 2021;
- Consolidated net profit/ (loss) for the year was Tk. (1,385.59) million as against Tk. (532.37) million of 2020 due to provision requirement for increased NPL, not account for income from UniCap Investments Limited;



- Customers deposits amounting Tk. 8,787.04 million in 2021 and 8,797.44 million of 2020;
- Shareholders' equity was Tk. (674.02) million in 2021 and 711.57 million in 2020;
- Total operating income was Tk. (178.34) million as against Tk. (133.80) million of 2020;
- A consolidated earnings per share was Tk. (8.03) as against Tk. (3.08) of 2020.

## Operating performance Review (Summary of Profit and Loss Account)

Figures in million Taka

| For the year ended 31 December              | 2021              | 2020            | % of increase/ (decrease) |
|---|-------------------|-----------------|---------------------------|
| Revenue from loans, advances and leases     | 628.82            | 1,170.96        | (46.30)                   |
| Revenue from Capital Market activities      | 71.69             | 32.44           | 120.98                    |
| Fee based income                            | 211.92            | 122.68          | 72.74                     |
| Other operating income                      | 25.60             | 236.29          | (89.16)                   |
| <b>Total revenue</b>                        | <b>938.03</b>     | <b>1,562.37</b> | <b>(39.96)</b>            |
| Financial expenses                          | 1,116.37          | 1,696.16        | (34.18)                   |
| Management expenses                         | 286.96            | 282.90          | 1.44                      |
| Provision for doubtful losses & investments | 861.63            | 8.94            | 9,537.80                  |
| <b>Total expenses</b>                       | <b>2,264.96</b>   | <b>1,988.00</b> | <b>13.93</b>              |
| <b>Profit before tax</b>                    | <b>(1,326.93)</b> | <b>(425.63)</b> | <b>211.76</b>             |
| Provision for taxation                      | 58.66             | 106.72          | (45.04)                   |
| <b>Net profit after tax</b>                 | <b>(1,385.59)</b> | <b>(532.36)</b> | <b>160.27</b>             |

## Revenue from loans, advances and leases

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

(Figures in million Taka)

| For the year ended 31 December | 2021          |               | 2020            |               |
|--------------------------------|---------------|---------------|-----------------|---------------|
|                                | Amount        | %             | Amount          | %             |
| Income from lease finance      | 82.21         | 13.07         | 164.09          | 14.01         |
| Income from term finance       | 444.52        | 70.69         | 398.78          | 34.06         |
| Income from SME finance        | 31.07         | 4.94          | 38.92           | 3.32          |
| Income from margin loan        | 68.13         | 10.83         | 544.14          | 46.47         |
| Interest on bank deposits      | 2.53          | 0.40          | 24.24           | 2.07          |
| Income from other finance      | 0.36          | 0.06          | 0.79            | 0.07          |
| <b>Total</b>                   | <b>628.82</b> | <b>100.00</b> | <b>1,170.96</b> | <b>100.00</b> |

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 66.77 percent of total revenue earned by the Company during 2021 (2020: 73.40 percent).

## Total Operating Expenses

(Figures in million Taka)

| For the year ended 31 December | 2021            | 2020            | % of increase/ (decrease) |
|--------------------------------|-----------------|-----------------|---------------------------|
| Financial expenses             | 1,116.37        | 1,696.16        | (34.18)                   |
| Management expenses            | 286.96          | 282.90          | 1.44                      |
| Provision for doubtful losses  | 861.63          | 8.94            | 9,537.80                  |
| <b>Total expenses</b>          | <b>2,264.96</b> | <b>1,988.00</b> | <b>13.93</b>              |

## Financial expenses

In 2021 financial expenses have been decreased by 34.18 percent due to change of interest rates and reduced amount of borrowings & Deposits. UCL pays interest on funds mobilized from different sources like deposits from individuals and institutions, loan from banks/FIs, call loan and security deposits from customers. Interest rates vary depending on the nature and tenure of sources of funds. Interest expenses consist of 49.29 percent of total expenses (2020: 85.32 percent). In 2021 financial expenses was 119.01 percent of total revenue (2020: 108.56 percent).

## 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 1.44 percent to Tk. 286.96 million in 2021 (2020: Tk. 282.90 million). During 2021, management expense was 30.59 percent of total revenue as against 18.11 percent in 2020.

## Provision for doubtful losses

Provision for doubtful losses has been made as per guidelines of Bangladesh Bank and Bangladesh Securities and Exchange Commission. During the year total provision of Tk. 861.63 million has been provided compared to Tk. 8.94 million in 2020.

## Financial Condition Review

(Figures in million Taka except percentage)

| Assets and Investments              | 2021             | 2020             | % of increase/(decrease) |
|-------------------------------------|------------------|------------------|--------------------------|
| Loans, advances and leases          | 13,356.83        | 13,292.41        | 0.48                     |
| Investment in securities            | 594.12           | 1,000.87         | (40.64)                  |
| Fixed assets                        | 430.34           | 467.81           | (8.01)                   |
| Cash & cash equivalent              | 1,328.20         | 1,204.03         | 10.31                    |
| Other assets                        | 1,240.06         | 1,132.45         | 9.50                     |
| <b>Total assets and investments</b> | <b>16,949.55</b> | <b>17,097.57</b> | <b>(0.87)</b>            |

| Shareholders' equity and liabilities                | 2021             | 2020             | % of increase/(decrease) |
|---|------------------|------------------|--------------------------|
| Shareholders' equity                                | (674.02)         | 711.57           | (194.72)                 |
| Deposits  | 8,787.04         | 8,797.44         | (0.12)                   |
| Borrowings from banks and NBFIs                     | 3,617.97         | 3,789.96         | (4.54)                   |
| Provisions and others liabilities                   | 5,218.56         | 3,798.61         | 37.38                    |
| <b>Total shareholders' equity &amp; liabilities</b> | <b>16,949.55</b> | <b>17,097.57</b> | <b>(0.87)</b>            |

## Loans, advances and leases

Total outstanding balance of loans, advances and leases in 2021 was Tk. 13,356.83 million against Tk. 13,292.41 million in 2020. Outstanding balance of loans, advances and leases in 2021 and 2020 was as under:

(Figures in million Taka except percentage)

| Particulars   | 2021             |               | 2020             |               |
|---------------|------------------|---------------|------------------|---------------|
|               | Amount           | %             | Amount           | %             |
| Lease finance | 1,465.30         | 10.97         | 1,489.87         | 11.21         |
| Term finance  | 5,482.98         | 41.05         | 5,277.83         | 39.71         |
| Home Loan     | 251.70           | 1.88          | 238.10           | 1.79          |
| Margin loan   | 6,135.93         | 45.94         | 6,260.76         | 47.10         |
| Other finance | 20.93            | 0.16          | 25.85            | 0.19          |
| <b>Total</b>  | <b>13,356.83</b> | <b>100.00</b> | <b>13,292.41</b> | <b>100.00</b> |

In 2021, our total loans, advances and leases increased by 0.48 percent compared to 2020. 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 its prudent assets and liability management. Liability structuring is made in such a way so that it matches with the tenure of asset structure. Liquidity is monitored continuously 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/NBFIs, collection of rentals/installments and investment in listed securities.

## Investment in shares

Union Capital Limited invested in diversified listed securities and the amount of investment was Tk. 594.12 million as on 31 December 2021 which was Tk. 1,000.87 million in previous year.

## Non-performing loans, advances &amp; leases (NPL)

Loans, advances & leases are classified as non-performing when it is marked as substandard category or worse even if there exist no reasonable doubts as to collectivity. Bangladesh Bank's 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.

Non-performing loan/leases of Union Capital Limited in 2021 and 2020 was as follows: (Figure in Million Taka except percentage)

| Particulars        | 2021             |                 |              | 2020             |                 |              |
|--------------------|------------------|-----------------|--------------|------------------|-----------------|--------------|
|                    | Outstanding      | NPL             | NPL %        | Outstanding      | NPL             | NPL %        |
| Loan/Lease finance | 10,939.71        | 2,585.05        | 22.07        | 10,930.00        | 899.76          | 7.62         |
| SME finance        | 751.93           | 614.82          | 5.25         | 847.45           | 398.29          | 3.38         |
| Other finance      | 20.93            | -               | -            | 25.85            | -               | -            |
| <b>Total</b>       | <b>11,712.58</b> | <b>3,199.87</b> | <b>27.32</b> | <b>11,803.30</b> | <b>1,298.05</b> | <b>11.00</b> |

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

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

Union Capital Limited has maintained total provision of Tk. 934.10 million against classified loans, advances and leases as of 31 December 2021 compared to Tk. 297.40 million of last year. Provision against classified loan has been increased by 214.06 percent compared to 2019. Management's periodic evaluation of the adequacy of the provision is based on the companies past 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 the classification status is SMA/SS/DF/BL. 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 increased. As at 31 December 2021 coverage was 42.51 percent compared to 36.07 percent of 2020.

#### 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, Monitoring & Recovery 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 Monitoring & Recovery activities 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 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;
- 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.

#### 2021 Regulatory Capital Review

Regulatory capital requirements for UCL are currently determined on 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. 18,606 million at 31 December 2021, whereas Tk. 19,600 million in 2020. The table below provides a breakdown of our RWA by risk type.

#### Risk-Weighted Assets (Consolidated)

(Figure in million Taka)

| As at 31 December | 2021             | 2020             |
|-------------------|------------------|------------------|
| Credit risk       | 16,510.69        | 16,984.50        |
| Market risk       | 914.78           | 1,434.98         |
| Operational risk  | 1,180.62         | 1180.62          |
| <b>Total RWA</b>  | <b>18,606.09</b> | <b>19,600.11</b> |

#### Basel II Regulatory Capital (Consolidated)

(Figure in million Taka)

| As at 31 December               | 2021            | 2020            |
|---------------------------------|-----------------|-----------------|
| Tier 1 Capital                  | (674.02)        | 711.57          |
| Tier 2 Capital                  | 253.88          | 292.31          |
| <b>Total regulatory capital</b> | <b>(420.14)</b> | <b>1,003.88</b> |

The above table details the components of regulatory capital. Tier 1 capital is primarily comprised of paid up share capital, reserves and surplus. Our shareholders' equity and Tier 1 capital were Tk. (674.02) million as at 31 December 2021.

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 provision for credit losses. Total regulatory capital as of 31 December 2021 was Tk. (420.14) 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.

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:

| As at 31 December          | 2021          | 2020        |
|----------------------------|---------------|-------------|
| Tier 1 Capital Ratio       | (3.62)        | 3.63        |
| Tier 2 Capital Ratio       | 1.36          | 1.49        |
| <b>Total Capital Ratio</b> | <b>(2.26)</b> | <b>5.12</b> |

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 2.26 percent against the minimum capital adequacy ratio of 10 percent as per Bangladesh Bank guidelines.

### **Borrowings from banks and financial institutions**

Total outstanding loan from banks and other financial institutions as at 31 December 2021 was Tk. 3,617.97 million compared to Tk. 3,789.96 million in 2020. Interest on bank loans is paid on monthly/quarterly basis as per terms of loan arrangements. During the year 2021 Tk. 219.50 million was repaid against loan from banks and financial institutions.

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

### **Treasury Operation**

In order to minimize the asset-liability mismatch, UCL always strives for mobilizing funds for longer term perspective. Under the current financial scenario of UCL, it is difficult to mobilize deposit and new bank facilities that were stopped since 2019. During the year 2021, an amount of Tk. 454.78 million has been received/renewed as term deposits from various sources which was Tk. 347.58 million in 2020. As at 31 December 2021, total outstanding amount of term deposit was Tk. 8,605.85 million compared to Tk. 8,621.72 million in 2020. Interest on deposits and borrowings amounting to Tk. 1,057.75 million was paid during the year 2021 as against Tk. 1,156.64 million in 2020. The Company offers different deposit products which is available on page no -12.

### **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 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 always maintaining the CRR and SLR as prescribed by Bangladesh Bank.

### **Cash flow from operating activities**

Union Capital maintained a negative net cash flow from its operating activities during the year 2021. Net cash outflows from operating activities was Tk. 130.62 million due to a significant amount of payment to depositors.

### **Cash flow from investing activities**

Net cash generated from investing activities were Tk. 434.29 million mainly due to sale of securities. During the year, a total amount of Tk. 968.94 million (2020: Tk. 682.34 million) has been invested for purchase of listed securities while total sale of securities was Tk. 1,421.07 million (2020: Tk. 640.65 million).

### **Cash flow from financing activities**

Net cash used in financing activities shows a net cash outflow that means the money borrowed from banks and financial institutions was less than the money repaid to banks and financial institutions. During the year a total amount Tk. 219.50 million was repaid to banks and financial institutions while no fresh loans from banks and financial institutions was injected.

### **Specific Risk and its Management**

Details of risks associated with UCL has been described in Risk Management chapter of this annual report.

### **Regulation**

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 to our regulators 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 as 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.

### **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 in the Annual General Meeting and shareholders are invited to ask questions during the meeting. All the questions of the



shareholders are addressing by the Chairman of the Company. The Twenty-Four Annual General Meeting will be held on 17 July 2022. All shareholders of the Company are invited to attend the Company's Annual General Meeting.

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 Twenty-Four Annual General Meeting was sent to shareholders more than 21 clear days before the meeting. Notice of AGM is also published in two widely circulated daily newspapers, one in English and the other in Bangla. Shareholders have 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/her/their 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 website i.e. **[www.unicap-bd.com](http://www.unicap-bd.com)** containing a wide range of information of the Company.

### **Operational Hub**

The head office of UCL is located at bti Landmark (Level-8), plot-16, Gulshan Avenue, Gulshan-1, Dhaka-1212. We provide financial services from our 6 offices located in Dhaka, Chattogram, Sylhet, Gazipur, and Bogura. 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](http://www.unicap-bd.com) as soon as reasonably practicable after furnishing the same to Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC), Stock Exchanges where the shares of the Company are traded.

## FIVE YEARS FINANCIAL SUMMARY

### OPERATING PERFORMANCE

(BDT in million except ratios and per share data)

| PARTICULARS                                       | 2021       | 2020      | 2019       | 2018      | 2017      |
|---|------------|-----------|------------|-----------|-----------|
| Operating revenue                                 | 938.03     | 1,562.36  | 1,719.72   | 2,488.90  | 2,456.63  |
| Operating profit                                  | (178.34)   | (133.80)  | (514.69)   | 728.46    | 827.93    |
| Profit before tax                                 | (1,326.93) | (425.64)  | (1,014.56) | 184.99    | 280.89    |
| Net profit after tax                              | (1,385.59) | (532.37)  | (1,057.39) | 92.39     | 177.90    |
| Earnings per share (EPS)                          | (8.03)     | (3.08)    | (6.13)     | 0.56      | 1.14      |
| <b>STATEMENT OF FINANCIAL POSITION</b>            |            |           |            |           |           |
| Current assets                                    | 3,093.02   | 4,913.30  | 6,588.21   | 8,455.59  | 9,110.88  |
| Total assets                                      | 16,949.55  | 17,097.57 | 18,210.49  | 21,708.43 | 24,679.85 |
| Property, plant and equipment                     | 430.34     | 467.81    | 457.78     | 40.22     | 51.17     |
| Net current assets                                | 97.89      | 24.00     | 200.97     | 345.97    | 858.83    |
| Long term liabilities                             | 12,699.26  | 9,405.02  | 10,451.87  | 11,047.79 | 13,232.05 |
| Current liabilities                               | 2,995.13   | 4,889.29  | 6,387.24   | 8,109.62  | 8,252.05  |
| Total liabilities                                 | 17,623.57  | 16,386.00 | 16,966.55  | 19,407.10 | 22,470.92 |
| Shareholders' fund                                | (674.02)   | 711.57    | 1,243.94   | 2,301.32  | 2,208.93  |
| Capital employed                                  | 13,954.41  | 12,208.28 | 11,823.25  | 13,598.80 | 16,427.80 |
| <b>PROFITABILITY AND OTHER FINANCIAL RATIOS</b>   |            |           |            |           |           |
| Gross operating margin ratio (%)                  | (28.36)    | (11.43)   | (31.94)    | 34.36     | 43.06     |
| Earning before interest, depreciation and tax     | (172.07)   | 1,316.11  | 1,239.74   | 1,967.14  | 1,926.59  |
| Price earnings ratio (Times)                      | (1.23)     | (2.72)    | (1.03)     | 22.06     | 17.69     |
| Current ratio (Times)                             | 1.03       | 1.00      | 1.03       | 1.04      | 1.10      |
| Return on capital employed (%)                    | (7,380.01) | (54.45)   | (59.65)    | 4.10      | 8.39      |
| Debt/Equity (Times)                               | (2.39)     | 2.37      | 1.21       | 1.05      | 1.44      |
| Financial expense coverage (Times)                | 0.84       | 0.92      | 0.77       | 1.41      | 1.51      |
| Net profit margin (%)                             | (147.71)   | (34.07)   | (61.49)    | 3.71      | 7.24      |
| Rate of dividend (%)                              | -          | -         | 5.00       | 5.00      |           |
| Operating expense to operating revenue (%)        | (147.71)   | (34.07)   | (61.49)    | 3.71      | 7.24      |
| <b>BUSINESS RATIOS</b>                            |            |           |            |           |           |
| Statutory liquidity reserve ratio (%)             | 10.22      | 12.87     | 26.45      | 42.20     | 29.17     |
| Cash reserve ratio (%)                            | 1.71       | 1.60      | 3.63       | 2.62      | 3.07      |
| Net interest income as a % of working funds       | (3.65)     | (3.95)    | (4.45)     | 2.32      | 1.65      |
| Cost/Income ratio (%)                             | (160.91)   | (211.43)  | (75.04)    | 54.05     | 45.52     |
| Return on average assets (%)                      | (8.14)     | (3.02)    | (5.30)     | 0.40      | 0.77      |
| Net asset value per share                         | (3.91)     | 4.12      | 7.21       | 14.00     | 14.11     |
| Profit per employee                               | (8.71)     | (3.02)    | (4.60)     | 0.34      | 0.71      |
| Capital adequacy ratio (%)                        | (2.26)     | 5.12      | 7.93       | 12.53     | 11.34     |
| Operating profit as a percentage of working funds | (1.34)     | (1.01)    | (3.68)     | 4.70      | 4.64      |
| Dividend cover ratio (Times)                      | (8.03)     | (3.08)    | (6.13)     | 0.56      | 1.14      |
| Non-Performing Loans to Total Loans (%)           | 27.32      | 11.00     | 16.97      | 9.68      | 8.73      |
| <b>EQUITY STATISTICS</b>                          |            |           |            |           |           |
| Authorized capital                                | 2,000.00   | 2,000.00  | 2,000.00   | 2,000.00  | 2,000.00  |
| Paid up share capital                             | 1,725.74   | 1,725.74  | 1,725.74   | 1,643.56  | 1,565.30  |
| Number of shares                                  | 172.57     | 172.57    | 172.57     | 164.36    | 156.53    |
| Shareholders' equity                              | (674.02)   | 711.57    | 1,243.94   | 2,301.32  | 2,208.93  |
| Year end market price                             | 9.90       | 8.40      | 6.30       | 12.40     | 20.10     |
| Market capitalization                             | 1,708.48   | 1,449.62  | 1,087.22   | 2,038.01  | 3,146.24  |
| Market value addition                             | 2,382.50   | 738.05    | (156.72)   | (263.31)  | 937.31    |

## 2021 SOCIAL INDICATORS

| Particulars | 2021 | 2020 |
|-------------|------|------|
|-------------|------|------|

### Staffing level

|                      |    |    |
|----------------------|----|----|
| Management Cadre     | 39 | 39 |
| Non Management Cadre | 29 | 40 |
| Support Staff        | 15 | 18 |

### Total Work force

|        |    |    |
|--------|----|----|
| Male   | 76 | 89 |
| Female | 07 | 08 |

### Average age of employees

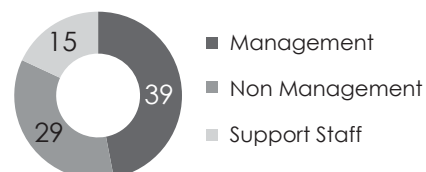
|                      |       |       |
|----------------------|-------|-------|
| Management Cadre     | 39.45 | 39.35 |
| Non Management Cadre | 35.29 | 34.27 |
| Support Staff        | 37.88 | 35.84 |

### Change in Staffing level

|                                     |    |     |
|-------------------------------------|----|-----|
| Total employee at beginning         | 97 | 136 |
| Recruitment during this year        | 07 | 03  |
| Departures (retirement/resignation) | 21 | 42  |
| Changes during the year             | 83 | 97  |

### Training

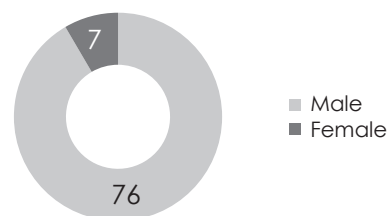
|   |       |       |
|---|-------|-------|
| Average number of days in training per employee                                 | 0.34  | 0.13  |
| % of employees who participated at least one                                    | 81.92 | 84.81 |
| No. of employees who participated at least one training program during the year | 68    | 67    |
| No. of training program participated by employees during the year               | 20    | 11    |



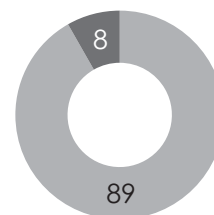
Total work force 2021 (in number)



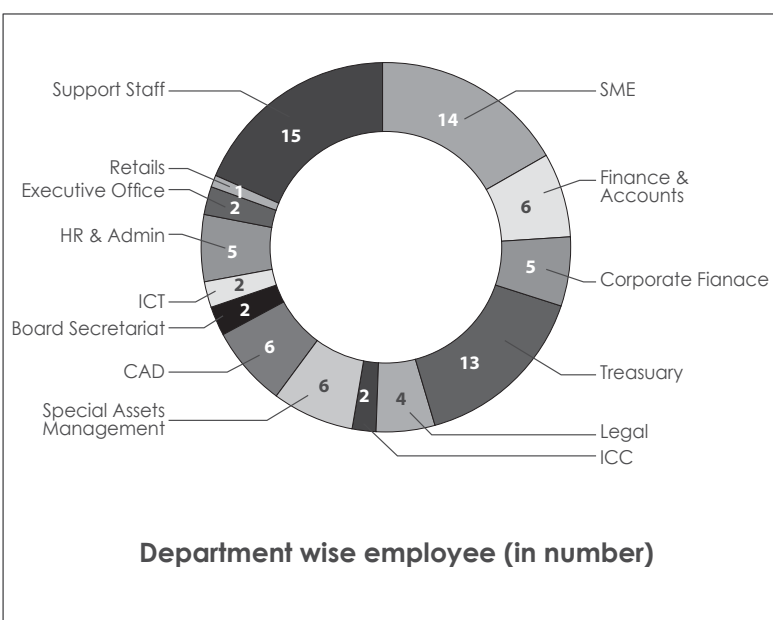
Total work force 2020 (in number)



Gender wise employee 2021 (in number)



Gender wise employee 2020 (in number)



Department wise employee (in number)

## 2022 KEY PRIORITIES

### Outlines important actions for achieving strategic goals

At the beginning of the year 2022, 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 2022. 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.

#### 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.

#### Recovery from defaulter clients

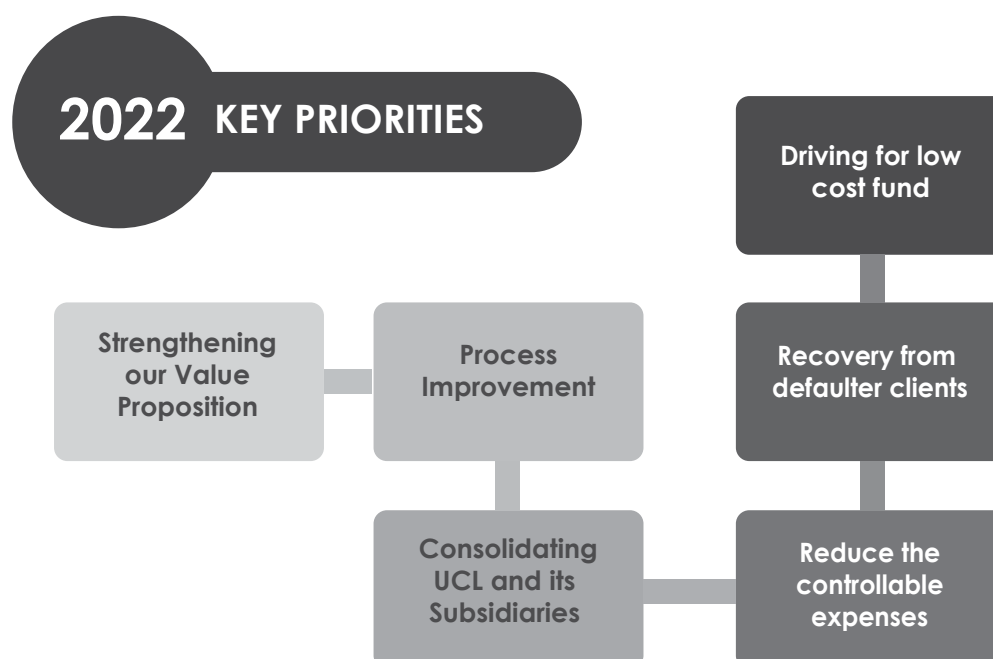
Taking all conventional and non-conventional measures to recover bad loans/leases from the defaulter clients in order to reduce the classified loan and hence to improve the bottom line of the income statements.

#### Reduce the controllable expenses

Reducing all controllable operational expenses with a view to avoid unproductive expenses and to improve financial health of the organization

#### Process Improvement

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



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

# Awards & Recognitions

Union Capital Limited received many awards in last couple of years. Winning such exciting awards has always been very prestigious. It is a testament to the quality of our report, transparency, compliance, good governance practices in our operations and adequate, timely & fair disclosure to the stakeholders.

We dedicate these triumphs to our customers, depositors, shareholders, regulators and others stakeholders.





# GOVERNANCE AND RISK MANAGEMENT

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# BOARD OF DIRECTORS

Who governs the Company



*The Board is responsible for the strategic direction and ultimate control of the Company according to its Memorandum & Articles of Association and Board Charter.*





### CHOWDHURY TANZIM KARIM

Chairman

(Nominated by EC Securities Limited)

Mr. Chowdhury Tanzim Karim 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, company and business 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.

Mr. Karim was appointed as Director in the Board of Union Capital Limited on 25 April 2011. He is also the Chairman of UniCap Securities Limited and UniCap Investments Limited.



### WAQAR A. CHOUDHURY

Director

Mr. Waqar A. Choudhury is the Managing Director & CEO of Vanguard Asset Management Limited, an Asset Management Company licensed & regulated by Bangladesh Securities & Exchange Commission (BSEC) for managing Mutual Funds, providing Corporate Advisory services and Portfolio Management. He obtained Bachelor of Finance & Banking (Finance Concentration) from Adelphi University, Long Island, N.Y. USA in 1995. Then he started his career in the year 1996 as a Director of Nascom (Pvt.) Ltd. and Sponsor Shareholder of Green Delta Insurance Company Limited. He is the member of various Associations and Clubs including Metropolitan Chamber of Commerce & Industry (MCCI), American Alumni Association, Dhaka Club Limited, Gulshan Club Limited, Kurmitola Golf Club Limited, Uttara Club Limited, Gulshan Youth Club, Weekend Cricket Club Association and Old Laboratories Association.

Mr. Waqar was appointed as Director in the Board of Union Capital Limited on 21 October 2015. He is the Chairman of the Executive Committee and Member of the Audit Committee. He is the Managing Director of Vanguard Asset Management Limited and Director of WAC Equity Management Limited and Rancon Trading Private Limited.



### NADEEM A. CHAUDHURY

Director

(Nominated by Enrilco Limited)

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 a Masters in Business Administration. He has been involved in the Infrastructure Development business internationally for over 23 years. He is also a highly skilled contract negotiator with international concerns.

Mr. Nadeem was appointed as Director in the Board of Union Capital Limited on 22 November 2001. He is Member of the Executive Committee and the Audit Committee.

He is also a Director of Enrilco Limited, Green Delta Securities Limited and Green Delta Capital Limited.

He was a Director of Green Delta Insurance Company Limited. He also served as the Managing Director of Navana Pharmaceuticals Ltd, Bengal Development Corporation and as the CEO of Eastern Housing Ltd, a concern of Islam Group.

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

Mrs. Meherunnesa was appointed as Director in the Board of Union Capital Limited on 26 June 2004. She is also Director of Palmal Garments Hosiery Limited, Palmal Garments Limited, Palmal Knitwear Factory Limited, Palmal Garments Washing Limited, Palmal Styles Limited, Palmal Packaging Limited, Palmal Dresses Limited, N.K.K. Knitwear Limited, N.K.K. Sweaters Limited, Pragati Fashionwear Limited, Pragati Metalex (Pvt) Limited, Al-Hamra Garments Limited, Amazon Garments Limited, The Dacca Dyeing Garments Limited, UniCap Investments Limited and UniCap Securities Limited.



**MEHERUNNESA HAQUE**

Director

Dr. Sabita Rezwana Rahman, a professor in the Department of Microbiology of Dhaka University, did her PhD from United Kingdom and M. Sc. in Microbiology from Dhaka University. She got elected for the position of Joint Secretary of Dhaka University Teachers Association in 2012, Member of Dhaka University Teachers Association in 2013-16 and Senate Member of Dhaka University in 2013-16. She got international gold medal on Champion of the Champions in 2010 for outstanding research amongst young scientists and also gold medal awarded by Third World Academy of Sciences in Italy for outstanding research performance in 2009. She got international award on Commonwealth Scholarship for PhD degree in the United Kingdom by Commonwealth Scholarship Commission in London, Govt. Merit Scholarship in Microbiology and Dean's Award in BAS-Third World Academy of Sciences.

Dr. Sabita was appointed as Director in the Board of Union Capital Limited on 22 May 2006. She is Member of the Executive Committee and the Audit Committee.



**DR. SABITA REZWANA RAHMAN**

Director

Ms. Tajrina Sikder did her BBA from ABAC University of Thailand. Subsequently, she involved herself with Palmal Group as a Director. As a businesswoman, Ms. Sikder is associated with business activities in the area of apparels, fashion, accessories and packaging. She has travelled various countries for business purpose. She is also involved in numerous social and welfare organizations.

Ms. Tajrina was appointed as Director in the Board of Union Capital Limited on 09 August 1998. She is also a Director of Palmal Garments Hosiery Limited, Palmal Garments Washing Limited, Amazon Garments Limited, NKK Knitwear Limited, Max Speed Plastic Limited, Designer Line (Pvt.) Limited, Palmal Knitwear Factory Limited, Palmal Garments Limited, UniCap Investments Limited and UniCap Securities Limited.



**TAJRINA SIKDER**

Director

(Nominated by Palmal Garments Hosiery Limited)

**DR. KAZI RUSSEL MAHBUB**

Director

(Nominated by Palmal Garments Hosiery Limited)

Dr. Kazi Russel Mahbub graduated from Dhaka Dental College in 1996. After completion of his training in Dhaka, Dr. Mahbub went on to pursue further training in Australia, where he also obtained his Masters Degree from the prestigious University of Wollongong, 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 skills and 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, U.S.A. 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.

Mr. Mahbub was appointed as Director in the Board of Union Capital Limited on 21 May 2012.

**MUNSHI SHAFIUL HAQUE**

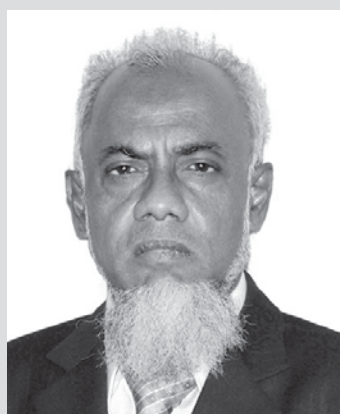
Independent Director

A retired senior Government Officer, Mr. Munshi Shafiul Haque did his Masters in Economics from Rajshahi University in 1982. Later he obtained LLB and LLM from a renowned University. He started his career as an Assistant Commissioner and served the Government in various important capacities before his retirement as the Additional Secretary of the Government of Peoples Republic of Bangladesh.

Mr. Haque was the former Councilor Member of the Institute of Chartered Secretaries of Bangladesh (ICSB) and the Institute of Cost & Management Accountants of Bangladesh (ICMAB). He was also the member of the Scrutiny Committee for approval of Foreign Loan/ Supplier's Credit. He was also the Chairman of National Tea Company Limited.

Mr. Haque attended in many academic training, workshop and seminars in both home and abroad.

Mr. Haque was appointed as Independent Director in the Board of Union Capital Limited on 29 September 2019.

**MD. ABDUS SALAM FCA, FCS**

Independent Director

Mr. Md. Abdus Salam was born in 1954. After completion of B. Com (Hons') and M. Com in Accounting from the University of Dhaka in 1976, Mr. Salam started Chartered Accountancy Course with the support of two scholarships: Burmah Eastern and Bangladesh Chemical Industries Corporation awarded to the CA profession. Now, he is a Fellow Member of ICAB and ICSB.

Presently, Mr. Salam is a partner of ARTISAN, Chartered Accountants. Before starting Public Practice, Mr. Salam was the Technical Adviser of the World Bank Project and the Asian Development Bank and Director Accounts (In charge) of Bangladesh Power Development Board (BPDB).

He was elected President of ICAB for year 2013, Mr. Salam has been in the Council since 2010. He was the Member of Education Committee for the years 2010-2012 of South Asian Federation of Accountants (SAFA- a body of the SAARC) and was the Board Member of the SAFA for the year 2013. Mr. Salam was also a Council Member of the Institute of Chartered Secretaries of Bangladesh (ICSB) since its inception and served ICSB as the Treasurer for the year 2004-2005 and as the Vice President for the year 2005-2006. Mr. Salam is a life Member of Bangladesh Economic Association.

Mr. Salam is also an Independent Director of BN Sina Pharmaceuticals Industry Ltd. He served as the Govt. Nominated Director of Coal Power Generation Company of Bangladesh and the Electricity Generation Company of Bangladesh, DSE, CSE and SME foundation.

Mr. Salam was appointed as Independent Director in the Board of Union Capital Limited on 28 November 2019. He is Member of the Executive Committee and the Audit Committee.

Dr. Hasina Sheykh did her Masters in Banking from the Department of Finance and Banking under the University of Dhaka by securing first class first position. She also completed MBA in Corporate Strategy & Economic Policy from Maastricht School of Management (MsM), the Netherlands and Honored with Distinction. Later she did her Ph.D. in Employee Relations from UWA Business School under the University of Western Australia (UWA), Australia.

Dr. Hasina started her career with GSP Finance Company Bangladesh Ltd. Later she joined as a Lecturer of Banking and Insurance department at University of Dhaka in the year 2002. Presently she is a Professor in the same department. Besides, she is also holding an administrative role as the Director, Masters of Professional Banking (MPB) Program. Academically, Dr. Hasina has been awarded many scholarships including Endeavour Postgraduate Award, Australia, The Netherlands Fellowship Programmes (NFP) by the Netherlands Government and Government Scholarships in all levels of her studies in school, college and university.

Dr. Hasina has published many research papers on Corporate Governance, Business Ethics, Corporate Social Responsibility, Women Empowerment and Work-Family Management of women in the context of Bangladesh. She has participated in many conferences at home & abroad and visited the countries of Sweden, Denmark, the Netherlands, Belgium, Germany, France, Switzerland, Australia, the UK, Scotland, Indonesia, Malaysia, Thailand, Singapore, Nepal, Bhutan, India, Saudi Arabia and the UAE.

Dr. Hasina was appointed as Independent Director in the Board of Union Capital Limited on 19 October 2020. She is also Member of the Executive Committee.

Dr. Muhammad Shahadat Hossain Siddiquee, a Professor of Economics, University of Dhaka, did his Masters in Economics from the same University. He also completed his MA in Economics of Development from Erasmus University Rotterdam, Netherlands. Later he did his Ph.D. in Development Policy from the University of Manchester, UK.

Dr. Siddiquee started his career as an Economist for Research & Evaluation Division (RED), BRAC before joining the University of Dhaka. He also worked as Adjunct Faculty with the Institute of Business Administration (IBA), University of Dhaka. He worked as Research Associate at Erasmus University Rotterdam, Netherlands and Teaching Assistant at the University of Manchester, UK. Besides, he also worked as Visiting and Senior Research Fellow at BRAC Institute of Governance and Development (BIGD). Moreover, Dr. Siddiquee also worked as the National Economist for Asian Development Bank (ADB) and National & Country Consultant for UNFPA, Bangladesh.

Academically, Dr. Siddiquee has been awarded many scholarships such as Commonwealth Scholarship, Netherlands Fellowship Programme, Professor Hans Opschoor Prize for the best research paper, Gold Medal Award (Academic) by Salimullah Muslim Hall Ex-Student Welfare Association; University of Dhaka and Dhaka University Economics Department Alumni Association (DUECAA) Scholarship. Dr. Siddiquee published many research reports, articles, books and journals. He has also participated in many conference and seminars at both home and abroad.

Dr. Siddiquee was appointed as Independent Director in the Board of Union Capital Limited on 19 October 2020. He is the Chairman of the Audit Committee. He is also a Director of UniCap Investments Ltd and UniCap Securities Ltd.

Mr. Shabbir obtained his B.Sc. in Electrical & Electronics Engineering from Khulna University of Engineering and Technology. Being a Management professional with extensive experience of 26 years, he served 23 years in Financial Institution in various capacities with a wide range of management experience which includes Core Risk Management, Credit Proposal analysis, decision-making processes like strategic planning, capital and liquidity planning, new products and services, compensation design and operation budget preparation, controlling expenditures, ensuring development of portfolio, improving team performance, ensuring compliance, developing excellent customer rapport through enthusiastic communication and resolving problems.

Mr. Shabbir started his career with Flora Limited, then the largest ICT vendor of the country. He also served UNICEF as LAN Consultant under employment of Flora Ltd.

Mr. Shabbir attended a number of seminars, workshops and trainings at home and abroad. He is a Life Fellow of Institute of Engineers Bangladesh.

Mr. Shabbir is also Director of UniCap Investments Ltd. and UniCap Securities Ltd.



**DR. HASINA SHEYKH**

Independent Director



**DR. MUHAMMAD SHAHADAT HOSSAIN SIDDIQUEE**

Independent Director



**A.N.M. GOLAM SHABBIR**

Managing Director & CEO (CC)



## BOARD STRUCTURE AND ITS OPERATION

### 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.

### SIZE OF THE BOARD

The Board of UCL comprises of eleven members including four Independent Directors. As per DFIM 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 of eleven members. As per BSEC's Notification, a listed company should have Independent Director of at least one fifth of total Directors. As per Articles of Association of the Company the Managing Director is an Ex-officio Director.

### COMPOSITION OF THE BOARD

The Board of UCL comprises of the following:

#### Non-executive Directors

Eleven (out of whom four are Independent Directors)

#### Independent Director

Four

#### Executive Director

One (The Managing Director & CEO)

### NON-EXECUTIVE DIRECTOR

There are eleven non-executive Directors in the Board out of whom four are Independent Directors. 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 ON THE BOARD

There are four Independent Directors in the Board out of whom two Independent Directors are nominated by the Bangladesh Securities and Exchange Commission. In order 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. A person cannot be appointed as Independent Director who has already been appointed as Independent Director of five listed Company.

### TENURE AND RETIREMENT

As per Companies Act, the office of Non-Executive 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 for three years subject to approval of the Central Bank. The tenure of an Independent Director is three years and may be extended by another three years.

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.

### 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.

### MEMBERSHIP OF THE 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 32 to 52 of this Annual Report.

### SUB-COMMITTEE

The Board has two Sub-Committees namely Board Audit Committee and Executive Committee. The Executive Committee comprises of five Directors. The Board Audit Committee is also consisted of five Directors. All the Board Committees have a written charter that describes the Committees' purpose, duties and responsibilities. The Committee Charters are available on page 32 to 35 of this Annual Report.

### BOARD MEETING

The Board holds at least four regularly scheduled meetings in each year. In the year 2021, the Board met seven times to discuss scheduled business.

### 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 Directors 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.

## CHARTER OF BOARD AND ITS COMMITTEES

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

### CHARTER OF THE AUDIT COMMITTEE

- The Audit Committee, within the delegated authority and in fulfilling the regulatory requirements has the following terms of reference (TOR):

#### A. 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.

#### B. Internal Audit

- Review the adequacy of internal audit function;
- Consider the scope of work and review approve and 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.

### C. 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.

### D. 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 for 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 about 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.

### E. 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.

### F. 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 quarterly and half yearly financial statements;
- Review the statement of significant related party transactions submitted by the management.

### CHARTER OF THE 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 up to BDT 10 million under each agreement;
- Review credit proposals prepared by the Management and recommend to the Board where the amount exceeds BDT 10 million under each agreement;

# DIRECTORS' REPORTS





## Dear Shareholders,

The 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 2021 together with the Auditors' Report thereon, for consideration and approval of our respected Shareholders. The Board of Directors of the Company approved the same in its Meeting held on 27 April 2022.

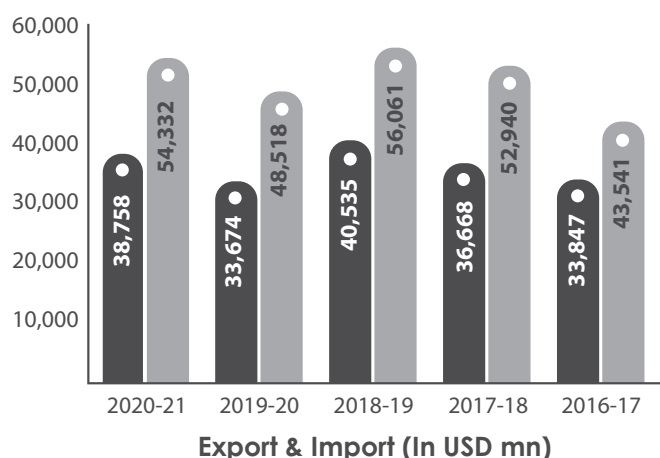
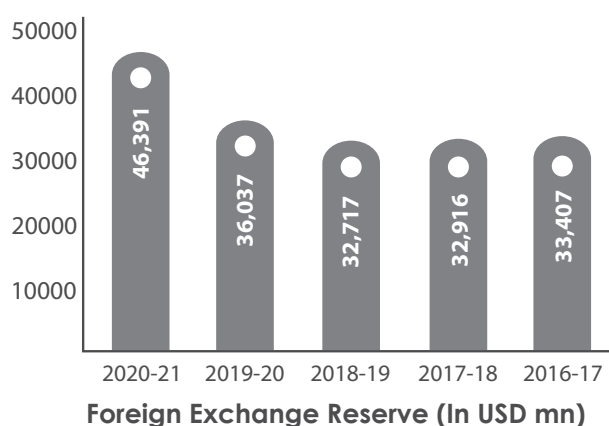
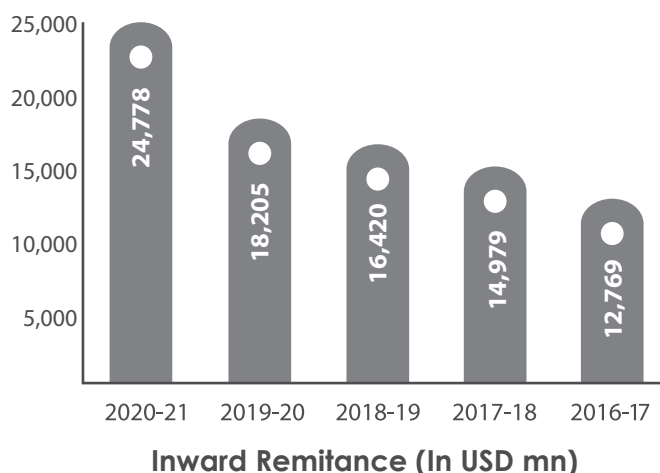
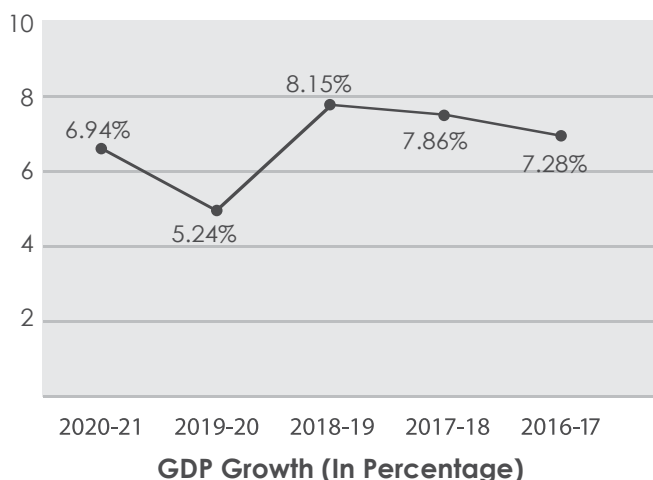
This Directors' Report has been prepared in compliance with the Section 184 of the Companies Act 1994, BSEC's Notification on 03 June 2018, the Listing Regulations of DSE & CSE, Financial Institutions Act, 1993, Bangladesh Bank guidelines, International Financial Reporting Standards and other applicable rules and regulations. Relevant disclosures important and explanations relating to certain issues have been given by the Directors, which they consider relevant and to ensure compliance, transparency and good governance practices. We believe that this report will provide the insights of the Company's performance during the year under reporting.

## BANGLADESH ECONOMY OVERVIEW 2021

Bangladesh displayed a steady and high GDP growth before the COVID-19 pandemic. The GDP was reached a record 8.15 percent growth rate in FY 2018-19. But the global economy has come to a standstill due to the COVID-19 pandemic which has also had a huge negative impact on the economy of Bangladesh. The recovery of the global economy was somewhat interrupted by the

imposition of fresh containment measures in response to the spread of new variants of COVID-19. But the Government of Bangladesh timely undertook a wide range of supportive policies and introduced stimulus packages to counteract the COVID-19 impacts on the economy. As a result, the overall economic growth of Bangladesh recovered faster than it was estimated earlier.

Despite all the negativity due to the pandemic, Bangladesh made a recovery in FY 2020-21 and at the end of December 2021, GDP growth stood at 6.94 percent from 3.45 percent in FY2020 which is an impressive growth, considering the current world affairs. Inflation decreased slightly to 5.56% in FY2020-21 to remain at this level because of uninterrupted food production and supply chains. Inward remittance grew by 36.1% to USD 24,778 million in FY2020-21. The major portion of remittance has been received from Middle East countries. Exports saw a growth of 15.1% and stood at USD 38,758 million in FY2020-21 and import also witnessed a growth of 12.0% and stood at USD 54,332 million. The rise in import and export came off from the economy starting to recover due to the reduced effects of the pandemic. Foreign exchange reserve increased significantly by 28.7% and stood at USD 46,391 million in FY2020-21. Inward remittance played a key role in boosting foreign exchange reserves. DSE Index (DSEX) closed the year at 6,757 points in 2021 against 5,402 points at the end of 2020, a growth of 25.1%. Similarly, market capitalization increased by 21.0% to BDT 5,422 billion at the end of 2021 from BDT 4,482 billion in 2020.



## NBFI SECTOR OVERVIEW 2021 AND OUTLOOK FOR 2022

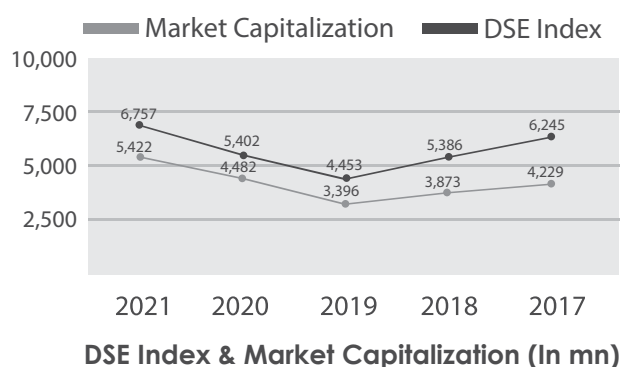
Non-Bank Financial Institutions (NBFIs) are playing a significant role by providing financial services that cannot be usually provided by the Banks. The NBFIs, with more multifaceted products and services have taken their place in the competitive financial market to satisfy the changing demands of the customers. It also play an important role in the Capital Market as well as real estate sector of Bangladesh. Like the Banks, most of the NBFIs have separate subsidiaries to operate merchant banking activities.

At present 35 non-bank financial institutions (NBFIs) are functioning in the country with a wide network of 277 branches. Total assets of the non-banking financial institution sector stood in September 2021 at BDT 918 billion from BDT 880 billion in September 2020. Earning assets stood at BDT 698 billion. Industry Loans and advances constituted 76.1% of total assets in September 2021. Total classified loan stood at BDT 118 billion as of September 2021 representing an increase by 14.8% on year over year basis. Classified loan ratio increased to 17.6% in September 2021 from 15.5% in September 2020. Deposits in September 2021 stood at BDT 460 billion and spread stood relatively flat at 3.1% at the end of September 2021.

To strengthen the Non-Bank Financial Management and to ensure transparency and minimize risk of financial institutions and in order to bring corporate good governance, various measures have been taken time to time by Bangladesh Bank. Among these the noteworthy policies are: keeping classification status of loan/lease/advance unchanged from January to December 2020, lowering the Cash Reserve Requirement (CRR), restructuring and short term loan renewal facilities on easy terms and conditions. Furthermore, Bangladesh Bank facilitates interest rate subsidy and refinance scheme for pandemic affected clients of Financial Institutions under the government stimulus packages for lending working capital in industries and service sector.

## 2021 CAPITAL MARKET OVERVIEW

The Capital Market experienced a dramatic periods of ups and downs in 2021. Several Market developments in 2021, the DSEX index start with 5,618.95 on 03 January 2021. DSEX gained 1,137.70 points (20.25% YoY) to close at 6,756.65 points on 30 December 2021, while DS30 gained 453.63 points (21.82% YoY) to reach 2,532.58 points on 30 December 2021. Average daily turnover increased 127.29% YoY to BDT 14,749.11 mn in 2021, up from previous BDT 6,489 mn in 2020. P/E ratio of DSEX stood at 16.29x in 2021, from 16.53x in 2020.



## HIGHLIGHTS ON FINANCIAL PERFORMANCE

Key operating and financial data of last 5 (five) years as required by BSEC is shown under the heading of Five Years Financial Summary in page no 25 of this Annual Report.

## OPERATIONAL PERFORMANCE OF UCL GROUP

In 2021, the financial sector including Union Capital Limited passed another year through horrific challenges. UCL, has been experiencing financial loss since 2019 and resulting of cumulative financial loss, the equity of UCL has become negative. Like previous year, UCL has been passing hard time for meeting up huge deposit encashment demand. On the other hand, new deposit mobilization has near to be stopped due to lack of confidence of depositors on NBFI sector. Like many other non-banking financial institutions, UCL could not get estimated deposits and credit facilities from bank and could not extend finance facility to the prospective clients and fresh lending almost halted for liquidity crisis rather based on our cash inflow, we only prioritized to meet up our depositors encashment demand and payment of term loan with Banks.

Like the previous two years, UCL experienced consecutive financial loss for third year due to i) increase in provision requirements and suspended interest that resulted from increasing of Non-Performing Loan (NPL), ii) keeping short fall provision as per Bangladesh Bank guideline and iii) keeping extra provision for the clients who availed installment deferral facility in 2021. Besides, interest income and other operating income also decreased because of no fresh loan disbursement as well as insignificant recovery from written off clients in 2021. Moreover, during the year, substantial amount of interest could not be earned from the loan to our subsidiary Unicap Investments Limited due to impact of huge amount of negative equity on margin loan accounts. However, as the capital market showed positive movement in the year 2021, Unicap Investments Limited became able to repay to UCL an amount of Tk. 21.15 crore against their loan, out of which Tk. 11.00 crore was adjusted as principal and rest Tk. 10.15 crore as interest receivables of previous years. It is prudent to mention that in the wake of Covid-19 outbreak, borrowers enjoyed a complete loan moratorium facility in 2020. It means, NBFIs didn't show anyone as defaulter despite their failures to repay installments due to central bank directives. In 2021, borrowers had the opportunity to regularize their loan accounts with a repayment of 15% of total installment due during the year in line with the directives of the central bank. But our several large borrowers even failed to avail that installment deferral facility for the year in consideration which lead to increase in NPL to 27.32% in 2021 from 11.00% in 2020.

However, the Management has been taking all possible measures to decrease the NPL, to reduce all controllable expenses, to improve cash inflow through deposit mobilization and collection from existing loan/lease and written off portfolio and to enhance the income earning loan/lease portfolio through fresh investments.

## Financing and Investment Operation

Union Capital always tries 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, SMEs and retail finance. Major financing activities of the company include Term Finance, Lease Finance, Retail Finance, SME Finance, Work Order Finance, Housing Finance and Syndicate Finance etc. In 2021, our investment in the form of loan/lease was nil due to liquidity crisis.

### Capital Market Operation

UCL offers services in the area of merchant banking, portfolio management and stock brokerage through its wholly owned two subsidiaries namely UniCap Investments Limited and UniCap Securities Limited. Our subsidiaries perform in the field of IPO Management, Underwriting, Private Placement, Corporate Financial and Advisory Services, Margin Loan facility, Stock Brokerage etc. During the year 2021, UniCap Investments Limited didn't sign any new Issue Management Agreement. However, one of the issue i.e. BDTHAI Food & Beverage Limited has already successfully completed by Unicap Investments Limited in 2021 as issue manager and another IPO issue i.e. Omera Petroleum Limited is under review of BSEC for approval. UniCap Investments Limited has also signed one underwriting agreement in 2021.

### Investment in Share and Securities

UCL maintains its own portfolio for investment in listed companies shares and securities. These are fully diversified with different sector of securities. The investment risk is being minimized through diversification and through major investments in fundamentally strong securities. In 2021, the company make profit of Tk. 71.69 million from the investment in capital market.

### Banking Arrangements

In 2021 the Company did not obtain any fund from banks against different forms of borrowing to finance its operations but repaid BDT 183.14 million as per terms and conditions of contracts. UCL did not avail any fund in 2021 from Bangladesh Bank under any Refinancing Schemes.

### Deposit Mobilization

UCL is offering wide range of deposit schemes with different maturity options, monthly/quarterly/half-yearly/yearly income options, double/triple money options, monthly saving options etc. The deposit amount of the Company stood at BDT 8,787.04 million as on 31 December 2021 as against BDT 8,797.44 million of 31 December 2021. The deposit portfolio squeezed significantly due to lack of confidence of the depositors on the NBFI sector.

### Call Money Transactions

As a financial Institution, UCL participates in money market transaction on a regular basis and has been dealing both borrowing and lending activities with different banks/financial institutions to manage its liquidity position.

### OPERATIONAL HUB

UCL provides services through its six offices geographically

diversified in the areas namely Dhaka, Chattogram, Sylhet, Tongi and Bogura.

### OPERATING RESULTS (Consolidated)

During 2021, the Company generated revenue of BDT 938.03 million, which concluded in loss from operation of BDT 178.34 million. An amount of BDT 58.66 million has been provided as provision for taxation in 2021. Earnings per share was BDT (8.03) as against BDT (3.08) of previous year. The weighted average number of ordinary shares outstanding during the year was 172.57 million same as 2020. The financial result of the Company for the year 2021 with a comparison of 2020 is summarized below:

(BDT in million except per share data)

| Particular               | 2021       | 2020     |
|--------------------------|------------|----------|
| Operating revenue/(loss) | (178.34)   | (133.80) |
| Operating expenses       | 286.96     | 282.90   |
| Profit/(loss) before tax | (1,326.93) | (425.64) |
| Provision for tax        | 58.66      | 106.72   |
| Profit/(loss) after tax  | (1,385.59) | (532.37) |
| Earnings per Share (EPS) | (8.03)     | (3.08)   |

### 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. During the year 2021, UCL did not receive any dividend from the Subsidiary Companies. Separate audited financial statements of the subsidiary companies are given on pages 183 to 216 of this Annual Report.

### IPO OF THE COMPANY

UCL floated its ordinary shares through IPO in the year 2007 and raised BDT 75,000,000. The net proceeds of IPO was used for Company's operational activities i.e. for investment in lease 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 2021 that has significant effect or may significantly effect 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:

### Declaration of Dividend

Due to incurring consolidated financial loss of Tk. 138.56 during the year 2021, the Board of Directors in its 288<sup>th</sup> Meeting held on 27 April 2022, did not recommend any dividend for the year ended on 31 December 2021 subject to approval of the shareholders at the 24<sup>th</sup> Annual General Meeting scheduled to be held on 17 July 2022.

## Dividend Distribution Policy

Dividend Distribution Policy seeks to lay down a broad framework for the distribution of dividend by the Company to its shareholders. In consideration of occurring huge amount of loss, the Board of Directors did not recommend any dividend for the year ended on 31 December 2021. As there has no issue of dividend distribution, no policy for dividend distribution has been incorporated in this Annual Report.

## Unpaid/unclaimed Dividend (fractional dividend)

As on 31 December 2021 unpaid/unclaimed dividend stood as below:

| Year | Stock Dividend – in share | Fractional Stock Dividend in BDT |
|------|---------------------------|----------------------------------|
| 2018 | 379 no share              | 6,926.00                         |

This is to mention here that in accordance to comply with the directive of BSEC, the unpaid/unclaimed dividend (cash and fractional stock dividend) for the year 2008 to 2017 of Tk. 1,392,631.85 has been deposited to CMSF SND Account No: 0010311521301 of Community Bank Bangladesh Limited, Gulshan Branch on 02 September 2021 and total 4,404 no. shares against undistributed stock dividend for the year 2008 to 2017 has been transferred to CMSF BOLD A/C no 1201530074571230 on 12 January 2022. Year wise list of shareholders whose dividend were unpaid/unclaimed has been uploaded in our company's website.

## APPROPRIATIONS OF PROFIT

Taking into account the huge amount of loss, the Board did not recommend any dividend for the year ended 31 December 2021 for approval of the Shareholders in the 24<sup>th</sup> Annual General Meeting. The Board proposed the following appropriations:

| Particulars                                     | BDT in million |
|---|----------------|
| Net Profit/(loss) after tax                     | (1,385.59)     |
| Retained Earnings/(Loss) brought forward        | (1,466.07)     |
| Total Profit/(loss) available for appropriation | (2,851.66)     |
| <b>Proposed appropriation:</b>                  |                |
| Transfer to Statutory Reserve                   | --             |
| Dividend paid in 2020                           | --             |

## ANNUAL GENERAL MEETING

The notice of the 24<sup>th</sup> Annual General Meeting is given on page no. 218 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 2021;
- Approval of dividend for the year 2021;
- Re-appointment of the Directors;
- Appointment of the Auditors and fixation of their remuneration;
- Appointment of Corporate Governance Auditors and fixation of their remuneration;

## OBSERVANCE OF IAS, IFRS & APPLICABLE LAWS

The Directors have the responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy of the financial position of the Company enabling 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 International 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. 54 in this Annual Report.

## ACCOUNTING POLICIES AND MAINTENANCE OF BOOKS OF ACCOUNTS

The Directors consider that in preparing the Financial Statements, the Company has applied appropriate accounting policies, prudent judgments and estimates and all International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). 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 2021.

## 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, Environment and Reputation risks. A details report on Risk Management is presented on page no. 94 to 104 in this Annual Report.

## CREDIT RATING

A credit rating is an assessment of the solvency or creditworthiness of a company according to established credit review procedures. UCL is rated by National Credit Ratings Ltd., one of the leading independent rating agencies and adjudged "A+ (Single A Plus)" in the long term and ST - 3 in the Short term. The validity of the rating will expire on 16 October 2022.

## 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. 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. These controls include financial control 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 52 of this Annual Report.

### **INFORMATION TECHNOLOGY**

In many businesses, survival and the ability to achieve strategic business goals is difficult without extensive use of information technology. UCL holds a fully automated IT structure to support its operation which also produces enhanced MIS for decision making, improve risk management and most importantly, captivate its customers at every opportunity. Additionally, UCL installed a comprehensive 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 2021, total seven meetings were held. The attendance in the Board and its Committee meetings by each Director is given in Annexure - I on page 48 of this Annual Report. The Directors other than the Independent Directors did not receive any remuneration for attending in the Board and its Committee Meetings since September 2019. An amount of BDT 5,000 is paid to each Independent Director for attending Board and its Committee Meetings. The details on remuneration paid to Directors in 2021 is presented on page 65 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 IFRS, 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 IFRS and other applicable laws and regulations. A statement of the Directors' responsibility in relation to financial statements has been given on page 54 of this Annual Report.

### **CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

The Directors in accordance with BSEC Notification dated 20 June 2018 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;
- International Accounting Standards (IAS)/ International Financial Reporting Standards (IFRS), 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.

### **REGULATORY 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 relating 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 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.

### **SIGNIFICANT VARIANCE THAT OCCURS BETWEEN ANNUAL FINANCIAL STATEMENTS**

Consolidated EPS for 2021 has been decreased from previous year due to enhancing provision requirement as result of increased NPL, decreasing interest income resulting from no new disbursement & increased NPL, decreasing other operating income resulting from less recovery from written off clients.

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

As per BSEC Notification dated 03 June 2018, the Directors are required to report on the compliance on certain conditions in line with Corporate Governance Code. 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 72 to 83 of this Annual Report.

## REPORT ON THE COMPLIANCE ON THE GUIDELINES OF BANGLADESH BANK

Bangladesh Bank has issued guidelines on certain issues for the NBFLs 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 84 to 85 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 K. M. Hasan & 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 03 June 2018. K.M. Hasan & Co. Chartered Accountants the Corporate Governance Auditor has given a compliance certificate for the year ended 31 December 2021 which is available on page 71 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. International 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 92 to 93 of this Annual Report.

## SUBSTANTIAL SHAREHOLDINGS

BSEC's Notification 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 of 31 December 2021 is given in Annexure-II, page 48 of this Report.

## THE PATTERN OF SHAREHOLDINGS

The Authorized Capital of Union Capital Ltd. is BDT 2,000,000,000 divided into 200,000,000 ordinary shares of BDT 10.00 each. The paid-up Capital of the Company is BDT 1,725,738,430.00 divided into 172,573,843 ordinary shares of BDT 10.00 each. The shareholding pattern of the Company as at 31 December 2021 is shown in Annexure - V, on page 49 of this report as per BSEC Notification of dated 03 June 2018. As per requirement of listing regulations, the composition and rang of shareholdings of the Company as on 31 December 2021 are given under Annexure-III and Annexure-IV on page 48 to 49 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 24<sup>th</sup> Annual General Meeting and being eligible offered themselves for reappointment:

- a) Chowdhury Tanzim Karim  
(Nominated by EC Securities Limited)
- b) Mr. Waqar A. Choudhury
- c) Mr. Nadeem A. Chaudhury  
(Nominated by ENRILCO Limited)
- d) Dr. Sabita Rezwana Rahman

Full biographical details of the Directors are given on pages 32 to 33 of this report.

## COMMUNICATION, PUBLIC DISCLOSURE OBLIGATIONS AND STAKEHOLDER RELATIONS

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

Our primary stakeholders include employees, shareholders, government, regulatory bodies, clients, depositors, suppliers, rating agencies, the media, and the community. 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 IFRS, BSEC and BB. 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](http://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.

## 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: 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.

## 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. 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. A separate report on CSR activities is given on page 109 to 112 of this report.

## CORPORATE GOVERNANCE

The Board of Directors and the 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 organization itself. 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. A separate report on Human Resource is given on page 116 to 117 of this report.

## ENVIRONMENTAL & SOCIAL 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 & social 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'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 113 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 to 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 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 BDT 60.55 million. A detailed report on the contribution to national economy has been given on page 114 to 115 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 International Accounting Standard 24: Related Party Disclosures. The Company extends loans/leases and takes deposits to/from related parties including its Directors and related companies. Details of related party transactions along-with their basis has been disclosed in note no. 45 of the notes to the Financial Statements on page 176 of this annual report.

### APPOINTMENT OF AUDITORS

The Financial Institutions Act, 1993 and BSEC's Notification dated 20 June 2018 stipulated that an Auditor of a Financial Institution cannot be appointed for more than three consecutive years. Moreover, section 210(10) of the Companies Act, 1994 also gives authority to shareholders of the company to fix the Auditor's remuneration. Ahmed

Zaker & Co., Chartered Accountants have completed their first year as statutory auditors of the company and hence eligible for re-appointment, they have expressed their willingness to be re-appointed as the statutory auditor of the company for the year 2022. The Board in its meeting held on 27 April 2022 recommended the shareholders to appoint Ahmed Zaker & Co., Chartered Accountants at a remuneration of BDT 200,000/- plus VAT for the year 2022 subject to the approval of Bangladesh Bank.

### APPOINTMENT OF AUDITORS FOR CERTIFICATION ON COMPLIANCE OF CORPORATE GOVERNANCE CODE OF BSEC AND FIXATION OF THEIR REMUNERATION

The Board recommended K.M. Hasan & Co., Chartered Accountants as the Auditors of the Company to conduct compliance audit for certification on the compliance on conditions of Corporate Governance Code for the year 2022 at a fee of Tk. 30,000 (thirty thousand) excluding VAT for approval of the Shareholders in the twenty-fourth Annual General Meeting.

### FUTURE OUTLOOK

2022 is expected to be another challenging year for our economy and UCL group as well. We recognize a number of challenges, which includes increased non-performing loan, unprecedented deposit encashment demand, collection of new deposit, resume fresh business, recovery of stuck-up deposit lying with other NBFIs, to forecast the trend of capital market etc. We admit that next few years ahead will be more challenging for UCL but we are confident enough that we have the right team and strategy in place to overcome this adverse situation. 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.

### 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 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, regulators and depositors. The Directors also acknowledge the hard work, dedication and commitment of the employees. Their enthusiasm and unstinting efforts definitely be enabled the Company to recover the lost heritage in near future.

We hope similar support from all of you that will strengthen our continuous journey.

On behalf of the Board of Directors,

Sd/-

**Chowdhury Tanzim Karim**

Chairman

## Annexure – I

Meeting and attendance for the period from 01 January 2021 to 31 December 2021

| Directors Name & Position   | Board Meeting      |                   |                       | Executive Committee Meeting |                   |                       | Audit Committee Meeting |                   |                       |
|---|--------------------|-------------------|-----------------------|-----------------------------|-------------------|-----------------------|-------------------------|-------------------|-----------------------|
|   | Eligible to Attend | Meetings Attended | Percent of Attendance | Eligible to Attend          | Meetings Attended | Percent of Attendance | Eligible to Attend      | Meetings Attended | Percent of Attendance |
| Chowdhury Tanzim Karim, Chairman Nominated by EC Securities Ltd.                | 07                 | 07                | 100.00%               | -                           | -                 | -                     | -                       | -                 | -                     |
| Mr. Waqar A. Choudhury, Director  | 07                 | 05                | 71.43%                | 01                          | 01                | 100.00%               | 05                      | 03                | 60.00%                |
| Dr. Sabita Rezwana Rahman, Director   | 07                 | 06                | 85.71%                | 01                          | 01                | 100.00%               | 05                      | 05                | 100.00%               |
| Kazi Russel Mahbub, Director Nominated by Palmal Garments Hosiery Ltd.          | 07                 | 01                | 14.29%                | -                           | -                 | -                     | -                       | -                 | -                     |
| Mr. Nadeem A. Chaudhury, Director Nominated by Enrilco Limited                  | 07                 | 06                | 85.71%                | 01                          | -                 | 00.00%                | 05                      | 05                | 100.00%               |
| Mrs. Meherunnesa Haque, Director  | 07                 | 01                | 14.29%                | -                           | -                 | -                     | -                       | -                 | -                     |
| Ms. Tajrina Sikder, Director Nominated by Palmal Garments Hosiery Ltd.          | 07                 | 02                | 28.57%                | -                           | -                 | -                     | -                       | -                 | -                     |
| Mr. Munshi Shafiu Haque, Director Independent Director                          | 07                 | 07                | 100.00%               | -                           | -                 | -                     | -                       | -                 | -                     |
| Mr. Md. Abdus Salam FCA, FCS Independent Director                               | 07                 | 05                | 71.43%                | 01                          | 01                | 100.00%               | 05                      | 05                | 100.00%               |
| Dr. Muhammad Shahadat Hossain Siddiquee Independent Director, nominated by BSEC | 07                 | 06                | 85.71%                | -                           | -                 | -                     | 05                      | 05                | 100.00%               |
| Dr. Hasina Sheykh Independent Director, nominated by BSEC                       | 07                 | 07                | 100.00%               | 01                          | 01                | 100.00%               | -                       | -                 | -                     |

\*Leave of absence was granted in all cases of non-attendance.

## Annexure – II

Substantial Shareholdings as on 31 December 2021

| Name of Sponsor & Directors  | Percent of Shareholders |
|------------------------------|-------------------------|
| Palmal Garments Hosiery Ltd. | 9.73                    |
| EC Securities                | 7.22                    |
| Enrilco Limited              | 4.58                    |
| Mrs. Khurshida Chaudhury     | 2.77                    |
| Dr. Sabita Rezwana Rahman    | 2.20                    |
| Kazi Golam Samiur Rahman     | 2.20                    |
| Mr. Waqar A. Choudhury       | 2.03                    |
| Mrs. Meherunnesa Haque       | 2.03                    |
| Engr. M Abu Taher            | 0.30                    |
| Mr. Abdus Salam              | 1.12                    |
| Ms. Runa N. Alam             | 0.81                    |
| Ms. Rumana Sharif            | 0.21                    |
| <b>Total</b>                 | <b>35.20</b>            |

## Annexure – III

Composition of shareholdings as on 31 December 2021

| Category                            | No of Shareholder | No of Shares       | % of Total    |
|-------------------------------------|-------------------|--------------------|---------------|
| Sponsors & Directors (Institutions) | 3                 | 37,154,558         | 21.53         |
| Sponsors & Directors (Individuals)  | 10                | 23,598,944         | 13.67         |
| General Shareholder (Institutions)  | 213               | 28,422,912         | 16.47         |
| General Shareholder (Individuals)   | 8,878             | 83,401,429         | 48.33         |
| <b>Total</b>                        | <b>9,104</b>      | <b>172,573,843</b> | <b>100.00</b> |

## Annexure – IV

### Range of Shareholdings as on 31 December 2021

| Shareholding Range   | No. of shareholders | No. of shares      | % of total    |
|----------------------|---------------------|--------------------|---------------|
| Less than 500        | 1,808               | 290,209            | 0.17          |
| 501 to 5,000         | 4,988               | 10,471,421         | 6.07          |
| 5,001 to 10,000      | 1,006               | 7,635,099          | 4.42          |
| 10,001 to 20,000     | 629                 | 9,238,521          | 5.35          |
| 20,001 to 30,000     | 212                 | 5,265,974          | 3.05          |
| 30,001 to 40,000     | 97                  | 3,409,919          | 1.98          |
| 40,001 to 50,000     | 75                  | 3,539,253          | 2.05          |
| 50,001 to 100,000    | 147                 | 10,856,154         | 6.29          |
| 100,001 to 1,000,000 | 118                 | 30,834,242         | 17.87         |
| Over 1,000,000       | 24                  | 91,033,051         | 52.75         |
| <b>Total</b>         | <b>9,104</b>        | <b>172,573,843</b> | <b>100.00</b> |

## Annexure – V

### Pattern of Shareholdings as on 31 December 2021

| Sponsor Shareholder/Directors                                  | No. of shares held | percentage |
|--|--------------------|------------|
| Palmal Garments Hosiery Ltd                                    | 16,792,968         | 9.73       |
| EC Securities Ltd.   | 12,459,305         | 7.22       |
| Enrilco Limited  | 7,902,285          | 4.58       |
| Mrs. Khurshida Choudhury                                       | 4,780,213          | 2.77       |
| Dr. Sabita Rezwana Rahman                                      | 3,803,920          | 2.20       |
| Kazi Golam Samiur Rahman                                       | 3,803,919          | 2.20       |
| Mr. Waqar A. Choudhury   | 3,503,634          | 2.03       |
| Mrs. Meherunnesa Haque   | 3,494,029          | 2.03       |
| Engr. M Abu Taher  | 520,000            | 0.30       |
| Mr. Abdus Salam  | 1,935,824          | 1.12       |
| Ms. Runa N. Alam   | 1,397,421          | 0.81       |
| Ms. Rumana Sharif  | 355,984            | 0.21       |
| Mr. Munshi Shafiul Haque, Independent Director                 | Nil                | -          |
| Mr. Md. Abdus Salam FCA, FCS, Independent Director             | Nil                | -          |
| Dr. Muhammad Shahadat Hossain Siddiquee, Independent Director  | Nil                | -          |
| Dr. Hasina Sheykh, Independent Director                        | Nil                | -          |
| <b>Senior Executives</b>                                       |                    |            |
| Managing Director & CEO  | Nil                | -          |
| Company Secretary  | Nil                | -          |
| Chief Financial Officer  | Nil                | -          |
| Head of Internal Audit   | Nil                | -          |
| <b>Other top five Executives</b>                               |                    |            |
| Mr. Fazle Karim Murad  | Nil                | -          |
| Mr. Muhammad Salah Uddin                                       | Nil                | -          |
| Mr. Khandaker Muhammad Forhad Abedin                           | Nil                | -          |
| Mr. Mahbub Alam  | Nil                | -          |
| Mr. Asif Raihan Chowdhury                                      | Nil                | -          |
| <b>Shareholder holding 10% or more voting rights</b>           |                    |            |
| Shareholder holding 10% or more voting interest in the company | Nil                | -          |

## AUDIT COMMITTEE REPORT

*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 providing independent oversight of the Company's financial reporting, non-financial corporate disclosure, effectiveness of internal control, compliance and sound monitoring system within the organization as set out in the Committee Charter.*

Audit committee of UCL is consisted of a selected number of members of the Board of Directors whose responsibilities include among others helping auditors remain independent of management. The Audit Committee also assists the Board of Directors to ensure that the financial statements reflect a true and fair view of the state of affairs of the Company.

### COMPOSITION OF THE BOARD AUDIT COMMITTEE

The Audit Committee consists of five Directors of the Company 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. As required, all members of Audit Committee are financially literate and are able to analyze and interpret financial statements to effectively discharge their duties and responsibilities as member of the Audit Committee.

In compliance with Section 3.2 (i) of the Corporate Governance Notification issued by the BSEC on 07 August 2012, the Board Audit Committee was first reformed on 31 December 2012 by appointing an Independent Director as Chairman. As on 31 December 2021 the Board Audit Committee comprises the following members:

- Dr. Muhammad Shahadat Hossain Siddiquee, Chairman
- Dr. Sabita Rezwana Rahman, Member
- Mr. Nadeem A. Chaudhury, Member
- Mr. Waqar A. Choudhury, Member
- Mr. Md. Abdus Salam, FCA, FCS, Member

Biographical details of the current members of the Committee are set out on page 32 to 35. The members' fees as fixed by the Board of Directors under the guidelines of Bangladesh Bank are shown in the table of remuneration of the audit committee members on page 65 of the report.

Chief Financial Officer, Head of Internal Control & Compliance and the representatives of the external auditors (if required) are invited to attend the committee meetings. As per the requirement of the committee, the Chief Executive Officer or other employees may be invited in the meetings.

### OBJECTIVE OF THE COMMITTEE

The Audit Committee performs in absolute coherence and ensures compliance with the regulators guidelines. By effectively carrying out its functions and responsibilities, the audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices and internal controls, and that the outside auditors, through their own review, objectively assess the company's financial reporting practices. 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 with applicable accounting standards; and
- Reviewing 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 an Independent Director Dr. Muhammad Shahadat Hossain Siddiquee who has required knowledge and extensive experience to serve in this role. Biographical details of the Chairman of the Committee is given on page 35.

### AUDIT COMMITTEE CHARTER

#### Purpose

To assist the Board of Directors in fulfilling its oversight responsibilities for:

- the integrity of the UCL's financial statements;
- UCL's compliance with legal and regulatory requirements;
- the External Auditor's qualifications and independence;
- evaluating the operating effectiveness of internal control system;
- the performance of UCL's internal audit function and independent auditors; and
- reviewing the functions as per the requirements of regulatory authorities.

#### 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 auditors regarding financial reporting.
- Pre-approve all auditing and permitted non-audit services performed by the external audit firm.



- Seek information it requires from employees - whom are directed to cooperate with the committee's requests - or external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.

### 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;
- Recommend to the Board steps needed to improve the system of internal control.

### Internal Audit

- Review the adequacy of internal audit functions;
- Consider the scope of work and review and approve the annual audit plan;
- Review the reports prepared as per audit plan and as per the requirement of higher authorities/management /committee;
- 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 & recommendations communicated by internal audit and Management's proposed responses are received, discussed and appropriately acted on.

### External Audit

- Discuss with the external auditor any audit problem 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.

### 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.

### Meeting held during the year 2021 along with the attendance of the members

| Members of the Audit Committee          | Position | Meeting Attendance |                  |                          |
|---|----------|--------------------|------------------|--------------------------|
|   |          | Eligible to attend | Members Attended | Percentage of attendance |
| Dr. Muhammad Shahadat Hossain Siddiquee | Chairman | 5                  | 5                | 100.00%                  |
| Dr. Sabita Rezwana Rahman               | Member   | 5                  | 5                | 100.00%                  |
| Mr. Nadeem A. Chaudhury                 | Member   | 5                  | 5                | 100.00%                  |
| Mr. Waqar A. Choudhury                  | Member   | 5                  | 3                | 60.00%                   |
| Mr. Md. Abdus Salam, FCA, FCS           | Member   | 5                  | 5                | 100.00%                  |

### Activities of the committee carried out in the year 2021:

The Audit Committee carried out among others the following activities:

- Reviewed the audited financial statements for the year ended 31 December 2020 along with the auditors' report thereon and recommended the same to the Board;
- Reviewed the Management Letter issued by the External Auditors for the year 2020;
- Reviewed the proposal of auditors for appointment and recommended the same to the Board;
- Reviewed the comprehensive inspection reports of Bangladesh Bank and compliance reports 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 for improvement;
- Reviewed the report on the non-performing/default clients;
- Reviewed the pending legal suits and the performance of the panel lawyers of the Company;
- Reviewed the Investigation Report on classification status of all loan/lease provided by the Company;
- Reviewed the quarterly un-audited consolidated

financial statements of the Company;

- Reviewed the internal audit report of various departments and branches audit reports;
- Reviewed the affairs of subsidiary companies;
- Reviewed the audit observations of the External Auditors and communicated the same with the Board;
- Reviewed the Quarterly Operations Report (QOR) and Departmental Control Function Checklist (DCFCL) on quarterly basis;
- Reviewed disclosures required in the statement on Corporate Governance, standard of business conduct, statement of risk on management and internal control for the financial year ended 2020 for inclusion in the Annual report 2020 and recommended the adoption by the Board.

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/-

**Dr. Muhammad Shahadat Hossain Siddiquee**  
Chairman, Audit Committee



## REPORT ON INTERNAL CONTROL

## INTRODUCTION

A 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 safeguarding the shareholders' investments as well as company's assets.

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 statement on internal control has been prepared to comply with the regulatory requirements as well as 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.

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, 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. While the 'tone at the top' is set by the Board, it is the role of the management to implement the policies adopted by the Board.

## DESCRIPTION ON THE INTERNAL CONTROL SYSTEM

## Control Environment

The control environment sets the tone of an organization, 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 organizes and develops its people; and the attention and direction that are provided by the Board of Directors.

## Identification and Evaluation of Risks &amp; Control Objectives

Naturally the Company faces a variety of risks from various

sources that are assessed. A precondition to risk assessment is establishment of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risks which affects the 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 to ensure that management directives are properly carried out. They help to ensure that necessary actions have been taken to address risks which affects the achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

## Information and Communication Processes

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 organization. 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. 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 system, a process that assesses the quality of the system's performance over time, is needed to be monitored. 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 that 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 the expected returns compensate the risks taken.

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.

Among other committees Asset Liability Management Committee (ALCO), Management Credit Committee and Basel II Implementation Committee are set up in the Group to manage specific areas of risk. 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 & procedures are reported to RMC. In addition the Group has placed 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.

## 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 required. The Board Committees are as follows:

- Executive Committee; and
- Audit 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 designed and documented to ensure accountability and responsibility.

## Internal Policies and Procedures

Policies, procedures and processes governing the Group's businesses and operations are documented and 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 in business and operational environment. Furthermore, a review of the policies, processes and procedures are also carried out to ensure that appropriate controls are in place to manage operational risks.

## 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 Board at an annual business planning and budgetary session.

## 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 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 the system of internal controls is dependent on the responsibility, integrity and judgment that people apply to their work.

## 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

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with IFRS and applicable laws and regulations.

The Companies Act, 1994 requires the Directors to prepare financial statements for each financial year. The Directors have prepared these financial statements in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), related circulars of Bangladesh Bank, Bangladesh Securities and Exchange Rules 1987 and the Listing Regulations of the Stock Exchanges. The financial statements are, as required by laws, 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 the year under review.

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

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimate that are reasonable and prudent;
- State that these 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 requirement in preparing these 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 the 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 inquiries, 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 including cash flows, 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 no. BSEC/CMRRCD/2006-158/207/Admin/80, dated 03 June 2018, the Directors are also required to disclose certain matters in their report. In compliance with these requirements, the Directors confirm that:

- The 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 the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- IFRSs have been followed in preparing the 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 have been disclosed;
- Continuity of any extra-ordinary gain or loss has been disclosed;
- Statement of all related party transactions has been disclosed;
- Significant variance, while occurred between quarterly financial performance and annual financial statements, has been disclosed;
- Remuneration to Directors including Independent Director has been disclosed;

A brief resume, nature of Director's expertise in specific areas, other directorship and the membership of committees of the Board of other companies given on 32 to 35 of this Annual Report.

*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.*

## RESPONSIBILITY OF THE MANAGING DIRECTOR & CEO AND THE CFO IN RESPECT OF FINANCIAL REPORTING

### The Board of Directors

Union Capital Limited  
bti Landmark, Level - 08,  
Plot - 16, Gulshan Avenue,  
Gulshan- 01, Dhaka - 1212.

Subject: Declaration on Financial Statements for the year ended on 31 December 2021

Dear Sir(s),

Pursuant to the condition No. 1(5) (xxvi) imposed vide the Commission's Notification No. BSEC/CMRRCD/2006 158/207/Admin/80, dated 03 June 2018 under section 2CC of the Securities and Exchange Ordinance, 1969, we do hereby declare that:

1. The Financial Statements of Union Capital Limited for the year ended on 31 December 2021 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh and any departure there from has been adequately disclosed;
2. The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
3. The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
4. To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
5. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
6. The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that:

- (i) We have reviewed the financial statements for the year ended on 31 December 2021 and that to the best of our knowledge and belief:
  - a) These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading;
  - b) These statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- (ii) There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,

Sd/-

**Mohammad Balayet Hossain**  
VP & Chief Financial Officer

Sd/-

**A.N.M Golam Shabbir**  
Managing Director & CEO (CC)

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

**Sets out the responsibility of the management in establishing adequate internal Control over financial reporting**

Management 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 IFRS as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and other applicable rules and regulations. It includes those policies and procedure that:

- Pertain to the maintenance of records that, in reasonable details, accurately and fairly the transactions related to operations;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS as adopted by ICAB and our receipts and expenditures are made only in accordance with authorization of our management Directors; and
- Provide reasonable assurance regarding prevention and timely detection of unauthorized acquisition, use, or disposal of our assets that could have a material effect on our financial statements.

Due to inherent limitation, 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 control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may determine.

Management evaluated, under the supervision of the Managing Director & CEO, the Chief Financial Officer and the Head of Internal Control & Compliance, the effectiveness of internal control over financial reporting as of 31 December 2021.

Based on that evaluation, management concluded that, as of 31 December 2021, 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 2021.

Our internal control over financial reporting as of 31 December 2021 has been audited by Ahmed Zaker & Co, Chartered Accountants, who also audited the consolidated financial statements as of and for the year ended 31 December 2021. The Auditors also assesses the effectiveness of our internal control and determines the degree and extent of reliance on internal control system.

Sincerely yours,

Sd/-  
**Mohammad Balayet Hossain**  
VP & Chief Financial Officer

Sd/-  
**A.N.M Golam Shabbir**  
Managing Director & CEO (CC)



## CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE CODE

*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.*

The 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 Code 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 code.

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 Company.

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 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 03 June 2018;
- 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.

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,

Sd/-

**Chowdhury Tanzim Karim**  
Chairman



## CORPORATE GOVERNANCE

*Corporate governance describes how rights and responsibilities are distributed among corporate bodies according to applicable laws, rules and internal processes. Corporate governance also defines the decision-making systems and structure through which owners directly or indirectly control a company.*

### CORPORATE GOVERNANCE

This statement outlines the key aspects of UCL's corporate governance framework. The Board has consistently placed great importance on good corporate governance practices, which is vital to the Company's well-being. The Board has adopted a comprehensive framework of Corporate Governance Code, designed to properly balance performance and conformance. This enables UCL to undertake, in an effective manner, the prudent risk-taking activities which are the basis of its business. The Guidelines and practices of the Company comply with the "Corporate Governance Code", notification date 03 June 2018 by the Bangladesh Securities and Exchange Commission as well as with the "Guideline on Corporate Governance" issued by Bangladesh Bank vide DFIM Circular no. 7 dated 25 September 2007.

#### 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 and our communities.

#### 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.

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 make 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, Central Bank and Stock Exchanges;
- Seek to prevent, detect and resolve potential violations of law or company policy;
- Undergo regular assessment to make sure that we are

being responsive to our evolving business and associated compliance risks; and

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

#### 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 Code

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.

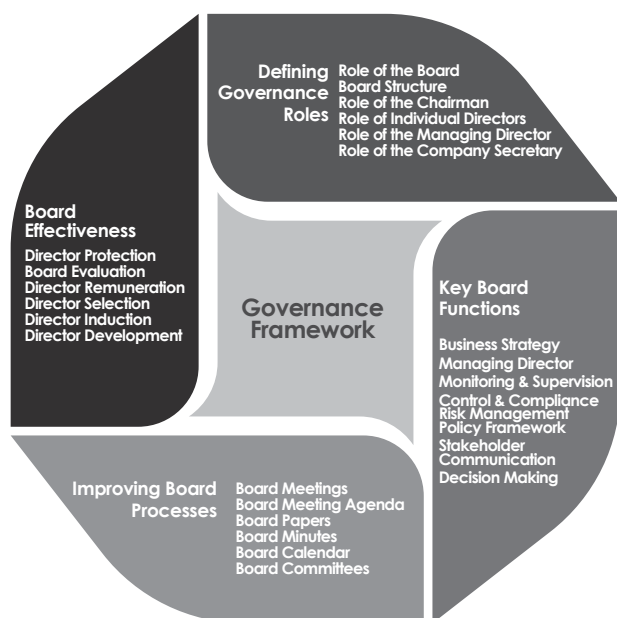
#### Board Committee Charters

Define the 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.

#### 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. Corporate governance is the framework of rules, relationships,

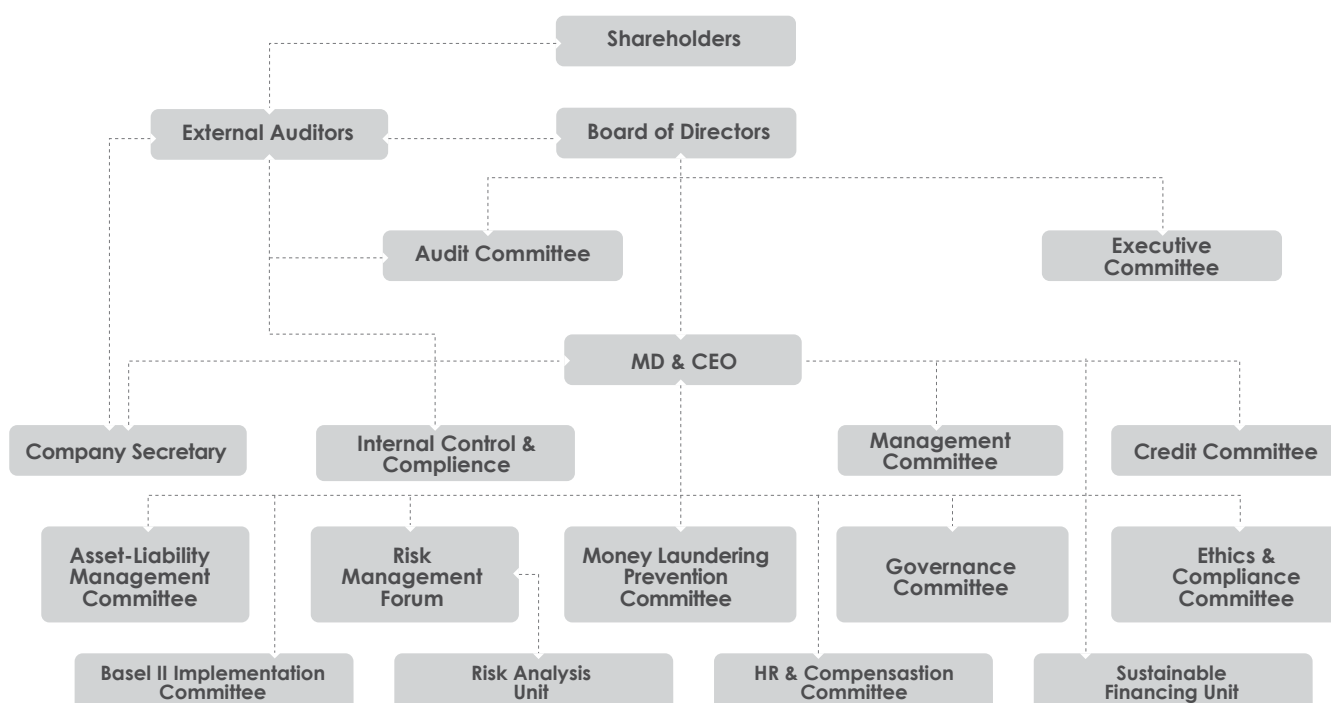
systems and processes within which and by which the operations of the group is exercised and controlled. It influences the setting and achievement of objectives of the Company, the monitoring and assessment of risk and the optimization of performance. There is no single model of good corporate governance.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



This statement outlines the main corporate governance practices employed by the Board of UCL in applying the Corporate Governance Code.

### Corporate Governance Model

UCL's Governance Model conforms to the relevant regulatory requirements as well as 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.

### Complying with Rules and Regulations

We are committed to safeguarding the interests of our stakeholders and recognize the importance of good corporate governance. We know that transparent disclosure of our governance helps stakeholders assess the quality of the Group and our management and assists investors in their investment decisions. We fully adhere to the principles set out in the BSEC and Bangladesh Bank Corporate Governance guidelines.

### 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) code 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 non-executive 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 guideline, 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 and may be extended by another three years.

### Size of the Board

The Board of UCL comprises of eleven members including four Independent Directors and the Managing Director. As per FID Circular no. 9 dated 11 September, 2002 of the Bangladesh Bank, the size of the Board of 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 Bangladesh 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 code while the minimum number is nine with a maximum limit of eleven as per Bangladesh Bank regulations. The Board has determined that there shall be eleven 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 32 to 35 of the annual report. The Board of UCL comprises of the following:

#### Non-executive Directors

Eleven out of whom four are Independent Directors.

#### Independent Directors

Four

#### Executive Director

One (The Managing Director & 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 four Independent Directors in the Board representing one-fifth of the total Directors. Out of four Independent Directors, two are nominated by Bangladesh Security and Exchange Commission. As per the BSEC code on Corporate Governance at least one

fifth of the total Directors should be Independent Directors. In order to qualify as an Independent Director, the Board affirmatively determines that the Directors have 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 has already been appointed as Independent Director of five 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. The Chairman of the Company is a non-executive Director therefore independent of 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.

### 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 along with the management. However, there is no such annual appraisal scheme for the performance of the nonexecutive members of the Board. The Non-Executive

Directors of the Board will only get fees for attending Board and its Committee Meetings as prescribed by the central bank. Since the decision taken by the Board in its 270<sup>th</sup> Meeting held on 29 September 2019, the Board Members will not take any fees in connection to the attendance of the Board and its Committee Meetings until further notice. However, Independent Directors will be entitled to fee of BDT 5,000 for attending Board and its Committee Meetings. The Board directed that the decision shall be applicable in respect of Board Meetings in the Subsidiary Companies as well.

## 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 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 71 of this Annual report. The report of the Chairman is also given on page 57 of this report.

## MEMBERSHIP AND QUALIFICATION OF THE DIRECTORS

The Board currently consists of eleven 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.

## DIRECTORS KNOWLEDGE AND EXPERTISE IN FINANCE AND ACCOUNTING

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 32 to 35 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 03 June 2018. 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 32 to 35 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 interest 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 2021, the Board held seven meetings. 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 detail of the attendance of the Directors is given on page no. 48 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 Bangladesh 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 2021, the Board considered a wide range of issues, including:

- 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;
- Approving the budget and long-term plan;
- Approving interim and full-year results;
- Discussing and approving corporate strategy; receiving reports from the Audit Committee and Executive 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 Board papers and regular presentations delivered by executive Management on business performance and issues.

### Responsibilities of the CEO

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 "customer-centric" 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

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;
- Submits all statutory return to RJSC within stipulated time period; and
- Acts as a custodian of the Group's statutory records.

## AUDIT COMMITTEE

### OBJECTIVE OF THE COMMITTEE

The objective of the committee is to assisting 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.
- 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 Dr. Muhammad Shahadat Hossain Siddiquee is an Independent Director and also the Chairman of the Audit Committee.

### CHAIRMAN OF THE AUDIT COMMITTEE

The committee is chaired by an Independent Director Dr. Muhammad Shahadat Hossain Siddiquee, who has required knowledge and extensive experience to serve in this role. The biography of Dr. Muhammad Shahadat Hossain Siddiquee is given on page 35 of this annual report.

### QUALIFICATION AND EXPERTISE OF THE MEMBERS OF THE COMMITTEE

All the Independent Directors are knowledgeable individual with integrity who is able to ensure compliance with financial laws, regulatory requirements and corporate laws and can make meaningful contribution to the business. Out of four Independent Directors, Mr. Munshi Shafiu Haque was an Additional Secretary of the Government of Peoples Republic of Bangladesh and Mr. Md. Abdus Salam FCA, FCS is a qualified Chartered Accountant as well as Chartered Secretary and fellow member of ICAB and ICSB. Other two Independent Directors are Dr. Muhammad Shahadat Hossain Siddiquee

and Dr. Hasina Sheykh, both of them are University Teacher and working at University of Dhaka as the Professor of Economics and Banking & Insurance Department respectively. The biography of all the Members of the Committee is given on page 34 to 35 of this Annual Report.

### CHARTER OF THE AUDIT COMMITTEE

The Audit Committee, within the delegated authority and in fulfilling the regulatory requirements. The charter of the Audit Committee is given on page 50 to 51 of this Annual Report.

### AUDIT COMMITTEE INVOLVEMENT IN SELECTION OF APPROPRIATE ACCOUNTING POLICIES

As per the BSEC code 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:

- 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; and
- Review the "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 code 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**

The head of internal control and compliance have direct access to the Audit Committee.

#### **NUMBER OF MEETINGS AND ATTENDANCE BY MEMBERS OF AUDIT COMMITTEE**

The Audit Committee conducted five meeting in the year 2021. Details of Audit Committee meeting and attendance of the Members is given on page 51 of this Annual Report.

#### **INTERNAL CONTROL AND RISK MANAGEMENT**

##### **Internal Control**

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.

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 Mr. Deenesh Kumar Raha reports directly to the Audit Committee.

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 & 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.

##### **External Audit**

Our Statutory Auditor is Ahmed Zaker & Co., Chartered Accountants. They are also the auditor of our subsidiary Companies UniCap Securities Limited and UniCap Investments Limited.

#### **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 and operational 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 94 to 104. 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.

#### **ETHICS AND COMPLIANCE**

We believe that a Code of Conduct and Business ethics provide 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 which is communicated to all the employees. This annual report contains the ethical principles that we follow while discharging our duties. A details disclosure on ethics and compliance is given in page 68 to 70.

## 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 compliance 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 68 to 70 of this report.

## 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 BDT 8,000 can be paid to each Director for attending each Board/ Committee Meeting.

## REMUNERATION OF THE DIRECTORS

The Board unanimously adopted the resolution in its 270<sup>th</sup> Meeting held on 29 September 2019 that the Board Members will not take any fee in connection to the attendance of the Board and its Committee Meetings until further notice. However, Independent Directors will be entitled to fee in the amount BDT 5,000 for attending the Board and its Committee Meetings. The Board directed that the decision shall be applicable in respect of Board Meetings in the subsidiary companies as well.

| Sl. No. | Name                                    | Status with the Company | Meeting Fees      |                                 |                             |
|---------|---|-------------------------|-------------------|---------------------------------|-----------------------------|
|         |   |                         | For Board Meeting | For Executive Committee Meeting | For Audit Committee Meeting |
| 1       | Chowdhury Tanzim Karim                  | Chairman                | --                | --                              | --                          |
| 2       | Mr. Waqar A. Choudhury                  | Director                | --                | --                              | --                          |
| 3       | Mr. Nadeem A. Chaudhury                 | Director                | --                | --                              | --                          |
| 4       | Ms. Tajrina Sikder                      | Director                | --                | --                              | --                          |
| 5       | Dr. Sabita Rezwana Rahman               | Director                | --                | --                              | --                          |
| 6       | Mrs. Meherunnesa Haque                  | Director                | --                | --                              | --                          |
| 7       | Kazi Russel Mahbub                      | Director                | --                | --                              | --                          |
| 8       | Mr. Munshi Shafiul Haque                | Independent Director    | 35,000.00         | --                              | --                          |
| 9       | Mr. Md. Abdus Salam FCA, FCS            | Independent Director    | 25,000.00         | 5,000.00                        | 20,000.00                   |
| 10      | Dr. Muhammad Shahadat Hossain Siddiquee | Independent Director    | 30,000.00         | --                              | 20,000.00                   |
| 11      | Dr. Hasina Sheykh                       | Independent Director    | 35,000.00         | 5,000.00                        | --                          |

## REMUNERATION POLICY OF THE CEO AND SENIOR MANAGEMENT

As per guidelines of the central bank, appointment of the Managing Director & CEO along with the remuneration package is subject to approval of the central bank. The Board reserves the right to recruit and decide the remuneration benefit of the senior management employees. The CEO has been given with the authority to recruit and decide remuneration benefit 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 3 members headed by the CEO. Other members of the committee is Mr. Fazle Karim Murad, EVP and Head of Corporate Finance and Mr. Salah Uddin Pallab, Senior Manager, Human Resource Management.

## 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 CEO

The total remuneration of the CEO was BDT 8,120,000/- 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 2021, total senior management employees were 13 in number with a total remuneration of BDT 35,81,246/-.

## 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.

### Focus on Anti Fraud Program

UCL is committed to create a culture of honesty and high ethics inside out of the company to clearly communicate acceptable behavior and expectations of each employee. It allows the company to develop an ethical framework that covers

- a. Fraudulent financial reporting;
- b. Misappropriation of assets; and
- c. 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 UCL 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 is committed to promote a regular corporate culture of honesty and integrity.

### 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 discussion different issues regarding company's working environment in the meeting.

### Oversight Responsibilities of Establishing Anti-Fraud Measures

The Internal Control and Compliance (ICC) Department is primarily 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.

### 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. 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 e-mail) allowing for the anonymous reporting of actual or suspected instances of fraud or fraudulent behavior committed by any employees.

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 Department. The reports are then passed on to the Audit Committee and the Board of Directors. To ensure that critical information is not withheld, all reports and questions received through the whistleblower system are treated confidentially.

## COMMUNICATION TO THE SHAREHOLDERS & STAKEHOLDERS

The Company reports including quarterly, half-yearly and annual report 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.

## Annual General Meeting

Under Companies Act, 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 21 days prior to the meeting. Shares only qualify for voting at an AGM if they are entered into the depository register with voting rights on record date.

## 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 extraordinary 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

Shareholders' resolutions that require a vote by a majority of the votes represented include:

- Transaction of ordinary business done 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 alter or add to its AoA;
- Reduce share capital; make reserded capital;
- 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, the Managing Director & 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 communicates 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 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)

## THE DISCLOSURE COMMITTEE

The disclosure committee consists of the Chief Executive Officer, the CFO, the 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

### OVERVIEW

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.

### 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 followings 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 minimize 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 that they continue to inculcate compliance awareness and discharge their duties effectively to ensure their respective units comply with regulatory and internal requirements.

#### VISION

Be an integrated Financial Group with industry leading compliance culture.

#### MISSION

Effectively measure and manage the compliance risk of the UCL Financial Group to meet the expectations of all stakeholders.

#### VALUE ADD

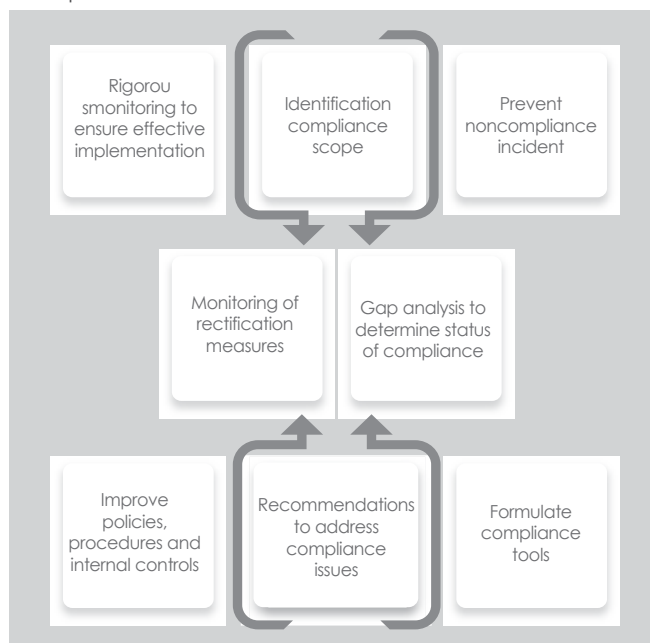
Infusing Best Practices  
Compliance Risk  
Mitigation Compliance  
Assurance Enabling  
Compliance Education  
& Awareness

Enabling and ensuring compliance with the relevant laws and regulations;  
Enabling and ensuring compliance with internal policies, procedures and controls;  
Ensuring reputational risk is being managed effectively through adequate escalation and update process;  
Working with business and functional units to identify, address and resolve regulatory and internal control failures;  
Collaborating with business and functional units to enhance compliance awareness and competencies;  
Working with business and functional units to embed a compliance culture within the Group; and  
Anticipating and planning for changes in regulations.

#### KEY FUNCTIONS

## 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, and 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 strategies adopted to provide a value proposition to our stakeholders are as below:

## COMPLIANCE VALUE

- Infusing Best Practices
- Compliance Assurance
- Compliance Risk Mitigation
- Enabling Compliance
- Education and Awareness

## 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 develops 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

## 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.

## 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. The Compliance Division continues to play an active role in integrating sound compliance risk management into the overall risk management strategy.

## 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. 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.

With the ultimate aim of embedding 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 practiced 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.

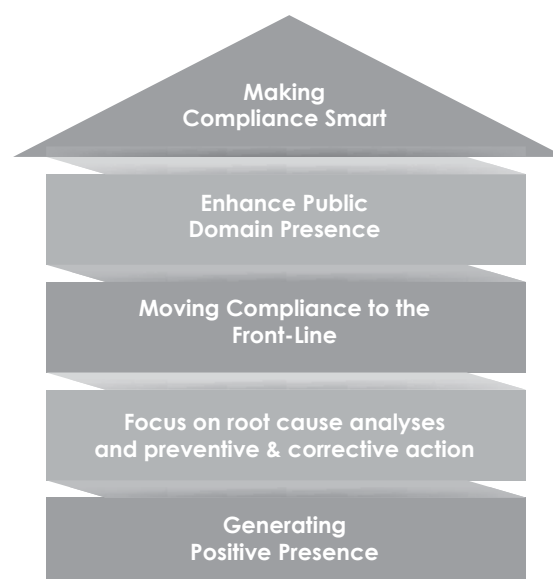
### VALUE OF COMPLIANCE

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 highest 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 is 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 facilitated early detection of compliance risk. This has resulted in quicker compliance risk. The Group recognizes that the strengthening of a compliance culture is the foundation for good compliance practices.

### 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 antimoney laundering detection and prevention;
- 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 offering to raise awareness among employees on the important role that they play in ensuring the Group does not become a conduit for money laundering.

**Annexure-B**

[Certificate as per condition No. 1 (5) (xxvii)]

**Certificate on****COMPLIANCE WITH CONDITIONS ON CORPORATE GOVERNANCE CODE**

কে. এম. হাসান এন্ড কোং  
**K. M. HASAN & CO.**  
**Chartered Accountants**

Hometown Apartments (8<sup>th</sup> & 9<sup>th</sup> Floor)  
87, New Eskaton Road, Dhaka-1000  
Phone: 222221564, 222221457, 58311559  
Fax: 88-02-222225792  
E-mail: info@kmhasan.com.bd  
website: www.kmhasan.com.bd



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**Report to the Shareholders of Union Capital Limited on compliance  
on the Corporate Governance Code**

We have examined the compliance status to the Corporate Governance Code by Union Capital limited for the year ended on December 31, 2021. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/ Admin /80 Dated 03 June 2018 of the Bangladesh Securities and Exchange Commission.

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

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

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

- (a) The company has complied with the conditions of the Corporate Governance Code as stipulated in the above-mentioned Corporate Governance Code issued by the Commission except those mentioned in statement of Compliance Status;
- (b) The company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;
- (c) Proper books and records have been kept by the company as required under the companies Act, 1994, the securities laws and other relevant laws; and
- (d) The governance of the company is satisfactory.

**Place: Dhaka**  
Date: June 09, 2022

  
**For K. M. HASAN & CO.**  
Chartered Accountants

Partner  
Md. Shahidul Islam FCA

**Annexure-C**

[As per condition No. 1 (5) (xxvii)]

**Status on compliance of the Corporate Governance Guideline (CGG) as on 31 December 2021**

Status of compliance with the condition imposed by the Commission's Notification No. BSEC/CMRRCD/2006-158/207/ Admin/80, dated 03 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

| Condition No. | Title  | Compliance Status |              | Remarks |
|---------------|--|-------------------|--------------|---------|
|               |  | Complied          | Not Complied |         |
| 1             | Board of Directors   |                   |              |         |
| 1(1)          | <b>"Size of the Board of Directors"</b><br>The total number of members of a company's Board of Directors (hereinafter referred to as "Board") shall not be less than 5 (five) and more than 20 (twenty)."  | ✓                 |              |         |
| 1(2)          | Independent Directors  |                   |              |         |
| 1(2)(a)       | At least one-fifth (1/5) of the total number of directors in the company's Board shall be independent directors; any fraction shall be considered to the next integer or whole number for calculating number of independent director(s);   | ✓                 |              |         |
| 1(2)(b)(i)    | Who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company;   | ✓                 |              |         |
| 1(2)(b)(ii)   | who is not a sponsor of the company or is not connected with the company's any sponsor or director or nominated director or shareholder of the company or any of its associates, sister concerns, subsidiaries and parents or holding entities who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship and his or her family members also shall not hold above mentioned shares in the company; | ✓                 |              |         |
| 1(2)(b)(iii)  | who has not been an executive of the company in immediately preceding 2 (two) financial years;   | ✓                 |              |         |
| 1(2)(b)(iv)   | Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary or associated companies;  | ✓                 |              |         |
| 1(2)(b)(v)    | Who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange;   | ✓                 |              |         |
| 1(2)(b)(vi)   | who is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market;  | ✓                 |              |         |
| 1(2)(b)(vii)  | Who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm or audit firm engaged in internal audit services or audit firm conducting special audit or professional certifying compliance of this Code;   | ✓                 |              |         |
| 1(2)(b)(viii) | Who shall not be an independent director in more than 5 (five) listed companies;   | ✓                 |              |         |
| 1(2)(b)(ix)   | Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI);  | ✓                 |              |         |
| 1(2)(b)(x)    | Who has not been convicted for a criminal offence involving moral turpitude.   | ✓                 |              |         |

| Condition No. | Title   | Compliance Status |              | Remarks                 |
|---------------|---|-------------------|--------------|-------------------------|
|               |   | Complied          | Not Complied |                         |
| 1(2)(c)       | The independent director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM).  | √                 |              |                         |
| 1(2)(d)       | The post of independent director(s) can not remain vacant for more than 90 (ninety) days.   | √                 |              |                         |
| 1(2)(e)       | The tenure of office of an independent director shall be for a period of 3(three) years, which may be extended for 1(one) term only.  | √                 |              |                         |
| <b>1(3)</b>   | <b>Qualification of Independent Director (ID)</b>   |                   |              |                         |
| 1(3)(a)       | Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.  | √                 |              |                         |
| 1(3)(b)(i)    | Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk. 100.00 million or any listed company or a member of any national or international chamber of commerce or business association; or   |                   |              | N/A                     |
| 1(3)(b)(ii)   | Corporate Leader who is or was a top level executive not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid up capital of k. 100.00 million or of a listed company; or | √                 |              |                         |
| 1(3)(b)(iii)  | Former official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or business or law; or   | √                 |              |                         |
| 1(3)(b)(iv)   | University Teacher who has educational background in Economics or Commerce or Business Studies or Law; or   |                   |              | N/A                     |
| 1(3)(b)(v)    | Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification;  | √                 |              |                         |
| 1(3)(c)       | The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b)   | √                 |              |                         |
| 1(3)(d)       | In special cases the above qualifications may be relaxed subject to prior approval of the Commission.   |                   |              | No such event occurred. |
| <b>1(4)</b>   | <b>Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer:</b>   |                   |              |                         |
| 1(4)(a)       | The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals;  | √                 |              |                         |
| 1(4)(b)       | The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company;   | √                 |              |                         |
| 1(4)(c)       | The Chairperson of the Board shall be elected from among the non-executive directors of the company;  | √                 |              |                         |

| Condition No. | Title  | Compliance Status |              | Remarks                        |
|---------------|--|-------------------|--------------|--------------------------------|
|               |  | Complied          | Not Complied |                                |
| 1(4)(d)       | The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer;  | ✓                 |              |                                |
| 1(4)(e)       | In the absence of the Chairperson of the Board, the remaining members may elect one of themselves from non-executive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes. |                   |              | No such event occurred in 2021 |
| <b>1(5)</b>   | <b>The Directors' Report to Shareholders:</b>  |                   |              |                                |
| 1(5)(i)       | An industry outlook and possible future developments in the industry   | ✓                 |              |                                |
| 1(5)(ii)      | The segment-wise or product-wise performance   | ✓                 |              |                                |
| 1(5)(iii)     | Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any;  | ✓                 |              |                                |
| 1(5)(iv)      | A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin, where applicable;   | ✓                 |              |                                |
| 1(5)(v)       | A discussion on continuity of any extraordinary activities and their implications (gain or loss);  | ✓                 |              |                                |
| 1(5)(vi)      | A detailed discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions;  | ✓                 |              |                                |
| 1(5)(vii)     | A statement of utilization of proceeds raised through public issues, rights issues and/or any other instruments  |                   |              | No such event occurred in 2021 |
| 1(5)(viii)    | An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing, etc.;  |                   |              | No such event occurred in 2021 |
| 1(5)(ix)      | An explanation on any significant variance that occurs between Quarterly Financial performances and Annual Financial Statements;   | ✓                 |              |                                |
| 1(5)(x)       | A statement of remuneration paid to the directors including independent directors;   | ✓                 |              |                                |
| 1(5)(xi)      | A statement that the financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;  | ✓                 |              |                                |
| 1(5)(xii)     | A statement that proper books of account of the issuer company have been maintained;   | ✓                 |              |                                |
| 1(5)(xiii)    | A statement that appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;   | ✓                 |              |                                |
| 1(5)(xiv)     | A statement that International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;    | ✓                 |              |                                |
| 1(5)(xv)      | A statement that the system of internal control is sound in design and has been effectively implemented and monitored;   | ✓                 |              |                                |



| Condition No.        | Title  | Compliance Status |              | Remarks |
|----------------------|--|-------------------|--------------|---------|
|                      |  | Complied          | Not Complied |         |
| 1 (5) (xvi)          | A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;                            | √                 |              |         |
| 1 (5) (xvii)         | A statement that there is no significant doubt upon the issuer company's ability to continue as a going concern, if the issuer company is not considered to be a going concern, the fact along with reasons there of shall be disclosed; | √                 |              |         |
| 1 (5) (xviii)        | An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof shall be explained;   | √                 |              |         |
| 1 (5) (xix)          | A statement where key operating and financial data of at least preceding 5 (five) years shall be summarized  | √                 |              |         |
| 1 (5) (xx)           | An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year;  | √                 |              |         |
| 1 (5) (xxi)          | Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend;   | √                 |              |         |
| 1 (5) (xxii)         | The total number of Board meetings held during the year and attendance by each director;   | √                 |              |         |
| <b>1 (5) (xxiii)</b> | <b>A report on the pattern of shareholding disclosing the aggregate number of shares (along with name-wise details where stated below) held by:</b>  |                   |              |         |
| 1 (5) (xxiii) (a)    | Parent or Subsidiary or Associated Companies and other related parties (name-wise details);  | √                 |              |         |
| 1 (5) (xxiii) (b)    | Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children (name-wise details);  | √                 |              |         |
| 1 (5) (xxiii) (c)    | Executives; and  | √                 |              |         |
| 1 (5) (xxiii) (d)    | Shareholders holding ten percent (10%) or more voting interest in the company (name-wise details);   | √                 |              |         |
| <b>1 (5) (xxiv)</b>  | <b>In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders:</b>   |                   |              |         |
| 1 (5) (xxiv) (a)     | A brief resume of the director;  | √                 |              |         |
| 1 (5) (xxiv) (b)     | Nature of his/her expertise in specific functional areas;  | √                 |              |         |
| 1 (5) (xxiv) (c)     | Names of companies in which the person also holds the directorship and the membership of committees of the board.  | √                 |              |         |
| <b>1 (5) (xxv)</b>   | <b>A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:</b> |                   |              |         |
| 1 (5) (xxv) (a)      | Accounting policies and estimation for preparation of financial statements;  | √                 |              |         |
| 1 (5) (xxv) (b)      | Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes;                               | √                 |              |         |
| 1 (5) (xxv) (c)      | Comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof;        | √                 |              |         |
| 1 (5) (xxv) (d)      | Compare such financial performance or results and financial position as well as cash flows with the peer industry scenario;  | √                 |              |         |
| 1 (5) (xxv) (e)      | Briefly explain the financial and economic scenario of the country and the globe;  | √                 |              |         |



| Condition No. | Title  | Compliance Status  |              | Remarks |
|---------------|--|--|--------------|---------|
|               |  | Complied   | Not Complied |         |
| 1(5)(xxv)(f)  | Risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company; and   | √  |              |         |
| 1(5)(xxv)(g)  | Future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM;   | √  |              |         |
| 1(5)(xxvi)    | Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A; and  | √  |              |         |
| 1(5)(xxvii)   | The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per Annexure-B and Annexure-C.   | √  |              |         |
| 1(6)          | Meetings of the Board of Directors   |  |              |         |
|               | The company shall conduct its Board meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Code. | √  |              |         |
| 1(7)          | Code of Conduct for the Chairperson, other Board members and Chief Executive Officer   |  |              |         |
| 1(7)(a)       | The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC) at condition No. 6, for the Chairperson of the Board, other board members and Chief Executive Officer of the company;   | As per Bangladesh Bank guidelines, UCL being a Financial Institution (FI) is not permitted to comply with conditions for formation of Nomination and Remuneration Committee in accordance with the Corporate Governance Code, 2018 issued by BSEC. As because it is conflicting with the regulation of Financial Institutions Act, 1993 and related directives of Bangladesh Bank.<br><br>However, UCL has a Remuneration and Compensation Committee. The Committee is comprised of the members of the higher Management of UCL. |              |         |
| 1(7)(b)       | The code of conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behavior; confidentiality; conflict of interest; compliance with laws, rules and regulations; prohibition of insider trading; relationship with environment, employees, customers and suppliers; and independency.                     |  |              |         |
| 2             | Governance of Board of Directors of Subsidiary Company   |  |              |         |
| 2(a)          | Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company;   | √  |              |         |
| 2(b)          | At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company;  | √  |              |         |
| 2(c)          | The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company  | √  |              |         |
| 2(d)          | The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also;   | √  |              |         |
| 2(e)          | The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company  | √  |              |         |

| Condition No. | Title  | Compliance Status  |              | Remarks |
|---------------|--|--|--------------|---------|
|               |  | Complied   | Not Complied |         |
| 3             | Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)  |  |              |         |
| 3(1)          | Appointment  |  |              |         |
| 3(1)(a)       | The Board shall appoint a Managing Director (MD) or Chief Executive Officer (CEO), a Company Secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC);   | √  |              |         |
| 3(1)(b)       | The positions of the Managing Director (MD) or Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO) and Head of Internal Audit and Compliance (HIAC) shall be filled by different individuals;   | √  |              |         |
| 3(1)(c)       | The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time;   | √  |              |         |
| 3(1)(d)       | The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS;  | √  |              |         |
| 3(1)(e)       | The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s).   | √  |              |         |
| 3(2)          | Requirement to attend Board of Directors' Meetings   |  |              |         |
|               | The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board:   | √  |              |         |
| 3(3)          | Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)  |  |              |         |
| 3(3)(a)       | The MD or CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief:   | √  |              |         |
| 3(3)(a)(i)    | these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and  | √  |              |         |
| 3(3)(a)(ii)   | these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;  | √  |              |         |
| 3(3)(b)       | The MD or CEO and CFO shall also certify that there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board or its members; | √  |              |         |
| 3(3)(c)       | The certification of the MD or CEO and CFO shall be disclosed in the Annual Report.  | √  |              |         |
| 4             | Board of Directors' Committee  |  |              |         |
| 4(i)          | Audit Committee; and   | √  |              |         |
| 4(ii)         | Nomination and Remuneration Committee.   | As per Bangladesh Bank guidelines, UCL being a Financial Institution (FI) is not permitted to comply with conditions for formation of Nomination and Remuneration Committee in accordance with the Corporate Governance Code, 2018 issued by BSEC. As because it is conflicting with the regulation of Financial Institutions Act, 1993 and related directives of Bangladesh Bank. |              |         |

| Condition No. | Title   | Compliance Status |              | Remarks  |
|---------------|---|-------------------|--------------|--|
|               |   | Complied          | Not Complied |  |
|               |   |                   |              | However, UCL has a Remuneration and Compensation Committee. The Committee is comprised of the members of the higher Management of UCL. |
| <b>5</b>      | <b>Audit Committee</b>  |                   |              |  |
| 5(1)          | Responsibility to the Board of Directors  |                   |              |  |
| 5(1)(a)       | The company shall have an Audit Committee as a subcommittee of the Board;   | √                 |              |  |
| 5(1)(b)       | The Audit Committee shall assist the Board 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;  | √                 |              |  |
| 5(1)(c)       | The Audit Committee shall be responsible to the Board; the duties of the Audit Committee shall be clearly set forth in writing.   | √                 |              |  |
| 5(2)          | Constitution of the Audit Committee.  |                   |              |  |
| 5(2)(a)       | The Audit Committee shall be composed of at least 3 (three) members;  | √                 |              |  |
| 5(2)(b)       | The Board shall appoint members of the Audit Committee who shall be non-executive directors of the company excepting Chairperson of the Board and shall include at least 1 (one) independent director;  | √                 |              |  |
| 5(2)(c)       | All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience;   | √                 |              |  |
| 5(2)(d)       | When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 1 (one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee; | √                 |              |  |
| 5(2)(e)       | The company secretary shall act as the secretary of the Committee;  | √                 |              |  |
| 5(2)(f)       | The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.   | √                 |              |  |
| <b>5(3)</b>   | <b>Chairperson of the Audit Committee</b>   |                   |              |  |
| 5(3)(a)       | The Board shall select 1 (one) member of the Audit Committee to be Chairperson of the Audit Committee, who shall be an independent director;  | √                 |              |  |
| 5(3)(b)       | In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes.   | √                 |              |  |

| Condition No. | Title  | Compliance Status |              | Remarks                        |
|---------------|--|-------------------|--------------|--------------------------------|
|               |  | Complied          | Not Complied |                                |
| 5(3)(c)       | Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM).   | √                 |              |                                |
| <b>5(4)</b>   | <b>Meeting of the Audit Committee</b>  |                   |              |                                |
| 5(4)(a)       | The Audit Committee shall conduct at least its four meetings in a financial year.  | √                 |              |                                |
| 5(4)(b)       | The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two-third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must.              | √                 |              |                                |
| <b>5(5)</b>   | <b>Role of Audit Committee</b>   |                   |              |                                |
| 5(5)(a)       | oversee the financial reporting process;   | √                 |              |                                |
| 5(5)(b)       | monitor choice of accounting policies and principles;  | √                 |              |                                |
| 5(5)(c)       | monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report;                                      | √                 |              |                                |
| 5(5)(d)       | oversee hiring and performance of external auditors;   | √                 |              |                                |
| 5(5)(e)       | hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;  | √                 |              |                                |
| 5(5)(f)       | review along with the management, the annual financial statements before submission to the Board for approval;   | √                 |              |                                |
| 5(5)(g)       | review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;  | √                 |              |                                |
| 5(5)(h)       | review the adequacy of internal audit function;  | √                 |              |                                |
| 5(5)(i)       | review the Management's Discussion and Analysis before disclosing in the Annual Report;  | √                 |              |                                |
| 5(5)(j)       | review statement of all related party transactions submitted by the management;  | √                 |              |                                |
| 5(5)(k)       | review Management Letters or Letter of Internal Control weakness issued by statutory auditors;   | √                 |              |                                |
| 5(5)(l)       | oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors; and   | √                 |              |                                |
| 5(5)(m)       | oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission. |                   |              | No such event occurred in 2021 |

| Condition No.  | Title   | Compliance Status  |              | Remarks                 |
|----------------|---|--|--------------|-------------------------|
|                |   | Complied   | Not Complied |                         |
| 5(6)           | Reporting of the Audit Committee  |  |              |                         |
| 5(6)(a)        | Reporting to the Board of Directors   |  |              |                         |
| 5(6)(a)(i)     | The Audit Committee shall report on its activities to the Board.  | √  |              |                         |
| 5(6)(a)(ii)    | The Audit Committee shall immediately report to the Board on the following findings, if any:  |  |              |                         |
| 5(6)(a)(ii)(a) | report on conflicts of interests;   |  |              | No such event occurred. |
| 5(6)(a)(ii)(b) | suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements;  |  |              | No such event occurred. |
| 5(6)(a)(ii)(c) | suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations; and  |  |              | No such event occurred. |
| 5(6)(a)(ii)(d) | any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately;   | √  |              |                         |
| 5(6)(b)        | Reporting to the Authorities  |  |              |                         |
|                | If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier. |  |              | No such event occurred. |
| 5(7)           | Reporting to the Shareholders and General Investors   |  |              |                         |
|                | Report on activities carried out by the Audit Committee, including any report made to the Board under condition No. 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.  | √  |              |                         |
| 6              | Nomination and Remuneration Committee (NRC).  | As per Bangladesh Bank guidelines, UCL being a Financial Institution (FI) is not permitted to comply with conditions for formation of Nomination and Remuneration Committee in accordance with the Corporate Governance Code, 2018 issued by BSEC. As because it is conflicting with the regulation of Financial Institutions Act, 1993 and related directives of Bangladesh Bank.<br><br>However, UCL has a Remuneration and Compensation Committee. The Committee is comprised of the members of the higher Management of UCL. |              |                         |
| 6(1)           | Responsibility to the Board of Directors  |  |              |                         |
| 6(1)(a)        | The company shall have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board;   | "Do"   |              |                         |



| Condition No. | Title  | Compliance Status |              | Remarks |
|---------------|--|-------------------|--------------|---------|
|               |  | Complied          | Not Complied |         |
| 6(1)(b)       | The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive;          |                   |              | "Do"    |
| 6(1)(c)       | The Terms of Reference (ToR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No.6(5)(b).   |                   |              | "Do"    |
| <b>6(2)</b>   | <b>Constitution of the NRC</b>   |                   |              |         |
| 6(2)(a)       | The Committee shall comprise of at least three members including an independent director;  |                   |              | "Do"    |
| 6(2)(b)       | All members of the Committee shall be non-executive directors;   |                   |              | "Do"    |
| 6(2)(c)       | Members of the Committee shall be nominated and appointed by the Board;  |                   |              | "Do"    |
| 6(2)(d)       | The Board shall have authority to remove and appoint any member of the Committee;  |                   |              | "Do"    |
| 6(2)(e)       | In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee;   |                   |              | "Do"    |
| 6(2)(f)       | The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as advisor who shall be non-voting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee; |                   |              | "Do"    |
| 6(2)(g)       | The company secretary shall act as the secretary of the Committee;   |                   |              | "Do"    |
| 6(2)(h)       | The quorum of the NRC meeting shall not constitute without attendance of at least an independent director;   |                   |              | "Do"    |
| 6(2)(i)       | No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company.  |                   |              | "Do"    |
| <b>6(3)</b>   | <b>Chairperson of the NRC</b>  |                   |              |         |
| 6(3)(a)       | The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director;   |                   |              | "Do"    |
| 6(3)(b)       | In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;  |                   |              | "Do"    |
| 6(3)(c)       | The Chairperson of the NRC shall attend the Annual General Meeting (AGM) to answer the queries of the shareholders.  |                   |              | "Do"    |
| <b>6(4)</b>   | <b>Meeting of the NRC</b>  |                   |              |         |
| 6(4)(a)       | The NRC shall conduct at least one meeting in a financial year;  |                   |              | "Do"    |
| 6(4)(b)       | The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC;  |                   |              | "Do"    |

| Condition No. | Title   | Compliance Status |              | Remarks |
|---------------|---|-------------------|--------------|---------|
|               |   | Complied          | Not Complied |         |
| 6(4)(c)       | The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h); |                   |              | "Do"    |
| 6(4)(d)       | The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC   |                   |              | "Do"    |
| <b>6(5)</b>   | <b>Role of the NRC</b>  |                   |              |         |
| 6(5)(a)       | NRC shall be independent and responsible or accountable to the Board and to the shareholders;   |                   |              | "Do"    |
| 6(5)(b)       | NRC shall oversee, among others, the following matters and make report with recommendation to the Board:  |                   |              | "Do"    |
| 6(5)(b)(i)    | formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, relating to the remuneration of the directors, top level executive, considering the following:           |                   |              | "Do"    |
| 6(5)(b)(i)(a) | the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;  |                   |              | "Do"    |
| 6(5)(b)(i)(b) | the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and  |                   |              | "Do"    |
| 6(5)(b)(i)(c) | remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;  |                   |              | "Do"    |
| 6(5)(b)(ii)   | devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;  |                   |              | "Do"    |
| 6(5)(b)(iii)  | identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;                                   |                   |              | "Do"    |
| 6(5)(b)(iv)   | formulating the criteria for evaluation of performance of independent directors and the Board;  |                   |              | "Do"    |
| 6(5)(b)(v)    | identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and  |                   |              | "Do"    |
| 6(5)(b)(vi)   | developing, recommending and reviewing annually the company's human resources and training policies;  |                   |              | "Do"    |
| 6(5)(c)       | The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report.   |                   |              | "Do"    |
| <b>7</b>      | <b>External or Statutory Auditors.</b>  |                   |              |         |
| 7(1)          | The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely:-   |                   |              |         |
| 7(1)(i)       | appraisal or valuation services or fairness opinions;   | √                 |              |         |
| 7(1)(ii)      | financial information systems design and implementation;  | √                 |              |         |
| 7(1)(iii)     | book-keeping or other services related to the accounting records or financial statements;   | √                 |              |         |
| 7(1)(iv)      | broker-dealer services;   | √                 |              |         |

| Condition No. | Title   | Compliance Status |              | Remarks   |
|---------------|---|-------------------|--------------|---|
|               |   | Complied          | Not Complied |   |
| 7(1)(v)       | actuarial services;   | √                 |              |   |
| 7(1)(vi)      | internal audit services or special audit services;  | √                 |              |   |
| 7(1)(vii)     | any service that the Audit Committee determines;  | √                 |              |   |
| 7(1)(viii)    | audit or certification services on compliance of corporate governance as required under condition No. 9(1); and   | √                 |              |   |
| 7(1)(ix)      | any other service that creates conflict of interest.  | √                 |              |   |
| 7(2)          | No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company; his or her family members also shall not hold any shares in the said company:   | √                 |              |   |
| 7(3)          | Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General Meeting or Extraordinary General Meeting) to answer the queries of the shareholders.   | √                 |              |   |
| <b>8</b>      | <b>Maintaining a website by the Company.</b>  |                   |              |   |
| 8(1)          | The company shall have an official website linked with the website of the stock exchange.   | √                 |              | Website address is <a href="http://www.unicap-bd.com">www.unicap-bd.com</a> |
| 8(2)          | The company shall keep the website functional from the date of listing.   | √                 |              |   |
| 8(3)          | The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchange(s).  | √                 |              |   |
| <b>9</b>      | <b>Reporting and Compliance of Corporate Governance.-</b>   |                   |              |   |
| 9(1)          | The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report. | √                 |              |   |
| 9(2)          | The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the annual general meeting.   | √                 |              |   |
| 9(3)          | The directors of the company shall state, in accordance with the Annexure-C attached, in the directors' report whether the company has complied with these conditions or not.   | √                 |              |   |

## Compliance Report

## BANGLADESH BANK'S GUIDELINES ON CORPORATE GOVERNANCE

Bangladesh 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:

| Particulars   | Compliance status |
|---|-------------------|
| <b>1 RESPONSIBILITIES AND AUTHORITIES OF BOARD OF DIRECTORS</b>   |                   |
| <b>A Work-planning and strategic management</b>   |                   |
| 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          |
| <b>B. Formulation of sub-committee</b>  |                   |
| 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          |
| <b>C. Financial Management</b>  |                   |
| 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          |
| <b>D. Loan/Lease/Investment</b>   |                   |
| 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 the Management preferably on the 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          |
| <b>E. Risk Management</b>   |                   |
| The Board shall approved the 'Risk Management Guideline' and review the same regularly as specified by the 'Core Risk Management Guideline' of Bangladesh Bank.   | Complied          |
| <b>F. Internal Control &amp; Compliance</b>   |                   |
| 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          |
| <b>G. Human Resources Management</b>  |                   |
| i 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          |

| Particulars  | Compliance status |
|--|-------------------|
| 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          |
| <b>H. Appointment of Managing Director and Increase of Salaries &amp; Allowances</b>   |                   |
| 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.   | Complied          |
| <b>I Benefit to Chairman</b>   |                   |
| 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          |
| <b>2 RESPONSIBILITIES AND DUTIES OF CHAIRMAN</b>   |                   |
| 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.  |                   |
| iii The Chairman shall sign-off the proposal for appointment of the Managing Director and increment of his salary & allowances.  | Complied          |
| <b>3 RESPONSIBILITIES AND DUTIES OF MANAGING DIRECTR</b>   |                   |
| 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          |



## Disclosures on

**CAPITAL ADEQUACY AND MARKET DISCIPLINE (CAMD) – PILLAR III****A) Scope of Application****Qualitative Disclosures:**

(a) The name of the top corporate entity in the group to which this guideline applies.

➤ Union Capital Limited.

(b) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted)

➤ Union Capital Limited (UCL) has two wholly owned subsidiaries: UniCap Securities Limited and UniCap Investments Limited which are fully consolidated.

(c) Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group

➤ Not Applicable

**Quantitative Disclosures:**

The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries

➤ Not Applicable

**B) Capital Structure****Qualitative Disclosures:**

(a) Summary information on terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or Tier 2.

**Tier 2 Capital includes:**

(i) General provision up to a limit of 1.25% of Risk Weighted Asset (RWA) of Credit Risk.

(ii) Revaluation reserves:

- 50% of Revaluation reserve for fixed assets
- 45% Revaluation reserve for securities

(iii) All other preference shares

**Conditions for maintaining regulatory capital:**

(i) The amount of Tier 2 capital will be limited to 100% of the amount of Tier 1 capital.

(ii) 50% of revaluation reserves for fixed assets and 45% of revaluation reserves for securities are eligible for Tier 2 capital.

**Quantitative Disclosures:**

(b) The amount of Tier 1 capital, with separate disclosure of:

| Particulars       | Amount in crore Taka |
|-------------------|----------------------|
| Paid up Capital   | 172.57               |
| Statutory reserve | 45.19                |
| Retained earning  | (285.17)             |

| Particulars                            | Amount in crore Taka |
|--|----------------------|
| (c) The total amount of Tier 2 capital | 25.39                |
| (d) Other deductions from capital      | -                    |
| (e) Total eligible capital             | (42.01)              |

**C) Capital Adequacy****Qualitative Disclosures**

(a) A summary discussion of UCL's approach to assessing the adequacy of its capital to support current and future activities.

**Risk Weighted Assets (RWA) and Capital Adequacy Ratio (CAR)**

UCL has applied Standard Approach for computation of Capital Charge for Credit Risk and Market Risk while Basic Indicator Approach for Operational Risk. Total Risk Weighted Assets (RWA) of the Company is determined by multiplying capital charge for market risk and operational risk by reciprocal of the minimum capital adequacy ratio and adding the resulted figures to the sum of risk weighted assets for credit risk. Total RWA is then used as denominator while total Eligible Capital as numerator to derive Capital Adequacy Ratio.

**Strategy to Achieve the Required Capital Adequacy:**

- Rigorous monitoring of overdue loans to bring those under 90 days overdue
- Financing clients having good rating as per Company's policy
- Using benefit of credit risk mitigation by taking eligible collaterals against transactions
- Increasing capital base of the company.

**Quantitative Disclosures**

| Particulars                              | Amount in crore Taka |
|--|----------------------|
| Capital requirement for Credit Risk      | 165.11               |
| Capital requirement for Market Risk      | 9.15                 |
| Capital requirement for Operational Risk | 11.81                |
| <b>Total and Tier 1 capital ratio:</b>   |                      |
| CAR on Total capital basis (%)           | (2.26)               |
| CAR on Tier 1 capital basis (%)          | (3.62)               |

**D) Credit Risk****Qualitative Disclosures**

(a) The general qualitative disclosure requirement with respect to credit risk including:

- Definitions of past due and impaired (for accounting purposes)

As per the Bangladesh Bank's Prudential Guideline on

Capital Adequacy and Market Discipline for Financial Institutions, the unsecured portion of any claim or exposure (other than claims secured by residential property) that is past due for 90 days or more, net of specific provisions (including partial write-off) will be risk weighted as per risk weights of respective balance sheet exposures. For the purpose of defining the net exposure of the past due loan, eligible financial collateral (if any) may be considered for Credit Risk Mitigation.

- Description of approaches followed for specific and general allowances and statistical methods. General and specific provisions are maintained according to the relevant Bangladesh Bank Guidelines.

#### Discussion on FI's credit risk management policy: -

#### Implementation of various strategies to minimize risk:

#### To encounter and mitigate credit risk, the following control measures are taken place at UCL:

- Vigorous monitoring and follow up by fully dedicated recovery and collection team;
- Strong follow up of compliance of credit policies by appraiser and credit department;
- Taking collateral, performing valuation and legal vetting on the proposed collateral by members of our own dedicated technical and legal department;
- Seeking legal opinion from external lawyers for an legal issues if required; and
- Regular review of market situation and industry exposures.

In addition to the best industry practices for assessing, identifying and measuring risks, UCL also considers Guideline for Managing Core Risks of Financial Institutions issued by Bangladesh Bank for management of risks.

In addition to the best industry practices for assessing, identifying and measuring risks, UCL also considers Guideline for Managing Core Risks of Financial Institutions issued by Bangladesh Bank for management of risks.

#### Approved Credit Policy by the Board of Directors

The Board of Directors has approved the credit policy for the company where major policy guidelines, growth strategy, exposure limits and risk management strategies have been described/ stated. Credit policy is regularly updated to cope up with the changing global, environmental and domestic scenarios.

#### Separate Credit Risk Management (CRM) Department

An independent Credit Risk Management (CRM) Department is in place, at UCL, to scrutinize projects from a risk-weighted point of view and assist the management in creating a high quality credit portfolio and maximize returns from risk assets. CRM assess credit risks and suggest mitigations before recommendation of every credit proposal while Credit Administration confirms that adequate security documents are in place before disbursement.

#### Monitoring and Recovery Team

A strong recovery team monitors the performance of the loans and advances, identifies early sign of delinquencies

in portfolio and takes corrective measures to mitigate risks, improve loan quality and to ensure recovery of loans in a timely manner including legal actions.

#### Independent Internal Control & Compliance Department

Appropriate internal control measures are in place at UCL. An Internal Control & Compliance Department has been established to ensure compliance with all internal guidelines, Bangladesh Bank guidelines, operational procedures and adequacy of internal control and documentation procedures.

#### Credit Evaluation

To mitigate credit risk, UCL search for credit reports from Credit Information Bureau (CIB) of Bangladesh Bank. The report is scrutinized by Credit Admin Department and Credit Risk Management Department to understand the liability condition and repayment behavior of the client. Depending on the reports, opinions are taken from the concerned related parties for better understanding about client's credit worthiness.

#### Credit Approval Process

To ensure both speedy service and mitigation of credit risk, the approval process is maintained through a multilayer system.

Depending on the size of the loan, a multilayer approval system is designed. As smaller loan are very frequent and comparatively less risky, lower sanctioning authority is set to improve processing time and associated risk. Bigger loans require more scrutiny as the associated risk is higher hence sanctioning authority is higher as well.

#### Early Warning System

Performance of loans is regularly monitored to trigger early warning system to address the loans and advances whose performance show any deteriorating trend. It helps the company to grow its credit portfolio with ultimate objective of protecting the interest of the stakeholders.

#### Methods used to measure Credit Risk

As per the directives of Bangladesh Bank, 'The Standardize Approach' is applied by the company to measure its Credit Risk.

#### Quantitative Disclosures

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

| Particulars                | Amount in crore Taka |
|----------------------------|----------------------|
| Leasing                    | 146.53               |
| Term finance               | 548.30               |
| Home loan                  | 25.17                |
| Investment in subsidiaries | 449.17               |
| Other finance              | 2.09                 |
| <b>Total</b>               | <b>1,171.26</b>      |

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

| Area                | Amount in crore Taka |
|---------------------|----------------------|
| Dhaka Division      | 995.29               |
| Chattogram Division | 160.18               |
| Rajshahi Division   | 11.28                |
| Khulna Division     | 0.47                 |
| Rangpur Division    | 2.43                 |
| Sylhet Division     | 1.60                 |
| <b>Total</b>        | <b>1,171.26</b>      |

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

| Sector   | Amount in crore Taka |
|--|----------------------|
| <b>Trade and Commerce</b>  | <b>108.05</b>        |
| <b>Industry</b>  |                      |
| Garments and Knitwear  | 76.86                |
| Textile  | 145.77               |
| Food Products and Processing Industry  | 13.53                |
| Jute and Jute Products   | 1.59                 |
| Plastic and Rubber Industry  | 4.30                 |
| Leather and Leather-Goods  | 0.05                 |
| Iron, Still and Engineering  | 37.01                |
| Pharmaceuticals and Chemicals  | 45.90                |
| Cement and Allied Industry   | 0.47                 |
| Paper, Packaging, Printing, Publishing & Allied Industry                               | 21.42                |
| Wood, Furniture & Fixture  | 6.71                 |
| Glass, Glassware & Ceramic Industry  | 13.04                |
| Ship Manufacturing & Breaking  | 75.91                |
| Electronics & Electrical Products  | 21.77                |
| Power, Gas, Water and Sanitary Service   | -                    |
| Transport and Aviation   | 27.56                |
| <b>Agriculture</b>   |                      |
| Poultry & Livestock  | 22.79                |
| Fisheries  | 0.69                 |
| Others (Cold Storage, Biofuel, Seed, Feed, Agri-related Other Institutions & Services) | 17.80                |
| <b>Housing</b>   |                      |
| Individual/Retail Housing  | 0.10                 |
| Project/Commercial Housing   | 38.71                |
| <b>Financial Corporation</b>   |                      |
| Insurance Company  | 0.24                 |
| Audit & Accounting Firm  | -                    |
| Loans to Own Subsidiaries  | 449.17               |
| Other Financial Auxiliaries  | 0.12                 |
| <b>Service</b>   |                      |
| Tourism, Hospitality & Logistics   | 1.06                 |

| Sector  | Amount in crore Taka |
|---|----------------------|
| Health Sector                                       | 31.49                |
| Tailoring & Laundry                                 | 1.90                 |
| Restaurant Service, Catering & Online Food Supplier | 0.16                 |
| Others  | 3.98                 |
| <b>Consumer Finance</b>                             |                      |
| Personal Loan                                       | 0.21                 |
| Auto Loan   | 0.21                 |
| Employee/Staff Loan                                 | 0.54                 |
| Credit Card   | -                    |
| Loan Against Deposit                                | 2.22                 |
| <b>Grand total</b>                                  | <b>1,171.26</b>      |

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

| Particulars                            | Amount in crore Taka |
|--|----------------------|
| Repayable on demand                    | 0                    |
| Not more than 3 months                 | 23.10                |
| Over 3 months but not more than 1 year | 107.80               |
| Over 1 year but not more than 5 years  | 939.52               |
| Over 5 years                           | 100.83               |
| <b>Total</b>                           | <b>1,171.26</b>      |

**(f) By major industry or counter party type**

(i) Amount of impaired loans and if available, past due loans, provided separately

The amount of classified loans and advances of UCL are given below as per Bangladesh Bank guidelines.

| Particulars                    | Amount in crore Taka |
|--------------------------------|----------------------|
| Loans & advances up to 5 years | 217.21               |
| Loan & advances over 5 years   | 102.77               |
| <b>Totals</b>                  | <b>319.99</b>        |

(ii) Specific and general provisions:

Specific and general provisions were made on the amount of classified and unclassified loans and advances of UCL.

| Particulars                                  | Amount in crore Taka |
|--|----------------------|
| Provision on classified loans and advances   | 93.41                |
| Provision on unclassified loans and advances | 30.61                |
| <b>Total</b>                                 | <b>124.02</b>        |

(iii) Charges for specific allowances and charge-offs during the year.

During the year the specific and general provisions were made on the amount of classified and unclassified loans and advances of UCL.

| Particulars                                  | Amount in crore Taka |
|--|----------------------|
| Provision on Unclassified loans and advances | 18.42                |
| Provision on classified loans and advances   | 67.09                |
| <b>Total</b>                                 | <b>85.51</b>         |

**E) Equities: Banking book positions****Qualitative Disclosures**

(a) The general qualitative disclosure requirement with respect to equity risk, including:

Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons. Discussion of important policies covering the valuation and accounting of equity holdings in the banking book positions. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.

Quoted shares are valued at cost prices and if the total cost of a particular share is lower than the market value of that particular share, then provision is maintained as per terms and conditions of regulatory authority.

**Quantitative Disclosures**

(b) Value disclosed in the balance sheet of investments, as well as the fair value of those investments, for quoted securities, a comparison to publicly quoted share values where share price is materially different from fair value.

| Particulars                  | Amount in crore Taka |
|------------------------------|----------------------|
| Quoted shares (Market price) | 4.78                 |
| Quoted shares (Cost Price)   | 4.74                 |
| Unquoted shares              | -                    |

| Breakup of Total Investment  |                      |
|------------------------------|----------------------|
| Particulars                  | Amount in crore Taka |
| Government securities        | -                    |
| Non marketable securities    | -                    |
| Preference share             | -                    |
| Investment in share (lockin) | -                    |
| Marketable Securities        | 4.74                 |
| Commercial paper             | -                    |

(c) The cumulative realized gain (losses) arising from sales and liquidations in the reporting period.

| Particulars                       | Amount in crore Taka |
|-----------------------------------|----------------------|
| Cumulative realized gain / (Loss) | 0.21                 |

(d)

| Particulars   | Amount in crore Taka |
|---|----------------------|
| Total unrealized gains (Losses)                     | 0.14                 |
| Total latent revaluation gains (Losses)             | -                    |
| Any amounts of the above included in Tier 2 Capital | -                    |

(e) Capital requirements broken down by appropriate equity groupings, consistent with FI's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital.

Specific Risk – Market value of investment in equities is BDT 4.78 crore. Capital requirement is 10% of the said value which stands at BDT 0.478 crore.

General Risk – Market value of investment in equities is BDT 4.78 crore. Capital requirement is 10% of the said value which stands at BDT 0.478 crore.

**F) Interest rate in the banking book****Qualitative Disclosures**

(a) The general qualitative disclosure requirement including the nature of interest risk and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits.

Interest rate risk in the banking book arises from mismatches between the future yield of assets and their funding cost. Assets Liability Committee (ALCO) monitors the interest rate movement on a regular basis.

UCL measures the interest rate risk by calculating maturity gap between Risk Sensitive Assets (RSA) and Risk Sensitive Liabilities (RSL) i.e. a positive maturity gap affect company's profitability positively with the increment of interest rate and negative maturity gap affects company's profitability adversely with the increment of interest rate.

**Quantitative Disclosures**

(b) The increase (decline) in earning or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring interest rate risk broken down by currency (as relevant).

**Interest Rate Risk-Increase in Interest Rate: (BDT in Crore) Where applicable**

| Particulars                             | Maturity wise distribution of Assets-Liabilities |                          |                           |                           |                         |
|---|--|--------------------------|---------------------------|---------------------------|-------------------------|
|   | One month  | Over 1 month to 2 months | Over 2 months to 3 months | Over 3 months to 6 months | Over 6 months to 1 Year |
| A. Total Rate Sensitive Liabilities (A) | 10.09  | 10.72                    | 10.41                     | 45.72                     | 88.79                   |
| B. Total Rate Sensitive Assets (B)      | 26.47  | 29.65                    | 42.50                     | 96.46                     | 72.54                   |
| C. Mismatch                             | 16.39  | 18.93                    | 32.09                     | 50.73                     | -16.26                  |
| D. Cumulative Mismatch                  | 16.39  | 35.31                    | 67.41                     | 118.14                    | 101.88                  |
| E. Mismatch (%)                         | 162.44%  | 176.51%                  | 308.37%                   | 110.95%                   | -18.31%                 |

| Magnitude of shock                                    | Minor          | Moderate       | Major           |
|---|----------------|----------------|-----------------|
|   | 2%             | 4%             | 6%              |
| Change in the Value of Bond Portfolio (BDT in Crore ) | 0.00           | 0.00           | 0.00            |
| Net Interest Income (BDT in Crore)                    | 2.04           | 4.08           | 6.11            |
| Revised Regulatory Capital (BDT in Crore)             | (31.70)        | (29.66)        | (27.62)         |
| Risk Weighted Assets (BDT in Crore)                   | <b>1860.61</b> | <b>1860.61</b> | <b>1,860.61</b> |
| Revised CAR (%)                                       | -1.70%         | -1.59%         | -1.48%          |

## G) Market Risk

### Qualitative Disclosures

#### (a) Views of BOD on trading/investment activities

All the Market risk related policies/guidelines are duly approved by BOD. The BOD reviews the compliance aiming to mitigate market risk.

#### Method used to measure Market risk

Market risk is the probability of losing assets in balance sheet and off-balance sheet position arising out of volatility in market variables i.e. interest rate, exchange rate and prices of securities. In order to calculate the market risk for trading book purposes the company uses Standardize (rule based) Approach. Capital charge for interest rate risk and foreign exchange risk is not applicable to our company as because we do not have such balance sheet items

#### Market Risk Management System

A system for managing Market Risk is in place where guideline has been given regarding long-term, short-term funding, liquidity contingency plan, local regulatory compliance etc. Treasury manages the Market risk with the help of Asset Liability Management Committee (ALCO) and Asset Liability Management (ALM) Desk in the following manner:

#### Interest Risk Management

Treasury Department and Finance & Accounts Department review the risk of changes in the income of the company as a result of movements in the market interest rates. In the normal course of business, UCL tries to minimize the mismatches between the duration of interest rate sensitive assets and liabilities. Effective Interest Rate Risk Management is done as under:

#### Market analysis

Market analysis over interest rate movements are reviewed by the Treasury Department with the help of other concerned Departments of the company. The type and level of mismatch interest rate risk of the company is managed and monitored from two perspectives, being an economic value perspective and earning value perspective.

#### GAP analysis

ALCO has established guidelines in line with central

bank's policy for the management of assets and liabilities, monitoring and minimizing interest rate risks at an acceptable level. ALCO in its regular meeting analyzes Interest Rate Sensitivity by computing GAP i.e. the difference between rate sensitive assets and rate sensitive liabilities and takes decision of enhancing or reducing the GAP according to prevailing market situation aiming to mitigate interest rate risk.

#### Continuous Monitoring

Company's treasury manages and controls day-to-day trading activities under the supervision of ALCO that ensures continuous monitoring of the level of assured risks.

#### Equity Risk Management

Equity Risk is the risk of loss due to adverse change in the market place of equities held by the Company.

Equity Risk is managed by the following manner: UCL minimizes the equity risks by portfolio diversification as per investment policy of the Company.

#### Quantitative Disclosures

(b) The capital requirements for Market Risk:

| Particulars   | Amount in crore Taka |
|---|----------------------|
| Interest rate risk                                    | -                    |
| Equity position risk                                  | 0.956                |
| Foreign Exchange Position and Commodity risk (If any) | -                    |

## H) Operational Risk:

### Qualitative disclosure:

#### (a) Views of Board on the system to reduce Operational Risk:

All the policies and guidelines of internal control and compliances are established as per advice of the Board. Audit Committee of the Board oversees the activities of internal Control and compliance as per good governance guideline issued by Securities and Exchange Commission.

#### Performance gap of executives and staff

UCL's recruitment policy is based on retaining and attracting the most suitable people at all levels of the business and this is reflected in our objective approach to recruitment and selection. The approach is based on the requirements of the job (both now and in future),



matching the ability and potential of the individual. Qualification, skills and competency form our basis for nurturing talent. Favorable job responsibilities are increasingly attracting greater participation from different level of employees in the UCL family. We aim to foster a sense of pride in working for UCL and to be the employer of choice. As such there exists no performance gap in UCL.

#### Potential external events

No such potential external event exists to raise operational risk of UCL at the time of reporting.

#### Policies and Procedure for mitigating operational risk

UCL has established a strong Internal Control and Compliance Department to address operational risk and to frame and implement policies to deter such risks. Internal Control and Compliance Department assesses operational risk across the company and ensures that appropriate

framework exists to identify, assess and manage operational risk.

#### Approach to calculating capital charge for operational risk:

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. UCL uses basic indicator approach for calculating capital charge against operational risk i.e. 15% of average positive annual gross income of the company over last three years.

#### Quantitative Disclosures:

Capital requirement for operational risk:

| Particulars                               | Amount in crore Taka |
|---|----------------------|
| Capital requirement for operational risk: | 8.4                  |

## Report on Going Concern

**Reflects company's continuance for the foreseeable future**

A company is a going concern when it is considered to be able to pay its debts as and when they are due, and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations for at least the next 12 months from the end of the reporting period i.e. financial year end. 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.

### Overview

International Accounting Standard (IAS) 1: Presentation of Financial Statements requires management to make an assessment of an entity's ability to continue as a going concern each time the financial report is approved for issuance. In other Financial Reporting Frameworks, there may be no explicit requirement for the 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 IAS 1, the preparation of the financial statements requires management to assess Company'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 a 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 and to make adequate disclosures in the financial reporting if such uncertainties are identified.

The time period that the Directors have considered in assessing the appropriateness of the use of going concern basis in preparing the financial statements for the year ended 31 December 2021 is a period of twelve months from the date of approval of the issuance of these financial statements.

A detailed analysis supporting a company's going concern status may not be required if the company has a history of profitable operations; there is little concern about it continuing to be profitable and it has ready access to required financial resources. However, in a difficult or uncertain economic environment it may become harder to support the going concern assumption without performing such a detailed analysis.

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;

### Consistency of assessment

UCL is well aware that the assessment that was made in the last going concern assessment may not remain valid for the current assessment.

### Subsequent events

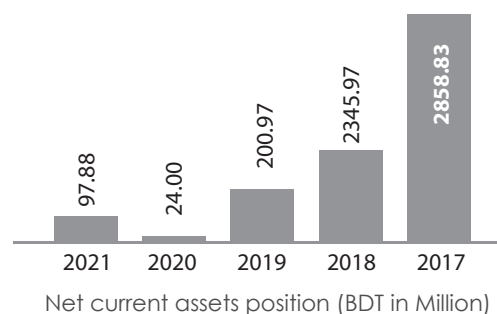
Subsequent events that were readily available at the time of judgment have been taken into account while making assessment as to the continuance UCL as a going concern.

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, regulatory compliance and in particular the Directors have focused on the matters set out below:

### Financial Matters

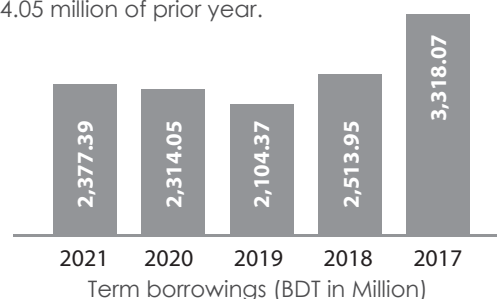
#### Net Assets or net current assets positions

As at 31 December 2021, UCL has positive net current assets of Tk. 97.88 million as against Tk. 24.00 million of 2020



#### Debts with excellent repayment records

At the end of 2021, the total fixed term borrowings of the Company were Tk. 2,377.39 million compared to Tk. 2,314.05 million of prior year.



### Timely disclosure of financial results

As required by the regulations, UCL is committed to and has been publishing its financial results timely and making transparent disclosure to its shareholders. We have been publishing our financial statements on quarterly, half yearly and yearly basis in the national dailies as well as in the Company's website as a part of regulatory compliance which helps the investors, depositors, customers, shareholders and other stakeholders in making economic decision.

### Operating matters

#### Corporate culture and employee satisfaction

UCL's aspiration is to be the employer of choice. A good working environment is of paramount importance to any company's continuance, sustainability 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.

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 exist a good number of employee benefits like home loan benefit, car loan benefit, performance related bonus, gratuity, provident fund etc., which are considered to be instrumental for employee satisfaction.

### Other matters

#### Maintenance of capital

As at 31 December 2021, the Company's total consolidated equity stands at Tk. (674.02) million. UCL would like to enhance its equity gradually for long term sustainability of the company.

### CAMELS 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

As required by Bangladesh Bank, non-bank financial institutions have been performing a stress testing exercise as per the prescribed framework to proactively manage risks, particularly credit risks, interest rate risk, market risk, concentration risk etc. which focuses on sensitivity and

scenario analysis. UCL has rigorously implemented the stress testing framework of Bangladesh Bank. The Directors address the capital risk of the Company as or when required.

### Credit Rating

UCL's credit rating is A+ in the long run and ST-3 for short term rated by National Credit Rating Company Ltd. that reflects strong capacity for timely serving of financial obligations and offering high level of financial safety. As such UCL is exposed to lower risk. ST-3 reflects capacity for timely payment of financial commitments and carry lowest credit risk.

### Changes in Government policy

Management anticipates no significant changes in the legislation or government policy, which may materially affect the business of the Company.

### Regulatory compliance

UCL has established an independent compliance function in line with the best practices to ensure strict compliance with laws, rules, regulations issued by the regulators and policies, processes, procedures approved by the Board of Directors.

### Product innovation and sustainability

UCL always strives for tailor made product innovation, customer satisfaction, value addition to the shareholders, carrying out environmental initiatives, conducting our work through conversation with our customers to address environmental issue which altogether ensure the sustainability.

### 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 the 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 for the foreseeable future.

## RISK MANAGEMENT

Describe how we manage our risks

*UCL assumes risks as an integral part of the business activities that its business model entails. The Company's risk profile reflects several types of risk, the most important being credit risk; market risk; liquidity risk; operational risk, information security risk and compliance risk. UCL intends to meet the highest and latest standards and recommendations for NBFIs risk management in order to support its business model.*

UCL's risk management is based on guidelines, policies and instructions set forth by the Board of Directors. On the basis of the Board of Directors' general instructions, the Company has prepared specific instructions on risk management for the individual business units. These instructions are used as the basis for business and control procedures, among other things, at the units.

### 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;
- 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; and
- 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 jeopardized 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 five Key Performance Indicators:

- ratio of non-performing loans to total loans;
- ratio of loan loss expenses to interest revenue;
- ratio of loan loss provision to gross nonperforming loans;
- ratios of large loan to total exposure; and
- Percentage of concentration risk.

- 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 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 OVERSIGHT

UCL's Risk Management Department provides central oversight of risk management across UCL to ensure that the full spectrum of risks facing UCL and the Group are properly identified, measured, monitored and controlled to minimize 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. The Internal Control & Compliance 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; and
- Collaborates with information technology department to provide relevant automated credit information.

## RISK MANAGEMENT PRINCIPLES

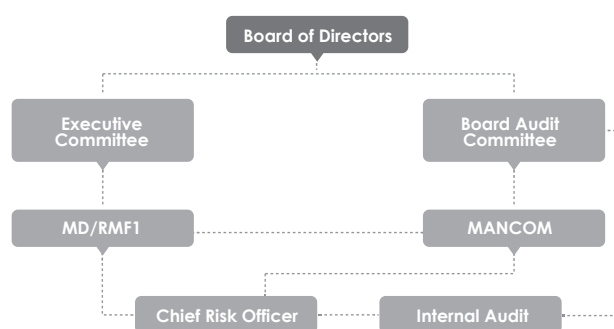
The following principles guide our management risk:

- 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 those 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; and
- 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.

## GOVERNANCE

### Risk management governance framework

UCL's risk management governance framework is outlined in the diagram below:



## ROLES AND RESPONSIBILITIES

### Board of Directors

- Approve risk strategy and policies;
- Ensure that management maintains an appropriate system of internal control and reviews its effectiveness;
- Ensure the Group's overall credit risk exposure is maintained at prudent levels;
- 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; and
- Ensure that the Management implements a sound methodology that facilitates the identification, measurement, monitoring and control of risk.

### Board committees

The above responsibilities of the Board of Directors are discharged primarily by its two Committees namely:

- Executive Committee; and
- Audit Committee.

Without prejudice to the roles of these committees, the Board retains ultimate responsibility for risk management and ensures through RMF.

### Risk Management Forum (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, Accounts, 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;
- 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; and
- Holding monthly meetings of the Forum to discuss findings on Risk Management Paper (RMP) submitted by RAU and plan necessary precautionary 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 analyzing all sorts of risks appropriately, timely and quantifying those risks and their exposure to material loss;



- 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;
- Collecting data/information from different departments and preparing Risk Management Paper (RMP) on a monthly basis for submission to the Bangladesh Bank where the risks associated in conducting business are highlighted, analyzed, and recommendations put forward for discussion and approval by the RMF; and
- Preparing the report on the "Product/Service Risk Management" for submission to the Bangladesh Bank as per instruction given in the guidelines on Product & Services of Financial Institutions in Bangladesh.

## 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.

### 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 manage these risks effectively, 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 & reliability and compliance 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 IT operations, databases, server hardware and

server operating systems, network infrastructure and applications systems monitoring; and

- Reviewing all new systems end-to-end and coming up with technology-related risk and vulnerabilities in the product, processor system being developed and advising mitigating controls.

### 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;
- Continuous awareness campaign on fraud learning points;
- Continuous control improvement measures;
- Improve anti-fraud operational control capacities among operations staff; and
- Implementation of whistle-blowing policy.

### Priorities for 2022

- Full implementation of the Bangladesh Bank Guidelines on ICC;
- Strengthening of internal controls consciousness in UCL through effective support and training to operators in their role as the first line of defense in risk management; and
- Strengthening IT supervision and monitoring to ensure adequate control over UCL's software.

## RISK MANAGEMENT REPORTING

In compliance with the issue of Bangladesh Bank DFIM Circular no. 1, dated 7 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 in every month and submission to the Risk Management Forum (RMF) but as per the instruction of DFIM letter no. DFIM(s)/1055/67/2071-2678 dated 18 November 2021, NBFIs are advised to submit the said report quarterly to DFIM of Bangladesh Bank from December 2021 and onward.

The Forum is comprised of the Departmental Heads of Business, Accounts, 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 organization. The meeting minutes 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
- Operational Risk
- Market Risk
- Information Security Risk

- Liquidity Risk
- Compliance Risk
- Legal Risk
- Reputational Risk
- Money Laundering Risk
- Environmental Risk

The report identifies, analyses and measures how each of the above 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.

## 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;
- 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.

The functions of the Credit Group are handled at different levels by the following departments, namely:

- Marketing Department;
- Credit Risk Management (CRM);
- Credit Administration Department (CAD);
- Legal Department;

- Internal Control and Compliance (ICC) Department and
- Special Assets Management (SAM) Department.

Marketing Department is responsible for procurement of business and acts as a relationship manager.

Credit Risk Management (CRM) Department is responsible for identifying and analyzing the various risk factors of loan/lease and recommend their assessment to the Credit Committee / Executive Committee / Board of Directors.

Credit Administration Department (CAD) is mainly responsible for ensuring the documentation formalities before disbursement of any sanctioned loan/lease facility. After disbursement the files and documents are preserved by CAD which is the core responsibility as custodian.

Special Assets Management (SAM) Department 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                     | Rating bucket     | Range of scores | Prob. of default | Grade          |
|---------------------------------|-------------------|-----------------|------------------|----------------|
| Extremely low risk              | AAA 1 1.00 – 1.99 | 90–100%         | 1%               | Investment     |
| Very low risk                   | AA 2 2.00 – 2.99  | 80–89%          | 1%               |                |
| Low risk                        | A 3 3.00 – 3.99   | 70–79%          | 1.5%             |                |
| Low risk                        | BBB 4 4.00 – 4.99 | 60–69%          | 2%               |                |
| Acceptable–moderately high risk | BB 5 5.00 – 5.99  | 50–59%          | 4%               |                |
| High risk                       | B 6 6.00 – 6.99   | 40–49%          | 6%               | Non-Investment |
| Very high risk                  | CCC 7 7.00 – 7.99 | 30–39%          | 9%               |                |
| Extremely high risk             | CC 8 8.00 – 8.99  | 10–29%          | 13%              |                |
| High likelihood of default      | C 9 9.00 – 9.99   | 0–9%            | 15%              |                |
| Default risk                    | D 10              |                 |                  | Default        |
| SMA                             | D                 |                 | 5%               |                |
| Sub-standard                    | D                 |                 | 20%              |                |
| 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 realizable 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 single/group exposure limit of not more than 30 percent of company's equity. It may go beyond the limit with the permission of Bangladesh Bank; and
- Sector exposure limit of not more than 30% of UCL loan portfolio.

#### 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):

| Approval levels     | Investment grade |
|---------------------|------------------|
| Board of Directors  | Over 10,000,000  |
| Executive Committee | Upto 10,000,000  |
| Credit Committee    | Upto 3,000,000   |

Approval limits are set by the Board of Directors and reviewed from time to time as the circumstances of the UCL demand.

### 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.

#### 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 realization of collateral security leaves a balance of the debt;
- it is apparent that no further recovery on the facility is possible; and
- 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 recognized as income on a cash basis only.

#### Portfolio ratios

##### Asset quality ratios

Non-performing accounts have been recognized, classified and provisions made as appropriate in line with the Bangladesh Bank Guidelines. Rate of nonperforming loans/lease for the period was 27.32 percent 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 >3 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.

### 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.

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 crystallize.

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; and
- share price movements in response to market forces.

### 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; and
- 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 to implement the 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;
- recommending steps to protect UCL capital ratios from the effects of changes in market risk factors; and
- 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

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 risk exposure.

### Outlook

Small investors are showing preference for risk-free investment avenues over the highly volatile and risky shares as a result of the uncertainty in the economic environment due to impact of COVID-19 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.

## 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.

### 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;
- ensure proper matching the liquidity profile;
- 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.

### 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. 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 organizational requirements, taking into account the regulatory and business environment in which it operates.

UCL's capital is divided into two Tiers: Tier 1 capital comprises core equity including ordinary shares, statutory reserves, general reserves and retained earnings. 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 unrealized 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. Total risk weighted assets reflects only credit, market and operational risk.

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.

(Figure in million)

| Dec 2021                    | Dec 2020      | Particulars                              |
|-----------------------------|---------------|--|
| (2.26)                      | 5.12          | Capital adequacy ratio(%)                |
| <b>Capital composition:</b> |               |  |
| <b>Tier 1</b>               |               |  |
| 1,725.74                    | 1,725.74      | Paid-up capital                          |
| 451.90                      | 451.90        | Statutory reserves                       |
| -                           | -             | Non-controlling interest (insignificant) |
| (2,851.66)                  | (1466.07)     | Retained earnings                        |
| <b>(674.02)</b>             | <b>711.57</b> | <b>Total</b>                             |
| <b>Tier 2</b>               |               |  |
| 206.38                      | 212.31        | General provision                        |
| -                           | --            | Asset revaluation reserves               |
| 47.50                       | 80.00         | All other preference shares              |
| <b>253.88</b>               | <b>292.31</b> | <b>Total</b>                             |
| <b>Capital utilization:</b> |               |  |
| 18,606.09                   | 19,600.11     | Qualifying risk weighted assets          |

### Outlook

UCL expects to retain its 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, and regulatory compliance risk, and technological risk, financial and environmental risk. 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;
- raise awareness of operational risk in UCL from top to bottom through the implementation of an operational risk;
- improve the information system and take necessary action to mitigate the system failure and security; and
- ensure employment practices and work place safety to prevent physical assets damage.

### 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 are financial crimes (internal fraud, external fraud and money laundering). Each incident is analyzed 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 include:

- enhanced training & Know Your Employee (KYE) 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 license, all of which directly impact shareholders' value. Accordingly, UCL's operational risk strategy aims to minimize 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;
- minimize 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 minimize actual or potential losses.

## 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. The responsibility for managing operational risk has been split as follows:

- the overall governance owned by the Board through MANCOM; and
- 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 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.

## 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 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; and
- 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. A number of initiatives are currently ongoing that will enhance the risk management culture and practices within the organization. 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. 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.

### Governance

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;
- ensuring that UCL information security is maintained in line with its risk appetite and commensurate with the risks associated with information assets;
- Ensure UCL implements an effective methodology for managing information security;
- Ensure detailed policies, standards and procedures;
- procedures are created and effectively communicated within the organization;
- Assess the effectiveness of UCL's information security process;
- Promote the effectiveness of information security within the organization;

- 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;
- harmonize approaches used to evaluate information risk from a security perspective;
- 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;
- audit the information security functions to ensure effectiveness; 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; and
- Ensure all staffs receive information security awareness training before granting them access to information assets.

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.

#### Roles and responsibilities

Roles and responsibilities for compliance are assigned to various functions as follows:

| Authority                               | Role  |
|---|---|
| Board of Director                       | 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 familiarizing 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  |

## 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.

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.

## 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.

## LEGAL RISK

### Overview

Legal risk management is an integral part of UCL's Risk Management Framework. UCL recognizes 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.

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 crystallization;
- identify and grade the risks and impact of the current controls; and
- establish controls to reduce or eliminate the legal risks.

## 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 defense 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.

## REPUTATIONAL RISK

### Overview

It is a threat or danger to the good name or standing of a business or entity; Reputational risk can occur through a number of ways: directly as the result of the actions of the company itself; indirectly due to the actions of an employee or employees; or tangentially through other peripheral parties, such as joint venture partners or suppliers.

### Reputational Risk factors

There are different factors affecting the reputation of the company which is given below:

- Penalty imposed by Bangladesh Bank;
- Penalty imposed by BSEC and other regulators;
- Negative media coverage Complainants; and
- Cheque dishonor etc.

## Governance

Protecting reputation is clearly a top issue for companies. Being able to measure and monitor that risk is critical, which is another reason traditional approaches often won't work because the tools and analyses are so different. When organization has a reputational risk problem, it usually involves the media and what its customers, employees and other stakeholders are staying in the public domain. So this kind of risk is at an event level these days, not the company

level. And traditional risk management doesn't focus on that nor does it offer the tools to address it.

### Outlook

Our Risk Management Committee is responsible for:

- Ensure the compliances of regulators;
- Focus more on the role that plays in the strategy compliance;
- Treat the reputational risk as Strategic risk; and
- More emphasis given on media coverage.

## MONEY LAUNDERING RISK

### Overview

Money Laundering is the process by which proceed from a illegal or criminal activity are disguised to conceal their illicit origins. It has a major impact on a country's economy as a whole. Both money laundering and terrorist financing can weaken individual financial institution, and they are also a threat to the overall financial sectors' reputation. Business of Financial Institutions regulated by the Money Laundering Rules & Regulations must assess the risk which could be used for money laundering including terrorist financing.

### Strategy

- Strengthening the legal framework;
- Structural improvement and capacity building in tracing out methods, techniques and channels of money laundering and terrorist financing;
- Enhancing compliance status to the controlling authorities;
- Stemming the illicit outflows and inflows of fund;
- More focus will be given on KYC/KYB;
- Improving transparency in financial reporting on AML/CFT issues;
- Arranging awareness program for the customers; and
- Conducting employees training program;

### Compliance

- Maintain complete and correct information with regard to the identity of the customers during the operation of the customers;
- Preserve previous records of transactions of any customer's account for at least 5(five) years from the date of closure;
- Provide information to Bangladesh Bank from time to time on its demand; and
- Report suspicious transaction or attempt of such transaction to Bangladesh Bank.

## ENVIRONMENT RISK

### Overview

Environmental risk is an actual or potential threat or adverse effects on living species through effluents, emissions, wastes,

resource depletion, pollutions, natural hazards etc. of an organization's activities. Now-a-days, environmental risk is a big factor for labor intensive industries. Presently compliance with environmental regulations is one of the big conditions of buyers. Environmental risk can have serious negative effect on an organization's financial well-being and its ability to achieve its business objectives. Existing and forthcoming legislation and regulations as well as governance and accounting trends of environmental risk and liability can influence an organization's financial performance, reputation and brand, cash flow and shareholders' value.

### Strategy

- integration of Environmental Risk Management in the credit policies and procedures;
- building awareness and providing constant training and capacity building of the staff relevant to Environmental Risk Management;
- examine the environmental issues and concerns associated with potential business activities proposed for financing;
- identify, evaluate and manage the environmental risks and the associated financial implications arising from these issues and concerns,
- enhance the credit risk appraisal process; and
- identify high, moderate and low environment risk before sanctioning the finance facilities.

### Governance

The Board/Management ensures compliance of environmental risk at the time of sanctioning finance Facility. UCL introduced the environmental risk rating system to ascertain High, Moderate and Low risk. Select industrial manufacturing sector through identifying the environmental risk.

### Outlook

The regulatory environment has become even more dynamic in recent times. To make comply with regulatory requirements and also minimize the environmental risk we follow the principles:

- Integration of Environmental Risk Management in the credit policies and procedures;
- Review the completed due-diligence checklist and the EnvRR;
- Building awareness and providing constant training and capacity building to environmental risk management to the relevant officers; and
- Adoption of a value adding approach to Environmental Risk Management with the potential borrower.



# SENIOR MANAGEMENT



1. Mr. Md. Abdul Hannan  
Manager & Company Secretary (CC)
2. Mr. Muhammad Salah Uddin  
SVP & Head of Credit Administration  
& Special Asset Management
3. Mr. K.M. Forhad Abedin  
VP & Head of Legal
4. Mr. Deenesh Kumar Raha  
AVP & Head of Internal Control & Compliance (CC)
5. Mr. A.N.M. Golam Shabbir  
Managing Director & CEO (CC)
6. Mr. Fazle Karim Murad  
EVP & Head of Corporate Finance & SME
7. Mr. Mahbub Alam  
VP & Head of Treasury
8. Mr. Mohammad Balayet Hossain  
VP & Chief Financial Officer



## MANAGEMENT COMMITTEES

The Authority of Management Team responsible for execution of delegated responsibilities

### MANAGEMENT COMMITTEE (MANCOM)

#### Members

Mr. A.N.M. Golam Shabbir, Chairman  
Mr. Fazle Karim Murad, Member  
Mr. Muhammad Salah Uddin, Member  
Mr. Khandaker Muhammad Forhad Abedin, Member  
Mr. Mahbub Alam, Member  
Mr. Mohammad Balayet Hossain, Member  
Mr. Deenesh Kumar Raha, Member Secretary

### MONEY LAUNDERING PREVENTION COMMITTEE

#### Members

Mr. A.N.M. Golam Shabbir, CAMLCO  
Mr. Fazle Karim Murad, Member  
Mr. Mohammad Balayet Hossain, Member  
Mr. Mahbub Alam, Member

### CREDIT COMMITTEE

#### Members

Mr. A.N.M. Golam Shabbir, Chairman  
Mr. Fazle Karim Murad, Member  
Mr. Muhammad Salah Uddin, Member  
Mr. Emran Hossain Talikder, Member Secretary

### ASSET-LIABILITY MANAGEMENT COMMITTEE (ALCO)

#### Members

Mr. A.N.M. Golam Shabbir, Chairman  
Mr. Fazle Karim Murad, Member  
Mr. Mohammad Balayet Hossain, Member  
Mr. Mahbub Alam, Member

### HR & REMUNERATION COMMITTEE

#### Members

Mr. A.N.M. Golam Shabbir, Chairman  
Mr. Fazle Karim Murad, Member  
Mr. Mohammad Salah Uddin Pallab, Member

### COST CONTROL & COST REDUCTION COMMITTEE

#### Members

Mr. A.N.M. Golam Shabbir, Chairman  
Mr. Fazle Karim Murad, Member  
Mr. Muhammad Salah Uddin, Member  
Mr. Mohammad Balayet Hossain, Member  
Mr. Mahbub Alam, Member  
Mr. Mohammad Tarif Rahmatullah, Member  
Mr. Emran Hossain Talukder, Member Secretary

### CORPORATE GOVERNANCE COMMITTEE

#### Members

Mr. A.N.M. Golam Shabbir, Chairman  
Mr. Mohammad Balayet Hossain, Member  
Mr. Md. Abdul Hannan, Member

### CREDIT RISK MANAGEMENT COMMITTEE

#### Members

Mr. A.N.M. Golam Shabbir, Chairman  
Mr. Fazle Karim Murad, Member  
Mr. Muhammad Salah Uddin, Member  
Mr. Mahbub Alam, Member  
Mr. S.M. Mehedi Hasan, Member Secretary

### ETHICS & COMPLIANCE COMMITTEE

#### Members

Mr. A.N.M. Golam Shabbir, Chairman & Focal Point  
Mr. Fazle Karim Murad, Member  
Mr. Mohammad Balayet Hossain, Member  
Mr. Md. Zahidul Islam, Member  
Mr. Md. Salah Uddin Pallab, Deputy Focal Point

### RECOVERY COMMITTEE

#### Members

Mr. A.N.M. Golam Shabbir, Chairman  
Mr. Fazle Karim Murad, Member  
Mr. Muhammad Salah Uddin, Member  
Mr. Khandaker Muhammad Forhad Abedin, Member

### PROCUREMENT COMMITTEE

#### Members:

Mr. A.N.M. Golam Shabbir, Chairman  
Mr. Mohammad Balayet Hossain, Member  
Mr. Md. Zahidul Islam, Member  
Mr. Mohammad Tarif Rahmatullah, Member Secretary

### DISCLOSURE COMMITTEE

#### Members

Mr. Fazle Karim Murad, Convener  
Mr. Muhammad Salah Uddin, Co- Convener  
Mr. Khandaker M Forhad Abedin, Member  
Mr. Mahbub Alam, Member  
Mr. Mohammad Balayet Hossain, Member  
Mr. Deenesh Kumar Raha, Editorial Panel Secretary  
Mr. Mohammad Salah Uddin Pallab, Member  
Mr. Md. Abdul Hannan, Member Secretary

# 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**

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- 120 Economic Value Added Statement

# CORPORATE SOCIAL RESPONSIBILITY

## Serving as a responsible corporate citizen

### VISION

UCL 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.

### 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;
- 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.

#### 2022 Challenge

- Maintaining our standard of customer service as we diversify our business;
- Continuing economic uncertainty created financial difficulties for many customers; and
- Balancing needs-based financing with targets for revenue growth.

#### 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 as 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 fraud management 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.

#### 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 beside 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.

### 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. 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.

## 2022 Challenges

- We face a continuing challenge in recruiting people with requisite skill and knowledge; and
- 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 are 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.                                | Yes | No |
| • My manager provides ongoing feedback that helps me to improve my performance.                   | Yes | No |
| • In the last 12 months, I have had opportunities to develop my skills and abilities.             | Yes | No |
| • I am able to achieve the balance I need my personal life and my work life at UCL.               | Yes | No |
| • UCL is genuinely committed to the well-being of its employees.                                  | Yes | No |
| • UCL treats employees fairly regardless of their age, family/marital status, gender or religion. | Yes | No |
| • UCL takes a genuine interest in the well-being of community in which it does business.          | Yes | No |

## 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 (%) | Voluntary    |              |              | Retirement |      |      |
|-----------------------|--------------|--------------|--------------|------------|------|------|
|                       | 2021         | 2020         | 2019         | 2021       | 2020 | 2019 |
| Sr. Management        | 3.61         | 7.22         | 2.94         | -          | -    | -    |
| Mid. Management       | 6.02         | 5.15         | 1.47         | -          | -    | -    |
| Jr. Management        | 12.05        | 23.71        | 25.00        | -          | -    | -    |
| Support Staff         | 3.61         | 7.22         | 0.74         | -          | -    | -    |
| <b>Total</b>          | <b>25.30</b> | <b>43.30</b> | <b>30.15</b> | -          | -    | -    |

## 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. 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)                | 2021  | 2020  | 2019 | 2018 |
|---|-------|-------|------|------|
| UCL's investment in training            | --    | --    | 0.20 | 0.31 |
| Average number of days of training      | 10.35 | 19.09 | 5.41 | 3.41 |
| Average hours of training per executive | 1.66  | 3.39  | 5.17 | 6.54 |

## 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. Our CEO, the Senior Executive team and other leaders participate in and help facilitate UCL's leadership development programs.

## 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, self-development and career advancement, regardless of race, color, 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.

### **Whistleblower program**

UCL has implemented 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.

### **2022 Challenges**

- Responding to local needs while maintaining a focus on our giving priorities; and
- 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;
- Work with communities in need, to build a more prosperous and inclusive future;
- Protect and enhance the environment; and
- Engage our employees, customers and partners to make a difference together in our communities.

### **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 is 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. 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 provided 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; and
- 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.

## **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 (BLFCA), an apex body of financial institutions that serves common interest of member companies.

## **UCL AND 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. 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.

**2022 Challenges**

- Achieving targets on paper reduction;
- Increasing environmental awareness and building employee engagement; and
- Continuing to manage the environmental and social risks associated with financing activities.

**Environmental pillars**

Our goal is to be an environmental sensitive. 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; and
- 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. UCL Group 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.

## ENVIRONMENT INITIATIVE

### Reducing our environmental footprint for better Bangladesh

UCL's approach to the environment is based on 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; and
- Engaging employees and communities to raise environmental awareness and make an impact.

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 refinancing line for financing solar energy, biogas and effluent treatment plant (ETP) at only 5 percent interest rate.

## CORPORATE CULTURE

### Putting partnership in action

Corporate 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.

#### 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.

#### 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

#### ACTIVITIES UNDERTAKEN

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 consider environmental protection when making lending decisions. In corporate financing this means incorporating environmental due diligence into the lending process, which may include site visits, verification 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.

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 building customer's 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

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 qualified personnel ensure intelligent risk assessment and decision-making.

#### 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.

## CONTRIBUTION TO NATIONAL ECONOMY

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 in terms of employment generation, tax payment, contribution to the underprivileged people, protection of environment and serving the society. Our everyday business activities touch the lives of millions of people and businesses.

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, government and the community where we do businesses.

### OUR PRIORITIES

- Providing strong returns to shareholders;
- Paying fair share of taxes;
- Supporting small businesses and community economic development;
- Fostering innovation and entrepreneurship;
- Empowering Small and Medium Entrepreneurs;
- Empowering Women Entrepreneurs;
- Financing to untapped people;
- Purchasing goods and services responsibly;
- Creating employment;
- Protecting the environment;
- Enhancing the market share; and
- Helping to build nation.

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 to our employees and lenders and depositors, contribute taxes and revenues to government and provide dividends to our shareholders.

### OUR CONTRIBUTION TO NATIONAL ECONOMY 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 green financing in order to ensure its commitment to be a part of the sustainable development the economy. Based on the financials as on 31 December 2021, UCL has a total credit exposure with around 2,406 customers of Tk. 13,356.83 million. Such

credit facilities were extended mostly for capacity building of the borrowers, importation of capital machineries, business expansion and working capital. Through its subsidiary companies, UCL group 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. Also the Company has mobilized term deposits of Tk. 8,787.04 million from 1,524 numbers of depositors helping them build up savings for investment in national economy.

### DIRECT ECONOMIC VALUE GENERATED IN 2021

(In Million Taka)

| UCL's total revenue | Distributed value                  | Economic value retained |
|---------------------|------------------------------------|-------------------------|
| Tk. 938.03          | Operating cost* : Tk. 2,091.95     | Tk. (1,385.59)          |
|                     | Salaries and benefits : Tk. 173.00 |                         |
|                     | Taxes : Tk. 58.66                  |                         |
|                     | Dividends : Tk. -                  |                         |
|                     | Community giving : Tk. -           |                         |

\* Operating costs include interest expenses, provision and management expenses excluding salaries and benefits.

### Paying fair share of taxes to Government

UCL contributes to the national economy by paying out fair share of taxes to Government exchequer in collection of revenues. The Company deducts withholding taxes, VAT and excise duty at source from payment of interest on term deposits, cash security, products and services, salary & allowances to employees and deposits the same to the government exchequer within prescribed time. 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 2021 the Company collected, withheld and deposited tax, VAT and excise duty at source and paid advance tax to government exchequer in the following manner:

(In Million Taka)

| Particulars                    | Amount       |
|--------------------------------|--------------|
| Advance tax                    | 1.47         |
| Withholding taxes              | 51.77        |
| Withholding VAT                | 2.68         |
| VAT collected and paid         | 0.10         |
| Excise duty collected and paid | 4.54         |
| <b>Total</b>                   | <b>60.55</b> |

### Creating employment

We make an economic impact by creating employment and a well-trained human resources. UCL and its subsidiary companies employed as many as 159 employees as on 31 December 2021. 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 into human capital. During the year 2021, UCL paid a total amount of Tk. 173.00 million as salaries and allowances to its employees (2020: Tk. 178.94 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 building solid foundation of earning drives, 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 in the country except 2019 and 2020.

### Taking environmental initiatives

Sustainable development, economic growth and a healthy environment is inter-linked to the long-term performance of the Company. In this backdrop, we play a contributory 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. Moreover, we have been performing 'Environment Risk Management (ERM)' in all loan/lease proposals where ERM is to be performed particularly finance proposal to such businesses houses where environmental issue is very critical such as leather, textile, chemical, manufacturing sectors, etc.

### Supporting Community

We are 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, underprivileged people and to the people who were affected by the natural calamities.

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 to stimulate economic growth by investing in programs that enable economic development with a social purpose.

### FOR INSTANCE, WE SUPPORT

#### Society For Assistance to Hearing Impaired Children (SAHIC):

SAHIC is a Non-Governmental Voluntary organization serving 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 education expenses of hearing impaired children of the "Rosi\_Flower Integrated Pre-School for Hearing Impaired Children".

### Pre-School Education Program

Retired Police Officers' Welfare Association of Bangladesh has undertaken 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 its financial assistance for the purchase of class books, school bags, uniforms etc. for the students under this education program.

### Blanket distribution

Because of the cold spell and dense fog, the normal life of poor people had been disrupted throughout the country every year. As a part of the Corporate Social Responsibility, UCL extended its hand to protect a little of them from the cold havoc by distributing blankets.

### Promoting growth of Small Business

Small business is an important engine driving the economic growth of the country. 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, particularly promising but unexplored segments and women entrepreneurs. We also strive to provide the best possible products, financial services, advice and expertise to help this sector prosper to its fullest possibility.

### Inclusive growth

We believe we create best value for our shareholders by also bringing value to the community wherein we operate. 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 income 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 around the globe.



**Report on HUMAN RESOURCE****The strength for sustainable future**

We 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 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. This results in high levels of employee engagement and a strong commitment to clients.

**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 fast moving 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. 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 monthly 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.

Having the employee complete a self-assessment allows the manager to spot their employee's strengths and weaknesses from the employee's perspective, as well as training needs/desires. A development program that includes employee self-appraisals, formalizes a two-way dialogue, avoiding top down assessment that often serve to discourage or disengage employees. Such a practice of employee development through self-evaluation process is shown below:

**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 at UCL is important in order to maintain efficient operations. Furthermore, the CEO and senior executives visits different offices of UCL which opens face-to-face dialogue between employees and senior management.

## HUMAN RESOURCE STRATEGY

- Attract qualified personnel by creating a motivated workplace;
- Retain competent employees by creating a superior workplace;
- Provide 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 decision-making, 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; and
- 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:

| Particulars                                     | 2021    | 2020   | 2019   | 2018   |
|---|---------|--------|--------|--------|
| Total Employee                                  | 83      | 97     | 136    | 156    |
| Net income per employee (BDT in million)        | (17.30) | (5.14) | (7.21) | 0.5    |
| Operating revenue per employee (BDT in million) | 7.72    | 9.38   | 7.45   | 13.63  |
| Assets per employee (BDT in million)            | 180.39  | 154.72 | 121.34 | 136.91 |

| Staff Strength          | 2021 | 2020 | 2019 | 2018 |
|-------------------------|------|------|------|------|
| Senior Management       | 10   | 11   | 18   | 20   |
| Mid Level Management    | 29   | 28   | 33   | 25   |
| Junior Level Management | 29   | 40   | 60   | 83   |
| Support Staff           | 15   | 18   | 25   | 28   |
| Total                   | 83   | 97   | 136  | 156  |

## Age analysis of the employees as at 31 December 2021

| Age Group Year | Sr. Mgt | Mid Level Mgt. | Jr. Level Mgt. | Support Staff | 2021 Total | 2020 Total |
|----------------|---------|----------------|----------------|---------------|------------|------------|
| 51-60          | 2       | 1              | 0              | 0             | 3          | 3          |
| 41-50          | 5       | 5              | 5              | 4             | 19         | 21         |
| 31-40          | 3       | 21             | 21             | 8             | 53         | 61         |
| 21-30          | 0       | 2              | 3              | 3             | 8          | 12         |
| Total          |         |                |                |               | 83         | 97         |

Average age of the employees as at 31 December 2021 was 37.71 (2020: 31.19), (2019: 30.66), (2018: 29.34), (2017: 33.3).

## Service analysis of the employees as at 31 December 2021

| Service Group Year | Sr. Mgt | Mid Level Mgt. | Jr. Level Mgt. | Support Staff | 2021 Total | 2020 Total |
|--------------------|---------|----------------|----------------|---------------|------------|------------|
| Above 10           | 3       | 6              | 1              | 3             | 13         | 11         |
| 7-10               | 3       | 11             | 3              | 2             | 19         | 10         |
| 5-7                | 3       | 4              | 6              | 3             | 16         | 21         |
| 2-5                | 1       | 7              | 16             | 7             | 31         | 41         |
| Below 2            | 0       | 1              | 3              | 0             | 4          | 14         |
| Total              | 10      | 29             | 29             | 15            | 83         | 97         |

Average service life of the employees as at 31 December 2021 was 6.56 years (2020: 4.39), (2019: 3.63), (2018: 3.19), (2017: 3.04)

## HUMAN RESOURCE ACCOUNTING

### Quantitative information about the value of human resource

Human 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     | 8     | 53    | 19    | 3   | 83           |
| Management Cadre     | 2     | 24    | 10    | 3   | 39           |
| Non Management Cadre | 3     | 21    | 5     | 0   | 29           |
| Support Staff        | 3     | 8     | 4     | 0   | 15           |
| <b>Average age</b>   |       |       |       |     | <b>37.71</b> |

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;
- Welfare cost - incurred to improve the quality of life i.e. to create a conducive working environment; and
- Other cost - for instance employee's safety, exgratia, and incentives. The acquisition cost includes the recruitment cost, selection cost & placement cost and 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 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.

## VALUE ADDED STATEMENT

### A part of social responsibility accounting

Value 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.

#### VALUE ADDED STATEMENT

Figures in BDT Million

| VALUE ADDED                            | 2021              |               |                   |               | 2020            |               |                 |               |
|--|-------------------|---------------|-------------------|---------------|-----------------|---------------|-----------------|---------------|
|  | UCL               | %             | Group             | %             | UCL             | %             | Group           | %             |
| Net interest income                    | (446.50)          |               | (487.55)          |               | (480.21)        |               | (525.21)        |               |
| Fees earned including VAT              | 0.43              |               | 211.92            |               | 0.51            |               | 122.68          |               |
| Investment income                      | 4.58              |               | 71.69             |               | 1.27            |               | 32.44           |               |
| Other income                           | 24.46             |               | 25.60             |               | 232.01          |               | 236.29          |               |
| Management expenses                    | (31.91)           |               | (75.47)           |               | (34.27)         |               | (58.38)         |               |
| Provision for doubtful losses          | (853.63)          |               | (861.63)          |               | (2.02)          |               | (8.94)          |               |
| <b>TOTAL VALUE ADDED</b>               | <b>(1,302.57)</b> |               | <b>(1,115.43)</b> |               | <b>(282.72)</b> |               | <b>(201.12)</b> |               |
| <b>DISTRIBUTION OF VALUE ADDED</b>     |                   |               |                   |               |                 |               |                 |               |
| <b>In payment to Employees</b>         |                   |               |                   |               |                 |               |                 |               |
| As salaries and allowances             | 98.79             | (7.58)        | 173.01            | (15.51)       | 104.77          | (37.06)       | 178.94          | (88.97)       |
| <b>In payment to Capital Providers</b> |                   |               |                   |               |                 |               |                 |               |
| Dividend to shareholders               | -                 | -             | -                 | -             | -               | -             | -               | -             |
| <b>In payment to Government</b>        |                   |               |                   |               |                 |               |                 |               |
| Corporate tax                          | 14.12             | (1.08)        | 58.66             | (5.26)        | 89.28           | (31.58)       | 106.72          | (53.07)       |
| <b>Expansion and business growth</b>   |                   |               |                   |               |                 |               |                 |               |
| Retained income                        | (1,435.88)        | 110.23        | (1,385.59)        | 124.22        | (498.71)        | 176.39        | (532.37)        | 264.70        |
| Depreciation                           | 20.40             | (1.57)        | 38.49             | (3.45)        | 21.93           | (7.76)        | 45.58           | (22.67)       |
| <b>TOTAL DISTRIBUTION</b>              | <b>(1,302.57)</b> | <b>100.00</b> | <b>(1,115.43)</b> | <b>100.00</b> | <b>(282.72)</b> | <b>100.00</b> | <b>(201.12)</b> | <b>100.00</b> |

## MARKET VALUE ADDED STATEMENT

### External performance indicator of value creation

While 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 2021 compared to the MVA of prior year:

#### MARKET VALUE ADDED STATEMENT

Figures in BDT Million

| VALUE ADDED                         | 2021            |                 | 2020          |               |
|-------------------------------------|-----------------|-----------------|---------------|---------------|
|                                     | UCL             | Group           | UCL           | Group         |
| Market value of shares outstanding  | 1,708.48        | 1,708.48        | 1,449.62      | 1,449.62      |
| Book value of the share outstanding | (722.16)        | (674.02)        | 713.72        | 711.57        |
| <b>MARKET VALUE ADDED</b>           | <b>2,430.64</b> | <b>2,382.50</b> | <b>735.90</b> | <b>738.05</b> |

## ECONOMIC VALUE ADDED STATEMENT

Measures the wealth generation potential

Economic 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 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 summarises 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 2021 and 2020:

### ECONOMIC VALUE ADDED STATEMENT

Figures in BDT Million

| VALUE ADDED   | 2021            |                 | 2020            |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | UCL             | Group           | UCL             | Group           |
| <b>Economic Value Added (EVA)</b>   | <b>(581.72)</b> | <b>(526.33)</b> | <b>(618.13)</b> | <b>(646.72)</b> |
| Net operating profit  | (568.13)        | (465.30)        | (407.41)        | (416.70)        |
| Provision for taxes   | (14.12)         | (58.66)         | (89.28)         | (106.72)        |
| <b>Net Operating Profit After Tax (NOPAT)</b>   | <b>(582.25)</b> | <b>(523.96)</b> | <b>(496.69)</b> | <b>(523.43)</b> |
| <b>Shareholders' equity as on 31 December</b>   | (722.16)        | (674.02)        | 713.72          | 711.57          |
| Average shareholders' equity  | (4.22)          | 18.77           | 963.07          | 12.61%          |
| Cost of equity (%)*   | 12.61%          | 12.61%          | 12.61%          | 12.61%          |
| <b>Cost of equity</b>   | <b>(0.53)</b>   | <b>2.37</b>     | <b>121.44</b>   | <b>123.29</b>   |
| * Based on weighted average rate of Sanchay Patra issued by the Bangladesh Government plus 2 % risk premium |                 |                 |                 |                 |
| <b>Key ratios</b>   |                 |                 |                 |                 |
| EVA/Operating revenue (%)   | (90.79)         | (56.11)         | (67.91)         | (41.39)         |
| EVA/Average shareholders' equity (%)  | (13,778.00)     | (2,803.00)      | (64.18)         | (66.14)         |
| Net profit after tax/Operating revenue (%)  | (224.11)        | (147.71)        | (54.79)         | (34.07)         |



# FINANCIAL STATEMENT OF UCL & THE GROUP

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## Independent Auditor's Report to the Shareholders of Union Capital Limited

### Report on the Audit of Consolidated Financial Statements

#### Opinion

We have audited the 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 separate balance sheet as at 31 December 2021, and the consolidated and separate profit and loss account, consolidated and separate statement of changes in equity and consolidated and separate cash flow statement for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and separate financial statements of the Company give a true and fair view of the consolidated financial position of the Group and separate financial position of the Company as at December 31, 2021 and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), where practicable and comply with Financial Institutions Act 1993, The Securities and Exchange Rules 1987, the Companies Act 1994 along with the rules & regulations issued by the Bangladesh Bank and other applicable rules & regulations.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements section of our report. We are independent of Union Capital Limited (the "Group") in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Securities and Exchange Commission and Bangladesh Bank, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter

1. We draw attention to Note 17.00 and Profit or Loss Account in the financial statements, which indicates that the Company incurred a net loss of Tk. 1,435,881,180 and Retained Earnings/(Loss) (2,899,798,429) during the year ended December 31, 2021 and, as of that date, the Company's total liabilities exceeded its total assets by Tk. 722,162,600 and its financial statements shown Net assets value per share (NAV) is (4.18), Earnings per share (EPS) is (8.32) and Capital adequacy ratio (CAR) is (3.05) % respectively. We have performed audit procedures to evaluate management's assumptions as to the Company's ability to continue as a going concern.

2. As reference to the note # 15.00, Regulatory capital (core capital and supplementary capital) should have been maintained at Taka 1,689,825,854 as per section 4 (Gha) of the Financial Institutions Regulations 1994 (as amended) and Bangladesh Bank circular no. 05 and 08 dated 24 July 2011 and 02 August 2010 respectively of The Department of Financial Institutions and Markets (DFIM). However, the eligible capital of the company is Taka (515,159,317). The shortfall in Regulatory Capital amount is Taka 2,204,985,171 compared to minimum requirement.

3. We draw attention to the Note # 5.00, which shown Fixed Deposit with Bangladesh Industrial Finance Company Limited and International Leasing and Financial Services Limited.

4. We draw attention to the Note # 14.03 and Note # 14.03.01 which describes provision against Other Assets and Accrued Interest.

Our opinion is not modified in respect of those matters.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Description of key audit matters   | Our response to key audit matters  |
|--|--|
| <b>Measurement of provision for loans, advances and leases</b>   |  |
| <p>The process for estimating the provision for loans, advances and leases portfolio associated with credit risk is significant and complex.</p> <p>For the individual analysis for large exposure, provision calculation considers the estimates of future business performance and the market value of collateral provided for credit transactions.</p> <p>For the collective analysis of exposure on portfolio basis, provision calculation and reporting are manually processed that deals with voluminous databases, assumptions and estimates.</p> <p>At year end the company reported total gross loans, advances and leases of BDT 11,712,581,595 (2020: BDT 11,803,304,768) and provision maintained for loans, advances and leases of BDT 1,093,606,121 (2020: BDT 457,273,436).</p> | <p>We tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> <li>• Credit appraisal, loan disbursement procedures, monitoring and provisioning process;</li> <li>• Identification of loss events, including early warning and default warning indicators;</li> <li>• Reviewed quarterly Classification of Loans (CL);</li> </ul> <p>Our substantive procedures in relation to the provision for loans and advances portfolio comprised the following:</p> <ul style="list-style-type: none"> <li>• Reviewed the adequacy of the general and specific provisions in line with related Bangladesh Bank guidelines;</li> <li>• Assessed the methodologies on which the provision amounts based, recalculated the provisions and tested the completeness and accuracy of the underlying information;</li> <li>• Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.</li> </ul> |

See note no 07.00 and 14.01 to the financial statements

| IT systems and controls   |   |
|---|---|
| <p>Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls.</p>  | <p>We tested the design and operating effectiveness of the Company's IT access controls over the information systems that are critical to financial reporting.</p> <p>We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems for appropriate approval and authorization.</p> <p>We tested the Company's periodic review of access rights and reviewed requests of changes to system for appropriate approval and authorization.</p> <p>We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.</p>   |
| IFRS 16 Leases  |   |
| <p>IFRS 16 replaces the existing standard IAS 17 and specifies how an IFRS reporter will recognize, measure, present and discloses leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The implementation of IFRS 16 is considered a key audit matter due to the judgments needed in establishing the underlying key assumptions.</p> <p>The Financial Institution disclosures relating to IFRS 16 are included in the notes 8.00 &amp; 14.00 of the financial statements.</p> | <p>Our audit procedures included understanding management's IFRS 16 transition impact analysis approach. Specifically:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding and evaluated the group's implementation process, including the review of the updated accounting policy and policy elections in accordance with IFRS 16.</li> <li>• we assessed the design and implementation of the key controls relating to the determination of the IFRS 16 transition impact disclosure;</li> <li>• we assessed the discount rates used to calculate the lease obligation with support from our valuation specialists;</li> <li>• we assessed the accuracy of the lease data by testing the lease data captured by management for a sample of leases through the inspection of lease documentation; and</li> <li>• we tested the completeness of the lease data by reconciling the Group's existing lease commitments to the lease data underpinning the IFRS 16 model.</li> </ul> <p>The disclosure included within the Accounting Policies of the company of the transition impact of IFRS 16 is appropriate. We conclude the discount rates used by the Company to determine the IFRS 16 lease liability and the lease data underpinning the impact analysis reasonable.</p> |
| Deferred Tax  |   |
| <p>The Institute reports net deferred tax liabilities totaling Taka 29,082,646 as at 31 December 2021 (Taka 19,964,926 as at 31 December 2020)</p> <p>Significant judgment is required in relation to deferred tax liabilities as their recoverability is dependent on forecasts of future profitability over a number of years.</p> <p>The disclosures relating to Deferred Tax are included in note 14.7.a to the financial statements.</p>   | <ul style="list-style-type: none"> <li>- We obtained an understanding, evaluated the design and tested the operational effectiveness of the Institution's key controls over the recognition and measurement of DTAs and the assumptions used in estimating the Company's future taxable income.</li> <li>- We also assessed the completeness and accuracy of the data used for the estimations of future taxable income.</li> <li>- We involved tax specialists to assess key assumptions, controls, recognition and measurement of DTAs.</li> <li>- Finally assessed the appropriateness and presentation of disclosures against "IAS-12" Income Tax.</li> </ul>   |
| Going Concern   |   |
| <p>As at December 31, 2021, the Company along with its associates has incurred losses with a consequent erosion of its net worth and increases its current liabilities.</p>   | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• We have obtained an understanding of the process of management assessment of going concern and also assessed the same.</li> </ul>  |

In the financial statements, the Company has accumulated loss Tk. 2,899,798,429, total liabilities exceed its total assets within one year Tk. 717,162,600 and Shareholders equity has decreased from Tk. 713,718,580 to Tk. (722,162,600) from the year 2020 to 2021.

Further, the Company has prepared cash flow forecast for next twelve months which involves judgment and estimation around sources of funds to meet the financial obligations and cash flow requirements over the next twelve months. Considering the above, we have identified the assessment of going concern assumption as a key audit matter considering that the Company has net current liabilities & accumulated loss.

- We read the management assessment which states: Management is taking various initiatives for reduction of debt & increases of profit.
- We have obtained the future cash flows of the Company. We have considered the same for our assessment of the Company's capability to meet its financial obligation falling due within next twelve months.
- We have assessed the disclosures made by the Company in relation to this matter.

### Reporting on Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), where practicable and the Financial Institutions Act 1993, The Securities and Exchange Rules 1987, the Companies Act 1994 along with the rules & regulations Issued by the Bangladesh Bank and other applicable rules & 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.

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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

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

#### Report on other legal and regulatory requirements

In accordance with the Companies Act, 1994, the Securities and Exchange Rules 1987, the Financial Institutions Act, 1993 and the rules and regulations issued by Bangladesh Bank, we also report that

- 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;
- in our opinion, proper books of accounts as required by law have been kept by the company so far as it appeared from our examination of those books;
- the balance sheet and profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of accounts and returns;
- the expenditures incurred were for the purpose of the Company's business for the year;
- the financial statements of the Company have been drawn up in conformity with the Financial Institutions Act, 1993 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank to the extent applicable to the company;
- adequate provisions have been made for loans, advances, leases, investment and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;
- the financial statements of the Company conform to the prescribed standards set in the accounting regulations which were issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- the records and statements which were submitted by the branches have been properly maintained and recorded in the financial statements;
- statements sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;
- nothing has come to our attention that the Company has adopted any unethical means i.e. 'window dressing' to inflate the profit and mismatch between the maturity of assets and liabilities;
- proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instruction which were issued by the Bangladesh Bank & other regulatory authorities have been complied properly as disclosed to us by management;
- based on our work as mentioned above under the auditor's responsibility section, the internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible material fraud, forgery and internal policies are being followed appropriately;
- the Company has complied with relevant laws pertaining to capital, reserve and net worth, cash and liquid assets and procedure for sanctioning and disbursing loans/leases found satisfactory;
- we have reviewed over 80% of the risk-weighted assets of the company and we have spent approximately over 960 person hours for the audit of books of accounts of the company;
- the Company has complied with relevant instructions which are issued by Bangladesh Bank relevant to classification, provisioning and calculation of interest suspense;
- all other issues which in our opinion are important for the stakeholders of the company have been adequately disclosed in the audit report; and
- the company complied with the First Schedule of the Financial Institutions Act, 1993 in preparing these financial statements.

Place: Dhaka  
Date: April 27, 2022  
DVC- 2205100458AS365894

Sd/-

**AKM Mohitul Haq, FCA**  
Senior Partner  
Enrolment No- 0458  
**Ahmed Zaker & Co.**  
Chartered Accountants



## Consolidated Balance Sheet

As at 31 December 2021

|  | Notes | 2021<br>Taka          | 2020<br>Taka          |
|--|-------|-----------------------|-----------------------|
| <b>PROPERTY AND ASSETS</b>   |       |                       |                       |
| <b>Cash</b>  |       |                       |                       |
| In hand (including foreign currencies)   |       | 68,026                | 68,026                |
| Balance with Bangladesh Bank and its agent bank (including foreign currencies) |       | 122,943,914           | 93,413,504            |
|  | 4.a   | <b>123,011,940</b>    | <b>93,481,530</b>     |
| <b>Balance with other banks and financial institutions</b>                     |       |                       |                       |
| In Bangladesh  |       | 1,205,184,172         | 1,110,544,571         |
| Outside Bangladesh   |       | -                     | -                     |
|  | 5.a   | <b>1,205,184,172</b>  | <b>1,110,544,571</b>  |
| <b>Moey at call and short notice</b>   |       |                       |                       |
|  |       | -                     | -                     |
| <b>Investments</b>   |       |                       |                       |
| Government   |       | -                     | -                     |
| Others   |       | 594,117,690           | 1,000,867,776         |
|  | 6.a   | <b>594,117,690</b>    | <b>1,000,867,776</b>  |
| <b>Loans, advances and leases</b>  |       |                       |                       |
| Loans, advances and leases   |       | 13,356,830,468        | 13,292,412,646        |
| Bills purchased and discounted   |       | -                     | -                     |
|  | 7.a   | <b>13,356,830,468</b> | <b>13,292,412,646</b> |
| Fixed assets including land, building, furniture and fixtures                  | 8.a   | 430,343,514           | 467,810,752           |
| Other assets   | 9.a   | 720,490,234           | 608,684,030           |
| Non-banking assets   | 10    | 519,570,004           | 523,770,004           |
| <b>TOTAL ASSETS</b>  |       | <b>16,949,548,021</b> | <b>17,097,571,308</b> |
| <b>LIABILITIES AND CAPITAL</b>   |       |                       |                       |
| <b>Liabilities</b>   |       |                       |                       |
| Borrowings from other banks, financial institutions and agents                 | 11.a  | 3,617,967,788         | 3,789,955,056         |
| <b>Deposits and other accounts</b>   |       |                       |                       |
| Term deposits  | 12.a  | 8,605,845,739         | 8,621,712,648         |
| Other deposits   | 13    | 181,197,248           | 175,724,824           |
|  |       | <b>8,787,042,987</b>  | <b>8,797,437,472</b>  |
| Other liabilities  | 14.a  | 5,218,556,937         | 3,798,609,301         |
| <b>Total liabilities</b>   |       | <b>17,623,567,712</b> | <b>16,386,001,829</b> |
| <b>Shareholders' equity</b>  |       |                       |                       |
| Paid up capital  | 15    | 1,725,738,430         | 1,725,738,430         |
| Statutory reserve  | 16    | 451,897,399           | 451,897,399           |
| Retained earnings/(loss)   | 17.a  | (2,851,655,742)       | (1,466,066,561)       |
| <b>Total equity attributable to equity holders of the Company</b>              |       | <b>(674,019,913)</b>  | <b>711,569,268</b>    |
| Non-controlling interest   |       | 222                   | 211                   |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                              |       | <b>16,949,548,021</b> | <b>17,097,571,308</b> |

**Consolidated Balance Sheet**

As at 31 December 2021

|   | Notes       | 2021<br>Taka  | 2020<br>Taka |
|---|-------------|---------------|--------------|
| <b>OFF-BALANCE SHEET ITEMS</b>                    |             |               |              |
| <b>Contingent liabilities</b>                     |             |               |              |
| Letters of guarantee                              |             | -             | -            |
| Irrevocable letters of credit                     |             | -             | -            |
| Other contingent liabilities                      |             | -             | -            |
| <b>Other commitments</b>                          |             |               |              |
| Undisbursed contracted loans, advances and leases |             | -             | -            |
| <b>TOTAL OFF BALANCE SHEET ITEMS</b>              |             | -             | -            |
| <b>Net assets value per share (NAV)</b>           | <b>40.a</b> | <b>(3.91)</b> | <b>4.12</b>  |

These financial statements should be read in conjunction with annexed notes  
For and on behalf of Board of Directors of Union Capital Limited

Sd/-  
Chairman

Sd/-  
Director

Sd/-  
Managing Director & CEO (CC)

Sd/-  
Company Secretary (CC)

Signed in terms of our separate report of even date annexed.

Place: Dhaka  
Date: 27 April, 2022  
DVC- 2205100458AS365894

Sd/-  
**AKM Mohitul Haq, FCA**  
Senior Partner  
Enrolment No- 0458  
**AHMED ZAKER & CO.**  
Chartered Accountants

**Consolidated Profit and Loss Account**

For the year ended 31 December 2021

|  | Notes | 2021<br>Taka           | 2020<br>Taka         |
|--|-------|------------------------|----------------------|
| Interest income  | 19.a  | 628,815,325            | 1,170,954,886        |
| Interest paid on deposits and borrowings etc.                | 20.a  | (1,116,365,105)        | (1,696,165,244)      |
| <b>Net interest income</b>                                   |       | <b>(487,549,780)</b>   | <b>(525,210,359)</b> |
| Investment income  | 21.a  | 71,685,782             | 32,438,256           |
| Fees, commissions, exchange and brokerage                    | 22.a  | 211,923,144            | 122,678,103          |
| Other operating income                                       | 23.a  | 25,603,854             | 236,289,239          |
|  |       | <b>309,212,780</b>     | <b>391,405,598</b>   |
| <b>Total operating income</b>                                |       | <b>(178,337,000)</b>   | <b>(133,804,761)</b> |
| Salaries and other employee benefits                         | 24.a  | 164,884,206            | 171,358,267          |
| Rent, taxes, insurance, electricity etc.                     | 25.a  | 5,245,247              | 3,043,370            |
| Legal expenses   | 26.a  | 6,348,276              | 7,512,930            |
| Postage, stamp, telecommunication etc.                       | 27.a  | 4,309,677              | 4,923,757            |
| Stationery, printing, advertisements etc.                    | 28.a  | 3,905,688              | 3,943,091            |
| Managing Director's salary and fees                          | 29    | 8,120,000              | 7,580,000            |
| Directors' fees  | 30.a  | 218,750                | 140,000              |
| Auditors' fees   | 31.a  | 448,500                | 448,500              |
| Depreciation and repair of assets                            | 32.a  | 39,610,817             | 46,375,149           |
| Other expenses   | 33.a  | 53,870,982             | 37,572,870           |
| <b>Total operating expenses</b>                              |       | <b>286,962,143</b>     | <b>282,897,934</b>   |
| <b>Profit /(loss) before provision</b>                       |       | <b>(465,299,143)</b>   | <b>(416,702,694)</b> |
| <b>Provision for loans, advances, leases and investments</b> |       |                        |                      |
| General provision  |       | 264,361,384            | (23,167,990)         |
| Specific provision   |       | 598,705,663            | 23,938,923           |
| Provision for diminution in value of investments             |       | (1,437,021)            | 8,169,178            |
| <b>Total provision</b>                                       |       | <b>861,630,026</b>     | <b>8,940,111</b>     |
| <b>Total profit/(loss) before tax</b>                        |       | <b>(1,326,929,169)</b> | <b>(425,642,805)</b> |
| Provision for taxation                                       |       |                        |                      |
| Current tax  |       | 49,822,682             | 94,324,658           |
| Deferred tax   |       | 8,837,320              | 12,400,093           |
|  |       | <b>58,660,002</b>      | <b>106,724,751</b>   |
| <b>Net profit/(loss) after tax</b>                           |       | <b>(1,385,589,171)</b> | <b>(532,367,556)</b> |
| <b>Retained surplus/(loss)</b>                               |       | <b>(1,385,589,171)</b> | <b>(532,367,556)</b> |
| <b>Attributable to</b>                                       |       |                        |                      |
| Shareholders of the Company                                  |       | (1,385,589,181)        | (532,367,550)        |
| Non-controlling interest                                     |       | 10                     | (7)                  |
| <b>Weighted average no. of outstanding share</b>             |       | <b>172,573,843</b>     | <b>172,573,843</b>   |
| <b>Earnings per share</b>                                    | 36.a  | <b>(8.03)</b>          | <b>(3.08)</b>        |

These financial statements should be read in conjunction with annexed notes  
For and on behalf of Board of Directors of Union Capital Limited

Sd/-  
Chairman

Sd/-  
Director

Sd/-  
Managing Director & CEO (CC)

Sd/-  
Company Secretary (CC)

Signed in terms of our separate report of even date annexed.

Place: Dhaka  
Date: 27 April, 2022  
DVC- 2205100458AS365894

Sd/-  
**AKM Mohitul Haq, FCA**  
Senior Partner  
Enrolment No- 0458  
**AHMED ZAKER & CO.**  
Chartered Accountants

## Consolidated statement of changes in shareholders' equity

For the year ended 31 December 2021

Amount in Taka

| Particulars                           | Paid-up capital      | Statutory reserve  | Retained earnings/(loss) | Non controlling interest | Total                |
|---------------------------------------|----------------------|--------------------|--------------------------|--------------------------|----------------------|
| Balance as at 1 January 2021          | 1,725,738,430        | 451,897,399        | (1,466,066,561)          | 211                      | 711,569,480          |
| Net profit/(loss) for the year 2021   | -                    | -                  | (1,385,589,181)          | 10                       | (1,385,589,171)      |
| <b>Balance as at 31 December 2021</b> | <b>1,725,738,430</b> | <b>451,897,399</b> | <b>(2,851,655,742)</b>   | <b>222</b>               | <b>(674,019,691)</b> |

### For the year ended 31 December 2020

Amount in Taka

| Particulars                           | Paid-up capital      | Statutory reserve  | Retained earnings/(loss) | Non controlling interest | Total              |
|---------------------------------------|----------------------|--------------------|--------------------------|--------------------------|--------------------|
| Balance as at 1 January 2020          | 1,725,738,430        | 451,897,399        | (933,699,011)            | 218                      | 1,243,937,036      |
| Net profit/(loss) for the year 2020   | -                    | -                  | (532,367,550)            | (6.8)                    | (532,367,556)      |
| <b>Balance as at 31 December 2020</b> | <b>1,725,738,430</b> | <b>451,897,399</b> | <b>(1,466,066,561)</b>   | <b>211</b>               | <b>711,569,480</b> |

For and on behalf of Board of Directors of Union Capital Limited

Sd/-  
**Chairman**

Sd/-  
**Director**

Sd/-  
**Managing Director & CEO (CC)**

Sd/-  
**Company Secretary (CC)**

Place: Dhaka  
Date: 27 April, 2022  
DVC- 2205100458AS365894

Sd/-

**AKM Mohitul Haq, FCA**  
Senior Partner  
Enrolment No- 0458  
**AHMED ZAKER & CO.**  
Chartered Accountants

**Consolidated Cash Flow Statement**

For the year ended 31 December 2021

|  | Notes | 2021<br>Taka         | 2020<br>Taka         |
|--|-------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>                              |       |                      |                      |
| Interest receipts  |       | 690,523,080          | 1,151,136,686        |
| Interest payments  |       | (967,427,032)        | (1,324,314,045)      |
| Fee and commission receipts  |       | 211,693,926          | 122,265,908          |
| Recoveries of loans previously written off                               |       | 20,338,164           | 231,069,423          |
| Dividend receipts  |       | 19,680,323           | 21,884,507           |
| Cash payments to employees   |       | (169,626,264)        | (175,915,877)        |
| Cash payments to suppliers and management expenses                       |       | (24,472,482)         | (23,921,584)         |
| Income taxes paid  |       | (44,858,275)         | (29,449,038)         |
| Receipts from other operating activities                                 |       | 5,494,908            | 5,632,011            |
| Payments for other operating activities                                  |       | (53,870,982)         | (37,572,870)         |
| <b>Cash generated before changes in operating assets and liabilities</b> |       | <b>(312,524,634)</b> | <b>(59,184,880)</b>  |
| <b>Increase/decrease in operating assets and liabilities</b>             |       |                      |                      |
| Purchase of trading securities (treasury bills)                          |       | -                    | -                    |
| Loans, advances and leases to banks and financial institutions           |       | -                    | -                    |
| Loans, advances and leases to customers                                  |       | (64,417,822)         | 691,276,867          |
| Other assets   |       | (58,138,068)         | 85,991,843           |
| Deposits from banks and other financial institutions                     |       | (73,178,029)         | (278,235,348)        |
| Deposits from customers  |       | 62,783,544           | (838,424,324)        |
| Net draw down/(payment) of short term loan                               |       | 7,514,983            | (102,956,968)        |
| Other liabilities  |       | 307,343,778          | 389,584,955          |
| <b>Cash generated from operating assets and liabilities</b>              |       | <b>181,908,386</b>   | <b>(52,762,975)</b>  |
| <b>Net cash generated from/(used in) operating activities</b>            |       | <b>(130,616,248)</b> | <b>(111,947,855)</b> |
| <b>Cash flows from investing activities</b>                              |       |                      |                      |
| Proceeds from sale of securities   |       | 1,421,070,794        | 640,651,419          |
| Payments for purchases of securities                                     |       | (968,940,288)        | (682,338,386)        |
| Purchase of property, plant and equipment                                |       | (18,849,157)         | (26,817,586)         |
| Proceeds from sale of property, plant and equipment                      |       | 1,007,161            | 1,035,901            |
| <b>Net cash generated from/(used in) investing activities</b>            |       | <b>434,288,510</b>   | <b>(67,468,653)</b>  |
| <b>Cash flows from financing activities</b>                              |       |                      |                      |
| Receipts of long term loan   |       | 40,000,000           | -                    |
| Repayment of long term loan  |       | (219,502,251)        | (240,805,118)        |
| <b>Net cash generated from/(used in) financing activities</b>            |       | <b>(179,502,251)</b> | <b>(240,805,118)</b> |
| <b>Net (decrease)/increase in cash and cash equivalents</b>              |       | <b>124,170,011</b>   | <b>(420,221,625)</b> |
| Effects of exchange rate changes on cash and cash equivalents            |       | -                    | -                    |
| Cash and cash equivalents at beginning of the year                       |       | 1,204,026,101        | 1,624,247,726        |
| <b>Cash and cash equivalents at end of the year</b>                      |       | <b>1,328,196,111</b> | <b>1,204,026,101</b> |
| <b>Cash and cash equivalents at end of the year represents</b>           |       |                      |                      |
| Cash in hand   |       | 68,026               | 68,026               |
| Balance with Bangladesh Bank and its agent bank                          |       | 122,943,914          | 93,413,504           |
| Balance with other banks and financial institutions                      |       | 1,205,184,172        | 1,110,544,571        |
|  |       | <b>1,328,196,112</b> | <b>1,204,026,101</b> |
| <b>Net operating cash flows per share</b>                                | 39.a  | <b>(0.76)</b>        | <b>(0.65)</b>        |

For and on behalf of Board of Directors of Union Capital Limited

|          |          |                              |                        |
|----------|----------|------------------------------|------------------------|
| Sd/-     | Sd/-     | Sd/-                         | Sd/-                   |
| Chairman | Director | Managing Director & CEO (CC) | Company Secretary (CC) |

Place: Dhaka  
Date: 27 April, 2022  
DVC- 2205100458AS365894

Sd/-  
**AKM Mohitul Haq, FCA**  
Senior Partner  
Enrolment No- 0458  
**AHMED ZAKER & CO.**  
Chartered Accountants



## Balance Sheet

As at 31 December 2021

|  | Notes | 2021<br>Taka          | 2020<br>Taka          |
|--|-------|-----------------------|-----------------------|
| <b>PROPERTY AND ASSETS</b>   |       |                       |                       |
| <b>Cash</b>  |       |                       |                       |
| In hand (including foreign currencies)   |       | 34,000                | 34,000                |
| Balance with Bangladesh Bank and its agent bank (including foreign currencies) |       | 122,943,914           | 93,413,504            |
|  | 4     | <b>122,977,914</b>    | <b>93,447,504</b>     |
| <b>Balance with other banks and financial institutions</b>                     |       |                       |                       |
| In Bangladesh  |       | 920,731,798           | 874,810,849           |
| Outside Bangladesh   |       | -                     | -                     |
|  | 5     | <b>920,731,798</b>    | <b>874,810,849</b>    |
| <b>Money at call and short notice</b>  |       |                       |                       |
|  |       | -                     | -                     |
| <b>Investments</b>   |       |                       |                       |
| Government   |       | -                     | -                     |
| Others   |       | 47,410,131            | 42,042,303            |
|  | 6     | <b>47,410,131</b>     | <b>42,042,303</b>     |
| <b>Loans, advances and leases</b>  |       |                       |                       |
| Loans, advances and leases   |       | 11,712,581,595        | 11,803,304,768        |
| Bills purchased and discounted   |       | -                     | -                     |
|  | 7     | <b>11,712,581,595</b> | <b>11,803,304,768</b> |
| Fixed assets including land, building, furniture and fixtures                  | 8     | 410,760,609           | 430,606,491           |
| Other assets   | 9     | 1,238,199,680         | 1,240,049,829         |
| Non-banking assets   | 10    | 519,570,004           | 523,770,004           |
| <b>TOTAL ASSETS</b>  |       | <b>14,972,231,731</b> | <b>15,008,031,748</b> |
| <b>LIABILITIES AND CAPITAL</b>   |       |                       |                       |
| <b>Liabilities</b>   |       |                       |                       |
| Borrowings from other banks, financial institutions and agents                 | 11    | 3,415,706,133         | 3,425,304,822         |
| <b>Deposits and other accounts</b>   |       |                       |                       |
| Term deposits  | 12    | 8,605,845,739         | 8,621,712,648         |
| Other deposits   | 13    | 181,197,248           | 175,724,824           |
|  |       | <b>8,787,042,987</b>  | <b>8,797,437,472</b>  |
| Other liabilities  | 14    | 3,491,645,211         | 2,071,570,874         |
| <b>Total liabilities</b>   |       | <b>15,694,394,331</b> | <b>14,294,313,168</b> |
| <b>Shareholders' equity</b>  |       |                       |                       |
| Paid up capital  | 15    | 1,725,738,430         | 1,725,738,430         |
| Statutory reserve  | 16    | 451,897,399           | 451,897,399           |
| Retained earnings/(loss)   | 17    | (2,899,798,429)       | (1,463,917,249)       |
| <b>Total shareholders' equity</b>  |       | <b>(722,162,600)</b>  | <b>713,718,580</b>    |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                              |       | <b>14,972,231,731</b> | <b>15,008,031,748</b> |

**Balance Sheet**

As at 31 December 2021

|   | Notes | 2021<br>Taka  | 2020<br>Taka |
|---|-------|---------------|--------------|
| <b>OFF-BALANCE SHEET ITEMS</b>                    |       |               |              |
| <b>Contingent liabilities</b>                     |       |               |              |
| Letters of guarantee                              |       | -             | -            |
| Irrevocable letters of credit                     |       | -             | -            |
| Other contingent liabilities                      |       | -             | -            |
| <b>Other commitments</b>                          |       |               |              |
| Undisbursed contracted loans, advances and leases |       | -             | -            |
| <b>TOTAL OFF BALANCE SHEET ITEMS</b>              |       | -             | -            |
| <b>Net assets value per share (NAV)</b>           | 40    | <b>(4.18)</b> | <b>4.14</b>  |

These financial statements should be read in conjunction with annexed notes  
For and on behalf of Board of Directors of Union Capital Limited

Sd/-  
Chairman

Sd/-  
Director

Sd/-  
Managing Director & CEO (CC)

Sd/-  
Company Secretary (CC)

Signed in terms of our separate report of even date annexed.

Place: Dhaka  
Date: 27 April, 2022  
DVC- 2205100458AS365894

Sd/-  
**AKM Mohitul Haq, FCA**  
Senior Partner  
Enrolment No- 0458  
**AHMED ZAKER & CO.**  
Chartered Accountants

## Profit and Loss Account

For the year ended 31 December 2021

|  | Notes | 2021<br>Taka           | 2020<br>Taka         |
|--|-------|------------------------|----------------------|
| Interest income  | 19    | 611,243,847            | 676,426,114          |
| Interest paid on deposits and borrowings etc.                | 20    | (1,057,747,934)        | (1,156,640,853)      |
| <b>Net interest income</b>                                   |       | <b>(446,504,087)</b>   | <b>(480,214,739)</b> |
| Investment income  | 21    | 4,581,214              | 1,266,955            |
| Fees, commissions, exchange and brokerage                    | 22    | 430,431                | 507,220              |
| Other operating income                                       | 23    | 24,458,587             | 232,006,730          |
|  |       | <b>29,470,232</b>      | <b>233,780,905</b>   |
| <b>Total operating income</b>                                |       | <b>(417,033,855)</b>   | <b>(246,433,834)</b> |
| Salaries and other employee benefits                         | 24    | 90,673,571             | 97,188,899           |
| Rent, taxes, insurance, electricity etc.                     | 25    | 3,108,506              | 4,422,097            |
| Legal expenses   | 26    | 6,333,276              | 7,450,599            |
| Postage, stamp, telecommunication etc.                       | 27    | 1,615,458              | 1,908,854            |
| Stationery, printing, advertisements etc.                    | 28    | 2,526,704              | 2,668,991            |
| Managing Director's salary and fees                          | 29    | 8,120,000              | 7,580,000            |
| Directors' fees  | 30    | 175,000                | 140,000              |
| Auditors' fees   | 31    | 230,000                | 230,000              |
| Depreciation and repair of assets                            | 32    | 20,503,511             | 22,131,377           |
| Other expenses   | 33    | 17,813,553             | 17,251,128           |
| <b>Total operating expenses</b>                              |       | <b>151,099,579</b>     | <b>160,971,945</b>   |
| <b>Profit /(loss) before provision</b>                       |       | <b>(568,133,434)</b>   | <b>(407,405,779)</b> |
| <b>Provision for loans, advances, leases and investments</b> |       |                        |                      |
| General provision for loans, advances and other assets       |       | 256,361,384            | (23,167,990)         |
| Specific provision   |       | 598,705,663            | 23,938,923           |
| Provision for diminution in value of investments             |       | (1,437,021)            | 1,245,746            |
| <b>Total provision</b>                                       |       | <b>853,630,026</b>     | <b>2,016,679</b>     |
| <b>Total profit/(loss) before tax</b>                        |       | <b>(1,421,763,460)</b> | <b>(409,422,458)</b> |
| Provision for taxation                                       |       |                        |                      |
| Current tax  |       | 5,000,000              | 68,508,745           |
| Deferred tax   |       | 9,117,720              | 20,774,875           |
|  |       | <b>14,117,720</b>      | <b>89,283,620</b>    |
| <b>Net profit/(loss) after tax</b>                           |       | <b>(1,435,881,180)</b> | <b>(498,706,078)</b> |
| <b>Retained surplus/(loss)</b>                               |       | <b>(1,435,881,180)</b> | <b>(498,706,078)</b> |
| <b>Weighted average no. of outstanding share</b>             |       | <b>172,573,843</b>     | <b>172,573,843</b>   |
| <b>Earnings per share</b>                                    | 36    | <b>(8.32)</b>          | <b>(2.89)</b>        |

These financial statements should be read in conjunction with annexed notes  
For and on behalf of Board of Directors of Union Capital Limited

Sd/-  
Chairman

Sd/-  
Director

Sd/-  
Managing Director & CEO (CC)

Sd/-  
Company Secretary (CC)

Signed in terms of our separate report of even date annexed.

Place: Dhaka  
Date: 27 April, 2022  
DVC- 2205100458AS365894

Sd/-  
**AKM Mohitul Haq, FCA**  
Senior Partner  
Enrolment No- 0458  
**AHMED ZAKER & CO.**  
Chartered Accountants

## Statement of Changes in equity

For the year ended 31 December 2021

Amount in Taka

| Particulars                           | Paid-up capital      | Statutory reserve  | Retained earnings/(loss) | Total                |
|---------------------------------------|----------------------|--------------------|--------------------------|----------------------|
| Balance as at 1 January 2021          | 1,725,738,430        | 451,897,399        | (1,463,917,249)          | 713,718,580          |
| Net profit/(loss) for the year 2021   | -                    | -                  | (1,435,881,180)          | (1,435,881,180)      |
| <b>Balance as at 31 December 2021</b> | <b>1,725,738,430</b> | <b>451,897,399</b> | <b>(2,899,798,429)</b>   | <b>(722,162,600)</b> |

For the year ended 31 December 2020

Amount in Taka

| Particulars                           | Paid-up capital      | Statutory reserve  | Retained earnings/(loss) | Total              |
|---------------------------------------|----------------------|--------------------|--------------------------|--------------------|
| Balance as at 1 January 2020          | 1,725,738,430        | 451,897,399        | (965,211,171)            | 1,212,424,658      |
| Net profit/(loss) for the year 2020   | -                    | -                  | (498,706,078)            | (498,706,078)      |
| <b>Balance as at 31 December 2020</b> | <b>1,725,738,430</b> | <b>451,897,399</b> | <b>(1,463,917,249)</b>   | <b>713,718,580</b> |

For and on behalf of Board of Directors of Union Capital Limited

Sd/-  
Chairman

Sd/-  
Director

Sd/-  
Managing Director & CEO (CC)

Sd/-  
Company Secretary (CC)

Place: Dhaka  
Date: 27 April, 2022  
DVC- 2205100458AS365894

Sd/-  
**AKM Mohitul Haq, FCA**  
Senior Partner  
Enrolment No- 0458  
**AHMED ZAKER & CO.**  
Chartered Accountants

## Cash Flow Statement

For the year ended 31 December 2021

|  | Notes | 2021<br>Taka         | 2020<br>Taka         |
|--|-------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>                              |       |                      |                      |
| Interest receipts  |       | 454,416,281          | 656,607,911          |
| Interest payments  |       | (893,601,393)        | (796,579,807)        |
| Fee and commission receipts  |       | 201,213              | 95,025               |
| Recoveries of loans previously written off                               |       | 20,338,164           | 231,069,423          |
| Dividend receipts  |       | 1,869,819            | 586,175              |
| Cash payments to employees   |       | (97,801,027)         | (102,530,856)        |
| Cash payments to suppliers and management expenses                       |       | (15,899,539)         | (18,175,541)         |
| Income taxes paid  |       | (1,469,751)          | (4,984,935)          |
| Receipts from other operating activities                                 | 34    | 229,218              | 412,195              |
| Payments for other operating activities                                  | 35    | (17,813,553)         | (17,251,128)         |
| <b>Cash generated before changes in operating assets and liabilities</b> |       | <b>(549,530,568)</b> | <b>(50,751,537)</b>  |
| <b>Increase/decrease in operating assets and liabilities</b>             |       |                      |                      |
| Loans, advances and leases to customers                                  |       | 90,723,173           | 1,034,758,255        |
| Other assets   | 41    | 6,648,469            | (25,939,188)         |
| Deposits from banks and other financial institutions                     |       | (73,178,029)         | (278,235,348)        |
| Deposits from customers  |       | 62,783,544           | (899,965,341)        |
| Net draw down/(payment) of short term loan                               |       | 7,514,983            | (102,956,968)        |
| Other liabilities account of customers                                   |       | -                    | -                    |
| Trading liabilities  |       | -                    | -                    |
| Other liabilities  | 42    | 554,202,402          | 125,875,399          |
| <b>Cash generated from operating assets and liabilities</b>              |       | <b>648,694,542</b>   | <b>(146,463,191)</b> |
| <b>Net cash generated from/(used in) operating activities</b>            |       | <b>99,163,974</b>    | <b>(197,214,728)</b> |
| <b>Cash flows from investing activities</b>                              |       |                      |                      |
| Proceeds from sale of securities   |       | 154,821,601          | 13,938,281           |
| Payments for purchases of securities                                     |       | (158,076,354)        | (28,630,109)         |
| Purchase of property, plant and equipment                                |       | (3,967,350)          | (7,776,507)          |
| Proceeds from sale of property, plant and equipment                      |       | 623,161              | 1,000,901            |
| <b>Net cash used in investing activities</b>                             |       | <b>(6,598,942)</b>   | <b>(21,467,434)</b>  |
| <b>Cash flows from financing activities</b>                              |       |                      |                      |
| Receipts of long term loan   |       | -                    | -                    |
| Repayment of long term loan  |       | (17,113,673)         | (178,798,393)        |
| <b>Net cash generated from/(used in) financing activities</b>            |       | <b>(17,113,673)</b>  | <b>(178,798,393)</b> |
| <b>Net (decrease)/increase in cash and cash equivalents</b>              |       | <b>75,451,359</b>    | <b>(397,480,556)</b> |
| Effects of exchange rate changes on cash and cash equivalents            |       | -                    | -                    |
| Cash and cash equivalents at beginning of the year                       |       | 968,258,353          | 1,365,738,909        |
| <b>Cash and cash equivalents at end of the year</b>                      |       | <b>1,043,709,712</b> | <b>968,258,353</b>   |
| <b>Cash and cash equivalents at end of the year represents</b>           |       |                      |                      |
| Cash in hand   |       | 34,000               | 34,000               |
| Balance with Bangladesh Bank and its agent bank                          |       | 122,943,914          | 93,413,504           |
| Balance with other banks and financial institutions                      |       | 920,731,798          | 874,810,849          |
|  |       | <b>1,043,709,712</b> | <b>968,258,353</b>   |
| <b>Net operating cash flows per share</b>                                | 39    | <b>0.57</b>          | <b>(1.14)</b>        |

For and on behalf of Board of Directors of Union Capital Limited

|          |          |                              |                        |
|----------|----------|------------------------------|------------------------|
| Sd/-     | Sd/-     | Sd/-                         | Sd/-                   |
| Chairman | Director | Managing Director & CEO (CC) | Company Secretary (CC) |

Signed in terms of our separate report of even date annexed.

Place: Dhaka  
Date: 27 April, 2022  
DVC- 2205100458AS365894

Sd/-  
**AKM Mohitul Haq, FCA**  
Senior Partner  
Enrolment No- 0458  
**AHMED ZAKER & CO.**  
Chartered Accountants

## STATEMENT OF LIQUIDITY ANALYSIS (MATURITY OF ASSETS AND LIABILITIES)

As at 31 December 2021

Amount in Taka

| Particulars   | Up to 1 month      | 1-3 months         | 3-12 months          | 1-5 years             | above 5 years        | Total                 |
|---|--------------------|--------------------|----------------------|-----------------------|----------------------|-----------------------|
| <b>Assets</b>   |                    |                    |                      |                       |                      |                       |
| Cash in hand  | 34,000             | -                  | -                    | -                     | -                    | 34,000                |
| Balance with Bangladesh Bank and its agent bank(s)      | -                  | -                  | 122,943,914          | -                     | -                    | 122,943,914           |
| Balance with banks and other financial institutions     | 104,757,356        | 225,000,000        | 590,974,442          | -                     | -                    | 920,731,798           |
| Money at call and short notice                          | -                  | -                  | -                    | -                     | -                    | -                     |
| Investments   | 9,500,000          | 20,000,000         | 17,910,131           | -                     | -                    | 47,410,131            |
| Loans, advances and leases                              | 80,000,000         | 151,000,000        | 1,078,000,000        | 9,395,235,547         | 1,008,346,048        | 11,712,581,595        |
| Fixed assets including premises, furniture and fixtures | -                  | -                  | -                    | -                     | 410,760,609          | 410,760,609           |
| Other assets  | 14,600,000         | 94,300,000         | 584,000,000          | 224,829,080           | 320,470,600          | 1,238,199,680         |
| Non-banking assets                                      | -                  | -                  | -                    | 519,570,004           | -                    | 519,570,004           |
| <b>Total assets</b>                                     | <b>208,891,356</b> | <b>490,300,000</b> | <b>2,393,828,487</b> | <b>10,139,634,631</b> | <b>1,739,577,257</b> | <b>14,972,231,731</b> |
| <b>Liabilities</b>                                      |                    |                    |                      |                       |                      |                       |
| Borrowings from banks and financial institutions        | 179,201,747        | 343,825,039        | 1,381,853,157        | 1,172,413,981         | 338,412,208          | 3,415,706,133         |
| Deposits  | 15,000,000         | 51,663,983         | 560,340,258          | 6,494,332,120         | 1,484,509,378        | 8,605,845,739         |
| Other deposits  | 1,237,625          | 2,336,017          | 16,676,992           | 145,347,190           | 15,599,424           | 181,197,248           |
| Provision and other liabilities                         | 12,500,000         | 87,000,000         | 343,500,000          | 2,519,555,238         | 529,089,973          | 3,491,645,211         |
| <b>Total liabilities</b>                                | <b>207,939,371</b> | <b>484,825,039</b> | <b>2,302,370,407</b> | <b>10,331,648,529</b> | <b>2,367,610,984</b> | <b>15,694,394,331</b> |
| <b>Net liquidity gap</b>                                | <b>951,985</b>     | <b>5,474,961</b>   | <b>91,458,080</b>    | <b>(192,013,899)</b>  | <b>(628,033,726)</b> | <b>(722,162,600)</b>  |

For and on behalf of Board of Directors of Union Capital Limited

Sd/-  
Chairman

Sd/-  
Director

Sd/-  
Managing Director & CEO (CC)

Sd/-  
Company Secretary (CC)

Place: Dhaka  
Date: 27 April, 2022



## Notes to the Financial Statements

As at and for the year ended 31 December 2021

### 1. General information

#### 1.1 Domicile, legal form and country of incorporation

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 its shares with both Dhaka Stock Exchange and Chittagong Stock Exchange in July 2007.

The registered office of the Company is located at bti Landmark, Level- 8, Plot- 16, Gulshan Avenue, Gulshan-1, Dhaka 1212, Bangladesh. The operations of the Company are being carried out through its 5 (five) offices located in Dhaka, Gazipur, Chattogram, Sylhet and Bogura.

#### 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.

##### Fund based services

Fund based services include lease finance, term finance, real estate finance, SME finance, hire purchase, bridge finance, bill discounting, factoring etc.

##### Fee based activities

Fee based activities include corporate financial services.

##### Deposit schemes

The Company offers various deposit schemes to mobilise the deposits 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 at 31 December 2021 Union Capital has two subsidiaries to include for preparation of consolidated financial statements as per International Financial Reporting Standard (IFRS) 10: Consolidated Financial Statements. A brief description of the subsidiaries is given 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 are 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 shares of UniCap Securities Limited and has the control over it, thus it is considered as a subsidiary of Union Capital Limited. The Board of UniCap Securities Limited consists of 12 (twelve) Directors and 11 (eleven) Directors are nominated by Union Capital Limited to represent the Company.

##### 1.3.2 UniCap Investments Limited

UniCap Investments 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 are 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 of UniCap Investments Limited. Out of 9 (nine) Directors, 2 (two) Directors have been nominated from Union Capital Limited to represent the Company.

### 2 Basis of preparation

The financial statements are prepared on the historical cost basis. 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

## Notes to the Financial Statements

Securities and Exchange Rules 1987, the Listing Rules of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited, Guidelines from Bangladesh Bank, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) 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 requirements within the industry. As a result, the Company followed that circular for the presentation of financial statements.

There are some areas where application of IAS and IFRS differs from those as suggested by Bangladesh Bank through different circulars. As Bangladesh Bank is the primary regulator, the Company is required to follow the guidelines of Bangladesh Bank. At the same time the Company also required to follow the guidelines issued by Bangladesh Securities and Exchange Commission (BSEC). For mitigating presentation and disclosure conflict the financial statements have been prepared following Bangladesh Bank's circulars and present separate disclosure where deviations exist.

### 2.1 Reporting period

The financial statements of the company covered a period from 1 January 2021 to 31 December 2021.

### 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 recognised 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 Disclosure of deviations from few requirements of IAS/IFRS due to mandatory compliance with Bangladesh Bank's requirements

Bangladesh Bank (the local Central Bank) is the prime regulatory body for Financial Institutions in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations contradict with those of financial instruments and general provision standards of IAS and IFRS. As such the company has departed from those contradictory requirements of IFRS in order to comply with the rules and regulations of Bangladesh Bank, which are disclosed below along with financial impact where applicable:

| SL. | Nature of Departure   | Title of IAS/IFRS              | Treatment of IAS/IFRS  | Treatment Adopted as per Bangladesh Bank   | Financial or Presentation Effect of the Departure  |
|-----|---|--------------------------------|--|--|--|
| 1.  | Measurement of provision for leases, loans and advances (financial assets measured at amortized cost) | IFRS 9 "Financial Instruments" | <p>An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired.</p> <p>If any such evidence exists, expected credit losses are required to be measured through a loss allowance at an amount equal to:</p> <p>a) the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument</p> | <p>As per DFIM circular No. 04, dated 26 July 2021, a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans and Special Mentioned Accounts (SMA) has to be maintained irrespective of objective evidence of impairment on lease, loans and advances.</p> <p>Also provision for sub-standard investments, doubtful investments and bad losses has to be provided at 20%, 50% and 100% respectively for investments depending on the duration of overdue.</p> | <p>In separate Financial Statements, an amount of BDT 814.09 million has been charged as incremental provision for leases, loans and advances, which includes charged BDT 215.39 million as general provision on good loan for the year 2020. Also, as at 31 December 2021, accumulated provision for leases, loans and advances stand at BDT 1,271.37 million.</p> <p>In consolidated Financial Statements, the same amount is BDT 822.09 million</p> |

## Notes to the Financial Statements

| SL. | Nature of Departure   | Title of IAS/IFRS               | Treatment of IAS/IFRS   | Treatment Adopted as per Bangladesh Bank  | Financial or Presentation Effect of the Departure  |
|-----|---|---------------------------------|---|---|--|
|     |   |                                 | that are possible within 12 months after the reporting date); or<br><br>b) full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).  |   | which includes charged general provision of BDT 223.39 million. Also, as at 31 December 2021, accumulated provision for leases, loans and advances stand at BDT 2,122.01 million.  |
| 2.  | Valuation of Investments in quoted and unquoted shares                          | IFRS 9 "Financial Instruments"  | Investment in shares falls either under at "fair value through profit/ loss (FVTPL)" or "fair value through other comprehensive income (FVTOCI)" where any change in the fair value in case of FVTPL at the year-end is taken to profit or loss, and any change in fair value in case of FVTOCI is taken to other comprehensive income.   | As per DFIM circular No. 04, dated 26 July 2021 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment; however in case of any unrealized gain, no such gain can be recognized and investments are recognized at cost only. | During this year, total market value of all shares of Union Capital Limited & its subsidiaries is less than the cost price.<br><br>As on December 31, 2021 there was BDT 124.73 million gross loss on consolidated investment in marketable listed securities. |
| 3.  | Recognition of interest income for SMA and classified lease, loans and advances | IFRS 9 "Financial Instruments"  | Income from financial assets measured at amortized cost is recognized through effective interest rate method over the term of the investment. Once a financial asset is impaired, investment income is recognized in profit and loss account on the same basis based on revised carrying amount.  | As per DFIM circular No. 04, dated 26 July 2021, once an investment on leases, loans and advances is termed as "Special Mention Account (SMA)", interest income from such investments are not allowed to be recognized as income, rather the respective amount needs to be credited as a liability account like: interest suspense account.   | At the year end, in separate Financial Statements interest suspense account has BDT 468.78 million from BDT 324.21 million resulting increase of BDT 144.57 million of interest suspense. This amount has been shown in other liabilities in note 14.3         |
| 4.  | Presentation of cash and cash equivalent  | IAS 7 "Statement of Cash Flows" | Cash equivalent are short term, highly liquid investments that are readily convertible to known amounts of cash and only include those investments which are for a short tenure like: 3 months or less period.<br><br>In the light of above, balance with Bangladesh Bank and fixed term deposits should be treated as investment asset rather than cash equivalent as it is illiquid asset and not available for use in day to day operations. | Bangladesh Bank has issued templates for financial statements vide DFIM Circular No. 11, dated 23 December 2009 which will strictly be followed by all banks and NBFIs.<br><br>The templates of financial statements provided detail presentation for statement of cash flows.  | Financial Statements for 2021 and corresponding year 2020 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.   |

## Notes to the Financial Statements

| SL. | Nature of Departure   | Title of IAS/IFRS  | Treatment of IAS/IFRS  | Treatment Adopted as per Bangladesh Bank  | Financial or Presentation Effect of the Departure  |
|-----|---|--|--|---|--|
| 5.  | Measurement of deferred tax asset   | IAS 12 "Income Tax"  | A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.   | As per DFIM circular No. 7, dated 31 July 2011, no deferred tax asset can be recognized for any deductible temporary difference against the provision for lease, loans and advances.  | During this year there is no impact in the financial statements due to this departure as the Company did not consider any deductible temporary difference against the provision for leases, loans and advances.  |
| 6.  | Presentation and disclosure of Financial Statements and Financial Instruments | IAS 1 "Presentation of Financial Statements" IFRS 9 "Financial Instruments" & IFRS 7 "Financial Instruments: Disclosure" | <p>Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income statement.</p> <p>IAS 1 requires separate line item for intangible assets on the face of statement of financial position.</p> <p>IFRS 9 and IFRS 7 require specific presentation and disclosure relating to all financial instruments.</p> | <p>Bangladesh Bank has issued templates for financial statements vide DFIM Circular No. 11, dated 23 December 2009 which will strictly be followed by and NBFIs.</p> <p>The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) nor are the elements of Other Comprehensive Income allowed to include in a Single Comprehensive Income Statement.</p> <p>Intangibles assets are not separately presented on the face of statement of financial position; rather it is presented along with the line item of fixed assets.</p> | Financial Statements for 2021 and corresponding year 2020 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.   |
| 7.  | Preparation of "Statement of Cash Flows"                                      | IAS 7 "Statement of Cash Flows"  | The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.  | As per DFIM Circular No. 11, dated 23 December 2009, Cash flow statement has been guided by the Bangladesh Bank which is the mixture of direct and indirect method.   | Financial Statements for 2021 and corresponding year 2020 have been prepared as per guideline (DFIM Circular No. 11 dated 23 December 2009) of Bangladesh Bank.  |
| 8.  | Current/ Non-current distinction  | IAS 1 "Presentation of Financial Statement"  | As per Para 60 of IAS 1 "Presentation of Financial statement": An entity shall present current and non-current assets and current and non-current liabilities as separate classification in its statement of financial position.   | As per DFIM Circular No. 11, dated 23 December 2009, Bangladesh Bank has issued templates for financial statements which is applicable for all the Financial Institutions. In this templates there is no current and non-current segmentation of assets and liabilities.  | Financial Statements for 2021 and corresponding year 2020 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. Moreover, the liquidity statement shows the aging profile of all financial assets and liabilities from where current/non-current portion of assets and liabilities can be obtained. |

## Notes to the Financial Statements

| SL. | Nature of Departure                               | Title of IAS/IFRS                             | Treatment of IAS/IFRS   | Treatment Adopted as per Bangladesh Bank  | Financial or Presentation Effect of the Departure  |
|-----|---|---|---|---|--|
| 9.  | Off-balance sheet items                           | IAS 1 "Presentation of Financial Statements"  | There is no concept of off-balance sheet items in any IFRS; hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.   | As per DFIM Circular No. 11, dated 23 December 2009, off-balance sheet items (e.g. letter of credit, letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.   | Financial Statements for 2021 and corresponding year 2020 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.<br><br>There is no financial impact for this departure but there is a disclosure in the financial statements. |
| 10. | Impairment of Margin Loan (Loans and receivables) | IFRS 9 "Financial Instruments"                | Measurement after initial recognition at amortized cost and recording of changes through profit and loss.   | As per Bangladesh Securities and Exchange Commission (BSEC) Circular No. BSEC/SRI/POLICY/3/2020/68 dated 12 January 2020, provisions for the year 2021 on impairment of principal portion of margin loan shall be kept at 10% on each quarter for the five quarters starting from December 2021.  | There is no such impact for this. However, we have been maintaining full provision for unrealized loss (if any) of margin loan in the portfolio.   |
| 11. | Complete set of financial statements              | "IAS 1 "Presentation of Financial Statements" | As per IAS 1: "Presentation of Financial Statements" complete set of financial statements are:<br><br>i) statement of financial position,<br>ii) statement of profit or loss and other comprehensive income,<br><br>iii) statement of changes in equity,<br><br>iv) statement of cash flows,<br><br>v) notes, comprising significant accounting policies and other explanatory information and<br><br>vi) statement of financial position at the beginning of preceding period for retrospective restatement. | As per DFIM Circular No. 11, dated 23 December 2009, complete set of financial statements are:<br><br>i) balance sheet,<br>ii) profit and loss account,<br>iii) statement of changes in equity,<br>iv) statement of cash flows,<br>v) statement of liquidity,<br>vi) notes, comprising significant accounting policies and other explanatory information. | Financial Statements for 2021 and corresponding year 2020 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.<br><br>There is no financial impact for this departure in the financial statements.                           |
| 12. | Intangible asset                                  | IAS 1 "Presentation of Financial Statements"  | As per IAS 1: "Presentation of Financial Statements" para 54: the statement of financial position shall include separate line item for intangible assets.   | As per DFIM Circular No. 11, dated 23 December 2009, there is no option for separate line item for intangible asset in the balance sheet.   | Financial Statements for 2021 and corresponding year 2020 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.   |



## Notes to the Financial Statements

| SL. | Nature of Departure                  | Title of IAS/IFRS                            | Treatment of IAS/IFRS   | Treatment Adopted as per Bangladesh Bank   | Financial or Presentation Effect of the Departure  |
|-----|--------------------------------------|--|---|--|--|
|     |                                      |  |   | We present intangible asset in the balance sheet as part of fixed assets and provide details in annexure-A as separate line item.  | There is no financial impact for this departure in the financial statements.   |
| 13. | Other comprehensive income           | IAS 1 "Presentation of Financial Statements" | As per IAS 1: "Presentation of Financial Statements" Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single OCI statement. | Bangladesh Bank has issued templates for financial statements which will strictly be followed by financial institutions. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) nor are the elements of OCI allowed to be included in a single OCI statement.<br><br>As such the financial institution does not prepare the other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity. | Financial Statements for 2021 and corresponding year 2020 have been prepared as per the guideline and templates issued by Bangladesh Bank.<br><br>There is no financial impact for this departure in the financial statements. |
| 14. | Disclosure of presentation of profit | N/A  | There is no requirement to show appropriation of profit in the face of statement of comprehensive income.   | As per DFIM circular no 11, dated 23 December 2009, an appropriation of profit should be disclosed in the face of profit and loss account  | Financial Statements for 2021 and corresponding year 2020 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.   |

**2.5 Risk and uncertainty for use of estimates**

The preparation of financial statements in conformity with International Accounting Standards/ International Financial Reporting 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 IAS 37: Provisions, Contingent Liabilities and Contingent Assets, provisions are recognised in the following situations:

**Provisions**

Provisions are liabilities that are uncertain in timing or amount. Provisions are recognised when: the Company 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 Company; or the Company has a present obligation as a result of past events but is not recognised 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.



## Notes to the Financial Statements

### 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 Company. Contingent assets are never recognised, rather they are disclosed in the financial statements when they arise.

### 2.6 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 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. The 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 Bangladesh Securities and Exchange Rules, 1987 (as amended in 1997) requires listed companies to follow International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) 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 International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh. As of 31 December 2021 status and applicability of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) in the case of Union Capital Limited are as under:

| IAS/IFRS No. | IAS/IFRS   | Applicability | Remarks |
|--------------|--|---------------|---------|
| IAS 1        | Presentation of Financial Statements                                     | *             |         |
| IAS 2        | Inventories  | N/A           |         |
| IAS 7        | Statement of Cash Flows  | Applied       |         |
| IAS 8        | Accounting Policies, Changes in Accounting Estimates and Errors          | Applied       |         |
| IAS 10       | Events After the Reporting Period  | Applied       |         |
| IAS 12       | Income Taxes   | Applied       |         |
| IAS 16       | Property, Plant and Equipment  | Applied       |         |
| IAS 17       | Leases   | Applied       |         |
| IAS 19       | Employee Benefits  | Applied       |         |
| IAS 20       | Accounting for Government Grants and Disclosure of Government Assistance | N/A           |         |
| IAS 21       | The Effects of Changes in Foreign Exchange Rates                         | Applied       |         |
| IAS 23       | Borrowing Costs  | Applied       |         |
| IAS 24       | Related Party Disclosures  | Applied       |         |
| IAS 26       | Accounting and Reporting by Retirement Benefit Plans                     | N/A           |         |
| IAS 27       | Separate Financial Statements  | Applied       |         |
| IAS 28       | Investments in Associates and Joint Ventures                             | N/A           |         |
| IAS 29       | Financial Reporting in Hyperinflationary Economics                       | N/A           |         |
| IAS 32       | Financial Instruments: Presentation                                      | *             |         |
| IAS 33       | Earnings Per Share   | Applied       |         |
| IAS 34       | Interim Financial Reporting  | Applied       |         |
| IAS 36       | Impairment of Assets   | Applied       |         |
| IAS 37       | Provisions, Contingent Liabilities and Contingent Assets                 | Applied       |         |
| IAS 38       | Intangible Assets  | Applied       |         |
| IAS 39       | Financial Instruments: Recognition and Measurement                       | *             |         |
| IAS 40       | Investment Property  | N/A           |         |
| IAS 41       | Agriculture  | N/A           |         |

## Notes to the Financial Statements

| IAS/IFRS No. | IAS/IFRS  | Applicability | Remarks |
|--------------|---|---------------|---------|
| IFRS 1       | First-time adoption of Bangladesh Financial Reporting Standards | N/A           |         |
| IFRS 2       | Share-based Payment   | N/A           |         |
| IFRS 3       | Business Combinations   | N/A           |         |
| IFRS 4       | Insurance Contracts   | N/A           |         |
| IFRS 5       | Non-current Assets Held for Sale and Discontinued Operation     | N/A           |         |
| IFRS 6       | Exploration for and Evaluation of Mineral Resources             | N/A           |         |
| IFRS 7       | Financial Instruments: Disclosures                              | *             |         |
| IFRS 8       | Operating Segments  | Applied       |         |
| IFRS 9       | Financial Instruments   | *             |         |
| IFRS 10      | Consolidated Financial Statements                               | Applied       |         |
| IFRS 11      | Joint Arrangements  | N/A           |         |
| IFRS 12      | Disclosure of Interests in Other Entities                       | N/A           |         |
| IFRS 13      | Fair Value Measurement  | *             |         |
| IFRS 14      | Regulatory Deferral Accounts                                    | N/A           |         |
| IFRS 15      | Revenue from Contracts with Customers                           | Applied       |         |
| IFRS 16      | Leases  | Applied       |         |
| IFRS 17      | Insurance Contracts   | N/A           |         |

\* As the regulatory requirements differ with the standards, relevant disclosures are made in accordance with Bangladesh Bank's requirements (please see note 2.4). N/A = Not Applicable

## 2.7 Consistency

In accordance with the IFRS framework for the presentation of financial statements together with IAS 1 and IAS 8, Union Capital Limited 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 IAS 8. We, however, have applied the same accounting and valuation principles in 2021 as in financial statements for 2020.

## 2.8 Operating segments

A segment is a distinguishable component of the Company that engaged in providing different types of products and services including revenues and expenses that relate to transactions with the Company's other components whose performances are regularly reviewed by the management. In this context the Company has identified three operating segments of the Group which comprise core financing business, UniCap Investments Limited full fledged merchant bank and UniCap Securities Limited brokerage. Operating results of the reportable segments are disclosed in note no. 37 in compliance with International Financial Reporting Standard (IFRS) 8: Operating Segments.

## 2.9 Basis of consolidation of operations of subsidiaries

The financial statements of the Company and its subsidiaries have been consolidated in accordance with International Financial Reporting Standard (IFRS) 10: Consolidated Financial Statements. The consolidation of the financial statements has been made after eliminating all material intra group balances, income and expenses arising from intra-group 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 'Non-controlling 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'.

## 2.10 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

As per IFRS-16: Leases, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The specific measurement requirements apply to all leases, unless a lessee makes use of optional exemptions for short-term leases (those having a term of 12 months or less, including the effect of extension options) and leases for which the underlying asset is of low value. The election for short term leases is by class of asset, and for low value leases can be made on a lease-by-lease basis. A lessor shall classify each of its leases as either an operating lease or a finance lease.

## Notes to the Financial Statements

### Union Capital Limited as a lessor

Under finance leases, Union Capital Limited recognises 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 recognised on the basis of a constant, periodic rate of return relating to the net investment outstanding.

In contrast, assets held under operating leases are recognised and valued using the same principles as property, plant and equipment. Union Capital Limited does not hold any property under operating lease.

### Union Capital Limited as a lessee

UCL recognizes a right of use asset and a lease liability from the beginning of 2020. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is depreciated using straight line methods from the commencement date (from the beginning of 2020) to the earlier of the end of useful life of the right of use asset or the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the future lease payments that are not paid at the commencement date (from the beginning of 2020), discounted using this interest rate implicit in the lease or, if that rate cannot be readily determined, UCL's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is changed in future lease payments arising from a changed in an index or rate, if there is change in UCL estimate of the amount expected to the payable under a reschedule value guarantee, or if UCL change its assessment of whether it will exercise purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

### 3.2 Term finance and other finance

Such investments are stated at un-amortised amount. The recovery of principal amount is amortised and the carrying amount is adjusted with the principal recovery and stated at un-amortised 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 amount of accrued interest is credited to interest suspense account. Interest received on non-accrual investments are credited to profit and 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 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 has two subsidiary companies namely, 'UniCap Investments Limited and UniCap Securities Limited. Consolidated Financial Statements have been prepared for subsidiary investment as per International Financial Reporting Standards 10: Consolidated Financial Statements. Interest of the minority 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.

### 3.4 Investment in securities

Investment in securities is classified broadly in two categories and accounted for as under:

#### Investment in listed securities:

Investment in listed securities is carried at cost. Adequate provision has been made considering each individual investment (where cost is less than market price) as guided by Bangladesh Bank.

#### 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.

### 3.5 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 recognised as income until it is received in cash. Receivables from clients are stated at their nominal value.

## Notes to the Financial Statements

### Other receivables

Other receivables include 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.

### 3.6 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.

### 3.7 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:

- a) Balance with other banks and financial institutions, money at call and on 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 realisation/amortisation.
- 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.
- h) Provisions and other liabilities are on the basis of their payment / adjustments schedule.

### 3.8 Fixed assets including premises, furniture and fixtures

#### Freehold assets

The cost of an item of property, plant and equipment is recognised 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 equipment are stated at cost less accumulated depreciation in compliance with the International Accounting Standards (IAS) 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 capitalised. Expenses capitalised also include applicable borrowing cost considering the requirement of IAS 23: Borrowing Costs.

#### Subsequent expenditure

The Company recognises 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 capitalised as an additional cost of the assets. All other costs are recognised 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.

#### 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:

| Particulars            | Rate       |
|------------------------|------------|
| Office space           | 2.5%       |
| Furniture and fixtures | 20%        |
| Office decoration      | 33%        |
| Electrical equipment   | 20%        |
| Owned vehicles         | 20%        |
| Software               | 20%        |
| Mobile phone           | 20%        |
| Staff appliance        | 20%        |
| Right-of-use asset     | lease term |

## Notes to the Financial Statements

### 3.9 Intangible asset

#### Components

The main item included in intangible asset is software.

#### Basis of recognition

An intangible asset shall only be recognised 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 IAS 38: Intangible Assets. Accordingly, these assets are stated in the Balance Sheet at cost less accumulated amortisation.

#### Subsequent expenditure

Subsequent expenditure on intangible asset is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

#### Amortisation

Intangible asset is valued at amortised cost and written down within 5 to 10 years.

### 3.10 Bank loans

Interest bearing bank loans are recorded at the proceeds received. Interest on bank loans is 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.

### 3.11 Borrowing costs

All borrowing costs are recognised in the profit or loss statement in the period in which they are incurred.

### 3.12 Accrued expenses and other payables

Liabilities are recognised 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.

### 3.13 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 reversals.

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. International Accounting Standard (IAS) 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 03 August 2002 as amended subsequently by Bangladesh Bank in this regard is the basis for calculating the provision for doubtful losses.

### 3.14 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 the balance sheet date.

#### b. Deferred tax

As per International Accounting Standard (IAS) 12: Income Taxes, deferred tax is recognised 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 balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which such differences can be utilised.

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 realised. 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 the Company intends to settle its current tax assets and liabilities on a net basis.

### 3.15 Employees benefit plans

The Company offers a number of benefit plans which amongst others include contributory provident fund and gratuity scheme.

## Notes to the Financial Statements

**a. Contributory provident fund**

The Company operates a contributory provident fund for its permanent employees (which is a defined contributory fund as specified in IAS 19: Employee benefits, para 10). 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 IAS 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 scheme. An employee who is in service for a continuous period of at least five years (in 3 years service with the Company) 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 personal loan scheme**

The Company provides personal loan facility to the employee as per loan scheme.

**e. 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.

**3.16 Branch accounting**

The Company has 5 (five) branches with no overseas branch as on 31 December 2021. Accounts of the branches are maintained at the head office from which these accounts are drawn up.

**3.17 Workers profit participation and welfare fund (WPPF)**

Workers Profit Participation and Welfare Fund (WPPF) Establishment of Workers' Profit Participation and Welfare Fund (WPPF) is a matter of Banking and Financial Institutions Sector as a whole. Ministry of Finance through its letters no. 53.00.0000.311.22.002.17-130 dated February 14, 2017 and no. 53.00.0000.311.22.002.17-140 dated February 25, 2018 expressed its opinion that Chapter 15 on "Participation in Company Profits by Workers" in the Bangladesh Labor Act 2006 and amendments made therein on July 22, 2013 should not be applicable for Banks and Financial Institutions and requested to the Ministry of Labor and Employment to take necessary steps in this regard as well as not to apply the said chapter of Labor Act 2006 for Banks and Financial Institutions. Therefore, like other Banks and Financial Institutions, DBH did not recognize the WPPF.

**3.18 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 recognised where amounts are either recovered and /or adjusted against securities/properties of advances there against or are considered recoverable.

**3.19 Interest suspense account**

Accrued interest on lease finance, term finance, real estate finance, hire purchase agreement classified as Special Mentioned Account (SMA), Sub-Standard (SS), Doubtful (DF) and Bad & Loss (BL) are not recognised as income rather transferred to interest suspense account in compliance with Bangladesh Bank guidelines. Recovery of overdue credited to interest suspense account is recognised as income on cash basis.

**3.20 Revenue recognition**

Revenue is recognised in accordance with International Financial Reporting Standards (IFRS) 15: Revenue from contracts with customers unless otherwise mentioned or otherwise guided by the separate IAS/IFRS.

**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 recognised 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 recognised on cash basis.

**b. Income from term finance**

Interest income on term finance is recognised on accrual basis. Installment comprises both interest and principal. Interest part of the installments that become receivable is recognised as income in the financial statements. Interest



## Notes to the Financial Statements

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 recognised as income on cash basis.

### c. Income from real estate finance

Interest income from real estate finance is recognised on accrual basis. Interest portion of the installments that becomes receivable is recognised 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 recognised as income on cash basis.

### d. Income from secured term finance

Income from secured term finance is recognised on accrual basis.

### e. Dividend income

#### Dividend on ordinary shares

Dividend income from ordinary shares is recognised 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 recognised as deemed dividend.

#### Dividend on preference shares

Dividend from preference shares is recognised on cash basis.

### f. Fee based income

Fee based income is recognised on accrual basis.

### g. 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.

## 3.21 Event after the reporting period

### Proposed dividend

The proposed dividend is not recognised as a liability in the balance sheet in accordance with International Accounting Standard (IAS) 10: Events After the Reporting Period. Dividend payable to the Company's shareholders are recognised as a liability and deducted from shareholders equity in the period in which the shareholders right to receive payment is established.

International Accounting Standard (IAS) 1: Presentation of Financial Statements also requires the dividend proposed after the balance sheet date but before the financial statements are authorised 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 58.

## 3.22 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 recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses, if any, are recognised in the profit and loss account.

## 3.23 Related party transactions

As per International Accounting Standard (IAS) 24: Related 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.

## 3.24 Statutory reserve

Financial Institutions Regulations 1994 requires Non-bank 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.

## 3.25 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

## Notes to the Financial Statements

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.

**3.26 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 non-performance in loans/leases repayment and against various levels of tax authority regarding some disputed tax issues. The Company, however, provides adequate provisions as per guidelines of Bangladesh Bank and IAS 37.

**3.27 Earnings per share**

The Company calculates Earnings Per Share (EPS) in accordance with IAS 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.

**a. Basic earnings per share**

This represents earnings for the year attributable to ordinary shareholders, which is calculated after deducting dividend on preference shares from net profit after tax for the year.

**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 2021, 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 time-weighting factor is the numbers of days the specific shares were outstanding as a proportion of the total number of days in the year.

**3.28 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.

**3.29 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:

**3.29.1 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 Credit Committee. Proposal beyond the approval authority of the Credit Committee are approved/declined by the Executive Committee and/or the Board, as applicable.

**3.29.2 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.

## Notes to the Financial Statements

### 3.29.3 Market risk

The exposure of market risk of the Company is restricted to interest rate risk and equity risk.

### 3.29.4 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 third funding cost. ALCO monitors the interest rate movement on regular basis.

### 3.29.5 Equity risk

Arise from movement in market value of equities. The risks are monitored by Merchant Banking Wing under a well designed policy framework. The market value of equities was higher than the cost prices.

### 3.29.6 Operational risk

Appropriate internal control measures are in place at Union Capital Limited 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 manage 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.

### 3.29.7 Information technology risk

The Company has appropriate policy, procedures in place to mitigate the risk of failing to develop, implement or operate UCL's technology platforms and solutions to meet stakeholders requirements. Also the Company has built resilience into its network platform through the installation of a back-up link, disaster recovery plan, executing service level agreement with the vendor.

### 3.29.8 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 e.g. 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. The Company has 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. The Company has also adopted Environmental Risk Management (ERM) policy and implemented the same in all of its business activities.

### 3.30 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. 15.

## Notes to the Financial Statements

|   | 2021<br>Taka         | 2020<br>Taka       |
|---|----------------------|--------------------|
| <b>4 CASH</b>   |                      |                    |
| In hand   |                      |                    |
| Local currency  | 34,000               | 34,000             |
| Foreign currencies  | -                    | -                  |
|   | <b>34,000</b>        | <b>34,000</b>      |
| <b>Balance with Bangladesh Bank</b>   |                      |                    |
| Local currency  | 122,943,914          | 93,413,504         |
| Foreign currencies  | -                    | -                  |
|   | 122,943,914          | 93,413,504         |
| <b>Balance as at 31 December</b>  | <b>122,977,914</b>   | <b>93,447,504</b>  |
| <b>4.a CASH (Consolidated)</b>  |                      |                    |
| <b>In hand</b>  |                      |                    |
| Union Capital Ltd.  | 34,000               | 34,000             |
| UniCap Securities Ltd.  | 25,000               | 25,000             |
| UniCap Investments Ltd.   | 9,026                | 9,026              |
|   | <b>68,026</b>        | <b>68,026</b>      |
| <b>Balance with Bangladesh Bank</b>   |                      |                    |
| Union Capital Ltd.  | 122,943,914          | 93,413,504         |
| UniCap Securities Ltd.  | -                    | -                  |
| UniCap Investments Ltd.   | -                    | -                  |
|   | <b>122,943,914</b>   | <b>93,413,504</b>  |
| <b>Balance as at 31 December</b>  | <b>123,011,940</b>   | <b>93,481,530</b>  |
| <b>4.1 Cash reserve requirement (CRR) and statutory liquidity reserve (SLR)</b>   |                      |                    |
| Cash reserve requirement and statutory liquidity reserve have been calculated and maintained in accordance with FID circular no. 06 dated 6 November 2003 and FID circular no. 02 dated 10 November 2004 and subsequent DFIM circular no. 03 dated 21 June 2020.  |                      |                    |
| <b>4.1.1 Cash reserve requirement (CRR)</b>   |                      |                    |
| <b>1.5% of total customer deposits</b>  |                      |                    |
| Required reserve  | 88,201,126           | 87,916,039         |
| Actual reserve held   | 100,772,738          | 93,992,659         |
| <b>Surplus/(deficit)</b>  | <b>12,571,612</b>    | <b>6,076,620</b>   |
| <b>4.1.2 Statutory liquidity reserve (SLR)</b>  |                      |                    |
| <b>5% of total liabilities</b>  |                      |                    |
| Required reserve  | 354,172,340          | 333,916,159        |
| Actual reserve held   | 723,726,080          | 859,552,634        |
| <b>Surplus/(deficit)</b>  | <b>369,553,740</b>   | <b>525,636,475</b> |
| <b>4.1.3 Held for cash reserve requirement (CRR)</b>  |                      |                    |
| Balance with Bangladesh Bank and its agent bank(s)  | 122,943,914          | 93,413,504         |
| <b>4.1.4 Held for statutory liquidity reserve (SLR)</b>   |                      |                    |
| Cash in hand  | 34,000               | 34,000             |
| Balance with Bangladesh Bank and its agent bank(s) as per statement   | 122,943,914          | 93,413,504         |
| Balance with other banks and financial institutions (note-5)  | 920,731,798          | 874,810,849        |
|   | <b>1,043,709,712</b> | <b>968,258,353</b> |
| <b>4.1.5 Cash in hand</b>   |                      |                    |
| Cash in hand represents the amount under imprest system of petty cash to meet petty expenses both for head office and branch offices. Under this system the Company maintains imprest of Tk. 34,000 (2020: Tk. 34,000). As per Bangladesh Bank guidelines, the Company cannot make any cash transaction except petty cash.                                  |                      |                    |
| <b>4.1.6 Balance with Bangladesh Bank &amp; its agent bank</b>  |                      |                    |
| Deposit with Bangladesh Bank is non-interest bearing and maintained to meet the cash reserve requirement (CRR). As required by Bangladesh Bank, CRR @ 1.5% is required to maintain with Bangladesh Bank current account on all deposits taken from depositors other than Banks and Financial Institutions. On 31 December 2021 there is no shortage in CRR. |                      |                    |
| <b>5 BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS</b>  |                      |                    |
| <b>This represents balance with various banks and financial institutions in Bangladesh.</b>   |                      |                    |
| <b>Fixed deposit account</b>  |                      |                    |
| Bangladesh Industrial Finance Company Limited   | 186,251,367          | 157,164,842        |
| International Leasing and Financial Services Ltd.   | 668,428,489          | 571,050,853        |
| Community Bank Bangladesh Limited   | 2,324,000            | -                  |
|   | <b>857,003,856</b>   | <b>728,215,695</b> |

## Notes to the Financial Statements

2021

Taka

2020

Taka

UCL, as a part of recovery process has been in continuous touch with Bangladesh Industrial Finance Company Limited and International Leasing and Financial Services Limited and taken all types of recovery measures to recover the due amount from them. As a result, UCL is being approaching some proposals (i.e. converting the deposit into the loan product, converting the deposit into part of equity, specific payment schedules etc.) by both the companies. We are in the process of selecting the appropriate way out plan considering the fruitfulness and effectiveness of the same. We strongly believe that a favorable result will come around as Government and Bangladesh Bank are taking different measures to revive the both the companies and our dues against the deposits is expecting to be recovered. It is pertinent to mention here that income on accrual basis against the both deposits are not taken into accounts since 2019.

**Current account**

|   |                  |                   |
|---|------------------|-------------------|
| Bank Alfalah Limited, Gulshan Branch                  | 601              | 1,406             |
| Agrani Bank Limited, Panthpath Branch                 | 1,218,135        | 1,221,825         |
| Bank Asia Limited, Bashundhara Branch                 | 6,717            | 7,982             |
| BASIC Bank Limited, Shantinagar Branch                | 1                | 1                 |
| Dhaka Bank Limited, Kakrail Branch                    | 1,929,240        | 2,841,478         |
| Midland Bank Ltd, Gulshan Branch                      | 142              | 25,765            |
| Modhumoti Bank Limited, Dhanmondi Branch              | 1,124,173        | 343,144           |
| National Credit and Commerce Bank Ltd., Banani Branch | 36,342           | 36,917            |
| NRB Bank Limited, Corporate Branch                    | 33,357           | 1,353,139         |
| Shahjalal Islami Bank Limited, Elephant Road Branch   | -                | 48,534            |
| Shahjalal Islami Bank Limited, Gulshan Branch         | 2,583            | -                 |
| Social Islami Bank Limited, Eskaton Branch            | 426,629          | 431,282           |
| Southeast Bank Limited, Mirpur Branch                 | 9,411            | 10,446            |
| Southeast Bank Limited, Satmosjid Road Branch         | 285              | 975               |
| Sonali Bank Limited Sonargaon Road Branch             | 194,230          | 194,725           |
| United Commercial Bank Limited, New Eskaton Branch    | 4,756,308        | 5,768,987         |
| WooriBank-Dhaka Branch                                | 5,417            | 424               |
| Uttara Bank Limited, Local Office                     | 13,785           | 15,338            |
|   | <b>9,757,356</b> | <b>12,302,368</b> |

**Short term deposit**

|   |                    |                    |
|---|--------------------|--------------------|
| Community Bank BD Limited, Gulshan Branch       | 4,149              | -                  |
| Bank Asia Limited, Corporate Branch             | 824,291            | 131,913            |
| Bank Asia Limited, Corporate Branch             | 1,121,215          | 202,328            |
| Bank Asia Limited, Gulshan Branch               | 74,511             | 520,623            |
| Dhaka Bank Limited, Local Office                | 1,538,452          | 2,035,005          |
| Dhaka Bank Limited, Kakrail Branch              | 2,498,620          | -                  |
| Dutch Bangla Bank Limited, Karwan Bazar Branch  | 33,578             | 34,771             |
| Dutch Bangla Bank Limited, Karwan Bazar Branch  | 25,596,965         | 2,040,732          |
| IFIC Bank Limited, Gulshan Branch               | 16,167,425         | 125,008,139        |
| Jamuna Bank Limited, Sonargaon Road Branch      | 6,071              | 7,114              |
| Modhumoti Bank Limited, Banglamotor-Branch      | 48,895             | 49,149             |
| AB Bank Limited, Kakrail Branch                 | -                  | 5,011              |
| AB Bank Limited, Gulshan Branch                 | 346,850            | 321,437            |
| Mutual Trust Bank Limited, Principal Branch     | 24,120             | 40,619             |
| Southeast Bank Limited, Islamic Banking Branch  | 3,610              | 2,750,676          |
| Southeast Bank Limited, R k Mission Road Branch | 5,681,834          | 1,145,269          |
|   | <b>53,970,586</b>  | <b>134,292,786</b> |
| <b>Balance as at 31 December</b>                | <b>920,731,798</b> | <b>874,810,849</b> |

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% including the CRR of 1.5% on total liabilities, excluding deposits and borrowings from banks and financial institutions. Union Capital Limited maintains this reserve mostly in the form of fixed deposits.

**Maturity wise grouping**

|   |                    |                    |
|---|--------------------|--------------------|
| On demand                               | 9,757,356          | 12,302,368         |
| Up to 1 month                           | 95,000,000         | 295,483,802        |
| Over 1 month but not more than 3 months | 225,000,000        | 400,000,000        |
| Over 3 months but not more than 1 year  | 590,974,442        | 167,024,679        |
| Over 1 year but not more than 5 years   | -                  | -                  |
| Over 5 years                            | -                  | -                  |
|   | <b>920,731,798</b> | <b>874,810,849</b> |

## Notes to the Financial Statements

5.a

BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS (consolidated)

|                                  |               |               |
|----------------------------------|---------------|---------------|
| Union Capital Ltd.               | 920,731,798   | 874,810,849   |
| UniCap Securities Ltd.           | 240,698,517   | 118,849,362   |
| UniCap Investments Ltd.          | 43,753,857    | 116,884,360   |
|                                  | 1,205,184,172 | 1,110,544,571 |
| Less: Inter-company transactions | -             | -             |
| Balance as at 31 December        | 1,205,184,172 | 1,110,544,571 |

6

INVESTMENTS

The investment is made up as under:

|                           |            |            |
|---------------------------|------------|------------|
| Government securities     | -          | -          |
| Other investments         | 47,410,131 | 42,042,303 |
| Balance as at 31 December | 47,410,131 | 42,042,303 |

This represents investment made by the Company in listed securities.

6.1

Other investments

| Ordinary share                      | No. of Company | Market Value | Cost       |            |
|-------------------------------------|----------------|--------------|------------|------------|
|                                     |                |              | 2021       | 2020       |
| Investment in marketable securities | 11             | 47,823,560   | 47,410,131 | 42,042,303 |
| Total                               | 11             | 47,823,560   | 47,410,131 | 42,042,303 |

Listed securities:

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 2021 was 30 December).

Sector wise investment in listed securities at cost

|                                    |            |            |
|------------------------------------|------------|------------|
| Insurance companies                | 1,989,939  | -          |
| Investment companies               | 10,000,000 | 19,345,660 |
| Fuel & power                       | 15,018,836 | 5,929,995  |
| Manufacturing companies and others | 20,401,355 | 16,766,648 |
|                                    | 47,410,131 | 42,042,303 |

Maturity wise grouping

|   |            |            |
|---|------------|------------|
| Up to 1 month                           | 9,500,000  | 8,000,000  |
| Over 1 month but not more than 3 months | 20,000,000 | 17,300,000 |
| Over 3 months but not more than 1 year  | 17,910,131 | 16,742,303 |
| Over 1 year but not more than 5 years   | -          | -          |
| Over 5 years                            | -          | -          |
|   | 47,410,131 | 42,042,303 |

6.a

INVESTMENTS (consolidated)

|                           |             |               |
|---------------------------|-------------|---------------|
| Union Capital Ltd.        | 47,410,131  | 42,042,303    |
| UniCap Securities Ltd.    | 272,323,814 | 590,413,138   |
| UniCap Investments Ltd.   | 274,383,744 | 368,412,335   |
| Balance as at 31 December | 594,117,690 | 1,000,867,776 |

7

LOANS, ADVANCES AND LEASES

This represents loans, advances and leases financed fully in Bangladesh.

|  |                |                |
|--|----------------|----------------|
| Lease finance (note 7.1)                 | 1,465,296,333  | 1,276,756,015  |
| Advance against lease finance (note 7.2) | -              | 213,118,053    |
| Term finance (note 7.3)                  | 5,482,975,074  | 5,277,834,490  |
| Home loan                                | 251,699,478    | 238,102,352    |
| Loan to subsidiaries                     | 4,491,676,875  | 4,771,645,430  |
| Loan against deposits (note 7.4)         | 15,879,811     | 16,449,811     |
| Staff loan (note 7.5)                    | 5,054,024      | 9,398,617      |
| Balance as at 31 December                | 11,712,581,595 | 11,803,304,768 |

7.1

Lease finance

|                                    |               |               |
|------------------------------------|---------------|---------------|
| Principal outstanding (note 7.1.1) | 922,810,652   | 896,594,893   |
| Accounts receivable                | 542,485,681   | 380,161,122   |
| Total                              | 1,465,296,333 | 1,276,756,015 |



## Notes to the Financial Statements

|   | 2021<br>Taka          | 2020<br>Taka          |
|---|-----------------------|-----------------------|
| <b>7.1.1 Principal outstanding</b>  |                       |                       |
| Gross rental receivables  | 1,210,566,798         | 1,216,009,408         |
| Unearned lease income   | (287,756,146)         | (319,414,515)         |
| <b>Net investment</b>   | <b>922,810,652</b>    | <b>896,594,893</b>    |
| <b>7.2 Advance against lease finance</b>  |                       |                       |
| This represents amount paid for procurement of lease assets, which are yet to be executed. On execution of lease, advances will be transferred to lease finance.  |                       |                       |
| Balance at 1 January  | 213,118,053           | -                     |
| Add: Disbursed during the year  | -                     | -                     |
| Less: Executed during the year  | (213,118,053)         | 213,118,053           |
| Balance as at 31 December   | -                     | 213,118,053           |
| <b>7.3 Term finance</b>   |                       |                       |
| Principal outstanding (note 7.3.1)  | 3,358,689,443         | 3,361,491,969         |
| Accounts receivable   | 2,124,285,631         | 1,916,342,521         |
| <b>Total</b>  | <b>5,482,975,074</b>  | <b>5,277,834,490</b>  |
| 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.  |                       |                       |
| <b>7.3.1 Movement of term finance (Principal outstanding) is made up as under:</b>  |                       |                       |
| Balance at 1 January  | 3,361,491,969         | 4,095,029,088         |
| Add : Disbursed during the year   | -                     | -                     |
| Less: Recovery during the year  | (2,802,526)           | (733,537,119)         |
| <b>Balance as at 31 December</b>  | <b>3,358,689,443</b>  | <b>3,361,491,969</b>  |
| <b>7.4 Loan against deposits</b>  |                       |                       |
| This represents outstanding loans given to depositors against term deposits. As per Company's policy, Union Capital Limited finances to depositors up to 95 percent of TDR value. Interest is charged on such loan @ 2 percent above the interest offered on TDR. |                       |                       |
| Movement of loan against term deposit is as under:  |                       |                       |
| Balance at 1 January  | 16,449,811            | 18,482,233            |
| Add : Disbursed during the year   | -                     | -                     |
| Less: Recovery during the year  | (570,000)             | (2,032,422)           |
| <b>Balance as at 31 December</b>  | <b>15,879,811</b>     | <b>16,449,811</b>     |
| <b>7.5 Staff loan</b>   |                       |                       |
| Staff loan includes loan provided to the eligible employees as per Company's approved policy  |                       |                       |
| Employees home loan   | 2,788,715             | 4,429,365             |
| Employees car loan  | 2,166,920             | 4,928,014             |
| Personal loan   | 98,389                | 41,238                |
| <b>Balance as at 31 December</b>  | <b>5,054,024</b>      | <b>9,398,617</b>      |
| <b>7.5.1 Movement of staff loan is made up as under:</b>  |                       |                       |
| Balance at 1 January  | 9,398,617             | 17,872,285            |
| Add : Disbursed during the year   | -                     | -                     |
| Less: Recovery during the year  | (4,344,593)           | (8,473,668)           |
| <b>Balance as at 31 December</b>  | <b>5,054,024</b>      | <b>9,398,617</b>      |
| <b>7.6 Residual maturity grouping of loans, advances and leases</b>   |                       |                       |
| Repayable on demand   | -                     | -                     |
| Upto 1 month  | 80,000,000            | 133,000,000           |
| Over 1 month but not more than 3 months   | 151,000,000           | 273,900,000           |
| Over 3 months but not more than 1 year  | 1,078,000,000         | 2,956,095,157         |
| Over 1 year but not more than 5 years   | 9,395,235,547         | 8,305,223,615         |
| Over 5 years  | 1,008,346,048         | 135,085,996           |
| <b>Total</b>  | <b>11,712,581,595</b> | <b>11,803,304,768</b> |
| <b>7.7 Loans, advances and leases on the basis of significant concentration</b>   |                       |                       |
| a) Directors and their concerns   | 4,491,676,875         | 4,771,645,430         |
| b) Chief executive and other senior executives  | 5,054,024             | 9,398,617             |
| c) Customer groups  | 7,215,850,696         | 7,022,260,721         |
|   | <b>11,712,581,595</b> | <b>11,803,304,768</b> |

**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. During the year 2021 Union Capital Limited has not sanction loans, advances and leases extended to external customers.

## Notes to the Financial Statements

|   | 2021<br>Taka          | 2020<br>Taka          |
|---|-----------------------|-----------------------|
| <b>e) Sector wise loans, advances and leases</b>  |                       |                       |
| As per Bangladesh Bank circular, sector wise loans and advances are as follows:   |                       |                       |
| <b>Sector</b>   |                       |                       |
| <b>Trade and Commerce</b>   | 1,080,492,757         | 1,110,525,565         |
| <b>Industry:</b>  |                       |                       |
| Garments & Knitwear   | 768,557,228           | 751,232,826           |
| Textiles  | 1,457,168,204         | 1,367,653,737         |
| Food Production, Processing & Rice Mills  | 135,307,101           | 136,574,408           |
| Jute & Jute-Products  | 15,874,556            | 22,369,587            |
| Plastic & Rubber Industry   | 42,995,525            | 43,616,669            |
| Leather & Leather Goods   | 480,940               | 424,225               |
| Iron, Steel & Engineering   | 370,079,707           | 360,416,552           |
| Pharmaceuticals & Chemicals   | 458,961,898           | 433,271,231           |
| Cement & Allied Industry  | 4,696,118             | 9,083,382             |
| Paper, Packaging, Printing, Publishing & Allied Industry  | 214,236,461           | 200,966,992           |
| Wood, Furniture & Fixture   | 67,138,837            | 66,050,387            |
| Glass, Glassware & Ceramic Industry   | 130,420,691           | 118,180,859           |
| Ship Manufacturing & Breaking   | 759,077,707           | 681,525,731           |
| Electronics & Electrical Products   | 217,701,512           | 199,527,072           |
| Power, Gas, Petroleum, Water & Sanitary   | -                     | 35,383,089            |
| Transport & Aviation  | 275,587,993           | 281,416,419           |
| <b>Agriculture</b>  |                       |                       |
| Poultry & Livestock   | 227,923,747           | 208,896,995           |
| Fisheries   | 6,883,069             | 13,254,217            |
| Others (Cold Storage, Biofuel, Seed, Feed, Agri-related<br>Other Institutions & Services)   | 177,954,311           | 166,434,758           |
| <b>Housing</b>  |                       |                       |
| Individual/Retail Housing   | 963,930               | 963,930               |
| Project/Commercial Housing  | 387,123,042           | 355,626,748           |
| <b>Financial Corporation</b>  |                       |                       |
| Insurance Company   | 2,363,500             | 2,363,500             |
| Audit & Accounting Firm   | -                     | 1,619,273             |
| i. Loans to Own Subsidiaries  | 4,491,676,875         | 4,771,645,430         |
| Other Financial Auxiliaries   | 1,209,132             | 1,660,237             |
| <b>Service</b>  |                       |                       |
| Tourism, Hospitality & Logistics  | 10,552,154            | 10,695,093            |
| Health Sector   | 314,851,523           | 337,985,683           |
| Tailoring & Laundry   | 19,012,552            | 21,377,200            |
| Restaurant Service, Catering & Online Food Supplier   | 1,648,873             | 3,394,932             |
| Others  | 39,791,961            | 47,566,797            |
| <b>Consumer Finance</b>   |                       |                       |
| Personal Loan   | 2,055,004             | 6,815,279             |
| Auto Loan   | 2,141,080             | 4,160,729             |
| Employee/Staff Loan   | 5,442,512             | 9,917,179             |
| Loan Against Deposit  | 22,211,097            | 20,708,059            |
| <b>Grand total</b>  | <b>11,712,581,595</b> | <b>11,803,304,768</b> |
| <b>7.8 Geographical location wise loans, advances and leases</b>  |                       |                       |
| Dhaka Division  | 9,952,903,352         | 10,131,575,669        |
| Chittagong Division   | 1,601,802,239         | 1,509,873,122         |
| Rajshahi Division   | 112,798,958           | 117,664,175           |
| Khulna Division   | 4,696,118             | 4,696,118             |
| Rangpur Division  | 24,349,539            | 21,431,161            |
| Barisal Division  | -                     | -                     |
| Sylhet Division   | 16,031,389            | 18,064,523            |
| <b>Total</b>  | <b>11,712,581,595</b> | <b>11,803,304,768</b> |
| <b>7.9 Details of large loan/investments</b>  |                       |                       |
| Loan sanctioned to any individual or enterprise or any organisation of a group amounting to 15% or more of the Company's total capital and classified amount therein and measures taken for recovery of such loan have been furnished as under. Total capital of the Company as at 31 December 2021 was Taka (717.16) million against that of Taka 713.72 million as at 31 December 2020. |                       |                       |

## Notes to the Financial Statements

|   | 2021<br>Taka          | 2020<br>Taka          |
|---|-----------------------|-----------------------|
| Number of client to whom loans and advances sanctioned with more than 15% of the Company's total capital each   | 390                   | 16                    |
| Amount of outstanding loans and advances [to the client as mentioned above]   | 11,712,581,595        | 9,191,228,000         |
| Amount of classified loans and advances [out of the amount as mentioned above]  | 3,199,870,831         | 439,322,000           |
| Measures taken for recovery [for the amount as mentioned above]   | -                     | -                     |
| <b>7.10 Particulars of loans, advances and leases</b>   |                       |                       |
| <b>Sl. Particulars</b>  |                       |                       |
| I. Financing considered good in respect of which the Company is fully secured   | 418,992,147           | 1,018,126,337         |
| II. Financing considered good in respect of which the Company is partially secured  | 900,175,257           | 2,134,743,394         |
| III. Financing considered good against which the Company holds no security other than the debtors' personal guarantee   | 1,620,265,922         | 893,157,890           |
| IV. Financing considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors   | 644,432,437           | 886,204,547           |
| V. Financing adversely classified, provision not maintained there against   | -                     | -                     |
|   | <b>3,583,865,763</b>  | <b>4,932,232,168</b>  |
| VI. Financing due by directors or officers of the Company or any of them either separately or jointly with any other persons  | 5,054,024             | 9,398,617             |
| 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   | 4,491,676,875         | 4,771,645,430         |
| 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                                   | 5,054,024             | 9,398,617             |
| 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 | 4,491,676,875         | 4,771,645,430         |
| X. Due from banking companies and other financial institutions  | -                     | -                     |
| XI. Classified loans, advances and leases on which interest has not been charged  | 1,026,557,513         | 1,032,589,813         |
| a) Amount of written off loans, advances and leases   | 740,475,772           | 755,720,824           |
| b) Amount realized against the debts previously written off   | 15,245,052            | 231,069,423           |
| c) Provision kept against loans and advances classified as bad/loss   | 455,896,330           | 257,148,836           |
| d) Amount of interest creditable to the interest suspense account   | 175,356,722           | 119,283,565           |
| XII. Cumulative amount of the written off loans/leases:   |                       |                       |
| Opening balance   | 755,720,824           | 892,099,373           |
| Add: Amount written off during the year   | -                     | -                     |
| Less: Amount recovered during the year  | 15,245,052            | 136,378,549           |
| Cumulative to date  | 740,475,772           | 755,720,824           |
| The amount of written off loans for which law suit filed  | 857,332,652           | 867,917,587           |
| Written off amount recovered during the year  | 20,338,164            | 231,069,423           |
| Excess collection over written off book value during the year   | 5,093,112             | 94,690,874            |
| Cumulative amount recovered from written off loans/leases:  | 377,084,439           | 356,746,275           |
| a) Cumulative amount recovered against written off book value   | 264,093,634           | 248,848,582           |
| b) Cumulative amount recovered over written off book value  | 112,990,805           | 107,897,693           |
| <b>7.11 Classification wise loans, advances and leases</b>  |                       |                       |
| Standard  | 8,080,597,049         | 9,713,276,215         |
| Special mention account (SMA)   | 432,113,715           | 791,976,929           |
| <b>Unclassified</b>   | <b>8,512,710,764</b>  | <b>10,505,253,144</b> |
| Sub-standard (SS)   | 478,127,715           | 106,606,940           |
| Doubtful (DF)   | 1,399,115,877         | 140,130,867           |
| Bad/loss (BL)   | 1,322,627,239         | 1,051,313,817         |
| <b>Classified</b>   | <b>3,199,870,831</b>  | <b>1,298,051,624</b>  |
| <b>Total</b>  | <b>11,712,581,595</b> | <b>11,803,304,768</b> |
| <b>Rate of classified loans, leases and advances</b>  | <b>27.32%</b>         | <b>11.00%</b>         |

## Notes to the Financial Statements

2021

Taka

2020

Taka

## 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.

| Particulars  | Classification status | Provision (%) |
|--|-----------------------|---------------|
| <b>Loans, advances and leases up to 5 years term</b>     |                       |               |
| 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           |
| <b>Loans, advances and leases exceeding 5 years term</b> |                       |               |
| 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           |

However, as per DFIM Circular number -04 dated 26 July 2021, provision at the rate of 0.25 percent has been made against 'Small and Medium Enterprises (SME)' loan/lease falling under the classification status of standard.

Required provision according to classification status is mentioned below:

| Particulars   | Base for provision   | Rate  | Provision            | Provision          |
|---|----------------------|-------|----------------------|--------------------|
| <b>Unclassified - General provision</b>                   |                      |       |                      |                    |
| Standard (Excluding SME loan/leases)                      | 4,279,171,276        | 1%    | 65,865,346           | 126,946,220        |
| Standard (Financing to owned Subsidiaries)                | 3,664,315,542        | 2%    | 73,286,311           | -                  |
| Standard (SME loan/leases)                                | 137,110,231          | 0.25% | 342,776              | 455,260            |
| Special mention account                                   | 400,177,022          | 5%    | 20,008,851           | 32,467,822         |
|   | <b>8,480,774,071</b> |       | <b>159,503,283</b>   | <b>159,869,302</b> |
| <b>Classified - Specific provision</b>                    |                      |       |                      |                    |
| Sub-standard  | 252,573,698          | 20%   | 50,514,740           | 9,121,959          |
| Doubtful  | 855,383,537          | 50%   | 427,691,769          | 31,133,339         |
| Bad/loss  | 455,896,330          | 100%  | 455,896,330          | 257,148,836        |
|   | <b>1,563,853,565</b> |       | <b>934,102,838</b>   | <b>297,404,134</b> |
| <b>Required provision for loans, advances and leases</b>  |                      |       | <b>1,093,606,121</b> | <b>457,273,436</b> |
| Total provision maintained for loans, advances and leases |                      |       | 1,093,606,121        | 457,273,436        |
| <b>Excess provision for loans, advances and leases</b>    |                      |       | -                    | -                  |

## 7.13 Rate of net classified loans, advances and leases

|   |                       |                       |
|---|-----------------------|-----------------------|
| Gross classified loans, advances and leases                           | 3,199,870,831         | 1,298,051,624         |
| Less: Interest suspense against classified loans, advances and leases | 382,604,976           | 176,578,779           |
| Less: Provision against classified loans, advances and leases         | 934,102,838           | 297,404,134           |
| Net classified loans, advances and leases                             | <b>1,883,163,016</b>  | <b>824,068,711</b>    |
| Total loans, advances and leases                                      | <b>11,712,581,595</b> | <b>11,803,304,768</b> |
| <b>Rate of net classified loans, advances and leases</b>              | <b>16.08%</b>         | <b>6.98%</b>          |

7.14 As per DFIM Circular no-08 dated 17 August 2021 and FRC letter (Ref. no-178/FRC/APR/2021/28(17)) dated 21 December 2021, UCL is required to obtain and preserve audited financial statements for loans and advances sanctioned/renewed to public interest entity. UCL has not been doing new business in the form of new disbursement since June 2019 due to liquidity crunch. On the other hand, during 2021 UCL extended different deferral facility to existing clients under the different circulars issued by Bangladesh Bank.

## 7.a LOANS, ADVANCES AND LEASES (consolidated)

|                                  |                       |                       |
|----------------------------------|-----------------------|-----------------------|
| Union Capital Ltd.               | 11,712,581,595        | 11,803,304,768        |
| UniCap Securities Ltd.           | 659,804,864           | 542,181,833           |
| UniCap Investments Ltd.          | 5,476,120,885         | 5,718,571,475         |
|                                  | <b>17,848,507,343</b> | <b>18,064,058,076</b> |
| Less: Inter-company transactions | 4,491,676,875         | 4,771,645,430         |
| <b>Balance as at 31 December</b> | <b>13,356,830,468</b> | <b>13,292,412,646</b> |

## 8 FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES

|   |                    |                    |
|---|--------------------|--------------------|
| Furniture and fixtures                          | 9,329,071          | 10,473,179         |
| Floor Space                                     | 415,891,104        | 415,891,104        |
| Office decoration                               | 18,427,353         | 25,504,350         |
| Electric equipment                              | 30,401,523         | 32,900,107         |
| Owned vehicles                                  | 10,825,597         | 10,825,597         |
| Leased vehicles                                 | 2,230,000          | 2,230,000          |
| Right-of-use assets                             | 3,858,850          | 5,806,130          |
| Intangible assets (software)                    | 1,840,528          | 1,919,528          |
| Mobile phones                                   | 452,600            | 452,600            |
| <b>Total cost</b>                               | <b>493,256,626</b> | <b>506,002,595</b> |
| Less: Accumulated depreciation and amortization | 82,496,017         | 75,396,104         |
| <b>Written down value as at 31 December</b>     | <b>410,760,609</b> | <b>430,606,491</b> |

Details are shown in Annexure - A

## Notes to the Financial Statements

|  | 2021<br>Taka         | 2020<br>Taka         |
|--|----------------------|----------------------|
| <b>8.a FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES (consolidated)</b>  |                      |                      |
| Union Capital Ltd.   | 410,760,609          | 430,606,491          |
| UniCap Securities Ltd.   | 15,892,967           | 30,131,731           |
| UniCap Investments Ltd.  | 3,689,938            | 7,072,530            |
| <b>Balance as at 31 December</b>   | <b>430,343,514</b>   | <b>467,810,752</b>   |
| <b>9 OTHER ASSETS</b>  |                      |                      |
| Investment in subsidiary (note 9.1)  | 997,498,641          | 997,498,641          |
| Accrued interest   | 16,535,781           | 24,324,019           |
| Others   | 33,966,316           | 26,760,943           |
| <b>Income generating other assets</b>  | <b>1,048,000,738</b> | <b>1,048,583,603</b> |
| Advance office rent  | 1,849,854            | 3,511,854            |
| Advance to employees   | 665,905              | 698,901              |
| Deposits with T & T, water etc.  | 84,000               | 87,500               |
| Receivable from brokerage house against sale of shares   | 1,864,820            | 5,473,601            |
| Transfer price receivable  | 1,287,376            | 1,287,376            |
| Process Sharing receivable   | 178,631,941          | 178,631,941          |
| Others   | 5,815,046            | 1,775,053            |
| <b>Non income generating other assets</b>  | <b>190,198,942</b>   | <b>191,466,226</b>   |
| <b>Balance as at 31 December</b>   | <b>1,238,199,680</b> | <b>1,240,049,829</b> |
| Management considers all the other assets as good.   |                      |                      |
| <b>9.1 Investment in subsidiary</b>  |                      |                      |
| <b>9.1.1 Investment in UniCap Securities limited</b>   |                      |                      |
| 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 BDT 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 BDT 100 each. Further, in 2005, 2009, 2010, 2017 and 2018 BDT 10,000,000, BDT 35,000,000, BDT 50,000,000, BDT 75,000,000 and BDT 325,000,000 respectively were also invested in UniCap Securities Limited against allotment of 100,000, 350,000, 500,000, 750,000 and 3,250,000 ordinary shares of BDT 100 each. |                      |                      |
| <b>9.1.2 Investment in UniCap investments limited</b>  |                      |                      |
| 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, Taka 50,000,000 and Taka 250,000,000 for the year 2011, 2012, 2013 and 2018 respectively.   |                      |                      |
| <b>9.1.a Deferred tax asset (consolidated)</b>   |                      |                      |
| Union Capital Limited  | -                    | -                    |
| UniCap Securities Limited  | 7,952,335            | 7,996,148            |
| UniCap Investments Limited   | 374,392              | 50,179               |
| <b>Balance as at 31 December</b>   | <b>8,326,727</b>     | <b>8,046,328</b>     |

**9.1.b Deferred tax asset/(liabilities) (consolidated)**

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 International Accounting Standard (IAS) 12: Income Taxes and under the guidelines of Bangladesh Bank DFIM circular no.07 dated 31 July 2011.

Deferred tax asset is arrived at as follows:

|   |   |                        | Union Capital Limited | UniCap Securities Limited | UniCap Investments Ltd. |
|---|---|------------------------|-----------------------|---------------------------|-------------------------|
| <b>Assets</b>   | <b>Fixed assets net of depreciation</b> | <b>Carrying amount</b> | 406,901,758           | 2,893,700                 | 1,349,008               |
|   |   | <b>Tax base</b>        | 329,120,129           | 16,419,057                | 2,698,112               |
|   | <b>ROU</b>                              | <b>Carrying amount</b> | 3,858,850             | 12,999,268                | 2,340,930               |
| <b>Liabilities</b>  | <b>Employee gratuity fund</b>           | <b>Carrying amount</b> | -                     | 13,617,986                | -                       |
|   |   | <b>Tax base</b>        | -                     | -                         | -                       |
|   | <b>Lease obligation</b>                 | <b>Carrying amount</b> | 4,086,748             | 10,324,647                | 1,990,206               |
|   |   |                        | <b>(77,553,731)</b>   | <b>24,468,723</b>         | <b>998,380</b>          |
| Applicable tax rate                                       |   |                        | 37.50%                | 32.50%                    | 37.50%                  |
| Deferred tax assets/(liabilities) as on December 31, 2021 |   |                        | (29,082,646)          | 7,952,335                 | 374,392                 |
| Deferred tax assets/(liabilities) as on December 31, 2020 |   |                        | (19,964,926)          | 7,996,148                 | 50,179                  |
| <b>Deferred tax expense/(income) during the period</b>    |   |                        | <b>9,117,720</b>      | <b>43,813</b>             | <b>(324,213)</b>        |

## Notes to the Financial Statements

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|--|----------------------|----------------------|
| <b>9.a OTHER ASSETS (consolidated)</b>   |                      |                      |
| Union Capital Ltd.   | 1,238,199,680        | 1,240,049,829        |
| UniCap Securities Ltd.   | 513,060,059          | 404,103,596          |
| UniCap Investments Ltd.  | 393,246,818          | 321,089,379          |
|  | <b>2,144,506,556</b> | <b>1,965,242,804</b> |
| Less: Inter-company transactions   | 1,424,016,323        | 1,356,558,774        |
| <b>Balance as at 31 December</b>   | <b>720,490,234</b>   | <b>608,684,030</b>   |
| <b>10 NON-BANKING ASSETS</b>   |                      |                      |
| Non-banking assets   | 519,570,004          | 523,770,004          |
| <b>Total</b>   | <b>519,570,004</b>   | <b>523,770,004</b>   |
| This represents assets owned under the 'Certificate of Ownership' given by the competent court under section 33(7) of Artha Rin Adalat Ain 2003.   |                      |                      |
| <b>11 BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS</b>   |                      |                      |
| <b>Borrowings from other banks</b>   |                      |                      |
| <b>In Bangladesh</b>   |                      |                      |
| Bank loan (note 11.1)  | 2,377,391,835        | 2,314,052,753        |
| Preference share (note 11.2)   | 47,500,000           | 80,000,000           |
|  | <b>2,424,891,835</b> | <b>2,394,052,753</b> |
| Bangladesh Bank (Small Enterprise refinancing scheme-JICA) (Note 11.3)   | 25,323,015           | 61,585,436           |
| Bangladesh Bank (Women entrepreneur refinance scheme (Note 11.4)   | 2,625,000            | 5,962,500            |
| Bangladesh Bank (Agriculture refinance scheme) (Note 11.5)   | -                    | 500,000              |
| Bangladesh Bank (Small Enterprise refinancing scheme-DP2) (Note 11.6)  | 1,008,333            | 3,310,000            |
| Bangladesh Bank (Renewable energy and environment friendly sector) (Note 11.7)   | 72,165,179           | 77,716,345           |
| Short term borrowing and call loan (Note 11.8)   | 889,692,771          | 882,177,788          |
|  | <b>990,814,298</b>   | <b>1,031,252,069</b> |
|  | <b>3,415,706,133</b> | <b>3,425,304,822</b> |
| <b>Outside Bangladesh</b>  | -                    | -                    |
| <b>Balance as at 31 December</b>   | <b>3,415,706,133</b> | <b>3,425,304,822</b> |
| <b>11.1 Bank loan</b>  |                      |                      |
| This represents long term loan taken from different commercial banks, and is made up as under:   |                      |                      |
| Balance at 1 January   | 2,314,052,753        | 2,104,372,649        |
| Received/ interest capitalised during the year   | 246,480,529          | 244,668,736          |
| Repayment during the year  | (183,141,447)        | (34,988,631)         |
| <b>Balance as at 31 December</b>   | <b>2,377,391,835</b> | <b>2,314,052,753</b> |
| Loans are secured by way of first charge on all fixed and floating assets of the Company, ranking pari passu among all the lenders.  |                      |                      |
| <b>11.1.1 Break up of bank loans</b>   |                      |                      |
| BASIC Bank Limited   | 253,045,875          | 244,333,031          |
| Dutch Bangla Bank Limited  | 58,781,934           | 73,437,096           |
| Eastern Bank Limited   | 415,668,263          | 408,373,311          |
| Jamuna Bank Limited  | 43,434,147           | 44,385,197           |
| Midland Bank Limited   | 231,885,468          | 243,512,389          |
| Modhumoti Bank Limited   | 439,369,787          | 405,749,848          |
| Mutual Trust Bank Limited  | 548,302,422          | 495,445,847          |
| Shahjalal Islami Bank Limited  | 46,206,902           | 57,274,801           |
| Social Islami Bank Limited   | 114,301,076          | 111,307,801          |
| Southeast Bank Limited   | 226,395,963          | 230,233,432          |
| <b>Total secured long term loans</b>   | <b>2,377,391,835</b> | <b>2,314,052,753</b> |
| <b>11.2 Preference share capital</b>   |                      |                      |
| 4.75 cumulative non-convertible preference share of Tk. 10,000,000 each (fully paid up)  | 47,500,000           | 80,000,000           |
| <b>11.2.1 Details of preference share capital</b>  |                      |                      |
| The Company issued 50 cumulative non-convertible redeemable preference share of Tk. 10,000,000 each to the tune of Tk. 500,000,000 in March 2015. Rate of dividend payable on the preference shares is 12.50 percent per annum. Particulars of the subscribers are as follows: |                      |                      |



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| Name of subscriber                   | No. of shares | Amount subscribed  | Outstanding       | Outstanding       |
|--------------------------------------|---------------|--------------------|-------------------|-------------------|
| Bangladesh Fund                      | 1             | 100,000,000        | 10,000,000        | 16,000,000        |
| NRB Global Bank Ltd.                 | 1.3           | 100,000,000        | 13,000,000        | 16,000,000        |
| National Housing Finance Co. Ltd.    | 0.15          | 50,000,000         | 1,500,000         | 8,000,000         |
| DBH Corporation Ltd.                 | 0.6           | 50,000,000         | 6,000,000         | 8,000,000         |
| Uttara Finance & Investment Co. Ltd. | 0.4           | 50,000,000         | 4,000,000         | 8,000,000         |
| Brac Bank Ltd.                       | 0.4           | 50,000,000         | 4,000,000         | 8,000,000         |
| Midland Bank Ltd.                    | 0.4           | 50,000,000         | 4,000,000         | 8,000,000         |
| NRB Bank Ltd.                        | 0.5           | 50,000,000         | 5,000,000         | 8,000,000         |
| <b>Total</b>                         | <b>4.75</b>   | <b>500,000,000</b> | <b>47,500,000</b> | <b>80,000,000</b> |

**11.3 Bangladesh Bank (Small Enterprise refinancing program-JICA)**

Fund received from Japan International Cooperation Agency (JICA) through Bangladesh Bank. Details are as under:

|                                  |                   |                   |
|----------------------------------|-------------------|-------------------|
| Balance at 1 January             | 61,585,436        | 138,929,365       |
| Received during the year         | -                 | -                 |
| Repayment during the year        | (36,262,421)      | (77,343,929)      |
| <b>Balance as at 31 December</b> | <b>25,323,015</b> | <b>61,585,436</b> |

**11.4 Bangladesh Bank (Women entrepreneur refinance scheme)**

Fund is disbursed on reimbursement basis against submission of the projects with requisite papers and documents. This fund was reimbursed from Bangladesh Bank under refinancing scheme against financing to women entrepreneur. The period of loan ranges from one to five years, matching the terms of respective projects. Details are as under:

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Balance at 1 January             | 5,962,500        | 24,154,167       |
| Received during the year         | -                | -                |
| Repayment during the year        | (3,337,500)      | (18,191,667)     |
| <b>Balance as at 31 December</b> | <b>2,625,000</b> | <b>5,962,500</b> |

**11.5 Bangladesh Bank (Agriculture refinance scheme)**

This fund was reimbursed from Bangladesh Bank under refinancing scheme against financing to agro entrepreneur. The period of loan ranges from one to five years, matching the terms of respective projects. Details are as under:

|                                  |           |                |
|----------------------------------|-----------|----------------|
| Balance at 1 January             | 500,000   | 6,937,500      |
| Received during the year         | -         | -              |
| Repayment during the year        | (500,000) | (6,437,500)    |
| <b>Balance as at 31 December</b> | <b>-</b>  | <b>500,000</b> |

**11.6 Bangladesh Bank (Small Enterprise refinance scheme-DP2)**

This fund was reimbursed from Bangladesh Bank under refinancing scheme against financing to outside Dhaka and Chattogram city corporation areas entrepreneur. The period of loan ranges from two to five years, matching the terms of respective projects. Details are as under:

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Balance at 1 January             | 3,310,000        | 25,146,666       |
| Received during the year         | -                | -                |
| Repayment during the year        | (2,301,667)      | (21,836,666)     |
| <b>Balance as at 31 December</b> | <b>1,008,333</b> | <b>3,310,000</b> |

**11.7 Bangladesh Bank (Renewable energy and environment friendly sector)**

This fund was reimbursed from Bangladesh Bank under refinancing scheme for renewable energy and environment friendly sector. The period of loan will be repaid within 8 years, matching the terms of respective projects. Details are as under:

|                                  |                   |                   |
|----------------------------------|-------------------|-------------------|
| Balance at 1 January             | 77,716,345        | 77,716,345        |
| Received during the year         | -                 | -                 |
| Repayment during the year        | (5,551,166)       | -                 |
| <b>Balance as at 31 December</b> | <b>72,165,179</b> | <b>77,716,345</b> |

**11.8 Short term borrowing and call loan**

|                                    |                    |                    |
|------------------------------------|--------------------|--------------------|
| Short term borrowing (Note 11.8.1) | 734,892,771        | 655,377,788        |
| Call loan (Note 11.8.2)            | 154,800,000        | 226,800,000        |
| <b>Balance as at 31 December</b>   | <b>889,692,771</b> | <b>882,177,788</b> |

This represents bank overdraft and call loans availed from different banks to meet short-term fund requirements.

**11.8.1 Short term loans**

|  |                    |                    |
|--|--------------------|--------------------|
| Bangladesh Development Bank Ltd.                   | 88,800,000         | 88,800,000         |
| Eastern Bank Limited                               | -                  | 48,812,655         |
| Mutual Trust Bank Limited                          | 65,700,000         | -                  |
| Modhumoti Bank Limited                             | 430,000,000        | 350,000,000        |
| NRB Commercial Bank Limited                        | 5,150,000          | -                  |
| South Bangla Agriculture and Commerce Bank Limited | 18,900,000         | 29,400,000         |
| Woori Bank Bangladesh                              | 126,342,771        | 138,365,133        |
|  | <b>734,892,771</b> | <b>655,377,788</b> |

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|  | 2021<br>Taka         | 2020<br>Taka         |
|--|----------------------|----------------------|
| <b>11.8.2 Call loans</b>   |                      |                      |
| Modhumoti Bank Limited   | 20,100,000           | 15,000,000           |
| Mutual Trust Bank Limited  | -                    | 72,100,000           |
| Sonali Bank Limited  | 134,700,000          | 139,700,000          |
|  | <b>154,800,000</b>   | <b>226,800,000</b>   |
| <b>11.9 Security against borrowings from other banks and financial institutions</b>  |                      |                      |
| Secured  | 2,322,675,754        | 2,293,899,783        |
| Unsecured  | 1,093,030,379        | 1,131,405,039        |
|  | <b>3,415,706,133</b> | <b>3,425,304,822</b> |
| <b>11.10 Maturity wise grouping</b>  |                      |                      |
| Repayable on demand  | 154,800,000          | 226,800,000          |
| Upto 1 month   | 24,401,747           | 75,806,315           |
| Over 1 month but not more than 3 months  | 343,825,039          | 545,272,258          |
| Over 3 months but not more than 1 year   | 1,381,853,157        | 1,156,046,525        |
| Over 1 year but not more than 5 years  | 1,172,413,981        | 1,421,379,724        |
| Over 5 years   | 338,412,208          | -                    |
| <b>Total</b>   | <b>3,415,706,133</b> | <b>3,425,304,822</b> |
| <b>11.a Borrowings from other banks, financial institutions and agents (consolidated)</b>  |                      |                      |
| Union Capital Limited  | 3,415,706,133        | 3,425,304,822        |
| UniCap Securities Limited  | 418,555,368          | 633,246,693          |
| UniCap Investments Limited   | 3,444,269,683        | 3,574,187,638        |
|  | <b>7,278,531,184</b> | <b>7,632,739,153</b> |
| Less: Inter-company transactions   | 3,660,563,396        | 3,842,784,097        |
| <b>Balance as at 31 December</b>   | <b>3,617,967,788</b> | <b>3,789,955,056</b> |
| <b>12 Term Deposits</b>  |                      |                      |
| This comprises interest bearing deposits from individuals and organizations for period ranging from 3 months to 10 years.  |                      |                      |
| Banks and financial institutions   | 3,274,698,541        | 3,347,876,570        |
| Other institutions   | 4,463,485,061        | 4,392,099,959        |
| <b>Total institutional deposits</b>  | <b>7,738,183,602</b> | <b>7,739,976,529</b> |
| Term deposit   | 620,862,599          | 626,521,358          |
| Income deposit   | 235,822,738          | 241,695,461          |
| Monthly savings scheme   | 10,976,800           | 13,519,300           |
| <b>Total individual deposits</b>   | <b>867,662,137</b>   | <b>881,736,119</b>   |
| <b>Balance as at 31 December</b>   | <b>8,605,845,739</b> | <b>8,621,712,648</b> |
| <b>Movements of deposits is made up as under</b>   |                      |                      |
| Balance at 1 January   | 8,621,712,648        | 9,761,509,145        |
| Received/renewed during the year   | 454,778,886          | 347,582,740          |
| Repayment during the year  | (470,645,795)        | (1,487,379,237)      |
| <b>Balance as at 31 December</b>   | <b>8,605,845,739</b> | <b>8,621,712,648</b> |
| <b>Maturity wise grouping</b>  |                      |                      |
| Repayable on demand  | -                    | -                    |
| Repayable within 1 month   | 45,000,000           | 128,187,329          |
| Over 1 month but not more than 6 months  | 381,663,983          | 804,992,907          |
| Over 6 months but not more than 1 year   | 450,340,258          | 1,302,520,469        |
| Over 1 year but not more than 5 years  | 6,244,332,120        | 6,383,658,067        |
| Over 5 years but not more than 10 years  | 1,484,509,378        | 2,353,876            |
| Over 10 years  | -                    | -                    |
| Unclaimed deposits for 10 years or more  | -                    | -                    |
| <b>Balance as at 31 December</b>   | <b>8,605,845,739</b> | <b>8,621,712,648</b> |
| <b>12.a Term deposits (consolidated)</b>   |                      |                      |
| union capital limited  | 8,605,845,739        | 8,621,712,648        |
| UniCap Securities Limited  | -                    | -                    |
| UniCap Investments Limited   | -                    | -                    |
|  | <b>8,605,845,739</b> | <b>8,621,712,648</b> |
| Less: Inter-company transactions   | -                    | -                    |
| <b>Balance as at 31 December</b>   | <b>8,605,845,739</b> | <b>8,621,712,648</b> |
| <b>13 Other deposits</b>   |                      |                      |
| 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: |                      |                      |
| Balance at 1 January   | 175,724,824          | 214,129,016          |
| Received during the period   | 421,110,092          | 986,127,972          |
| Repayment during the period  | (415,637,668)        | (1,024,532,164)      |
| <b>Balance as at 31 December</b>   | <b>181,197,248</b>   | <b>175,724,824</b>   |

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|---|----------------------|----------------------|
| Breakup of other deposits on the basis of category of finance is as under   |                      |                      |
| Lease advance   | 79,088,490           | 62,291,824           |
| Term finance advance  | 61,696,598           | 59,339,840           |
| Cash security   | 40,412,160           | 54,093,160           |
| <b>Balance as at 31 December</b>  | <b>181,197,248</b>   | <b>175,724,824</b>   |
| 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.   |                      |                      |
| <b>14 OTHER LIABILITIES</b>   |                      |                      |
| Provision for loans, advances and leases (note 14.1)  | 1,093,606,121        | 457,273,436          |
| Provision for diminution in value of investments (note 14.2)  | -                    | 1,437,021            |
| Provision for other assets and accrued interest (note 14.3)   | 84,747,032           | 12,581,556           |
| Special provision (note 14.4)   | 146,568,885          | -                    |
| Interest suspense (note 14.5)   | 468,785,275          | 324,211,358          |
| Provision for tax (note 14.6)   | 91,741,913           | 88,617,723           |
| Deferred tax liabilities (note 9.1.b)   | 29,082,646           | 19,964,926           |
| Financial expenses payable (note 14.8)  | 1,040,609,055        | 876,462,514          |
| Lease liability   | 4,086,748            | 5,845,442            |
| Deferred liability-employee gratuity (note 14.9)  | 15,250,227           | 13,722,683           |
| Dividend on preference shares   | 30,290,199           | 20,892,082           |
| Excise duty   | 4,536,370            | 4,099,350            |
| Withholding tax payable   | 3,791,625            | 953,378              |
| VAT payable   | 1,050,222            | 1,351,914            |
| Accrued expenses and other payable (note 14.10)   | 477,498,893          | 244,157,491          |
| <b>Balance as at 31 December</b>  | <b>3,491,645,211</b> | <b>2,071,570,874</b> |
| <b>14.1 Provision for leases, advances and loans</b>  |                      |                      |
| Management, on the basis of analysis of quality of loan/lease and guidelines issued by Bangladesh Bank has determined provisions for doubtful losses. The provision is considered adequate to cover the possible future losses. |                      |                      |
| General provision on unclassified loans, advances and leases  | 159,503,283          | 159,869,302          |
| Specific provision on classified loans, advances and leases   | 934,102,838          | 297,404,134          |
| <b>Balance as at 31 December</b>  | <b>1,093,606,121</b> | <b>457,273,436</b>   |
| Movement in general provision on unclassified loans/leases:   |                      |                      |
| Provision as on 1 January   | 159,869,302          | 190,731,849          |
| Add : Provision made/(released) during the year   | 1,038,982            | (361,163)            |
| Less: Provision no longer required  | (1,038,982)          | (3,580,024)          |
| Add/Less : Transferred from/(to)  | (37,993,041)         | 36,080,185           |
| Add : Net charge to profit and loss account   | 37,627,023           | (63,001,546)         |
| <b>Balance as at 31 December</b>  | <b>159,503,283</b>   | <b>159,869,302</b>   |
| <b>14.1.a General provision made during the year for loans, advances and leases (consolidated)</b>  |                      |                      |
| Union Capital Limited   | 225,166,908          | (23,167,990)         |
| UniCap Securities Limited   | 8,000,000            | -                    |
| UniCap Investments Limited  | -                    | -                    |
| <b>Balance as at 31 December</b>  | <b>233,166,908</b>   | <b>(23,167,990)</b>  |
| <b>14.1.b Movement in specific provision on classified loans/leases:</b>  |                      |                      |
| Provision as on 1 January   | 297,404,134          | 273,465,210          |
| Less: Fully provided debts written off during the year  | -                    | -                    |
| Add : Recoveries of amounts previously written off  | -                    | -                    |
| Add/Less: Transferred from/(to) general provision   | 37,993,041           | (36,080,185)         |
| Add : Specific provision made during the year for other accounts  | 1,587,078            | 13,224,340           |
| Less: Provision no longer required  | (1,587,078)          | (9,283,154)          |
| Add : Net charge to profit and loss account   | 598,705,663          | 56,077,923           |
| <b>Balance as at 31 December</b>  | <b>934,102,838</b>   | <b>297,404,134</b>   |
| <b>Total</b>  | <b>1,093,606,121</b> | <b>457,273,436</b>   |
| <b>14.1.c Provision for loans, advances and leases (consolidated)</b>   |                      |                      |
| Union Capital Limited   | 1,093,606,121        | 457,273,436          |
| UniCap Securities Limited   | 45,984,381           | 37,984,381           |
| UniCap Investments Limited  | 982,421,656          | 1,044,748,951        |
| <b>Balance as at 31 December</b>  | <b>2,122,012,158</b> | <b>1,540,006,768</b> |
| <b>14.1.d Provision made during the year for loans, advance and leases</b>  |                      |                      |
| General provision for loans, advance and leases   | 37,627,023           | (63,001,546)         |
| General provision for other assets and accrued interest   | 72,165,476           | 39,833,556           |
| Specific provision  | 598,705,663          | 23,938,923           |
| Special provision   | 146,568,885          | -                    |
| <b>Balance as at 31 December</b>  | <b>855,067,047</b>   | <b>770,933</b>       |

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|   | 2021<br>Taka       | 2020<br>Taka       |
|---|--------------------|--------------------|
| <b>14.1.e Provision made during the year for loans, advance and other assets (consolidated)</b>   |                    |                    |
| Union Capital Limited   | 855,067,047        | 770,933            |
| UniCap Securities Limited   | 8,000,000          | -                  |
| UniCap Investments Limited  | -                  | -                  |
| <b>Balance as at 31 December</b>  | <b>863,067,047</b> | <b>770,933</b>     |
| <b>14.2 Provision for diminution in value of investments</b>  |                    |                    |
| Provision as on 1 January   | 1,437,021          | 191,275            |
| Add: Provision made/(released) during the year (note 14.2.1)  | (1,437,021)        | 1,245,746          |
| <b>Balance as at 31 December</b>  | <b>-</b>           | <b>1,437,021</b>   |
| As on 31 December 2021, there was no amount of diminution in the value of investment in shares.   |                    |                    |
| <b>14.2.1 Allocation of provision made for diminution in value of investments</b>   |                    |                    |
| Marketable securities   | (1,437,021)        | 1,245,746          |
| <b>Total</b>  | <b>(1,437,021)</b> | <b>1,245,746</b>   |
| <b>14.2.a Provision made during the year for diminution in value of investments (consolidated)</b>  |                    |                    |
| Union Capital Limited   | (1,437,021)        | 1,245,746          |
| UniCap Securities Limited   | -                  | -                  |
| UniCap Investments Limited  | -                  | 6,923,432          |
| <b>Balance as at 31 December</b>  | <b>(1,437,021)</b> | <b>8,169,178</b>   |
| <b>14.2.b Provision for diminution in value of investments (consolidated)</b>   |                    |                    |
| Union Capital Limited   | -                  | 1,437,021          |
| UniCap Securities Limited   | 12,788,812         | 12,788,812         |
| UniCap Investments Limited  | 28,274,833         | 28,274,833         |
| <b>Balance as at 31 December</b>  | <b>41,063,645</b>  | <b>42,500,666</b>  |
| <b>14.3 Provision for other assets and accrued interest</b>   |                    |                    |
| Provision as on 1 January   | 12,581,556         | 118,187,000        |
| Add : Provision made/(released) during the year   | -                  | (113,300,000)      |
| Add : Transferred from/(to)   | -                  | (32,139,000)       |
| Add : Net charge to P/L for accrued interest ( note 14.3.1)   | 31,194,476         | -                  |
| Add : Net charge to profit and loss account for other assets  | 40,971,000         | 39,833,556         |
| <b>Balance as at 31 December</b>  | <b>84,747,032</b>  | <b>12,581,556</b>  |
| During 2020, Union Capital Limited (UCL) applied to DFIM, Bangladesh Bank for extending time to keep remaining Tk. 4,321.43 lac which was the part of Tk. 5,401.79 lac deferred provision arised in 2019. This amount was required both for loan/leases and other assets. Accordingly, DFIM, Bangladesh Bank vide letter no. DFIM(C)/1054/26/2020-2176 dated 09 December 2020 permitted 9 (Nine) years to build up the same provision. In 2020, UCL built up full provision against loan/leases. So, the shortfall is remained against other assets only. Provision requirement for other assets per year stands Tk. 355.71 lac. During 2020, UCL extended weiver facility against other assets to UniCap Investments Limited for complying the same instruction of Bangladesh Bank. In 2021, UCL has maintained the required amount of Tk. 355.71 lac against the same other assets. |                    |                    |
| <b>14.3.1 Provision for accrued interest of Unicap Investments Limited</b>  |                    |                    |
| Provision as on 1 January   | -                  | -                  |
| Add/Less : Provision required during the year as per approval   | 132,694,476        | -                  |
| Less: Interest realised during the year   | (101,500,000)      | -                  |
| Add : Net charge to profit and loss account   | 31,194,476         | -                  |
| <b>Balance as at 31 December</b>  | <b>31,194,476</b>  | <b>-</b>           |
| DFIM, Bangladesh Bank, vide letter no. DFIM(C)/1054/26/2020-2176 dated 09 December 2020 permit 8 (eight) years to build up provision against accrued interest of Tk.106 crore of UniCap Investments Limited upon application by Union Capital Limited. Per year provision requirement stands Tk. 13.25 crore. During 2021, UCL has recovered Tk.10.15 crore from UniCap Investments Limited and maintained provision of Tk. 3.12 crore against the same accrued interest. This provision has been kept under head 'Provision for other assets and accrued interest'.  |                    |                    |
| <b>14.4 Special provision for loans, advances and leases</b>  |                    |                    |
| Provision as on 1 January   | -                  | -                  |
| Add : Provision made/(released) during the year   | 146,568,885        | -                  |
| <b>Balance as at 31 December</b>  | <b>146,568,885</b> | <b>-</b>           |
| <b>14.5 Interest suspense</b>   |                    |                    |
| Balance as on 1 January   | 324,211,358        | 661,006,393        |
| Add: Transferred during the year  | 175,356,722        | 119,283,565        |
| Less: Amount of interest suspense recovered   | 30,782,805         | 83,709,137         |
| Less: Waiver during the year  | -                  | 372,369,463        |
| <b>Balance as at 31 December</b>  | <b>468,785,275</b> | <b>324,211,358</b> |

## Notes to the Financial Statements

| 2021 | 2020 |
|------|------|
| Taka | Taka |

Bangladesh Bank's DFIM circular no. 4 of 2021 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 loan/lease facilities classified as SMA, SS, DF and BL, has been set-aside in this account.

**14.5.1 Product wise interest suspense accounts**

|                  |                    |                    |
|------------------|--------------------|--------------------|
| On lease finance | 135,347,488        | 101,528,538        |
| On term finance  | 333,437,787        | 222,682,820        |
|                  | <b>468,785,275</b> | <b>324,211,358</b> |

**14.5.1.a Interest suspense (Consolidated)**

|                                  |                    |                    |
|----------------------------------|--------------------|--------------------|
| Union Capital Limited            | 468,785,275        | 324,211,358        |
| UniCap Securities Limited        | -                  | -                  |
| UniCap Investments Limited       | -                  | -                  |
| <b>Balance as at 31 December</b> | <b>468,785,275</b> | <b>324,211,358</b> |

**14.6 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 2021.

|   |                   |                   |
|---|-------------------|-------------------|
| Provision for taxation                      | 787,768,125       | 719,259,380       |
| Less: Advance payment of tax                | (700,620,154)     | (699,150,403)     |
| Add :Provision made during the year         | 5,000,000         | 68,508,745        |
| Less: Transferred to/(from) during the year | (406,058)         | -                 |
| <b>Balance as at 31 December</b>            | <b>91,741,913</b> | <b>88,617,723</b> |

While estimating the current income tax for the period ended 31 December 2021, 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.

**14.6.1 Provision made during the period for current tax (consolidated)**

|                                  |                   |                   |
|----------------------------------|-------------------|-------------------|
| Union Capital Ltd.               | 5,000,000         | 68,508,745        |
| UniCap Securities Limited        | 43,740,000        | 22,407,000        |
| UniCap Investments Ltd.          | 1,082,682         | 3,408,913         |
| <b>Balance as at 31 December</b> | <b>49,822,682</b> | <b>94,324,658</b> |

**14.6.a Provision for current tax (consolidated)**

|                                  |                    |                    |
|----------------------------------|--------------------|--------------------|
| Union Capital Ltd.               | 91,741,913         | 88,617,723         |
| UniCap Securities Limited        | 421,858,083        | 378,118,083        |
| UniCap Investments Ltd.          | 112,106,507        | 111,023,825        |
| <b>Balance as at 31 December</b> | <b>625,706,504</b> | <b>577,759,631</b> |

**14.7.a Deferred tax liability (consolidated)**

|                                  |                   |                   |
|----------------------------------|-------------------|-------------------|
| Union Capital Ltd.               | 29,082,646        | 19,964,926        |
| UniCap Securities Limited        | -                 | -                 |
| UniCap Investments Ltd.          | -                 | -                 |
| <b>Balance as at 31 December</b> | <b>29,082,646</b> | <b>19,964,926</b> |

**14.7.1.a Deferred tax expenses/(income) made during the period (consolidated)**

|                                  |                  |                   |
|----------------------------------|------------------|-------------------|
| Union Capital Ltd.               | 9,117,720        | 20,774,875        |
| UniCap Securities Limited        | 43,813           | (8,267,603)       |
| UniCap Investments Ltd.          | (324,213)        | (107,179)         |
| <b>Balance as at 31 December</b> | <b>8,837,320</b> | <b>12,400,093</b> |

**14.8 Financial expenses payable**

This comprises interest accrued on term deposits, security deposits and bank borrowings.

|   |                      |                    |
|---|----------------------|--------------------|
| Interest payable on term deposits         | 1,024,372,415        | 833,623,832        |
| Interest payable on cash security         | 11,227,989           | 10,185,805         |
| Interest payable on long term borrowings  | 2,445,376            | 25,769,631         |
| Interest payable on short term borrowings | 2,563,275            | 6,883,246          |
| <b>Balance as at 31 December</b>          | <b>1,040,609,055</b> | <b>876,462,514</b> |

**14.9 Deferred liability-employee gratuity**

|                                  |                   |                   |
|----------------------------------|-------------------|-------------------|
| Balance at 1 January             | 13,722,683        | 9,245,839         |
| Add : Addition during the year   | 8,027,544         | 4,476,844         |
| Less: Paid during the year       | 6,500,000         | -                 |
| <b>Balance as at 31 December</b> | <b>15,250,227</b> | <b>13,722,683</b> |

## Notes to the Financial Statements

## 14.10 Accrued expenses and other payable

|   |
|---|
| Management expenses                     |
| Unclaim dividend account (note 14.10.1) |
| Payable for purchase of assets          |
| Others payables (suspended interest)    |
| <b>Balance as at 31 December</b>        |

| 2021               | 2020               |
|--------------------|--------------------|
| Taka               | Taka               |
| 5,073,761          | 5,644,640          |
| 6,926              | 1,399,558          |
| 51,822,925         | 53,091,091         |
| 420,595,281        | 184,022,202        |
| <b>477,498,893</b> | <b>244,157,491</b> |

## 14.10.1 Unclaim dividend account

| Year                                  | Stock dividend in number | Fractional Cash Dividend |
|---------------------------------------|--------------------------|--------------------------|
| 2010 Fractional stock dividend        | 2,535                    | -                        |
| 2011 Cash & Fractional stock dividend | 249                      | -                        |
| 2012 Fractional stock dividend        | 136                      | -                        |
| 2013 Fractional stock dividend        | 291                      | -                        |
| 2014 Fractional stock dividend        | 317                      | -                        |
| 2015 Cash & Fractional stock dividend | 242                      | -                        |
| 2016 Fractional stock dividend        | 427                      | -                        |
| 2017 Fractional stock dividend        | 207                      | -                        |
| 2018 Fractional stock dividend        | 379                      | 6,926                    |
| <b>Balance as at 31 December</b>      | <b>4,783</b>             | <b>6,926</b>             |

In accordance to comply with the BSEC's Directive No. BSEC/CMRRCD/2021/03 dated 14 January 2021 and BSEC's letter having reference no. SEC/SRMIC/165-2020/pat-1/182 dated 19 July 2021, we have already deposited Tk. 1,392,631.85 against unclaimed or undistributed or unsettled Cash & Fractional Dividend for the year 2008 to 2017 to Capital Market Stabilization Fund (CMSF) SND A/C No: 00310311521301 of Community Bank Bangladesh Limited, Corporate Branch, Gulshan.

## 14.a OTHER LIABILITIES (consolidated)

|                                  |                      |                      |
|----------------------------------|----------------------|----------------------|
| Union Capital Limited            | 3,491,645,211        | 2,071,570,874        |
| UniCap Securities Limited        | 799,944,798          | 614,903,596          |
| UniCap Investments Limited       | 2,184,598,088        | 2,400,056,298        |
|                                  | <b>6,475,188,098</b> | <b>5,086,530,767</b> |
| Less: Inter-company transactions | 1,257,631,161        | 1,287,921,466        |
| <b>Balance as at 31 December</b> | <b>5,218,556,937</b> | <b>3,798,609,301</b> |

## 15 Share capital

As at 31 December 2021, a total number of 172,573,843 (2020: 172,573,843) ordinary shares of Tk.10 each were issued, subscribed and fully paid up. Details are as follows:

## Authorized capital

200,000,000 ordinary shares of Tk. 10 each 2,000,000,000 2,000,000,000

## Issued, subscribed and paid up capital:

|   |                      |                      |
|---|----------------------|----------------------|
| 172,573,843 ordinary shares of Tk.10 each | 1,725,738,430        | 1,725,738,430        |
| bonus shares                              | -                    | -                    |
| <b>Total 172,573,843</b>                  | <b>1,725,738,430</b> | <b>1,725,738,430</b> |

## Pattern of shareholdings

| Directors/ Executives                   | Represented by             | No. of shares held | Percentage |
|---|----------------------------|--------------------|------------|
| Enrilco Limited                         | Mr. Nadeem A. Chaudhury    | 7,902,285          | 4.58       |
| Palmar Garments Hosiery Ltd.            | Mrs. Tajrina Sikder        | 16,792,968         | 9.73       |
| Palmar Garments Hosiery Ltd.            | Mr. Kazi Russel Mahbub     | -                  | -          |
| EC Securities Ltd.                      | Mr. Chowdhury Tanzim Karim | 12,459,305         | 7.22       |
| Mr. Waqar A. Choudhury                  | Self                       | 3,503,634          | 2.03       |
| Mrs. Meherunnesa Haque                  | Self                       | 3,494,029          | 2.02       |
| Ms. Sabita Rezwana Rahman               | Self                       | 3,803,920          | 2.20       |
| Dr. Muhammad Shahadat Hossain Siddiquee | Self                       | Nil                | Nil        |
| Dr. Hasina Sheykh                       | Self                       | Nil                | Nil        |
| Mr. Munshi Shafiul Haque                | Self                       | Nil                | Nil        |
| Mr. Md. Abdus Salam, FCA, FCS           | Self                       | Nil                | Nil        |
| Mr. A.N.M. Golam Shabbir                | N/A                        | Nil                | Nil        |

## Composition of shareholdings

Composition of shareholdings as on 31 December 2021 was as under:

| Group                         | No. of Shareholders |              | No. of Shares      |                    | Percentage    |               |
|-------------------------------|---------------------|--------------|--------------------|--------------------|---------------|---------------|
|                               | 2021                | 2020         | 2021               | 2020               | 2021          | 2020          |
| Sponsors (Institutions)       | 3                   | 3            | 37,154,558         | 37,154,558         | 21.53         | 21.53         |
| Sponsors (Individuals)        | 10                  | 10           | 23,594,944         | 23,594,944         | 13.67         | 13.67         |
| General Public (Institutions) | 213                 | 269          | 28,422,912         | 33,707,399         | 16.47         | 19.53         |
| General Public (Individuals)  | 8,878               | 7,645        | 83,401,429         | 78,116,942         | 48.33         | 45.27         |
| <b>Total</b>                  | <b>9,104</b>        | <b>7,927</b> | <b>172,573,843</b> | <b>172,573,843</b> | <b>100.00</b> | <b>100.00</b> |



## Notes to the Financial Statements

2021

Taka

2020

Taka

## Range of shareholdings

The distribution schedule of shareholdings as on 31 December 2021 was as under:

| Shareholding range          | No. of Shareholders |              | No. of Shares      |                    | Percentage    |               |
|-----------------------------|---------------------|--------------|--------------------|--------------------|---------------|---------------|
|                             | 2021                | 2020         | 2021               | 2020               | 2021          | 2020          |
| Less than 500 shares        | 1,808               | 1,814        | 290,209            | 284,739            | 0.17          | 0.16          |
| 500 to 5,000 shares         | 4,988               | 3,958        | 10,471,421         | 8,131,923          | 6.07          | 4.71          |
| 5,001 to 10,000 shares      | 1,006               | 922          | 7,635,099          | 6,801,610          | 4.42          | 3.94          |
| 10,001 to 20,000 shares     | 629                 | 567          | 9,238,521          | 8,267,610          | 5.35          | 4.79          |
| 20,001 to 30,000 shares     | 212                 | 225          | 5,265,974          | 5,525,468          | 3.05          | 3.20          |
| 30,001 to 40,000 shares     | 97                  | 108          | 3,409,919          | 3,806,942          | 1.98          | 2.21          |
| 40,001 to 50,000 shares     | 75                  | 64           | 3,539,253          | 2,943,830          | 2.05          | 1.71          |
| 50,001 to 100,000 shares    | 147                 | 136          | 10,856,154         | 9,477,057          | 6.29          | 5.49          |
| 100,001 to 1,000,000 shares | 118                 | 105          | 30,834,242         | 27,034,928         | 17.87         | 15.67         |
| Over 1,000,000 shares       | 24                  | 27           | 91,033,051         | 100,299,736        | 52.75         | 58.12         |
| <b>Total</b>                | <b>9,104</b>        | <b>7,927</b> | <b>172,573,843</b> | <b>172,573,843</b> | <b>100.00</b> | <b>100.00</b> |

## Capital requirement

The Company is subject to the regulatory capital requirement as stipulated in DFIM circular no 05 dated 4 July 2011 issued by Bangladesh Bank where a financial institution is required to maintain 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:

## Solo Basis

## Core capital (Tier-1)

|                    |                      |                    |
|--------------------|----------------------|--------------------|
| Paid up capital    | 1,725,738,430        | 1,725,738,430      |
| Share premium      | -                    | -                  |
| Statutory reserves | 451,897,399          | 451,897,399        |
| General reserves   | -                    | -                  |
| Retained earnings  | (2,899,798,429)      | (1,463,917,249)    |
| <b>Sub-Total</b>   | <b>(722,162,600)</b> | <b>713,718,580</b> |

## Supplementary capital (Tier-2)

|   |                      |                    |
|---|----------------------|--------------------|
| General provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet exp.) | 159,503,283          | 159,869,302        |
| Asset revaluation reserves up to 50%  | -                    | -                  |
| Revaluation reserve for securities upto 45%   | -                    | -                  |
| Revaluation reserve for equity instrument upto 10%                                      | -                    | -                  |
| All other preference shares   | 47,500,000           | 80,000,000         |
| Other (if any item approved by Bangladesh Bank)   | -                    | -                  |
| <b>Sub-Total</b>  | <b>207,003,283</b>   | <b>239,869,302</b> |
| <b>Total eligible capital (A)</b>   | <b>(515,159,317)</b> | <b>953,587,882</b> |

## Total risk weighted assets (RWA) (B)

|   |                        |                      |
|---|------------------------|----------------------|
| Required capital based on risk weighted assets (10% of B) (C) | 16,898,258,542         | 17,321,718,331       |
| <b>Capital surplus (A-C)</b>                                  | <b>1,689,825,854</b>   | <b>1,732,171,833</b> |
| <b>Capital adequacy ratio (%) (A/B*100)</b>                   | <b>(2,204,985,171)</b> | <b>(778,583,952)</b> |
|   | -3.05%                 | 5.51%                |

## Consolidated Basis

## Core capital (Tier-1)

|                          |                      |                    |
|--------------------------|----------------------|--------------------|
| Paid up capital          | 1,725,738,430        | 1,725,738,430      |
| Share premium            | -                    | -                  |
| Statutory reserves       | 451,897,399          | 451,897,399        |
| General reserves         | -                    | -                  |
| Non-controlling interest | 222                  | 211                |
| Retained earnings        | (2,851,655,743)      | (1,466,066,561)    |
| <b>Sub-Total</b>         | <b>(674,019,691)</b> | <b>711,569,480</b> |

## Supplementary capital (Tier-2)

|   |                      |                      |
|---|----------------------|----------------------|
| General provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet exp.) | 206,383,648          | 212,306,303          |
| Asset revaluation reserves up to 50%  | -                    | -                    |
| Revaluation reserve for securities upto 45%   | -                    | -                    |
| Revaluation reserve for equity instrument upto 10%                                      | -                    | -                    |
| All other preference shares   | 47,500,000           | 80,000,000           |
| Other (if any item approved by Bangladesh Bank)   | -                    | -                    |
| <b>Sub-Total</b>  | <b>253,883,648</b>   | <b>292,306,303</b>   |
| <b>Total eligible capital (A)</b>   | <b>(420,136,043)</b> | <b>1,003,875,782</b> |

## Notes to the Financial Statements

|   | 2021<br>Taka           | 2020<br>Taka           |
|---|------------------------|------------------------|
| Total risk weighted assets (RWA) (B)                              | 18,606,088,074         | 19,600,105,286         |
| Required capital based on risk weighted assets (10% of B) (C)     | 1,860,608,807          | 1,960,010,529          |
| Capital surplus (A-C)   | (2,280,744,850)        | (956,134,747)          |
| <b>Capital adequacy ratio (%) (A/B*100)</b>                       | <b>-2.26%</b>          | <b>5.12%</b>           |
| <b>16 STATUTORY RESERVE</b>                                       |                        |                        |
| Balance as on 1 January   | 451,897,399            | 451,897,399            |
| Add: Transferred from profit during the year                      | -                      | -                      |
| <b>Balance as at 31 December</b>                                  | <b>451,897,399</b>     | <b>451,897,399</b>     |
| <b>17 Retained earnings/(loss)</b>                                |                        |                        |
| Balance as on 1 January   | (1,463,917,249)        | (965,211,171)          |
| Add: Profit/(loss) after tax during the period                    | (1,435,881,180)        | (498,706,078)          |
| <b>Balance as at 31 December</b>                                  | <b>(2,899,798,429)</b> | <b>(1,463,917,249)</b> |
| <b>17.a RETAINED EARNINGS/(loss) (consolidated)</b>               |                        |                        |
| Balance as on 1 January   | (1,466,066,561)        | (933,699,011)          |
| Add: Profit/(loss) after tax during the period                    | (1,385,589,182)        | (532,367,550)          |
| <b>Balance as at 31 December</b>                                  | <b>(2,851,655,742)</b> | <b>(1,466,066,561)</b> |
| <b>18.0 INCOME STATEMENT</b>                                      |                        |                        |
| <b>Income</b>   |                        |                        |
| Interest, discount and similar income (note 19)                   | 611,243,847            | 676,426,114            |
| Dividend income (note 21)   | 2,468,139              | 586,175                |
| Fees, commission, exchange and brokerage (note 22)                | 430,431                | 507,220                |
| Gains less losses arising from investment in securities (note 21) | 2,113,075              | 680,780                |
| Other operating income (note 23)                                  | 24,458,587             | 232,006,730            |
| <b>Total income</b>   | <b>640,714,079</b>     | <b>910,207,019</b>     |
| <b>Expenses</b>   |                        |                        |
| Interest paid on deposits, borrowings etc. (Note 20)              | 1,057,747,934          | 1,156,640,853          |
| Administrative expenses (note 18.1)                               | 112,782,515            | 121,589,440            |
| Depreciation and impairment on company assets                     | 20,503,511             | 22,131,377             |
| Other operating expenses  | 17,813,553             | 17,251,128             |
| Provision for leases, loans, advances and investments             | 853,630,026            | 2,016,679              |
| <b>Total expenses</b>   | <b>2,062,477,539</b>   | <b>1,319,629,477</b>   |
| <b>18.1 ADMINISTRATIVE EXPENSES</b>                               |                        |                        |
| Salary and allowances (note 24)                                   | 90,673,571             | 97,188,899             |
| Rent, taxes, insurance, electricity, etc (note 25)                | 3,108,506              | 4,422,097              |
| Legal expenses (note 26)  | 6,333,276              | 7,450,599              |
| Postage, stamp, telecommunication, etc (note 27)                  | 1,615,458              | 1,908,854              |
| Stationery, printings, advertisements, etc (note 28)              | 2,526,704              | 2,668,991              |
| Managing Director's salary and allowances (note 29)               | 8,120,000              | 7,580,000              |
| Directors' fees (note 30)   | 175,000                | 140,000                |
| Auditors' fees (note 31)  | 230,000                | 230,000                |
|   | <b>112,782,515</b>     | <b>121,589,440</b>     |
| <b>19 INTEREST INCOME</b>   |                        |                        |
| Income from lease finance   | 88,460,918             | 164,077,756            |
| Income from term finance  | 469,340,495            | 430,783,213            |
| Interest on loan to subsidiaries                                  | 50,557,924             | 56,538,160             |
| Interest on bank deposits   | 2,527,251              | 24,241,727             |
| Income from other finance   | 357,259                | 785,258                |
| <b>Total</b>  | <b>611,243,847</b>     | <b>676,426,114</b>     |
| <b>19.a INTEREST INCOME (consolidated)</b>                        |                        |                        |
| Union Capital Limited   | 611,243,847            | 676,426,114            |
| UniCap Securities Limited   | 58,252,127             | 54,387,689             |
| UniCap Investments Limited  | 9,877,275              | 729,179,243            |
|   | <b>679,373,249</b>     | <b>1,459,993,046</b>   |
| Less: Inter-company transactions                                  | 50,557,924             | 289,038,160            |
|   | <b>628,815,325</b>     | <b>1,170,954,886</b>   |

## Notes to the Financial Statements

|   | 2021<br>Taka         | 2020<br>Taka         |
|---|----------------------|----------------------|
| <b>20 INTEREST PAID ON DEPOSITS, BORROWINGS, etc.</b>                 |                      |                      |
| Interest on bank loan   | 244,248,343          | 214,959,128          |
| Interest on JICA fund   | 2,286,859            | 4,172,732            |
| Interest on Agriculture refinance fund                                | 4,931                | 115,497              |
| Interest on women entrepreneur fund                                   | 187,303              | 531,268              |
| Interest on SMEDP2 fund   | 135,658              | 530,125              |
| Interest on financing brick kiln efficiency project                   | 7,099,726            | 3,961,375            |
| Interest on term deposits   | 714,805,725          | 820,528,698          |
| Interest on money at call & short notice                              | 75,567,014           | 91,228,902           |
| Interest on cash security deposit                                     | 3,230,949            | 5,569,161            |
| Interest on preference share  | 8,398,117            | 12,474,267           |
| Bank charges  | 1,388,369            | 2,174,760            |
| Interest on lease rent  | 394,940              | 394,940              |
| <b>Total</b>  | <b>1,057,747,934</b> | <b>1,156,640,853</b> |
| <b>20.a INTEREST PAID ON DEPOSITS, BORROWINGS etc. (consolidated)</b> |                      |                      |
| Union Capital Limited   | 1,057,747,934        | 1,156,640,853        |
| UniCap Securities Limited   | 98,503,022           | 98,400,393           |
| UniCap Investments Limited  | 10,672,073           | 730,162,158          |
|   | <b>1,166,923,029</b> | <b>1,985,203,404</b> |
| Less: Inter-company transactions                                      | 50,557,924           | 289,038,160          |
|   | <b>1,116,365,105</b> | <b>1,696,165,244</b> |
| <b>21 INVESTMENT INCOME</b>   |                      |                      |
| Capital gain/(loss) on sale of securities (note 21.1)                 | 2,113,075            | 680,780              |
| Dividend income   | 2,468,139            | 586,175              |
| <b>Total</b>  | <b>4,581,214</b>     | <b>1,266,955</b>     |
| <b>21.1 CAPITAL GAIN ON SALE OF SECURITIES</b>                        |                      |                      |
| Gain on sales of shares   | 8,532,917            | 680,780              |
| Loss on sales of shares   | (6,419,842)          | -                    |
| <b>Net gain/(loss) from sale of securities</b>                        | <b>2,113,075</b>     | <b>680,780</b>       |
| <b>21.a INVESTMENT INCOME (consolidated)</b>                          |                      |                      |
| Union Capital Limited   | 4,581,214            | 1,266,955            |
| UniCap Securities Limited   | 46,565,121           | 18,407,833           |
| UniCap Investments Limited  | 20,539,447           | 12,763,468           |
|   | 71,685,782           | 32,438,256           |
| Less: Inter-company transactions                                      | -                    | -                    |
|   | <b>71,685,782</b>    | <b>32,438,256</b>    |
| <b>22 FEES, COMMISSIONS, EXCHANGE AND BROKERAGE</b>                   |                      |                      |
| Processing and documentation fees                                     | 201,213              | 95,025               |
| Renewals and proceeds   | 229,218              | 412,195              |
| <b>Total</b>  | <b>430,431</b>       | <b>507,220</b>       |
| <b>22.a FEES, COMMISSIONS, EXCHANGE AND BROKERAGE (consolidated)</b>  |                      |                      |
| Union Capital Limited   | 430,431              | 507,220              |
| UniCap Securities Limited   | 204,055,690          | 107,029,889          |
| UniCap Investments Limited  | 7,437,023            | 15,140,995           |
|   | <b>211,923,144</b>   | <b>122,678,103</b>   |
| <b>23 OTHER OPERATING INCOME</b>                                      |                      |                      |
| Gain/(loss) on sale of fixed assets                                   | 232,811              | 937,307              |
| Income from forfeited fund  | 3,887,612            | -                    |
| Recoveries of loans written off                                       | 20,338,164           | 231,069,423          |
| <b>Total</b>  | <b>24,458,587</b>    | <b>232,006,730</b>   |
| <b>23.a OTHER OPERATING INCOME (consolidated)</b>                     |                      |                      |
| Union Capital Limited   | 24,458,587           | 232,006,730          |
| UniCap Securities Limited   | 807,532              | 3,191,906            |
| UniCap Investments Limited  | 337,735              | 1,090,603            |
|   | <b>25,603,854</b>    | <b>236,289,239</b>   |
| Less: Inter-company transactions                                      | -                    | -                    |
|   | <b>25,603,854</b>    | <b>236,289,239</b>   |
| <b>24 SALARIES AND OTHER EMPLOYEE BENEFITS</b>                        |                      |                      |
| Salaries & allowances   | 83,403,395           | 89,584,808           |
| Festival bonus  | 7,270,176            | 7,604,091            |
| <b>Total</b>  | <b>90,673,571</b>    | <b>97,188,899</b>    |

## Notes to the Financial Statements

|   | 2021<br>Taka       | 2020<br>Taka       |
|---|--------------------|--------------------|
| <b>24.a SALARIES AND OTHER EMPLOYEE BENEFITS (consolidated)</b>   |                    |                    |
| Union Capital Limited   | 90,673,571         | 97,188,899         |
| UniCap Securities Limited   | 59,043,006         | 61,056,277         |
| UniCap Investments Limited  | 15,167,629         | 13,113,091         |
| <b>Total</b>  | <b>164,884,206</b> | <b>171,358,267</b> |
| <b>25 RENT, TAXES, INSURANCE, ELECTRICITY etc.</b>  |                    |                    |
| Office rent, rates and taxes  | 233,917            | 2,811,318          |
| Insurance   | 1,390,816          | 757,683            |
| Power and electricity   | 1,483,773          | 853,096            |
| <b>Total</b>  | <b>3,108,506</b>   | <b>4,422,097</b>   |
| <b>25.1 DISCLOSURE RELATED TO RENT, RATE AND TAXES:</b>   |                    |                    |
| Actual rent expenses  | 2,387,551          | 5,114,225          |
| Less: Reclassification of rent expenses (as per IFRS 16:)   | 2,153,634          | 2,302,907          |
| <b>Total</b>  | <b>233,917</b>     | <b>2,811,318</b>   |
| In addition to the above mentioned change in rent expense, implementation of IFRS 16 has resulted in charging of depreciation against Right-of-use asset as disclosed in Annexure A and of Interest expense on lease rent, as disclosed in Note 20. |                    |                    |
| <b>25.a RENT, TAXES, INSURANCE, ELECTRICITY etc. (consolidated)</b>   |                    |                    |
| Union Capital Limited   | 3,108,506          | 4,422,097          |
| UniCap Securities Limited   | 1,734,144          | (1,688,384)        |
| UniCap Investments Limited  | 402,597            | 309,657            |
| <b>Total</b>  | <b>5,245,247</b>   | <b>3,043,370</b>   |
| <b>25.a.1 DISCLOSURE RELATED TO RENT, RATE AND TAXES:</b>   |                    |                    |
| Actual rent , taxes, insurance, electricity   |                    |                    |
| Union Capital Limited   | 5,262,140          | 6,725,004          |
| UniCap Securities Limited   | 13,505,340         | 14,758,837         |
| UniCap Investments Limited  | 3,060,657          | 3,250,495          |
| Less: Reclassification of rent expenses (as per IFRS 16:)   |                    |                    |
| Union Capital Limited   | 2,153,634          | 2,302,907          |
| UniCap Securities Limited   | 11,771,196         | 16,447,221         |
| UniCap Investments Limited  | 2,658,060          | 2,940,838          |
| <b>Total</b>  | <b>5,245,247</b>   | <b>3,043,370</b>   |
| <b>26 LEGAL EXPENSES</b>  |                    |                    |
| Court fees  | 649,500            | -                  |
| Professional Fees   | 5,683,776          | 7,450,599          |
| <b>Total</b>  | <b>6,333,276</b>   | <b>7,450,599</b>   |
| <b>26.a LEGAL EXPENSES (consolidated)</b>   |                    |                    |
| Union Capital Limited   | 6,333,276          | 7,450,599          |
| UniCap Securities Limited   | -                  | -                  |
| UniCap Investments Limited  | 15,000             | 62,331             |
| <b>Total</b>  | <b>6,348,276</b>   | <b>7,512,930</b>   |
| <b>27 POSTAGE, STAMP, TELECOMMUNICATION etc.</b>  |                    |                    |
| Postage   | 98,857             | 113,335            |
| Telegram, telex, fax and e-mail   | 815,890            | 893,609            |
| Telephone - office  | 700,711            | 901,910            |
| <b>Total</b>  | <b>1,615,458</b>   | <b>1,908,854</b>   |
| <b>27.a POSTAGE, STAMP, TELECOMMUNICATION etc. (consolidated)</b>   |                    |                    |
| Union Capital Limited   | 1,615,458          | 1,908,854          |
| UniCap Securities Limited   | 2,287,329          | 2,591,157          |
| UniCap Investments Limited  | 406,890            | 423,746            |
| <b>Total</b>  | <b>4,309,677</b>   | <b>4,923,757</b>   |
| <b>28 STATIONERY, PRINTING, ADVERTISEMENTS etc.</b>   |                    |                    |
| Printing and stationery   | 998,510            | 922,375            |
| Advertisement   | 1,516,262          | 1,746,616          |
| Publicity   | 11,932             | -                  |
| <b>Total</b>  | <b>2,526,704</b>   | <b>2,668,991</b>   |
| <b>28.a STATIONERY, PRINTING, ADVERTISEMENTS etc.(consolidated)</b>   |                    |                    |
| Union Capital Limited   | 2,526,704          | 2,668,991          |
| UniCap Securities Limited   | 1,195,133          | 1,157,831          |
| UniCap Investments Limited  | 183,851            | 116,269            |
| <b>Total</b>  | <b>3,905,688</b>   | <b>3,943,091</b>   |

## Notes to the Financial Statements

|  | 2021<br>Taka      | 2020<br>Taka      |
|--|-------------------|-------------------|
| <b>29 MANAGING DIRECTOR'S SALARY AND FEES</b>  | <b>8,120,000</b>  | <b>7,580,00</b>   |
| In addition to remuneration, the Managing Director & CEO is also provided with Company's car and cell phone.   |                   |                   |
| <b>30 DIRECTORS' FEES</b>  |                   |                   |
| The Company pays fees to its Directors for attending the Board meetings and its Committee meetings as permitted by Bangladesh Bank. As per Bangladesh Bank's DFIM circular no. 03 dated 24 February 2010 and subsequent DFIM circular no. 13 dated 30 November 2015, a Director may be paid fees for attending Board or its Committee meetings which shall not exceed Tk. 8,000 for attending each meeting subject to certain limit. |                   |                   |
| However, the Board in its 270th Meeting held on 29 September 2019 has taken decision that the Board Members will not take any meeting fee in connection to the attendance of the Board/Committee Meetings until further notice. However, only Independent Directors will be entitled to fee in the amount BDT 5,000 (existing amount was BDT 8,000) for attending the Board and its Committee meetings. Details are as under:        |                   |                   |
| Total Board meetings (nos.)  | 7                 | 6                 |
| Total Board Audit Committee meetings (nos.)  | 5                 | 3                 |
| Total Board Executive Committee meetings (nos.)  | 1                 | 0                 |
| Total fees paid  | 175,000           | 140,000           |
| Total members of the Board (nos.)  | 11                | 11                |
| Quorum for Board meeting (nos.)  | 5                 | 5                 |
| Average number of Directors present in the Board meetings (nos.)   | 7.42              | 7.33              |
| Quorum for Board Audit Committee Meeting (nos.)  | 2                 | 2                 |
| Average no. of Directors present in the Audit Committee meetings (nos.)  | 4.60              | 3.66              |
| Quorum for Board Executive Committee meeting (nos.)  | 2                 | 2                 |
| Average no. of Directors present in the Executive Committee meetings (nos.)  | 4.00              | Nil               |
| <b>Total</b>   | <b>175,000</b>    | <b>140,000</b>    |
| <b>30.a DIRECTORS' FEES (consolidated)</b>   |                   |                   |
| Union Capital Limited  | 175,000           | 140,000           |
| UniCap Securities Limited  | 25,000            | -                 |
| UniCap Investments Limited   | 18,750            | -                 |
| <b>Total</b>   | <b>218,750</b>    | <b>140,000</b>    |
| <b>31 AUDITORS' FEE</b>  |                   |                   |
| Auditors' fee  | 200,000           | 200,000           |
| VAT on audit fee   | 30,000            | 30,000            |
| <b>Total</b>   | <b>230,000</b>    | <b>230,000</b>    |
| <b>31.a AUDITORS' FEE (consolidated)</b>   |                   |                   |
| Union Capital Limited  | 230,000           | 230,000           |
| UniCap Securities Limited  | 126,500           | 126,500           |
| UniCap Investments Limited   | 92,000            | 92,000            |
| <b>Total</b>   | <b>448,500</b>    | <b>448,500</b>    |
| <b>32 DEPRECIATION AND REPAIR OF ASSETS</b>  |                   |                   |
| Depreciation of fixed assets-freehold  | 18,256,737        | 19,816,372        |
| Depreciation of right-of-use assets  | 1,947,280         | 1,947,279         |
| Amortization of intangible assets  | 192,004           | 166,549           |
| Repairs and maintenance of assets  | 107,490           | 201,177           |
| <b>Total</b>   | <b>20,503,511</b> | <b>22,131,377</b> |
| <b>32.a DEPRECIATION AND REPAIR OF ASSETS (consolidated)</b>   |                   |                   |
| Union Capital Limited  | 20,503,511        | 22,131,377        |
| UniCap Securities Limited  | 14,502,713        | 20,061,548        |
| UniCap Investments Limited   | 4,604,593         | 4,182,224         |
| <b>Total</b>   | <b>39,610,817</b> | <b>46,375,149</b> |
| <b>33 OTHER EXPENSES</b>   |                   |                   |
| HR development   | 2,556             | -                 |
| Travelling and conveyance  | 3,941,188         | 5,503,099         |
| Office expenses  | 4,583,427         | 3,934,510         |
| Motor vehicle fuel expenses  | 881,303           | 698,191           |
| Motor vehicle spare part expenses  | 352,369           | 362,527           |
| Subscription and fees  | 1,851,130         | 2,098,680         |
| Books, magazines, newspapers, etc  | 5,086             | 15,618            |
| AGM expenses (note 31.1)   | 306,362           | 487,968           |
| Entertainment and public relation & others   | 248,276           | 218,870           |
| Staff Welfare  | 5,641,856         | 3,931,665         |
| <b>Total</b>   | <b>17,813,553</b> | <b>17,251,128</b> |

## Notes to the Financial Statements

|   | 2021<br>Taka           | 2020<br>Taka         |
|---|------------------------|----------------------|
| <b>33.1 AGM EXPENSES</b>  |                        |                      |
| Printing of annual report and database  | 262,662                | 453,600              |
| Publication of notice   | 20,700                 | 26,689               |
| Others  | 23,000                 | 7,679                |
| <b>Total</b>  | <b>306,362</b>         | <b>487,968</b>       |
| <b>33.a OTHER EXPENSES (consolidated)</b>   |                        |                      |
| Union Capital Limited   | 17,813,553             | 17,251,128           |
| UniCap Securities Limited   | 34,729,127             | 19,699,348           |
| UniCap Investments Limited  | 1,328,301              | 622,394              |
|   | <b>53,870,982</b>      | <b>37,572,870</b>    |
| Less: Inter-company transactions  | -                      | -                    |
| <b>Total</b>  | <b>53,870,982</b>      | <b>37,572,870</b>    |
| <b>34 RECEIPTS FROM OTHER OPERATING ACTIVITIES</b>  |                        |                      |
| Renewals and proceeds   | 229,218                | 412,195              |
| <b>Total</b>  | <b>229,218</b>         | <b>412,195</b>       |
| <b>35 PAYMENTS FOR OTHER OPERATING ACTIVITIES</b>   |                        |                      |
| HR development  | 2,556                  | -                    |
| Travelling and conveyance   | 3,941,188              | 5,503,099            |
| Motor vehicle expenses  | 1,233,672              | 1,060,718            |
| Subscription and fees   | 1,851,130              | 2,098,680            |
| Office expenses   | 4,583,427              | 3,934,510            |
| Books, magazines, newspapers, etc   | 5,086                  | 15,618               |
| AGM expenses  | 306,362                | 487,968              |
| Entertainment and public relation & staff welfare   | 5,890,132              | 4,150,535            |
| <b>Total</b>  | <b>17,813,553</b>      | <b>17,251,128</b>    |
| <b>36 EARNINGS PER SHARE</b>  |                        |                      |
| Earnings Per Share (EPS) is calculated in accordance with International Accounting Standard 33: Earnings Per Share which has been shown on the face of Profit and Loss account.   |                        |                      |
| <b>36.1 Basic earnings per share</b>  |                        |                      |
| Earnings Per Share (EPS) is calculated in accordance with International Accounting Standard 33: Earnings Per Share which has been shown on the face of Profit and Loss account. EPS for 2021 has been decreased from previous year due to enhancing provision requirement as result of increased NPL, decreasing interest income resulting from no new disbursement & increased NPL, decreasing other operating income resulting from less recovery from written off clients. |                        |                      |
| <b>Profits attributable to ordinary shareholders</b>  |                        |                      |
| Net profit for the period   | (1,435,881,180)        | (498,706,078)        |
| <b>Weighted average number of ordinary shares</b>   |                        |                      |
| Ordinary shares at 1 January  | 172,573,843            | 172,573,843          |
| Bonus shares issued   | -                      | -                    |
| Weighted average number of ordinary shares at reporting date  | 172,573,843            | 172,573,843          |
| Restated weighted average number of ordinary shares   | 172,573,843            | 172,573,843          |
| <b>Earnings per share</b>   | <b>(8.32)</b>          | <b>(2.89)</b>        |
| <b>Earnings per share</b>   | <b>(8.32)</b>          | <b>(2.89)</b>        |
| <b>36.2 Diluted earnings per share</b>  |                        |                      |
| 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 period ended 31 December 2021 and hence no diluted earnings per share is required to be calculated.   |                        |                      |
| <b>36.a EARNINGS PER SHARE (consolidated)</b>   |                        |                      |
| <b>Profits attributable to ordinary shareholders</b>  |                        |                      |
| <b>Net profit for the period (consolidated)</b>   | <b>(1,385,589,182)</b> | <b>(532,367,550)</b> |
| Consolidated EPS for 2021 has been decreased from previous year due to enhancing provision requirement as result of increased NPL, decreasing interest income resulting from no new disbursement & increased NPL, decreasing other operating income resulting from less recovery from written off clients.  |                        |                      |
| <b>Weighted average number of ordinary shares</b>   |                        |                      |
| Ordinary shares at 1 January  | 172,573,843            | 172,573,843          |
| Bonus shares issued   | -                      | -                    |
| Weighted average number of ordinary shares at reporting date  | 172,573,843            | 172,573,843          |
| Restated weighted average number of ordinary shares   | 172,573,843            | 172,573,843          |
| <b>Earnings per share- consolidated</b>   | <b>(8.03)</b>          | <b>(3.08)</b>        |
| <b>Earnings per share- consolidated</b>   | <b>(8.03)</b>          | <b>(3.08)</b>        |



## Notes to the Financial Statements

## 37 OPERATING SEGMENT REPORT (consolidated)

| Particulars                                 | For the year 2021       |                             |                    |                        |
|---|-------------------------|-----------------------------|--------------------|------------------------|
|   | Core financing business | Investment Banking Business | Brokerage Business | Total                  |
| <b>Revenue and profit</b>                   |                         |                             |                    |                        |
| External revenue                            |                         |                             |                    |                        |
| Net Interest Income                         | (446,504,087)           | (794,798)                   | (40,250,896)       | (487,549,780)          |
| Investment Income                           | 4,581,214               | 20,539,447                  | 46,565,121         | 71,685,782             |
| Fees, commissions, exchange and brokerage   | 430,431                 | 7,437,023                   | 204,055,690        | 211,923,144            |
| Other operating Income                      | 24,458,587              | 337,735                     | 807,532            | 25,603,854             |
| <b>Total segment revenue</b>                | <b>(417,033,855)</b>    | <b>27,519,407</b>           | <b>211,177,448</b> | <b>(178,337,000)</b>   |
| Other operating expenses                    | 135,179,495             | 18,626,894                  | 99,140,240         | 252,946,628            |
| Major non-cash expenses:                    |                         |                             |                    |                        |
| Depreciation                                | 15,920,084              | 3,592,718                   | 14,502,713         | 34,015,515             |
| Provision for future losses                 | 853,630,026             | -                           | 8,000,000          | 861,630,026            |
|   | <b>1,004,729,605</b>    | <b>22,219,612</b>           | <b>121,642,953</b> | <b>1,148,592,169</b>   |
| <b>Reportable segment profit before tax</b> | <b>(1,421,763,460)</b>  | <b>5,299,796</b>            | <b>89,534,495</b>  | <b>(1,326,929,169)</b> |

| Particulars                                 | For the year 2020       |                             |                     |                      |
|---|-------------------------|-----------------------------|---------------------|----------------------|
|   | Core financing business | Investment Banking Business | Brokerage Business  | Total                |
| <b>Revenue and profit</b>                   |                         |                             |                     |                      |
| External revenue                            |                         |                             |                     |                      |
| Net Interest Income                         | (480,214,739)           | (982,915)                   | (44,012,704)        | (525,210,359)        |
| Investment Income                           | 1,266,955               | 12,763,468                  | 18,407,833          | 32,438,256           |
| Fees, commissions, exchange and brokerage   | 507,220                 | 15,140,995                  | 107,029,889         | 122,678,103          |
| Other operating Income                      | 232,006,730             | 1,090,603                   | 3,191,906           | 236,289,239          |
| <b>Total segment revenue</b>                | <b>(246,433,834)</b>    | <b>28,012,150</b>           | <b>84,616,923</b>   | <b>(133,804,761)</b> |
| Other operating expenses                    | 142,775,078             | 15,329,480                  | 82,942,728          | 241,047,287          |
| Major non-cash expenses:                    |                         |                             |                     |                      |
| Depreciation                                | 18,196,867              | 3,592,232                   | 20,061,548          | 41,850,647           |
| Provision for future losses                 | 2,016,679               | 6,923,432                   | -                   | 8,940,111            |
|   | <b>162,988,624</b>      | <b>25,845,144</b>           | <b>103,004,276</b>  | <b>291,838,045</b>   |
| <b>Reportable segment profit before tax</b> | <b>(409,422,458)</b>    | <b>2,167,006</b>            | <b>(18,387,353)</b> | <b>(425,642,805)</b> |

## Segment assets and liabilities

| Particulars                      | For the year 2021       |                             |                      |                       |
|----------------------------------|-------------------------|-----------------------------|----------------------|-----------------------|
|                                  | Core financing business | Investment Banking Business | Brokerage Business   | Total                 |
| <b>External Assets</b>           |                         |                             |                      |                       |
| Total assets                     | 14,972,231,731          | 6,191,204,268               | 1,701,805,220        | 22,865,241,219        |
| Inter-segment assets             | (5,666,940,144)         | (248,753,054)               | -                    | (5,915,693,198)       |
| <b>Total segment assets</b>      | <b>9,305,291,587</b>    | <b>5,942,451,214</b>        | <b>1,701,805,220</b> | <b>16,949,548,021</b> |
| <b>External Liabilities</b>      |                         |                             |                      |                       |
| Total liabilities                | 15,694,394,331          | 5,628,867,771               | 1,218,500,167        | 22,541,762,269        |
| Inter-segment liabilities        | -                       | (4,398,265,117)             | (519,929,440)        | (4,918,194,557)       |
| <b>Total segment liabilities</b> | <b>15,694,394,331</b>   | <b>1,230,602,654</b>        | <b>698,570,727</b>   | <b>17,623,567,712</b> |

## Notes to the Financial Statements

## Segment assets and liabilities

| Particulars                      | For the year 2020       |                             |                      |                       |
|----------------------------------|-------------------------|-----------------------------|----------------------|-----------------------|
|                                  | Core financing business | Investment Banking Business | Brokerage Business   | Total                 |
| <b>External Assets</b>           |                         |                             |                      |                       |
| Total assets                     | 15,008,031,748          | 6,532,039,105               | 1,685,704,660        | 23,225,775,513        |
| Inter-segment assets             | (5,950,493,554)         | (177,710,650)               | -                    | (6,128,204,204)       |
| <b>Total segment assets</b>      | <b>9,057,538,194</b>    | <b>6,354,328,455</b>        | <b>1,685,704,660</b> | <b>17,097,571,308</b> |
| <b>External Liabilities</b>      |                         |                             |                      |                       |
| Total liabilities                | 14,294,313,168          | 5,974,243,935               | 1,248,150,289        | 21,516,707,392        |
| Inter-segment liabilities        | -                       | (4,613,224,103)             | (517,481,460)        | (5,130,705,563)       |
| <b>Total segment liabilities</b> | <b>14,294,313,168</b>   | <b>1,361,019,833</b>        | <b>730,668,828</b>   | <b>16,386,001,829</b> |

| 2021 | 2020 |
|------|------|
| Taka | Taka |

## 38 AVERAGE EFFECTIVE TAX RATE

The average effective tax rate is calculated below as per International Accounting Standard (IAS) 12: Income Taxes.

|                                   |                 |                |
|-----------------------------------|-----------------|----------------|
| Tax expenses                      | 14,117,720      | 89,283,620     |
| Accounting profit before tax      | (1,421,763,460) | (409,422,458)  |
| <b>Average effective tax rate</b> | <b>-0.99%</b>   | <b>-21.81%</b> |

## 38.1 RECONCILIATION OF EFFECTIVE TAX RATE

|  |                 |                   |
|--|-----------------|-------------------|
| Profit/(loss) before income tax as per profit & loss account   | (1,421,763,460) | (409,422,458)     |
| Income tax as per applicable tax rate  | 37.50%          | -                 |
| Net inadmissible expenses (including prior years' adjustments)   | 0.35%           | 5,000,000         |
| Tax saving from reduced tax rates (from 0% to 20% for exempted investments income, dividend income, capital gains, etc.) | 0.00%           | -                 |
| Effect of deferred tax   | -0.64%          | 9,117,720         |
| <b>Reported average effective tax rate &amp; total tax expenses</b>  | <b>-0.64%</b>   | <b>14,117,720</b> |

## 38.a AVERAGE EFFECTIVE TAX RATE (consolidated)

The consolidated average effective tax rate is calculated below as per International Accounting Standard (IAS) 12: Income Taxes.

|                                   |                 |                |
|-----------------------------------|-----------------|----------------|
| Tax expenses                      | 58,660,002      | 106,724,751    |
| Accounting profit before tax      | (1,326,929,169) | (425,642,805)  |
| <b>Average effective tax rate</b> | <b>-4.42%</b>   | <b>-25.07%</b> |

## 38.a.1 RECONCILIATION OF EFFECTIVE TAX RATE

|  |                 |                   |
|--|-----------------|-------------------|
| Profit/(loss) before income tax as per profit & loss account   | (1,326,929,169) | (425,642,805)     |
| Income tax as per applicable tax rate  | 35.83%          | -                 |
| Net inadmissible expenses (including prior years' adjustments)   | 1.65%           | (21,863,100)      |
| Tax saving from reduced tax rates (from 0% to 20% for exempted investments income, dividend income, capital gains, etc.) | -5.40%          | 71,685,782        |
| Effect of deferred tax   | -0.67%          | 8,837,320         |
| <b>Reported average effective tax rate &amp; total tax expenses</b>  | <b>-4.04%</b>   | <b>58,660,001</b> |

## 39 NET OPERATING CASH FLOWS PER SHARE

|   |             |               |
|---|-------------|---------------|
| Net cash flows from operating activities    | 99,163,974  | (197,214,728) |
| Total number of ordinary shares outstanding | 172,573,843 | 172,573,843   |
| <b>Net operating cash flows per share</b>   | <b>0.57</b> | <b>(1.14)</b> |

## 39.a NET OPERATING CASH FLOWS PER SHARE (consolidated)

|   |               |               |
|---|---------------|---------------|
| Net cash flows from operating activities    | (130,616,248) | (111,947,855) |
| Total number of ordinary shares outstanding | 172,573,843   | 172,573,843   |
| <b>Net operating cash flows per share</b>   | <b>(0.76)</b> | <b>(0.65)</b> |

## Notes to the Financial Statements

2021

Taka

2020

Taka

The receipts from operating activities during 2021 have been declined significantly due to less recovery from interest resulting from effect of Covid-19 Pandemic, less recovery from written off clients, increased payment against tax and other operating expenses.

**40 NET ASSET VALUE PER SHARE (NAV)**

|   |               |             |
|---|---------------|-------------|
| Net asset (total assets less total liabilities) | (722,162,600) | 713,718,580 |
| Total number of ordinary shares outstanding     | 172,573,843   | 172,573,843 |
| <b>Net asset value per share (NAV)</b>          | <b>(4.18)</b> | <b>4.14</b> |

NAV for 2021 has been decreased from previous year due to incurring loss of about Tk. 143 during 2021 and the main reasons for this loss are extra provision required for increased NPL, less interest income resulting from increased NPL and no new disbursement during 2021.

**40.a NET ASSET VALUE PER SHARE (NAV) (consolidated)**

|   |               |             |
|---|---------------|-------------|
| Net asset (total assets less total liabilities) | (674,019,691) | 711,569,479 |
| Total number of ordinary shares outstanding     | 172,573,843   | 172,573,843 |
| <b>Net asset value per share (NAV)</b>          | <b>(3.91)</b> | <b>4.12</b> |

**41 (INCREASE)/DECREASE IN OTHER ASSETS**

|   |                  |                     |
|---|------------------|---------------------|
| Accrued interest  | 7,788,238        | 33,042,763          |
| Advance office rent                                     | 1,662,000        | 172,301             |
| Advance to employees                                    | 36,496           | 23,600              |
| Receivable from brokerage houses against sale of shares | 3,608,781        | (5,467,410)         |
| Others  | (6,447,046)      | (53,710,442)        |
|   | <b>6,648,469</b> | <b>(25,939,188)</b> |

**42 INCREASE/(DECREASE) IN OTHER LIABILITIES**

|                                    |                    |                    |
|------------------------------------|--------------------|--------------------|
| Interest suspense                  | 144,573,917        | (336,795,035)      |
| Financial expenses payable         | 164,146,541        | 360,061,046        |
| Dividend on preference shares      | -                  | -                  |
| Excise duty                        | 437,020            | (2,705,539)        |
| Withholding tax payable            | 2,838,247          | (7,202,849)        |
| VAT payable                        | (301,692)          | (786,142)          |
| Accrued expenses and other payable | 242,508,369        | 113,303,918        |
|                                    | <b>554,202,402</b> | <b>125,875,399</b> |

**43 RECONCILIATION OF NET PROFIT WITH CASH FLOW FROM OPERATING ACTIVITIES**

|   |                        |                      |
|---|------------------------|----------------------|
| <b>Net profit after tax</b>   | <b>(1,435,881,180)</b> | <b>(498,706,078)</b> |
| <b>Items not involved in cash movement:</b>   |                        |                      |
| Add: Depreciation   | 20,396,022             | 21,930,197           |
| Add: Provision for loans and investments  | 853,630,026            | 2,016,679            |
| Add: Provision for taxation   | 5,000,000              | 68,508,745           |
| Add/ (Less): Accrued expenses   | 163,335,980            | 605,814,001          |
| Add/ (Less): Accrued Income   | 165,798,610            | 461,481,809          |
| Less: Gain on disposal of fixed assets  | (232,811)              | (937,307)            |
| Add/(Less): Loss/(gain) on sale of share  | (2,113,075)            | (680,780)            |
| Increase/(Decrease) in employee gratuity  | 1,527,544              | 4,476,844            |
| Increase/(Decrease) in Deferred tax   | 9,117,720              | 20,774,875           |
| <b>Adjustments to reconcile net profit after tax to net cash provided by operating activities</b> | <b>(219,421,164)</b>   | <b>684,678,985</b>   |
| Increase/decrease in operating assets and liabilities   |                        |                      |
| (Increase)/decrease in loans, advances  | (80,037,299)           | 550,745,124          |
| (Increase)/decrease in other assets   | 6,812,011              | 150,030,298          |
| (Increase)/decrease in non-banking assets   | 4,200,000              | (54,248,113)         |
| Increase/(decrease) in term & other deposits  | (174,541,026)          | (1,538,261,735)      |
| Increase/(decrease) in short term borrowing   | 7,514,983              | (102,956,968)        |
| Increase/(decrease) in payable and accrued expenses   | 411,532,303            | 454,577,651          |
| Increase/(decrease) in income tax   | (1,469,751)            | (4,984,935)          |
| Increase/(decrease) in interest suspenses   | 144,573,917            | (336,795,035)        |
|   | <b>318,585,138</b>     | <b>(881,893,713)</b> |
| <b>Net cash flows from/(used in) operating activities</b>   | <b>99,163,974</b>      | <b>(197,214,728)</b> |

## Notes to the Financial Statements

|   | 2021<br>Taka           | 2020<br>Taka         |
|---|------------------------|----------------------|
| <b>43.a RECONCILIATION OF NET PROFIT WITH CASH FLOW FROM OPERATING ACTIVITIES (consolidated)</b>  |                        |                      |
| <b>Net profit after tax</b>   | <b>(1,385,589,171)</b> | <b>(532,367,556)</b> |
| <b>Items not involved in cash movement:</b>   |                        |                      |
| Add: Depreciation   | 38,491,452             | 45,583,977           |
| Add: Provision for loans and investments  | 861,630,026            | 8,940,111            |
| Add: Provision for taxation   | 49,822,682             | 94,324,658           |
| Add/ (Less): Accrued expenses   | 158,867,157            | 384,415,453          |
| Add/ (Less): Accrued Income   | (1,663,177)            | 21,962,358           |
| Less: Gain on disposal of fixed assets  | (229,571)              | (961,307)            |
| Add/(Less): Loss/(gain) on sale of share  | (45,380,420)           | (9,984,785)          |
| Increase/(Decrease) in employee gratuity  | 3,912,942              | 5,261,191            |
| Increase/(Decrease) in Deferred tax   | 8,837,320              | 12,400,093           |
| <b>Adjustments to reconcile net profit after tax to net cash provided by operating activities</b> | <b>(311,300,760)</b>   | <b>29,574,193</b>    |
| <b>Increase/decrease in operating assets and liabilities</b>                                      |                        |                      |
| (Increase)/decrease in loans, advances  | (64,417,822)           | 691,276,867          |
| (Increase)/decrease in other assets   | (65,284,752)           | 124,852,725          |
| (Increase)/decrease in non-banking assets   | 4,200,000              | (54,248,113)         |
| Increase/(decrease) in term & other deposits  | (10,394,485)           | (1,116,659,672)      |
| Increase/(decrease) in short term borrowing   | 7,514,983              | (102,956,968)        |
| Increase/(decrease) in payable and accrued expenses   | 209,350,946            | 682,457,186          |
| Increase/(decrease) in income tax   | (44,858,275)           | (29,449,038)         |
| Increase/(decrease) in interest suspenses   | 144,573,917            | (336,795,035)        |
|   | <b>180,684,511</b>     | <b>(141,522,047)</b> |
| <b>Net cash flows from/(used in) operating activities</b>   | <b>(130,616,249)</b>   | <b>(111,947,854)</b> |

**44 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 2021 was 172,573,843 and the market value per share of last trading day (30 December 2021) was Tk. 9.90 in DSE. Thus market capitalization based on DSE value was Tk. 1,708.48 million (2020: Tk. 1,449.62 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.

| Particulars          | Quarters  | DSE   |      | CSE   |      |
|----------------------|---|-------|------|-------|------|
|                      |   | High  | Low  | High  | Low  |
| High-low share price | First quarter   | 10.20 | 6.30 | 10.20 | 6.30 |
|                      | Second quarter  | 8.20  | 5.60 | 8.10  | 5.70 |
|                      | Third quarter   | 15.50 | 8.40 | 15.60 | 8.50 |
|                      | Fourth quarter  | 14.40 | 9.60 | 14.40 | 9.50 |
| No. of shareholders  | There were 9,104 shareholders as per share register as on 31 December 2021. |       |      |       |      |

**45 RELATED PARTY TRANSACTIONS**

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 International Accounting Standard 24: Related Party Disclosures. The Company extends loans/leases to related parties including its directors and related companies. 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 2021, there were no loans/leases to related parties that were charged off except Unicap Investments Limited whose interest has been stopped as per approval from the Board of Directors due to the sluggish capital market for a couple of years and financial condition of UIL.

Union Capital also takes term deposits from its related parties. The rates on the term deposits offered to them are also similar to those offered to other depositors. Total exposure with the related parties as at 31 December 2021 was as under:

| Name of the related party               | Relationship  | Nature of transaction | 2021          | 2020          |
|---|---|-----------------------|---------------|---------------|
| Progressive Life Insurance Co. Ltd.     | Father of Waqar A. Choudhury, Director, is a Director of Progressive life insurance | Term deposit          | 98,628,409    | 91,972,000    |
| Vanguard AML BD Finance Mutual Fund One | Common Directors  | Term deposit          | 15,000,000    | 15,000,000    |
| Vanguard AML Rupali Bank Balance Fund   | Common Directors  | Term deposit          | 41,700,000    | 41,700,000    |
| UniCap Securities Limited               | Subsidiary Company  | Inter-company         | 273,910,852   | 342,379,407   |
| UniCap Investments Limited              | Subsidiary Company  | Inter-company         | 4,396,397,964 | 4,607,897,964 |

## PARTICULARS OF THE DIRECTORS

| Sl no. | Name of the Directors/<br>Shareholding company | Represented by         | Designation                        | Address  | % of shares<br>as at 31<br>Dec, 2021 |
|--------|--|------------------------|------------------------------------|--|--------------------------------------|
| 1      | EC Securities Ltd.                             | Chowdhury Tanzim Karim | Chairman                           | bti Landmark, Level - 08, Plot no: 16,<br>Gulshan Avenue, Gulshan - 01,<br>Dhaka - 1212          | 7.22                                 |
| 2      | Palmal Garments<br>Hosiery Ltd.                | Tajrina Sikder         | Director                           | House # 2/B, Road # 29, Gulshan - 1,<br>Dhaka-1212   | 9.73                                 |
| 3      | Palmal Garments<br>Hosiery Ltd.                | Kazi Russel Mahbub     | Director                           | House # 2/B, Road # 29, Gulshan - 1,<br>Dhaka-1212   |                                      |
| 4      | Mrs. Sabita Rezwana<br>Rahman                  | Self                   | Director                           | Royal Concord, Apt # 304, House #<br>54, Road # 84, Gulshan -2, Dhaka<br>1212                    | 2.20                                 |
| 5      | Waqar Ahmed Choudhury                          | Self                   | Director                           | House # 5, Road # 87, Gulshan-2,<br>Dhaka-1212   | 2.03                                 |
| 6      | Enrilco Limited                                | Nadeem A. Chaudhury    | Director                           | Navana Ellsworth (8th floor), House<br># 01, Road # 23, Banani, Block-B,<br>Dhaka-1213           | 4.58                                 |
| 7      | Meherunnesa Haque                              | Self                   | Director                           | House no.73, Road no.7/A,<br>Dhanmondi Residential Area, Dhaka<br>1205                           | 2.02                                 |
| 8      | Dr. Muhammad Shahadat<br>Hossain Siddiquee     | Self                   | Independent<br>Director            | Department of Economics<br>Social Science Building, University of<br>Dhaka                       | -                                    |
| 9      | Dr. Hasina Sheykh                              | Self                   | Independent<br>Director            | Holding - 888<br>Plot - 592/B, Block - C<br>Malibagh Chowdhury Para, Dhaka -<br>1219             | -                                    |
| 10     | Mr. Munshi Shafiul Haque                       | Self                   | Independent<br>Director            | Flat # C-5, House No-712/17, Road #<br>10, Baitul Aman Housing Society,<br>Adabor, Dhaka - 1257. | -                                    |
| 11     | Mr. Md. Abdus Salam,<br>FCA, FCS               | Self                   | Independent<br>Director            | Apt: 302, House: 46, Road: 4/A,<br>Dhanmondi R/A, Dhaka - 1209.                                  | -                                    |
| 12     | Mr. A.N.M. Golam Shabbir                       | Ex-officio             | Managing<br>Director &<br>CEO (CC) | Sheltech Surma, Flat No. 4/B, 7/1,<br>7/C, Shantibagh, Dhaka                                     | -                                    |

## DIRECTORS AND THE ENTITIES IN WHICH THEY HAVE INTEREST

| Sl no. | Name of the Directors  | Designation | Entities  |
|--------|------------------------|-------------|---|
| 1      | Chowdhury Tanzim Karim | Chairman    | 1. UniCap Investments Limited<br>2. UniCap Securities Limited   |
| 2      | Waqar A. Choudhury     | Director    | 1. Vanguard Asset Management Limited<br>2. WAC Equity Management Limited<br>3. Rancom Trading Private Limited   |
| 3      | Nadeem A. Chaudhury    | Director    | 1. Enrilco Limited<br>2. Green Delta Securities Ltd.<br>3. Green Delta Capital Limited  |
| 4      | Tajrina Sikder         | Director    | 1. Palmal Garments Hosiery Ltd.<br>2. Palmal Garments Washing Ltd.<br>3. Amazon Garments Ltd.<br>4. N.K.K. Knitwear Ltd.<br>5. Max Speed Plastic Ltd.<br>6. Designer Line (Pvt.) Ltd.<br>7. Palmal Knitwear Factory Limited |

| Sl no. | Name of the Directors                   | Designation          | Entities  |
|--------|---|----------------------|---|
|        |   |                      | 8. Palmal Garments Limited<br>9. UniCap Investments Ltd.<br>10. UniCap Securities Ltd.  |
| 5      | Mrs. Sabita Rezwana Rahman              | Director             | Nil   |
| 6      | Meherunnesa Haque                       | Director             | 1. Palmal Garments Washing Ltd.<br>2. Palmal Knitwear Factory Ltd.<br>3. Palmal Styles Ltd.<br>4. Palmal Packaging Ltd.<br>5. N.K.K. Knitwear Ltd.<br>6. N.K.K. Sweaters Ltd.<br>7. Pragati Fashion wear Ltd.<br>8. Amazon Garments Ltd.<br>9. Al-Hamra Garments Ltd.<br>10. Palmal Garments Ltd.<br>11. Palmal Garments Hosiery Ltd.<br>12. Palmal Dresses Ltd.<br>13. Pragati Metalex (Pvt) Ltd.<br>14. The Dacca Dyeing Garments Ltd.<br>15. UniCap Investments Ltd.<br>16. UniCap Securities Ltd. |
| 7      | Kazi Russel Mahbub                      | Director             | Floral Accessories Ltd.   |
| 8      | Dr. Muhammad Shahadat Hossain Siddiquee | Independent Director | 1. UniCap Securities Ltd.<br>2. UniCap Investments Ltd.   |
| 9      | Dr. Hasina Sheykh                       | Independent Director | Jiban Bima Corporation  |
| 10     | Mr. Munshi Shafiul Haque                | Independent Director | NIL   |
| 11     | Mr. Md. Abdus Salam FCA, FCS            | Independent Director | 1. The IBN SINA Pharmaceutical Limited<br>2. The IBN SINA Polymer Industry Ltd.   |

48

**DISCLOSURE ON THE BOARD AUDIT COMMITTEE****Composition of audit committee**

The Audit committee consists of the following directors of the Board:

| Name                                    | Status with the Company | Status with the Committee | Educational Qualification   |
|---|-------------------------|---------------------------|---|
| Dr. Muhammad Shahadat Hossain Siddiquee | Independent Director    | Chairman                  | Ph.D, Economics (Development Policy) University of Manchester, UK |
| Mr. Waqar A. Choudhury                  | Director                | Member                    | Bachelor of Finance & Banking, Adelphi University, USA            |
| Mr. Md. Abdus Salam FCA, FCS            | Independent Director    | Member                    | M.Com (in Accounting), University of Dhaka & FCA, FCS             |
| Nadeem A. Chaudhury                     | Director                | Member                    | Graduate in Civil Engineering                                     |
| Dr. Sabita Rezwana Rahman               | Director                | Member                    | M.Sc. in Microbiology from Dhaka University                       |

**Audit committee meetings held during the year**

| Sl no. | Meeting no.                              | Meeting date |
|--------|--|--------------|
| 1      | 64 <sup>th</sup> Audit Committee Meeting | 25-May-21    |
| 2      | 65 <sup>th</sup> Audit Committee Meeting | 24-Aug-21    |
| 3      | 66 <sup>th</sup> Audit Committee Meeting | 24-Oct-21    |
| 4      | 67 <sup>th</sup> Audit Committee Meeting | 10-Nov-21    |
| 5      | 68 <sup>th</sup> Audit Committee Meeting | 24-Nov-21    |

**The committee discussed the following issues during the year**

- Reviewed the draft consolidated financial statements for the year ended 31 December 2020 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.
- 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 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 2021 and fixation of their remuneration.
- Reviewed the management letter of external auditors submitted for the year ended on 31 December 2020.
- Reviewed the quarterly and half yearly financial statements for the year 2021.
- Reviewed the inspection report of Bangladesh Bank for the year 2020 and management response thereon.
- Reviewed quarterly operation report of the Company for the year 2021.



**49 UNDISBURSED CONTRACTED LOANS, ADVANCES AND LEASES**

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:

| In million Taka   |      |      |
|---|------|------|
| Particulars   | 2021 | 2020 |
| Lease and term finance commitments outstanding at 31 December | -    | -    |
| Real estate finance commitments outstanding at 31 December    | -    | -    |
| <b>Total</b>  | -    | -    |

**50 CAPITAL EXPENDITURE COMMITMENTS**

There was no capital expenditure contracted but not incurred or provided as at 31 December 2021. There was no material capital expenditure authorised by the Board but not contracted as at 31 December 2021.

**51 UNACKNOWLEDGED DEBT**

The Company had no claim, legal or other, against it which has not been acknowledged as debt at the balance sheet date.

**52 NEW CONTRACTS/SANCTIONS AND DISBURSEMENTS**

During the year the Company contracted and disbursed the following amount:

| In million Taka        |                         |               |                         |               |
|------------------------|-------------------------|---------------|-------------------------|---------------|
| Particulars            | 2021                    |               | 2020                    |               |
|                        | Contracts/<br>Sanctions | Disbursements | Contracts/<br>Sanctions | Disbursements |
| Lease and term finance | -                       | -             | -                       | -             |
| <b>Total</b>           | -                       | -             | -                       | -             |

**53 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 non-payment 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.

**54 BOARD MEETINGS AND NUMBER OF DIRECTORS**

During the year 2021, 7 (seven) Board meetings were held. As on 31 December 2021, there were 7 (seven) members in the Board, excluding four Independent Directors and the Managing Director. As per FID circular no. 09 dated 11 September 2002, a non-banking financial institution shall have maximum 11 (eleven) Directors in the Board. The Managing Director is an ex-officio Director having no voting right.

**55 NUMBER OF EMPLOYEES**

As of 31 December 2021 a total number of 159 employees including subsidiaries (2020: 176) were employed in Union Capital Limited. Each of the employees received salary more than Tk. 36,000 per annum during the year 2021.

**56 REPORTING CURRENCY AND LEVEL OF PRECISION**

The figures in the financial statements represent Bangladesh currency (Taka/Tk.), which has been rounded off to the nearest integer.

**57 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 IAS/IFRS specifically suggests to measure some assets/liabilities at fair value. Such as, IAS 39 suggests to measure investment in tradable securities at its fair value by crediting shareholders' equity.

**58 EVENTS AFTER THE REPORTING PERIOD****58.1 Dividend for the year 2021**

The Board of the Directors in its 288 th meeting held on 27 April 2022 recommended no dividend for the year ended 31 December 2021 subject to the approval of the shareholders in the ensuing 24th Annual General Meeting (AGM).

**58.2 Others**

No other material event occurred after the reporting period, which could materially affect the amounts or disclosures in these financial statements.

**59 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.

**60 COMPARATIVE FIGURES**

Comparative information has been disclosed in respect of the year 2020 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 2020 have been restated, reclassified and rearranged whenever considered necessary to ensure comparability with the current period.

**61 FINANCIAL HIGHLIGHTS**

Key financial highlights of the Company are annexed as **Annexure-B**.

**62 GEOGRAPHICAL AREA OF OPERATIONS**

Union Capital Limited is currently operating in Chittagong, Gazipur, Sylhet and Bogra along with its other branch at Gulshan in Dhaka.

**63 INTERIM FINANCIAL STATEMENTS**

Union Capital Limited publishes its interim financial statements quarterly as required by the Bangladesh Securities and Exchange Commission.

**64 CHANGE IN AND DISAGREEMENT WITH AUDITORS**

There were no changes and disagreement with the Auditors on accounting and financial disclosures.

**65 APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were authorised for issue by the Board of Directors of the Company on 27 April 2022.

Sd/-  
Chairman

Sd/-  
Director

Sd/-  
Managing Director & CEO (CC)

Sd/-  
Company Secretary (CC)

Place: Dhaka  
Date: 27 April, 2022

## SEHEDULE OF FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES

Annexure-A

As at 31 December 2021

Amount in Taka

| Particulars                   | Cost                               |                                  |  |                                      | Rate of depreciation | Depreciation                       |                                 |  |                                      | Written down Value |
|-------------------------------|------------------------------------|----------------------------------|--|--------------------------------------|----------------------|------------------------------------|---------------------------------|--|--------------------------------------|--------------------|
|                               | As at 1 <sup>st</sup> January 2021 | Addition during the period/ year | Disposal/ adjustment during the period/ year | As at 31 <sup>st</sup> December 2021 |                      | As at 1 <sup>st</sup> January 2021 | Charged during the period/ year | Disposal/ adjustment during the period/ year | As at 31 <sup>st</sup> December 2021 |                    |
| <b>Freehold assets</b>        |                                    |                                  |  |                                      |                      |                                    |                                 |  |                                      |                    |
| Office space                  | 415,891,104                        | -                                | -  | 415,891,104                          | 2.50%                | 12,130,158                         | 10,397,280                      | -  | 22,527,438                           | 393,363,666        |
| Furniture and fixtures        | 10,473,178                         | -                                | 1,144,107                                    | 9,329,071                            | 20%                  | 5,679,397                          | 1,343,449                       | 937,617                                      | 6,085,229                            | 3,243,842          |
| Office decoration             | 25,504,350                         | -                                | 7,076,997                                    | 18,427,353                           | 33%                  | 20,206,455                         | 2,798,341                       | 7,076,983                                    | 15,927,813                           | 2,499,540          |
| Electrical equipment          | 32,900,107                         | 840,490                          | 3,339,074                                    | 30,401,523                           | 20%                  | 25,547,863                         | 2,459,588                       | 3,164,178                                    | 24,843,273                           | 5,558,250          |
| Owned vehicles                | 10,825,597                         | -                                | -  | 10,825,597                           | 20%                  | 7,776,397                          | 1,240,980                       | -  | 9,017,377                            | 1,808,220          |
| Software                      | 1,919,528                          | 100,000                          | 179,000                                      | 1,840,528                            | 20%                  | 1,396,057                          | 192,004                         | 170,050                                      | 1,418,011                            | 422,517            |
| Mobile Phone                  | 452,600                            | -                                | -  | 452,600                              | 20%                  | 429,777                            | 17,100                          | -  | 446,877                              | 5,723              |
| Staff appliance               | -                                  | -                                | -  | -                                    | 20%                  | -                                  | -                               | -  | -                                    | -                  |
| <b>Total</b>                  | <b>497,966,464</b>                 | <b>940,490</b>                   | <b>11,739,178</b>                            | <b>487,167,776</b>                   |                      | <b>73,166,104</b>                  | <b>18,448,742</b>               | <b>11,348,828</b>                            | <b>80,266,018</b>                    | <b>406,901,758</b> |
| <b>Leasehold assets</b>       |                                    |                                  |  |                                      |                      |                                    |                                 |  |                                      |                    |
| Right-of-use assets           | 7,753,409                          | -                                | -  | 7,753,409                            | lease term           | 1,947,279                          | 1,947,280                       | -  | 3,894,559                            | 3,858,850          |
| Leased vehicles               | 2,230,000                          | -                                | -  | 2,230,000                            | 20%                  | 2,229,999                          | -                               | -  | 2,229,999                            | 1                  |
| <b>As at 31 December 2021</b> | <b>507,949,873</b>                 | <b>940,490</b>                   | <b>11,739,178</b>                            | <b>497,151,185</b>                   |                      | <b>77,343,382</b>                  | <b>20,396,022</b>               | <b>11,348,828</b>                            | <b>86,390,576</b>                    | <b>410,760,609</b> |
| <b>As at 31 December 2020</b> | <b>508,010,734</b>                 | <b>10,308,226</b>                | <b>10,369,087</b>                            | <b>507,949,873</b>                   |                      | <b>65,718,679</b>                  | <b>21,930,197</b>               | <b>10,305,493</b>                            | <b>77,343,382</b>                    | <b>430,606,491</b> |

## CONSOLIDATED SEHEDULE OF FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES

As at 31 December 2021

Amount in Taka

| Particulars                   | Cost                               |                                  |  |                                      | Rate of depreciation | Depreciation                       |                                 |  |                                      | Written down Value |
|-------------------------------|------------------------------------|----------------------------------|--|--------------------------------------|----------------------|------------------------------------|---------------------------------|--|--------------------------------------|--------------------|
|                               | As at 1 <sup>st</sup> January 2021 | Addition during the period/ year | Disposal/ adjustment during the period/ year | As at 31 <sup>st</sup> December 2021 |                      | As at 1 <sup>st</sup> January 2021 | Charged during the period/ year | Disposal/ adjustment during the period/ year | As at 31 <sup>st</sup> December 2021 |                    |
| <b>Freehold assets</b>        |                                    |                                  |  |                                      |                      |                                    |                                 |  |                                      |                    |
| Office space                  | 415,891,104                        | -                                | -  | 415,891,104                          | 2.50%                | 12,130,160                         | 10,397,280                      | -  | 22,527,440                           | 393,363,664        |
| Furniture and fixtures        | 14,307,595                         | 90,000                           | 1,144,107                                    | 13,253,488                           | 20%                  | 8,891,923                          | 1,685,805                       | 937,617                                      | 9,640,111                            | 3,613,377          |
| Office decoration             | 51,411,693                         | -                                | 7,076,997                                    | 44,334,696                           | 33%                  | 43,373,717                         | 4,720,590                       | 7,076,983                                    | 41,017,324                           | 3,317,372          |
| Electrical equipment          | 51,656,572                         | 1,401,678                        | 4,704,374                                    | 48,353,876                           | 20%                  | 40,146,329                         | 4,269,836                       | 4,142,238                                    | 40,273,927                           | 8,079,950          |
| Owned vehicles                | 18,991,034                         | -                                | -  | 18,991,034                           | 20%                  | 15,319,901                         | 1,774,067                       | -  | 17,093,968                           | 1,897,066          |
| Software                      | 6,426,691                          | 310,125                          | 179,000                                      | 6,557,816                            | 20%                  | 5,297,762                          | 562,810                         | 170,050                                      | 5,690,523                            | 867,293            |
| Mobile Phone                  | 512,500                            | -                                | -  | 512,500                              | 20%                  | 489,657                            | 17,100                          | -  | 506,757                              | 5,743              |
| Staff appliance               | -                                  | -                                | -  | -                                    | 20%                  | -                                  | -                               | -  | -                                    | -                  |
| <b>Total</b>                  | <b>559,197,189</b>                 | <b>1,801,803</b>                 | <b>13,104,478</b>                            | <b>547,894,514</b>                   |                      | <b>125,649,449</b>                 | <b>23,427,488</b>               | <b>12,326,888</b>                            | <b>136,750,049</b>                   | <b>411,144,466</b> |
| <b>Leasehold assets</b>       |                                    |                                  |  |                                      |                      |                                    |                                 |  |                                      |                    |
| Right-of-use assets           | 52,040,087                         | -                                | -  | 52,040,087                           | lease term           | 17,777,076                         | 15,063,964                      | -  | 32,841,040                           | 19,199,047         |
| Leased vehicles               | 2,230,000                          | -                                | -  | 2,230,000                            | 20%                  | 2,229,999                          | -                               | -  | 2,229,999                            | 1                  |
| <b>As at 31 December 2021</b> | <b>613,467,276</b>                 | <b>1,801,803</b>                 | <b>13,104,478</b>                            | <b>602,164,601</b>                   |                      | <b>145,656,524</b>                 | <b>38,491,452</b>               | <b>12,326,888</b>                            | <b>171,821,088</b>                   | <b>430,343,514</b> |
| <b>As at 31 December 2020</b> | <b>568,735,710</b>                 | <b>55,684,653</b>                | <b>10,953,087</b>                            | <b>613,467,276</b>                   |                      | <b>110,951,041</b>                 | <b>45,583,977</b>               | <b>10,878,493</b>                            | <b>145,656,524</b>                   | <b>467,810,752</b> |

## Highlights on the Overall Activities (as per Bangladesh Bank guidelines) As at 31 December 2021

Annexure-B

Figures in million BDT

| Sl no. | Particulars   | 2021       | 2020      |
|--------|---|------------|-----------|
| 1.     | Paid-up capital   | 1,725.74   | 1,725.74  |
| 2.     | Total capital   | (515.16)   | 953.59    |
| 3.     | Capital surplus   | (2,204.99) | (778.58)  |
| 4.     | Total assets  | 14,972.23  | 15,008.03 |
| 5.     | Total deposits  | 8,787.04   | 8,797.44  |
| 6.     | Total loans, advances and leases  | 11,712.58  | 11,803.30 |
| 7.     | Total contingent liabilities and commitments                            | -          | -         |
| 8.     | Credit deposit ratio  | 1.33       | 1.34      |
| 9.     | Percentage of classified loans against total loans, advances and leases | 27.32%     | 11.00%    |
| 10.    | Profit after tax and provision  | (1,435.88) | (498.71)  |
| 11.    | Amount of classified loans during current year                          | 3,199.87   | 1,298.05  |
| 12.    | Provisions kept against classified loans                                | 934.10     | 297.40    |
| 13.    | Provision surplus against classified loan                               | -          | -         |
| 14.    | Cost of fund  | 8.20%      | 9.62%     |
| 15.    | Interest earnings assets  | 5,399.24   | 7,258.86  |
| 16.    | Non-interest earnings assets  | 9,572.99   | 7,749.17  |
| 17.    | Return on investment (ROI)  | -34,009%   | -51.78%   |
| 18.    | Return on assets (ROA)  | -9.59%     | -3.32%    |
| 19.    | Income from investment  | 4.58       | 1.27      |
| 20.    | Earnings per share  | (8.32)     | (2.89)    |
| 21.    | Net income per share  | (8.32)     | (2.89)    |
| 22.    | Price earnings ratio  | (1.19)     | (2.91)    |

# FINANCIAL STATEMENTS OF SUBSIDIARIES

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## UNICAP SECURITIES LIMITED

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**Ahmed Zaker & Co.**

Chartered Accountants

**Independent auditor's report to the shareholders of UNICAP INVESTMENTS LIMITED****Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of UNICAP INVESTMENTS LIMITED ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirement that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), where practicable Companies Act 1994 and other applicable rules & 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.

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

Those charged with governance are responsible for overseeing **UNICAP INVESTMENTS LIMITED** financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



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

#### Report on other legal and regulatory requirements

We also report the following:

- a) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by **UNICAP INVESTMENTS LIMITED** so far as it appeared from our examination of those books; and
- c) the statement of financial position and the statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

Location: Dhaka  
Dated: April 18, 2022  
DVC- 2204270458AS848758

Sd/-

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**AKM Mohitul Haq, FCA**  
Enrolment No. 0458  
Senior Partner  
**Ahmed Zaker & Co.**  
Chartered Accountants

## UniCap Investments Limited

Statement of Financial Position  
As at 31 December 2021

|   | Notes | 2021<br>Taka         | 2020<br>Taka         |
|---|-------|----------------------|----------------------|
| <b>Assets</b>                                 |       |                      |                      |
| <b>Non-Current Assets</b>                     |       |                      |                      |
| Property, plant and equipment                 | 3     | 255,068,828          | 353,057,269          |
| Investment in listed securities               | 4     | 3,689,938            | 7,072,532            |
| Loan to employee                              |       | 246,108,911          | 340,137,502          |
|   |       | 5,269,979            | 5,847,235            |
| <b>Current Assets</b>                         |       |                      |                      |
| Advance, deposits and prepayments             | 5     | 4,925,438,946        | 5,105,958,052        |
| Margin loan                                   | 6     | 139,089,937          | 139,158,686          |
| Other receivable                              | 7     | 4,488,429,245        | 4,667,975,287        |
| Deferred tax assets                           | 31    | 253,782,488          | 181,880,514          |
| Cash and cash equivalents                     | 8     | 374,392              | 50,179               |
|   |       | 43,762,883           | 116,893,386          |
| <b>Total Assets</b>                           |       | <b>5,180,507,774</b> | <b>5,459,015,321</b> |
| <b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b> |       |                      |                      |
| <b>Shareholders' equity</b>                   |       |                      |                      |
| Share capital                                 | 9     | 562,336,493          | 557,795,170          |
| Retained earnings                             | 10    | 500,000,000          | 500,000,000          |
|   |       | 62,336,493           | 57,795,170           |
| <b>Non-Current Liabilities</b>                |       |                      |                      |
| Long term liabilities                         | 11    | 3,444,269,682        | 3,574,187,639        |
|   |       | 3,444,269,682        | 3,574,187,639        |
| <b>Current Liabilities</b>                    |       |                      |                      |
| Payable to portfolio investors                | 12    | 1,173,901,599        | 1,327,032,512        |
| Interest payable on term loan                 | 13    | 49,372,475           | 95,982,834           |
| Accrued expenses and other payables           | 14    | 827,361,332          | 928,861,332          |
| Provision for taxation                        | 15    | 185,061,284          | 191,164,522          |
|   |       | 112,106,507          | 111,023,825          |
| <b>Total equity and liabilities</b>           |       | <b>5,180,507,774</b> | <b>5,459,015,321</b> |

The annexed notes 1-38 form an integral part of these financial statements.

Sd/-  
Chief Executive OfficerSd/-  
DirectorSd/-  
Chairman

Signed in terms of our separate report of even date annexed.

Place: Dhaka  
Date: April 18, 2022  
DVC- 2204270458AS848758Sd/-  
AKM Mohitul Haq, FCA  
Senior Partner  
Enrolment No- 0458  
AHMED ZAKER & CO.  
Chartered Accountants

## UniCap Investments Limited

Statement of Profit or Loss and Other Comprehensive Income  
For the year ended 31 December 2021

|   | Notes | 2021<br>Taka      | 2020<br>Taka       |
|---|-------|-------------------|--------------------|
| <b>Revenue:</b>                                 |       |                   |                    |
| Portfolio income                                | 16    | 12,044,089        | 737,398,007        |
| Portfolio management expense                    | 19    | 10,672,073        | 730,162,158        |
| <b>Net interest income</b>                      |       | <b>1,372,017</b>  | <b>7,235,849</b>   |
| Investment income                               | 17    | 20,539,447        | 12,763,468         |
| Other operating income                          | 18    | 5,607,944         | 8,012,832          |
| <b>Total operating income</b>                   |       | <b>26,147,391</b> | <b>20,776,300</b>  |
| <b>Operating expenses</b>                       |       | <b>22,219,615</b> | <b>18,921,712</b>  |
| Salaries and other employee benefits            | 20    | 15,527,629        | 13,113,091         |
| Rent, taxes, insurance, electricity, etc        | 21    | 402,597           | 309,657            |
| Postage, stamp, telecommunication, etc          | 22    | 1,191,267         | 461,123            |
| Stationery, printing, advertisements, etc       | 23    | 183,851           | 116,269            |
| Legal & Professional Fees                       |       | 15,000            | 62,331             |
| Directors' remuneration                         |       | 18,750            | -                  |
| Auditors' fee                                   |       | 92,000            | 92,000             |
| Depreciation expense                            | 24    | 3,592,718         | 3,592,232          |
| Repair and maintenance                          | 25    | 227,502           | 552,615            |
| Other expenses                                  | 26    | 968,301           | 622,394            |
| <b>Operating profit/(loss) before provision</b> |       | <b>5,299,792</b>  | <b>9,090,438</b>   |
| Reserve against Negative Equity                 |       | -                 | -                  |
| Reversed of diminution in value of investments  |       | -                 | 6,923,432          |
| <b>Net Profit before Tax</b>                    |       | <b>5,299,792</b>  | <b>2,167,006</b>   |
| Deferred tax income/(expense)                   | 31    | 324,213           | 107,179            |
| Income tax expense                              | 15    | 1,082,682         | 3,408,913          |
| <b>Net Profit after Tax</b>                     |       | <b>4,541,323</b>  | <b>(1,134,729)</b> |
| <b>Earnings per share (EPS)</b>                 |       | <b>0.09</b>       | <b>(0.02)</b>      |

The annexed notes 1-38 form an integral part of these financial statements.

Sd/-  
Chief Executive Officer

Sd/-  
Director

Sd/-  
Chairman

Signed in terms of our separate report of even date annexed.

Place: Dhaka  
Date: April 18, 2022  
DVC- 2204270458AS848758

Sd/-  
**AKM Mohitul Haq, FCA**  
Senior Partner  
Enrolment No- 0458  
**AHMED ZAKER & CO.**  
Chartered Accountants

## UniCap Investments Limited

Statement of Changes in Equity  
For the year ended 31 December 2021

Amount in Taka

| Particulars                                 | Share capital      | Retained earnings | Total              |
|---|--------------------|-------------------|--------------------|
| Balance as at 01 January 2021               | 500,000,000        | 57,795,170        | 557,795,170        |
| Net profit/(loss) after tax during the year | -                  | 4,541,323         | 4,541,323          |
| <b>Balance as at 31 December 2021</b>       | <b>500,000,000</b> | <b>62,336,493</b> | <b>562,336,493</b> |

For the year ended 31 December 2020

Amount in Taka

| Particulars                                 | Share capital      | Retained earnings | Total              |
|---|--------------------|-------------------|--------------------|
| Balance at 01 January 2020                  | 500,000,000        | 58,929,900        | 558,929,900        |
| Net profit/(loss) after tax during the year | -                  | (1,134,729)       | (1,134,729)        |
| <b>Balance at 31 December 2020</b>          | <b>500,000,000</b> | <b>57,795,170</b> | <b>557,795,170</b> |

## UniCap Investments Limited

### Statement of Cash Flows

For the year ended 31 December 2021

|  | 2021<br>Taka         | 2020<br>Taka         |
|--|----------------------|----------------------|
| <b>A. Cash flow from operating activities</b>              |                      |                      |
| Interest receipt/(payment)                                 | 5,178,359            | 4,087,550            |
| Margin loan recovered/(disbursed)                          | 109,546,039          | 65,637,413           |
| Fees commission, exchange and brokerage                    | 6,865,730            | 15,140,995           |
| Payment against administrative expenses                    | (21,284,958)         | (30,914,407)         |
| Advance income tax paid                                    | (2,531,996)          | (2,958,215)          |
| Other receipt, net   | 52,941,884           | 9,114,055            |
| <b>Net cash flow from operating activities</b>             | <b>150,715,059</b>   | <b>60,107,390</b>    |
| <b>B. Cash flow from investing activities</b>              |                      |                      |
| Dividend receipts  | 9,712,624            | 11,283,637           |
| Gain/(loss) on investments of shares                       | 10,826,823           | 1,479,831            |
| Receipt/(payment) from trade of securities                 | (114,834,184)        | (24,074,243)         |
| Purchase of property, plant and equipment                  | (210,125)            | (760,218)            |
| <b>Net cash flow/(used) in investing activities</b>        | <b>(94,504,862)</b>  | <b>(12,070,993)</b>  |
| <b>C. Cash flow from financing activities</b>              |                      |                      |
| FDR with UCL   | -                    | 61,541,017           |
| Term loan repaid   | (129,917,956)        | (214,422,861)        |
| Loan received from employee                                | 577,256              | 4,084,673            |
| <b>Net cash flow from financing activities</b>             | <b>(129,340,700)</b> | <b>(148,797,171)</b> |
| <b>D. Net changes in cash and cash equivalents (A+B+C)</b> | <b>(73,130,503)</b>  | <b>(100,760,775)</b> |
| <b>E. Opening cash and cash equivalents</b>                | <b>116,893,386</b>   | <b>217,654,162</b>   |
| <b>F. Closing cash and cash equivalents</b>                | <b>43,762,883</b>    | <b>116,893,386</b>   |

**UniCap Investments Limited**

Notes to the financial statements

As at and for the year ended 31 December 2021

**1.00 The company and its activities****1.01 Legal status of the Company**

**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.

**2.00 Significant Accounting Policies****2.01 Basis of Presentation of Financial Statements**

The financial statements have been prepared with due consideration of International Financial Reporting Standards. The financial statements comprises of the following as complied with International Accounting Standards 1:

- a) Statement of financial position
- b) Statement of Profit or loss and other comprehensive income
- c) Statement of cash flows
- d) Statement of changes in equity
- e) Notes to the financial statements

**2.02 Statement of compliance**

The financial statements have been prepared in accordance with the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs), the Companies Act 1994, Bangladesh Securities and Exchange Commission Rule 1987 and other applicable laws and regulations.

**2.03 Property, plant and equipment**

These are stated at cost less accumulated depreciation. Depreciation is charged on the items of property, plant and equipment using straight-line method in accordance with IAS-16. Depreciation has been charged on addition of fixed assets when it is available for use. Some items of asset have been assumed to extend their useful life for three more years and depreciation will be calculated accordingly. The rates of depreciation on various classes of property, plant and equipment are as under:

| Category of asset      | Rate (%) |
|------------------------|----------|
| Furniture and fixtures | 20       |
| IT equipment           | 20       |
| Motor vehicle          | 20       |
| Office equipment       | 20       |
| Office decoration      | 33       |

**2.04 Current tax**

Income tax expense is recognized in Statement of Profit or Loss and Other Comprehensive Income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The Company qualifies as a "Merchant Bank"; hence the applicable corporate tax rate is 37.50% as per the Finance Act 2021.

**2.05 Deferred tax**

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. A deferred tax asset/liabilities is recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets/liabilities is reviewed at each reporting date and are reduced to the extent that it is probable that the related tax benefit will be realized.

**2.06 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and bank balances which are held and are available for use by the Company.

**2.07 Cash flow statements**

The net cash flows from operating activities is determined direct method as per IAS-7.

**2.08 Portfolio management expense**

It represents portfolio management expense on fund obtained from parent company.



**2.09 Events after reporting period**

Events after the reporting period that provide additional information about the Company's position at the end of 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 affect the values reported in these financial statements.

**2.10 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.

**2.11 Investment in listed securities**

Investment in quoted shares and unquoted shares are initially recognised at cost plus transaction costs that are directly attributable to acquisition of shares.

Required provision has been made for impairment when the market value of investments fall below the cost as per BSEC/CMRRCD/2009-193/203, dated on 28 December 2017, stock dealer can make the said provision for unrealised loss in five installments on quarterly basis within 31 December 2022 and this is also extended upto 31 December 2023 according to the directive no. BSEC/Surveillance/Spokesperson (5th Part)/2019/196 dated 16 July 2020.

**2.13 Related party disclosure**

As per IAS - 24: Related Party Disclosure, 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. Related party disclosures are given in note no 37.

**2.14 Lease:**

As per IFRS 16, the Company recognizes a right-of-use (ROU) asset (i.e. the right to use the office building) and corresponding lease liability in the financial statements. The assets and the liabilities are initially measured at the present value of unavoidable lease payments. The depreciation of the leased asset (ROU) and the interest on the lease liability is recognized in the profit or loss account over the lease term replacing the previous heading 'rent expenses'.

As per Para 9 of IFRS 16 "Leases", "At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. Also, Para 11 of IFRS 16 "Leases" stated "An entity shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed. This policy is applied to contracts entered into, on or after 01 January 2020.

**2.15 Status of Compliance of International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs)**

| Name  | IAS No.  | Status  |
|---|----------|---------|
| Presentation of Financial Statements                            | 1        | Applied |
| Statement of Cash Flows   | 7        | Applied |
| Accounting Policies, Changes in Accounting Estimates and Errors | 8        | Applied |
| Events After the Reporting Period                               | 10       | Applied |
| Income Taxes  | 12       | Applied |
| Property, Plant and Equipment                                   | 16       | Applied |
| Employee benefits   | 19       | Applied |
| Related Party Disclosures                                       | 24       | Applied |
| Provisions, Contingent Liabilities and Contingent Assets        | 37       | Applied |
| Name  | IFRS No. | Status  |
| Financial Instruments: Disclosures                              | 7        | Applied |
| Financial Instruments   | 9        | Applied |
| Revenue from contracts with customers                           | 15       | Applied |
| Leases  | 16       | Applied |

**2.16**

This amount represents investment in listed securities, market value of which is BDT 227,260,982.40 as on 31 December 2021 resulting an unrealized loss of BDT 47,122,762.00 on which at least 11.11.00% provision should be made as per BSEC circular no. BSEC/surveillance/Spokesperson/5th-part/2019/196 dated 16 July 2020. Accordingly, 60.00% provision for diminution in value of investments of an amount of BDT 28,274,833.00 has to be made in the accounts. However, no cash dividend can be paid during the year in terms of said directive as the company has availed this facility.

| 2021 | 2020 |
|------|------|
| Taka | Taka |

## 2.17 General

i) To facilitate comparison, certain relevant balances pertaining to the previous year has been rearranged/reclassified whenever considered necessary to conform to current year's presentation.

ii) The financial statements have been presented in Bangladesh Taka (BDT) currency, which is the Company's functional currency. All financial information presented in BDT has been rounded off to the nearest integer.

## 3.00 Property, plant and equipment

### Cost

|                               |            |            |
|-------------------------------|------------|------------|
| Opening balance               | 18,934,200 | 11,371,192 |
| Add: Addition during the year | 210,125    | 7,783,008  |
| Less: Dispose during the year | -          | 220,000    |
| Closing balance (A)           | 19,144,325 | 18,934,200 |

### Depreciation

|                               |            |            |
|-------------------------------|------------|------------|
| Opening balance               | 11,861,669 | 8,478,437  |
| Add: Charge during the year   | 3,592,718  | 3,592,232  |
| Less: Dispose during the year | -          | 209,000    |
| Closing balance (B)           | 15,454,387 | 11,861,669 |

|                          |           |           |
|--------------------------|-----------|-----------|
| Written down value (A-B) | 3,689,938 | 7,072,532 |
|--------------------------|-----------|-----------|

Details of property, plant and equipment are given in **Annexure A.**

## 4.00 Investment in listed securities

|   |             |             |
|---|-------------|-------------|
| Investment in listed securities   | 261,341,342 | 353,977,443 |
| Investment in Shares-ICB-Fund   | 13,042,403  | 14,434,893  |
| Less: Provision for diminution in value of investments @ 60.00 % of unrealised losses | 28,274,833  | 28,274,833  |
|   | 246,108,911 | 340,137,502 |

This amount represents investment in listed securities, market value of which is BDT 227,260,982 as on 31 December 2021 resulting an unrealized loss of BDT 47,122,762 on which at least 11.11% provision should be made as per BSEC circular no. BSEC/surveillance/Spokesperson/5th-part/2019/196 dated 16 July 2020. Accordingly, 60.00% provision for diminution in value of investments of an amount of BDT 28,274,833 has to be made in the accounts. However, no cash dividend can be paid during the year in terms of said directive as the company has availed this facility.

Details of securities are given in **Annexure B**

## 5.00 Advance, deposits and prepayments

|                                    |             |             |
|------------------------------------|-------------|-------------|
| Advance income tax                 | 108,089,937 | 105,557,941 |
| Advance against purchase of shares | 30,400,000  | 33,400,745  |
| Security deposit - CDBL            | 200,000     | 200,000     |
| Advance against expenses           | 400,000     | -           |
|                                    | 139,089,937 | 139,158,686 |

## 6.00 Margin loan

|   |               |                 |
|---|---------------|-----------------|
| Opening balance                               | 5,712,724,240 | 5,778,361,653   |
| Add: disbursed/capitalised during the year    | 8,113,984     | 737,111,869     |
| Less: recovered/waived during the year        | (249,987,318) | (802,749,282)   |
|   | 5,470,850,906 | 5,712,724,240   |
| Less: Reserved against margin loan (note 6.1) | (982,421,656) | (1,044,748,951) |
|   | 4,488,429,250 | 4,667,975,289   |

## 6.01 Reserved against margin loan

|                                 |               |               |
|---------------------------------|---------------|---------------|
| Opening balance                 | 1,044,748,951 | 1,044,748,951 |
| Less: Adjustments of prior year | (62,327,295)  | -             |
| Add: Addition during the period | -             | -             |
| Closing balance                 | 982,421,656   | 1,044,748,951 |

## 7.00 Other receivable

|                               |             |             |
|-------------------------------|-------------|-------------|
| Own portfolio (note 7.01)     | 11,210,702  | 7,383,396   |
| Clients portfolio (note 7.02) | 235,307,352 | 168,613,755 |
| Dividend Receivables (7.03)   | 2,868,632   | 2,816,864   |
| Others (note 7.04)            | 4,395,803   | 3,066,499   |
|                               | 253,782,488 | 181,880,514 |

|  | 2021<br>Taka       | 2020<br>Taka       |
|--|--------------------|--------------------|
| <b>7.01 Own portfolio</b>  |                    |                    |
| Opening balance  | 7,383,396          | 15,498,309         |
| Add: Addition during the year  | 3,827,306          | -                  |
|  | 11,210,702         | 15,498,309         |
| Less: Adjustment during the year   | -                  | 8,114,913          |
| <b>Closing balance</b>   | <b>11,210,702</b>  | <b>7,383,396</b>   |
| <b>7.02 Clients portfolio</b>  |                    |                    |
| Opening balance  | 168,613,755        | 995,086,064        |
| Add: Addition/(Recover) during the year  | 66,693,597         | (108,302,846)      |
|  | 235,307,352        | 886,783,218        |
| Less: Capitalized during the year  | -                  | 718,169,463        |
| <b>Closing balance</b>   | <b>235,307,352</b> | <b>168,613,755</b> |
| <b>7.03 Dividend receivables</b>   |                    |                    |
| Opening balance  | 2,816,864          | 2,385,270          |
| Less: Received dividend during the year  | (2,779,351)        | (2,364,670)        |
| Add: Receivable dividend during the year   | 2,831,119          | 2,796,264          |
| <b>Closing balance</b>   | <b>2,868,632</b>   | <b>2,816,864</b>   |
| This represents amount receivable dividend against I515.   |                    |                    |
| <b>7.04 Others</b>   |                    |                    |
| Opening balance  | 3,066,499          | 882,559            |
| Less: Received during the period   | -                  | -                  |
| Add: Receivable during the period  | 1,329,304          | 2,183,940          |
| <b>Closing balance</b>   | <b>4,395,803</b>   | <b>3,066,499</b>   |
| This represents amount receivable from UniCap Securities Limited and capital raising fee against various purposes. |                    |                    |
| <b>8.00 Cash and cash equivalents</b>  |                    |                    |
| Cash in Hand   | 9,026              | 9,026              |
| Cash at Bank (Note 8.01)   | 43,753,857         | 116,884,360        |
|  | <b>43,762,883</b>  | <b>116,893,386</b> |
| <b>8.01 Cash at Bank</b>   |                    |                    |
| Dutch Bangla Bank Limited  | 1,059,038          | 3,108,460          |
| Southeast Bank Limited   | 2,275,041          | 10,026,623         |
| Bank Asia - 695  | 749,151            | 401,776            |
| IFIC Bank  | 39,670,627         | 103,347,501        |
|  | <b>43,753,857</b>  | <b>116,884,360</b> |
| <b>9.00 Share capital</b>  |                    |                    |
| Authorised capital:  |                    |                    |
| 200,000,000 ordinary shares of BDT 10 each   | 2,000,000,000      | 1,000,000,000      |
| Issued, subscribed and paid-up capital:  |                    |                    |
| 50,000,000 ordinary shares of BDT 10 each  | <b>500,000,000</b> | <b>500,000,000</b> |

The Company's shareholding position as at the reporting date was as follows:

| Name of the shareholder | 2021              |                    | 2020              |                    |
|-------------------------|-------------------|--------------------|-------------------|--------------------|
|                         | No. of share      | BDT                | No. of share      | BDT                |
| Union Capital Limited   | 49,999,974        | 499,999,740        | 49,999,974        | 499,999,740        |
| Kazi Golam Rahman       | 2                 | 20                 | 2                 | 20                 |
| Amir Humayun Mahmud     | 2                 | 20                 | 2                 | 20                 |
| Khurshida Chowdhury     | 2                 | 20                 | 2                 | 20                 |
| Meherunnessa Haque      | 2                 | 20                 | 2                 | 20                 |
| Nagina Choudhury        | 2                 | 20                 | 2                 | 20                 |
| Rezwan Rahman           | 2                 | 20                 | 2                 | 20                 |
| Chowdhury Tanzim Karim  | 2                 | 20                 | 2                 | 20                 |
| Tajrina Sikder          | 2                 | 20                 | 2                 | 20                 |
| Farhan Sharif Ala       | 2                 | 20                 | 2                 | 20                 |
| S.M.A.M. Reza           | 2                 | 20                 | 2                 | 20                 |
| Qumrun Nahar            | 2                 | 20                 | 2                 | 20                 |
| M. Fayaz Taher          | 2                 | 20                 | 2                 | 20                 |
| Monzur Alam             | 2                 | 20                 | 2                 | 20                 |
|                         | <b>50,000,000</b> | <b>500,000,000</b> | <b>50,000,000</b> | <b>500,000,000</b> |

|   | 2021<br>Taka         | 2020<br>Taka         |
|---|----------------------|----------------------|
| <b>10.00 Retained earnings</b>  |                      |                      |
| Opening balance   | 57,795,170           | 58,929,899           |
| Add: Net profit/(loss) for the year   | 4,541,323            | (1,134,729)          |
| <b>Closing balance</b>  | <b>62,336,493</b>    | <b>57,795,170</b>    |
| <b>11.00 Long term loan</b>   |                      |                      |
| Premier Leasing and Finance Limited   | 47,071,120           | 56,107,051           |
| ICB   | -                    | -                    |
| Term Loan - ICB-Fund  | 6,793,873            | 17,675,898           |
| Union Capital Limited (note 11.1)   | 3,390,404,689        | 3,500,404,690        |
|   | <b>3,444,269,682</b> | <b>3,574,187,639</b> |
| <b>11.01 Union Capital Limited</b>  |                      |                      |
| Term loan with Union Capital Limited  | 360,000,000          | 360,000,000          |
| Short term loan with Union Capital Limited  | 3,140,404,689        | 3,147,404,690        |
|   | 3,500,404,689        | 3,507,404,690        |
| Less: Paid during the year  | 110,000,000          | 7,000,000            |
| <b>Closing balance</b>  | <b>3,390,404,689</b> | <b>3,500,404,690</b> |
| <b>12.00 Payable to portfolio investors</b>   | <b>49,372,475</b>    | <b>95,982,834</b>    |
| This represents amount payable to clients against sale of share before maturity and client available fund regarding investments in securities.  |                      |                      |
| <b>13.00 Interest payable on term loan</b>  |                      |                      |
| Opening balance   | 928,861,332          | 1,433,730,795        |
| Add: Addition during the year   | -                    | -                    |
| Less: Payment during the year   | (101,500,000)        | -                    |
| Less: Interest waived   | -                    | 504,869,463          |
| <b>Closing balance</b>  | <b>827,361,332</b>   | <b>928,861,332</b>   |
| This represents amount of interest payable to Union Capital Limited against term loan of amounting to Tk. 3,390,404,689   |                      |                      |
| <b>14.00 Accrued expenses and other payables</b>  |                      |                      |
| Portfolio Management Expense Payable  | 178,631,939          | 178,631,939          |
| Audit fee payable   | 92,000               | 92,000               |
| Withholding tax and VAT   | 3,322,589            | 2,664,384            |
| Employees Gratuity Fund   | 1,024,550            | 779,550              |
| Other payables  | -                    | 4,684,868            |
| Lease Liability   | 1,990,206            | 4,311,781            |
|   | <b>185,061,284</b>   | <b>191,164,522</b>   |
| <b>15.00 Provision for taxation</b>   |                      |                      |
| Opening balance   | 111,023,825          | 107,614,912          |
| Add: Provision made during the period   | 1,082,682            | 3,408,913            |
| <b>Closing balance</b>  | <b>112,106,507</b>   | <b>111,023,825</b>   |
| <b>16.00 Portfolio income</b>   |                      |                      |
| Interest on margin loan (Note 16.01)  | 5,178,359            | 4,087,550            |
| Interest waived by UCL  | -                    | 718,169,463          |
| Brokerage settlement fee  | 3,930,105            | 13,523,850           |
| Portfolio management fee (Note 16.02)   | 2,935,626            | 1,617,145            |
|   | <b>12,044,089</b>    | <b>737,398,007</b>   |
| <b>16.01 Interest on margin loan</b>  |                      |                      |
| This represents interest income charged on margin loan extended to clients for purchase of listed securities. Interest and portfolio management fee charged only on positive equity client. |                      |                      |
| <b>16.02 Portfolio management fee</b>   |                      |                      |
| The amount includes fees and charges received from portfolio account holders for managing portfolio accounts by the Company.  |                      |                      |

|   | 2021<br>Taka      | 2020<br>Taka       |
|---|-------------------|--------------------|
| <b>17.00 Investment income</b>  |                   |                    |
| Gains/(losses) on sale of securities  | 10,826,823        | 1,479,831          |
| Dividend income   | 9,712,624         | 11,283,637         |
|   | <b>20,539,447</b> | <b>12,763,468</b>  |
| <b>18.00 Other operating income</b>   |                   |                    |
| Interest Income from Employee Personal Loan   | 12,883            | 6,096              |
| Interest Income from Employee Car Loan  | 126,089           | 90,930             |
| Interest Income from Employee Home Loan   | 192,763           | 308,465            |
| Underwriting Fee  | 71,293            | -                  |
| Issue Management Fee - Public Issue   | 500,000           | -                  |
| Other Income  | -                 | 69,002             |
| Documentation Charge  | 6,000             | 37,386             |
| CDBL charges from clients   | -                 | 578,724            |
| Interest income   | 4,698,916         | 6,922,230          |
|   | <b>5,607,944</b>  | <b>8,012,832</b>   |
| <b>19.00 Portfolio management expense</b>   |                   |                    |
| Interest on loan  | 9,940,950         | 11,666,542         |
| Interest expense on lease rent (as per IFRS 16)   | 619,258           | 229,828            |
| Interest & management fee income waived   | -                 | 718,169,463        |
| Bank charges  | 111,865           | 96,325             |
|   | <b>10,672,073</b> | <b>730,162,158</b> |
| <b>20.00 Salaries and other employee benefits</b>   |                   |                    |
| Salaries and allowances   | 14,408,219        | 11,891,904         |
| Car Allowances  | 360,000           | -                  |
| Contribution to gratuity fund   | 245,000           | 901,417            |
| Contribution to provident fund  | 493,210           | 299,770            |
| Medical and Employees welfare   | 21,200            | 20,000             |
|   | <b>15,527,629</b> | <b>13,113,091</b>  |
| <b>21.00 Rent, taxes, insurance, electricity, etc</b>   |                   |                    |
| Office rent, rates and taxes (note 21.1)  | -                 | -                  |
| Power and electricity   | 383,914           | 308,657            |
| Insurance Expenses  | 18,683            | 1,000              |
|   | <b>402,597</b>    | <b>309,657</b>     |
| <b>21.01 Disclosure related to rent, rate and taxes</b>   |                   |                    |
| Actual rent expenses  | 2,658,060         | 2,940,838          |
| Less: reclassification of rent expenses (as per IFRS 16)  | 2,658,060         | 2,940,838          |
|   | <b>-</b>          | <b>-</b>           |
| In addition to the above mentioned change in rent expense, implementation of IFRS 16 has resulted in charging of depreciation against Right-of-use asset as disclosed in (Annexure A) and of Interest expense on lease rent, as disclosed in Note 19. |                   |                    |
| <b>22.00 Postage, stamp, telecommunication, software etc</b>  |                   |                    |
| Postage and stamp   | 2,310             | 2,838              |
| Telegram, telex, fax and e-mail   | 259,623           | 254,613            |
| Telephone and mobile  | 144,957           | 166,294            |
| Computer Software   | 784,377           | 37,378             |
|   | <b>1,191,267</b>  | <b>461,123</b>     |
| <b>23.00 Stationery, printing, advertisements, etc</b>  |                   |                    |
| Printing and stationery   | 162,091           | 111,000            |
| Books and periodicals   | 11,470            | 5,269              |
| Advertisement and publicity   | 10,290            | -                  |
|   | <b>183,851</b>    | <b>116,269</b>     |
| <b>24.00 Depreciation on Fixed Assets</b>   |                   |                    |
| Depreciation on Property, Plant & Equipment   | 1,251,788         | 1,251,302          |
| Depreciation on Right of Use of Assets (as per IFRS 16)   | 2,340,930         | 2,340,930          |
|   | <b>3,592,718</b>  | <b>3,592,232</b>   |

|   | 2021<br>Taka   | 2020<br>Taka   |
|---|----------------|----------------|
| <b>25.00 Repair and maintenance</b>                   |                |                |
| Repair and Maintenance Expense                        | 143,270        | 425,753        |
| Office maintenance                                    | 84,232         | 99,842         |
| Facilities Maintenance                                | -              | 27,020         |
|   | <b>227,502</b> | <b>552,615</b> |
| <b>26.00 Other expenses</b>                           |                |                |
| HR development  | 3,000          | 5,000          |
| CDBL charge   | 74,341         | -              |
| Travelling and conveyance                             | 178,985        | 141,731        |
| Subscription and fees                                 | 180,000        | 234,000        |
| Entertainment expenses                                | 350,692        | 114,620        |
| Others  | 181,283        | 127,042        |
|   | <b>968,301</b> | <b>622,394</b> |
| <b>27.00 Required provision for margin loan</b>       |                |                |
| Negative equity                                       | 4,129,637,617  | 4,376,230,934  |
| Total reserve against margin loan                     | 982,421,656    | 869,748,951    |
| <b>Percentage of reserve against margin loan</b>      | <b>0.2379</b>  | <b>0.1987</b>  |
| <b>28.00 Earnings per share (EPS)</b>                 |                |                |
| Net profit/(loss) after tax: Numerator (A)            | 4,541,323      | (1,134,729)    |
| Number of ordinary share outstanding: Denominator (B) | 50,000,000     | 50,000,000     |
| Earnings per share (Basic): (A/B)                     | 0.0908         | (0.0227)       |

Diluted earnings per share has not been calculated for the year as there was no potential ordinary share as described in IAS 33.

**29.00 Contingent liability**

As on the date of reporting there was no such event that warrants for reporting as contingent liability.

**30.00 Capital expenditure commitments**

There was no capital expenditure contracted but not incurred or provided for at 31 December 2021. There was no material capital expenditure that were authorised by the Board but not contracted for at 31 December 2021.

**31.00 Deferred Tax Calculation**

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 International Accounting Standard (IAS) 12.

**Deferred tax asset is arrived at as follows:**

|           |   | Carrying<br>amount at<br>balance<br>sheet date | Tax base at<br>balance sheet<br>date | (Taxable)/<br>deductible<br>temporary<br>difference |
|-----------|---|--|--------------------------------------|---|
| Assets    | Fixed assets net of dep.                                    | 1,349,008                                      | 2,698,112                            | 1,349,104   |
| Assets    | Right of Use of Assets                                      | 2,340,930                                      | -                                    | (2,340,930)   |
| Liability | Lease liability   | 1,990,206                                      | -                                    | 1,990,206   |
|           |   |  |                                      | <b>998,380</b>                                      |
|           | Applicable tax rate   |  |                                      | 37.5%   |
|           | Deferred tax assets/(Liabilities) as on 31 December 2021    |  |                                      | 374,392   |
|           | Deferred tax assets/(liabilities) as on 31 December 2020    |  |                                      | 50,179  |
|           | <b>Deferred tax expense/(income) during the period 2021</b> |  |                                      | <b>(324,213)</b>                                    |

**32.00 Reserve against margin loan**

|   |               |               |
|---|---------------|---------------|
| Negative equity                             | 4,274,098,245 | 4,376,230,934 |
| Total interest suspense against margin loan | 807,421,656   | 869,748,951   |



**33.00 Unacknowledged debt**

The Company had no claim, legal or other, against it which has not been acknowledged as debt at the balance sheet date.

**34.00 Geographical area of operation**

UniCap Investments Limited is currently operating in Chittagong and Sylhet along with its other branches at Gulshan and Motijheel in Dhaka.

**35.00 Events after the reporting date**

No material event has occurred after the reporting period, which could substantially affect the values reported in the financial statements.

**36.00 Approval of the financial statements**

These financial statements were authorised for issue by the Board of Directors of the Company in 18 April 2022.

**37.00 Related party transactions**

During the year, the Company carried out a number of transactions with a related party in the normal course of business. The name of the related party and nature of these transactions have been set out in accordance with the provisions of IAS 24: Related party disclosure:

| Name of related Party | Relationship   | Nature of transactions                        | 31 December 2021 (BDT) | 31 December 2020 (BDT) |
|-----------------------|----------------|---|------------------------|------------------------|
| Union Capital Limited | Parent Company | Long term loan                                | 3,390,404,689          | 3,500,404,690          |
|                       |                | Interest payable                              | 827,361,332            | 928,861,332            |
| UNICAP Securities     | Sister Concern | Receivable against rent, utilities and others | 3,658,579              | 2,329,275              |

**38.00 Others**

These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

**UniCap Investments Limited**  
Schedule of Property, Plant & Equipment  
As at 31 December 2021

Annexure- A

| Particulars                      | Cost                        |                          |                            |                             | Rate (%) | Depreciation                |                      |                            |                             | Written down value as at 31.12.2021 |
|----------------------------------|-----------------------------|--------------------------|----------------------------|-----------------------------|----------|-----------------------------|----------------------|----------------------------|-----------------------------|-------------------------------------|
|                                  | Opening balance 01 Jan 2021 | Addition during the year | Adjustment during the year | Closing balance 31 Dec 2021 |          | Opening balance 01 Jan 2021 | Charged for the year | Adjustment during the year | Closing balance 31 Dec 2021 |                                     |
| Furniture and fixtures           | 2,107,426                   | -                        | -                          | 2,107,426                   | 20       | 1,865,825                   | 105,394              | -                          | 1,971,219                   | 136,207                             |
| IT equipment                     | 3,098,364                   | 210,125                  | -                          | 3,308,489                   | 20       | 2,077,862                   | 370,806              | -                          | 2,448,668                   | 859,821                             |
| Motor vehicle                    | 2,665,437                   | -                        | -                          | 2,665,437                   | 20       | 2,043,501                   | 533,087              | -                          | 2,576,588                   | 88,848                              |
| Office equipment                 | 1,754,975                   | -                        | -                          | 1,754,975                   | 20       | 1,645,889                   | 46,200               | -                          | 1,692,089                   | 62,886                              |
| Office decoration                | 2,285,208                   | -                        | -                          | 2,285,208                   | 33       | 1,887,661                   | 196,301              | -                          | 2,083,962                   | 201,246                             |
| Right of Use of Assets           | 7,022,790                   | -                        | -                          | 7,022,790                   |          | 2,340,930                   | 2,340,930            | -                          | 4,681,860                   | 2,340,930                           |
| <b>Total at 31 December 2021</b> | <b>18,934,200</b>           | <b>210,125</b>           | <b>-</b>                   | <b>19,144,325</b>           |          | <b>11,861,669</b>           | <b>3,592,718</b>     | <b>-</b>                   | <b>15,454,387</b>           | <b>3,689,938</b>                    |
| <b>Total at 31 December 2020</b> | <b>11,371,192</b>           | <b>7,783,008</b>         | <b>220,000</b>             | <b>18,934,200</b>           |          | <b>8,478,437</b>            | <b>3,592,232</b>     | <b>209,000</b>             | <b>11,861,669</b>           | <b>7,072,531</b>                    |

## UniCap Investments Limited

Details of Investment in securities  
As on 31 December 2021

Annexure - B  
Amount in Taka

| Sl no                                     | Company     | Number of shares |                  | Average cost taka | Total cost         | Close price | Market value taka  | Unrealised gain/losses | Category |
|---|-------------|------------------|------------------|-------------------|--------------------|-------------|--------------------|------------------------|----------|
|   |             | Total            | Saleable         |                   |                    |             |                    |                        |          |
| 1   | ACI Limited | 348,951          | 348,951          | 343.28            | 119,787,345        | 285.40      | 99,590,615         | (20,196,730)           | A        |
| 2   | ACTIVEFINE  | 50,000           | 50,000           | 31.70             | 1,584,964          | 25.60       | 1,280,000          | (304,964)              | B        |
| 3   | BSRMLTD     | 10,500           | 10,500           | 104.85            | 1,100,948          | 103.30      | 1,084,650          | (16,298)               | A        |
| 4   | CITYBANK    | 1,100,000        | 1,100,000        | 33.54             | 36,898,214         | 27.30       | 30,030,000         | (6,868,214)            | A        |
| 5   | CONFIDCEM   | 120,000          | 120,000          | 132.08            | 15,849,684         | 121.90      | 14,628,000         | (1,221,684)            | A        |
| 6   | CONTININS   | 100,000          | 100,000          | 56.68             | 5,668,314          | 47.40       | 4,740,000          | (928,314)              | A        |
| 7   | EBL         | 32,554           | 32,554           | 40.20             | 1,308,751          | 38.50       | 1,253,329          | (55,422)               | A        |
| 8   | IDLC        | 735,000          | 735,000          | 79.19             | 58,203,542         | 60.30       | 44,320,500         | (13,883,042)           | A        |
| 9   | LHBL        | 42,000           | 42,000           | 84.80             | 3,561,394          | 71.10       | 2,986,200          | (575,194)              | A        |
| 10  | RENATA      | 130              | -                | 1,282.55          | 166,732            | 1,312.00    | 170,560            | 3,828                  | A        |
| 11  | RINGSHINE   | 2,005            | -                | 7.63              | 15,300             | 9.60        | 19,248             | 3,948                  | A        |
| 12  | SIBL        | 100,000          | 100,000          | 16.43             | 1,643,280          | 14.80       | 1,480,000          | (163,280)              | A        |
| 13  | SQURPHARMA  | 16,200           | 16,200           | 205.83            | 3,334,420          | 214.30      | 3,471,660          | 137,240                | A        |
| 14  | UPGDCL      | 37,000           | 37,000           | 288.41            | 10,671,267         | 244.20      | 9,035,400          | (1,635,867)            | A        |
| 15  | ORIONPHARM  | 15,000           | 15,000           | 103.15            | 1,547,188          | 91.10       | 1,366,500          | (180,688)              | A        |
| <b>Sub- Total (A)</b>                     |             | <b>2,709,340</b> | <b>2,707,205</b> |                   | <b>261,341,342</b> |             | <b>215,456,662</b> | <b>(45,884,679)</b>    |          |
| <b>UNICAP INVESTMENT LIMITED ICB-FUND</b> |             |                  |                  |                   |                    |             |                    |                        |          |
| 1   | BATBC       | 2,000            | 2,000            | 590.01            | 1,180,016          | 635.60      | 1,271,200          | 91,184                 | A        |
| 2   | BERGERPBL   | 800              | 800              | 1,925.33          | 1,540,266          | 1,765.90    | 1,412,720          | (127,546)              | A        |
| 3   | BPPL        | 30,000           | 30,000           | 46.71             | 1,401,387          | 34.20       | 1,026,000          | (375,387)              | N        |
| 4   | CONTININS   | 15,000           | 15,000           | 55.35             | 830,191            | 47.40       | 711,000            | (119,191)              | A        |
| 5   | DBH         | 10,000           | 10,000           | 82.62             | 826,151            | 77.10       | 771,000            | (55,151)               | A        |
| 6   | DOREENPWR   | 10,000           | 10,000           | 78.85             | 788,464            | 67.80       | 678,000            | (110,464)              | A        |
| 7   | DSSL        | 30,000           | 30,000           | 16.46             | 493,722            | 15.70       | 471,000            | (22,722)               | A        |
| 8   | IFIC        | 10,000           | 10,000           | 15.96             | 159,557            | 16.90       | 169,000            | 9,443                  | A        |
| 9   | MJLBD       | 12,000           | 12,000           | 86.60             | 1,039,224          | 88.30       | 1,059,600          | 20,376                 | A        |
| 10  | ORIONPHARM  | 5,000            | 5,000            | 103.16            | 515,799            | 91.10       | 455,500            | (60,299)               | A        |
| 11  | POWERGRID   | 5,000            | 5,000            | 60.71             | 303,559            | 59.60       | 298,000            | (5,559)                | A        |
| 12  | PREMIERCEM  | 5,000            | 5,000            | 89.41             | 447,059            | 65.10       | 325,500            | (121,559)              | A        |
| 13  | SPCL        | 20,000           | 20,000           | 104.48            | 2,089,518          | 85.90       | 1,718,000          | (371,518)              | A        |
| 14  | SQURPHARMA  | 5,000            | 5,000            | 201.11            | 1,005,570          | 214.30      | 1,071,500          | 65,930                 | A        |
| 15  | UPGDCL      | 1,500            | 1,500            | 281.27            | 421,921            | 244.20      | 366,300            | (55,621)               | A        |
| <b>Sub- Total (B)</b>                     |             | <b>161,300</b>   | <b>161,300</b>   |                   | <b>13,042,403</b>  |             | <b>11,804,320</b>  | <b>(1,238,083)</b>     |          |
| <b>Total (A+B)</b>                        |             | <b>2,870,640</b> | <b>2,868,505</b> |                   | <b>274,383,744</b> |             | <b>227,260,982</b> | <b>(47,122,762)</b>    |          |

| Summary                |              |
|------------------------|--------------|
| Total number of shares | 2,870,640    |
| Total Saleable Share   | 2,868,505    |
| Total value (BDT)      | 274,383,744  |
| Market price           | 227,260,982  |
| Unrealised gain/(loss) | (47,122,762) |

**Ahmed Zaker & Co.**

Chartered Accountants

**Independent auditor's report to the shareholders of UNICAP SECURITIES LIMITED****Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of UNICAP SECURITIES LIMITED ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirement that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), where practicable Companies Act 1994 and other applicable rules & 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.

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

Those charged with governance are responsible for overseeing **UNICAP SECURITIES LIMITED** financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

#### **Report on other legal and regulatory requirements**

We also report the following:

- a) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by UNICAP SECURITIES LIMITED so far as it appeared from our examination of those books; and
- c) the statement of financial position and the statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

Place: Dhaka  
Date: March 29, 2022  
DVC- 2204280458AS912153

Sd/-

**AKM Mohitul Haq, FCA**  
Senior Partner  
Enrolment No- 0458  
**AHMED ZAKER & CO.**  
Chartered Accountants

## UNICAP SECURITIES LIMITED

Statement of Financial Position  
As at 31 December 2021

|  | Notes | 2021<br>Taka         | 2020<br>Taka         |
|--|-------|----------------------|----------------------|
| <b>ASSETS</b>  |       |                      |                      |
| <b>Non-Current Assets</b>                              |       | <b>30,673,039</b>    | <b>43,290,453</b>    |
| Property, plant and equipment                          | 4     | 2,893,700            | 6,356,712            |
| TREC holding in stock exchanges                        | 5     | 9,500,000            | 9,500,000            |
| Right of Use of Lease Assets                           | 6     | 12,999,268           | 23,775,022           |
| Staff loan   | 7     | 5,280,071            | 3,658,720            |
| <b>Current Assets</b>                                  |       | <b>1,671,132,178</b> | <b>1,631,784,423</b> |
| Cash and bank balances                                 | 8     | 240,723,516          | 118,874,361          |
| Receivables from securities trading                    | 9     | 49,910,295           | 5,452,952            |
| Receivable from others                                 | 10    | 17,102,576           | 11,127,626           |
| Receivable from margin clients                         | 11    | 654,524,792          | 527,893,330          |
| Proprietary position in securities & other investments | 12    | 262,823,814          | 580,913,138          |
| Receivable from proprietary Fund                       | 13    | 8,641,775            | 211,664              |
| Advances, deposits and prepayments                     | 14    | 17,867,224           | 8,585,883            |
| Deferred Tax Assets                                    | 15    | 7,952,335            | 7,996,148            |
| Advance income tax                                     | 16    | 411,585,850          | 370,729,322          |
| <b>Total Assets</b>                                    |       | <b>1,701,805,217</b> | <b>1,675,074,877</b> |
| <b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>          |       |                      |                      |
| <b>Shareholders' equity</b>                            |       | <b>483,305,051</b>   | <b>437,554,369</b>   |
| Share capital  | 17    | 500,000,000          | 500,000,000          |
| Share money deposit                                    |       | -                    | -                    |
| Retained earnings                                      |       | (16,694,949)         | (62,445,631)         |
| <b>Non Current Liabilities</b>                         |       | <b>342,498,001</b>   | <b>566,747,848</b>   |
| Long term loan   | 18    | 318,555,368          | 533,246,693          |
| Lease Liability  | 19    | 10,324,647           | 22,023,567           |
| Deferred liabilities - employee gratuity               | 20    | 13,617,986           | 11,477,588           |
| <b>Current Liabilities</b>                             |       | <b>876,002,165</b>   | <b>670,772,660</b>   |
| Payable to clients                                     | 21    | 280,306,206          | 119,661,930          |
| Short term business liabilities                        | 22    | 100,000,000          | 100,000,000          |
| Payable to exchanges (DSE,CSE)                         | 23    | 3,171,668            | 320,978              |
| Accruals and payables                                  | 24    | 11,893,015           | 21,898,476           |
| Other liabilities and provisions                       | 25    | 480,631,276          | 428,891,276          |
| <b>Total Equity and Liabilities</b>                    |       | <b>1,701,805,217</b> | <b>1,675,074,877</b> |

The annexed notes 1-33 form an integral part of these financial statements.

Sd/-  
Chief Executive OfficerSd/-  
DirectorSd/-  
Chairman

Signed in terms of our separate report of even date annexed.

Place: Dhaka  
Date: March 29, 2022  
DVC- 2204280458AS912153Sd/-  
**AKM Mohitul Haq, FCA**  
Senior Partner  
Enrolment No.- 0458  
**Ahmed Zaker & Co.**  
Chartered Accountants



**UNICAP SECURITIES LIMITED**

Statement of Profit or Loss and Other Comprehensive Income  
For the period ended 31 December 2021

|   | Notes | 2021<br>Taka       | 2020<br>Taka        |
|---|-------|--------------------|---------------------|
| <b>Revenue:</b>                                 |       |                    |                     |
| Brokerage Commission                            | 26    | 204,055,690        | 107,029,889         |
| Dividend Income                                 | 27    | 14,124,599         | 10,583,659          |
| Margin Interest from Client                     | 28    | 58,252,127         | 54,387,689          |
| Other Income                                    | 29    | 807,532            | 3,191,906           |
|   |       | <b>277,239,948</b> | <b>175,193,143</b>  |
| Cost of Services                                | 30    | (26,635,418)       | (13,357,209)        |
| <b>Gross Profit</b>                             |       | <b>250,604,530</b> | <b>161,835,934</b>  |
| Realized gain/(loss) on Sale of Securities      | 31    | 32,440,522         | 7,824,174           |
| Administrative and General Expenses             | 32    | (87,007,535)       | (89,647,066)        |
| Financial expenses                              | 33    | (98,503,022)       | (98,400,393)        |
| <b>Operating Profit/Profit before Provision</b> |       | <b>97,534,495</b>  | <b>(18,387,352)</b> |
| less: Provision against Margin Loan             |       | (8,000,000)        | -                   |
| <b>Net Profit before Tax</b>                    |       | <b>89,534,495</b>  | <b>(18,387,352)</b> |
| Current Tax                                     | 25.03 | (43,740,000)       | (22,407,000)        |
| Deferred Tax                                    | 15    | (43,813)           | 8,267,603           |
| <b>Net Profit after Tax</b>                     |       | <b>45,750,682</b>  | <b>(32,526,749)</b> |
| <b>Other Comprehensive Income</b>               |       | <b>-</b>           | <b>-</b>            |
| <b>Total Comprehensive Income</b>               |       | <b>45,750,682</b>  | <b>(32,526,749)</b> |

The annexed notes 1-33 form an integral part of these financial statements.

Sd/-  
Chief Executive Officer

Sd/-  
Director

Sd/-  
Chairman

Signed in terms of our separate report of even date annexed.

Place: Dhaka  
Date: March 29, 2022  
DVC- 2204280458AS912153

Sd/-  
**AKM Mohitul Haq, FCA**  
Senior Partner  
Enrolment No.- 0458  
**Ahmed Zaker & Co.**  
Chartered Accountants

## UNICAP SECURITIES LIMITED

## Statement of Changes in Equity

For the year ended 31 December 2021

Amount in Taka

| Particulars                           | Share Capital      | Share Money Deposit | Retained Earnings/(Losses) | Total              |
|---------------------------------------|--------------------|---------------------|----------------------------|--------------------|
| Balance as at 01 January 2021         | 500,000,000        | -                   | (62,445,631)               | 437,554,369        |
| Net profit after tax for the year     | -                  | -                   | 45,750,682                 | 45,750,682         |
| <b>Balance as at 31 December 2021</b> | <b>500,000,000</b> | <b>-</b>            | <b>(16,694,949)</b>        | <b>483,305,051</b> |

For the year ended 31 December 2020

Amount in Taka

| Particulars                           | Share Capital      | Share Money Deposit | Retained Earnings/(Losses) | Total              |
|---------------------------------------|--------------------|---------------------|----------------------------|--------------------|
| Balance as at 01 January 2020         | 500,000,000        | -                   | (29,918,882)               | 470,081,118        |
| Net profit after tax for the year     | -                  | -                   | (32,526,749)               | (32,526,749)       |
| <b>Balance as at 31 December 2020</b> | <b>500,000,000</b> | <b>-</b>            | <b>(62,445,631)</b>        | <b>437,554,369</b> |

**UNICAP SECURITIES LIMITED**

## Statement of Cash Flows

For the period ended 31 December 2021

|  | 2021<br>Taka         | 2020<br>Taka         |
|--|----------------------|----------------------|
| <b>A Cash flow from operating activities</b>                           |                      |                      |
| Profit/(Loss) before tax   | 89,534,495           | (18,387,352)         |
| Adjustment for items not involving movement of cash:                   |                      |                      |
| Depreciation and amortization  | 2,748,899            | 6,208,681            |
| Employee- Gratuity   | 1,800,000            | 4,277,230            |
| Rectification for expense provision                                    | -                    | -                    |
| Provision for doubtful losses  | 8,000,000            | -                    |
| Provision for diminution in value of investment                        | -                    | -                    |
| <b>Profit after adjustment</b>   | <b>102,083,394</b>   | <b>(7,901,441)</b>   |
| <b>Changes in working capital components:</b>                          |                      |                      |
| (Increase)/decrease in margin loan to clients                          | (126,631,462)        | 128,610,001          |
| (Increase)/decrease in Right of Use of Lease Assets                    | 10,775,754           | (23,775,024)         |
| (Increase)/decrease in accounts receivables                            | (50,432,292)         | 120,489,420          |
| (Increase)/decrease in advance income tax                              | (40,856,528)         | (21,505,887)         |
| (Increase)/decrease of advances, deposits and prepayments              | (9,281,342)          | 5,122,429            |
| (Increase)/decrease of Receivable from proprietary Fund                | (8,430,112)          | 11,621,250           |
| (Increase)/decrease of staff loan                                      | (1,621,351)          | 685,768              |
| Increase/(decrease) in accounts payable                                | 163,494,966          | (93,595,418)         |
| Increase/(decrease) in Lease Liability                                 | (11,698,920)         | 22,023,567           |
| Increase/(decrease) of deferred liability employee gratuity            | 340,398              | (1,728,633)          |
| Increase/(decrease) of short term loan                                 | -                    | (12,379,406)         |
| Increase/(decrease) in Provision for write off negative equity         | -                    | -                    |
| Increase/(decrease) in liabilities for expenses                        | (10,005,461)         | 10,915,978           |
|  | <b>(84,346,349)</b>  | <b>146,484,045</b>   |
| <b>Net cash flow/(used) in operating activities</b>                    | <b>17,737,045</b>    | <b>138,582,604</b>   |
| <b>B. Cash flow from investing activities</b>                          |                      |                      |
| Purchase of fixed assets   | (651,188)            | (329,531)            |
| Investment in securities   | 318,089,323          | (15,265,190)         |
| Disposal of fixed assets   | 1,365,300            | 364,000              |
| Sale of DSE membership share   | -                    | -                    |
| <b>Net cash flow/(used) in investing activities</b>                    | <b>318,803,435</b>   | <b>(15,230,721)</b>  |
| <b>C. Cash flow from financing activities</b>                          |                      |                      |
| Receipt from long term loan  | -                    | -                    |
| Repayment of long term loan  | (214,691,324)        | (106,873,192)        |
| Share money deposit  | -                    | -                    |
| <b>Net cash from financing activities</b>                              | <b>(214,691,324)</b> | <b>(106,873,192)</b> |
| <b>D. Net Increase/(Decrease) in cash and cash equivalents (A+B+C)</b> | <b>121,849,155</b>   | <b>16,478,689</b>    |
| <b>E. Opening cash and cash equivalents</b>                            | <b>118,874,361</b>   | <b>102,395,672</b>   |
| <b>F. Closing cash and cash equivalents</b>                            | <b>240,723,516</b>   | <b>118,874,361</b>   |

**UNICAP SECURITIES LIMITED**

Notes to the financial statements

As at and for the year ended 31 December 2021

**1. COMPANY AND ITS ACTIVITIES****1.1 Legal status of the Company**

Unicap Securities Limited (former 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 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.

**2. BASIS OF PREPARATION****2.1 Components of the financial statements**

The financial statements have been prepared with due consideration of International Financial Reporting Standards. The financial statements comprises of the following as complied with International Accounting Standards 1:

- a) Statement of financial position
- b) Statement of Profit or loss and other 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 International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs), 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 judgments have been made are on valuation of investments and taxation.

**2.6 Going concern basis**

The Company has adequate resources to continue in the operation for the foreseeable 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**

The Financial Statements of the Company covers the period from 1 January 2021 to 31 December 2021.

**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 the revenue during the year and in accordance with the International Financial Reporting Standards (IFRSs) 15 "Revenue From Contracts With Customers".

**3.2 Property, plant and equipment****3.2.1 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.

**3.2.2 Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognized 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 recognized in the profit and loss account as incurred.

**3.2.3 Depreciation**

Depreciation is charged to property, plant and equipment on a straight line basis at rates varying from 10% to 33.33% in order to write them off over their useful economic life.

**3.3 Intangible assets****3.3.1 Recognition and measurement**

Computer software acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortization.

**3.3.2 Subsequent costs**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss when incurred.

**3.3.3 Amortization of intangible assets**

Intangible assets are amortized at the rate of 33% on straight line method.

**3.4 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 reported at cost at reporting date.

Required provision has been made for impairment when the market value of investments fall below the cost as per BSEC/CMRRCD/2009-193/203, dated on 28 December 2017, stock dealer can make the said provision for unrealised loss in five installments on quarterly basis within 31 December 2022 and this is also extended upto 31 December 2023 according to the directive no. BSEC/Surveillance/Spokesperson (5th Part)/2019/196 dated 16 July 2020.

**3.5 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.

**3.6 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.

**3.7 Borrowing costs**

Borrowing cost is charged to profit and loss account as per International Accounting Standard 23: Borrowing cost.

**3.8 Bad debt****3.8.1 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.

**3.8.2 Recovery of bad debts**

Any recovery is adjusted with the provision for bad debts in the period of recovery.

**3.9 Corporate tax****3.9.1 Current tax**

Income tax expense is recognized in Statement of Profit or Loss and Other Comprehensive Income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Corporate tax rate is 35% as per the Finance Act 2019.

**3.9.2 Deferred tax**

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. A deferred tax asset/liabilities is recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets/liabilities is reviewed at each reporting date and are reduced to the extent that it is probable that the related tax benefit will be realized.

**3.10 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.

**3.11 Provision against unrealized loss in shares and Margin Loan**

As per directive no. BSEC/SRI/POLICY/3/2020/68 dated 12 January 2020 of Bangladesh Securities and Exchange Commission extended the time of provision may be made for unrealized loss arising out of year-end revaluation of shares purchased as dealer and unrealized loss as margin loan upto 31 December 2022 and this is also extended upto 31 December 2023 according to the directive no. BSEC/Survailance/Spokesperson (5th Part)/2019/196 dated 16 July 2020. Total provision required for Negative Equity against margin loan is Tk. 413,839,708 and Unrealized loss on Investment in Share is tk. 67,189,957 as per the directive of BSEC but the company made provision for Tk. 45,984,381 & Tk. 12,788,812 respectively up to 31.12.2021.

**3.12 Related Party Disclosures**

As per International Accounting Standards (IAS)-24 "Related Party Disclosures", parties are considered to be related if one of the parties has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions. The Company carried out transactions in the ordinary course

| Name of Shareholder | Relationship | Nature | Amount (Tk.) |
|---------------------|--------------|--------|--------------|
| Union Capital Ltd.  | Shareholder  | Loan   | 273,910,851  |

**3.13 General**

a) The expenses, irrespective of capital or revenue nature, accrued/due but not paid have been provided for in the books of the Company.

b) Figures of previous period have been rearranged whenever necessary to conform to current periods presentation.



|   | 2021<br>Taka       | 2020<br>Taka       |
|---|--------------------|--------------------|
| <b>4.00 Property, Plant and Equipments</b>            |                    |                    |
| Office decoration and renovation                      | 23,622,135         | 23,622,135         |
| Furniture and fixtures                                | 1,816,993          | 1,726,993          |
| Office equipment                                      | 15,681,377         | 16,485,489         |
| Cell phone  | 59,900             | 59,900             |
| Motor vehicle   | 5,500,000          | 5,500,000          |
|   | 46,680,405         | 47,394,517         |
| Less: Accumulated depreciation (Annexure-A)           | 43,786,705         | 41,037,805         |
|   | <b>2,893,700</b>   | <b>6,356,712</b>   |
| <b>5.00 TREC holding in stock exchanges</b>           |                    |                    |
| Investment in DSE*                                    | 4,500,000          | 4,500,000          |
| Investment in CSE*                                    | 5,000,000          | 5,000,000          |
|   | <b>9,500,000</b>   | <b>9,500,000</b>   |
| <b>6.00 Right of Use of Lease Assets</b>              |                    |                    |
| Right of Use of Lease Assets Rent                     | 23,775,022         | 37,263,888         |
|   | 23,775,022         | 37,263,888         |
| Less: Accumulated depreciation (Annexure-A)           | 10,775,754         | 13,488,867         |
|   | <b>12,999,268</b>  | <b>23,775,022</b>  |
| <b>7.00 Staff Loan</b>                                |                    |                    |
| House Loan  | 655,461            | 699,248            |
| Car Loan  | 4,325,741          | 2,577,468          |
| Personal Loan   | 298,869            | 382,003            |
|   | <b>5,280,071</b>   | <b>3,658,720</b>   |
| <b>8.00 Cash and cash equivalents</b>                 |                    |                    |
| Cash in hand  | 25,000             | 25,000             |
| Cash at Bank (Note-8.01)                              | 240,698,516        | 118,849,361        |
|   | <b>240,723,516</b> | <b>118,874,361</b> |
| <b>8.01 Cash at Bank</b>                              |                    |                    |
| Standard Chartered Bank (SND A/C No.02-6092357-02)    | 232,432,163        | 110,771,030        |
| Standard Chartered Bank (CD A/C No.01-6092357-02)     | 2,218,829          | 138,895            |
| Standard Chartered Bank (CD A/C No.01-6092357-03)     | 3,965              | 9,310              |
| NRB Bank Ltd. (SA A/C No. 1081030011623)              | 128,445            | 5,871,440          |
| Prime Bank Ltd. (CD A/C No. 10411090003465)           | 236,888            | 236,888            |
| Dhaka Bank Ltd. (FDR A/C No.0201313000002637)         | 258,513            | 258,513            |
| Farmers Bank Ltd. (CD A/C No. 0111100005822)          | 31,737             | 32,427             |
| Midland Bank Ltd. (CD A/C No. 0011-1050000174)        | 101,000            | 1,000              |
| Shahjalal Islami Bank Ltd.(CD A/C No.400511100008700) | 2,337,521          | 531,301            |
| Rupali Bank Ltd. (CD A/C No. 200021367)               | 9,545              | 9,545              |
| Bank A/C # NRB Bank- Capital Issue-1081030024647      | 39,907             | 40,142             |
| Bank A/C # SCB-01-6092357-04                          | 1,943,692          | 723,826            |
| Bank A/C # SCB 01-6092357-05                          | 214,312            | 225,045            |
| Bank A/C # Pubali-2905102001445                       | 742,000            | -                  |
|   | <b>240,698,516</b> | <b>118,849,361</b> |
| <b>9.00 Receivables from securities trading</b>       |                    |                    |
| Dhaka Stock Exchange Limited                          | 49,910,295         | 5,170,057          |
| Chittagong Stock Exchange Limited                     | -                  | 282,896            |
|   | <b>49,910,295</b>  | <b>5,452,952</b>   |
| <b>10.00 Receivable from others</b>                   |                    |                    |
| Receivable from Union Capital Ltd.                    | 2,756,059          | 2,756,059          |
| Dividend income receivable                            | 14,346,518         | 8,371,567          |
|   | <b>17,102,577</b>  | <b>11,127,626</b>  |
| <b>11.00 Receivable from margin clients</b>           |                    |                    |
| Receivable against margin loan                        | 654,524,792        | 527,893,330        |
|   | <b>654,524,792</b> | <b>527,893,330</b> |

|   |                     | 2021<br>Taka       | 2020<br>Taka       |
|---|---------------------|--------------------|--------------------|
| <b>12.00 Proprietary position in securities &amp; other investments</b> |                     |                    |                    |
| Investment in Mutual Fund (Note-12.01)                                  |                     | -                  | 252,311,885        |
| Investment in listed securities (Note-12.02)                            |                     | 237,823,815        | 313,101,253        |
| Investment in non-listed unit fund (Note-12.03)                         |                     | 25,000,000         | 15,500,000         |
|   |                     | <b>262,823,814</b> | <b>580,913,138</b> |
| <b>12.01 Investment in Mutual Fund</b>                                  |                     |                    |                    |
| CAPMBDBLMF  | -                   | -                  | 1,556,331.00       |
| NCCBLMF1  | -                   | -                  | 2,470,362.78       |
| VAMLBDMF1   | -                   | -                  | 1,423,431.95       |
| EBLNRBMF  | -                   | -                  | 1,286,927.50       |
| IFIC1STMf   | -                   | -                  | 1,096,642.50       |
| LR Global BD Mutual Fund One  | -                   | -                  | 244,478,189        |
|   | -                   | -                  | <b>252,311,885</b> |
| <b>12.02 Investment in listed securities</b>                            |                     |                    |                    |
|   | <b>Market value</b> | <b>Cost value</b>  | <b>Cost value</b>  |
| Bank  | 8,955,000           | 9,754,475          | 9,370,108          |
| Cement  | 20,896,500          | 42,260,226         | 39,935,000         |
| Engineering   | 13,534,250          | 17,726,290         | 83,784,496         |
| Fuel & Power  | 32,365,250          | 58,146,706         | 47,750,419         |
| IT Sector   | 2,362,500           | 2,987,450          | -                  |
| Pharmaceuticals   | 40,658,100          | 52,828,330         | 45,476,641         |
| Textile   | 18,291,750          | 35,552,843         | 35,224,652         |
| Travel & Leisure  | -                   | -                  | 17,773             |
| Financial Institutions  | -                   | -                  | 27,261,094         |
| Telecommunication   | 10,505,000          | 9,046,096          | 9,965,796          |
| Foods and Allied  | 127,120             | 118,897            | 14,206,493         |
| Insurance   | 46,420              | 46,420             | 108,780            |
| Real Estate   | 7,020,000           | 9,356,081          | -                  |
|   | <b>154,761,890</b>  | <b>237,823,815</b> | <b>313,101,253</b> |
| <b>12.03 Investment in non-listed unit fund</b>                         |                     |                    |                    |
| Unit fund of Ekush First Unit   | 6,650,816           | 5,000,000          | 3,000,000.00       |
| Unit fund of CWT Emerging BD FGF  | 3,810,000           | 2,500,000          | 2,500,000          |
| Unit fund of CWT Opportunities  | 2,570,000           | 2,500,000          | -                  |
| Unit fund of CWT Sadharan Bima-GF                                       | 3,442,500           | 2,500,000          | 2,500,000          |
| Unit fund of GM First Mutual Fund                                       | 2,500,000           | 2,500,000          | -                  |
| Unit fund of Capitec IBBL Shariah Unit fund                             | 11,070,000          | 10,000,000         | -                  |
| Unit fund of Capitec Popular Life Unit Fund                             | -                   | -                  | 7,500,000          |
|   | <b>30,043,316</b>   | <b>25,000,000</b>  | <b>15,500,000</b>  |
| <b>13.00 Receivable from proprietary Fund</b>                           |                     |                    |                    |
| Receivable From Startegic Investment (DSE)                              |                     | 3,323,445          | 186,527            |
| Receivable From ICB Fund  |                     | 5,318,330          | 25,137             |
|   |                     | <b>8,641,775</b>   | <b>211,664</b>     |
| <b>14.00 Advances, deposits and prepayments</b>                         |                     |                    |                    |
| Office Rent   |                     | 2,303,730          | 3,780,166          |
| DSE floor space etc   |                     | 20,000             | 20,000             |
| Expenses  |                     | 786,156            | 282,110            |
| IPO   |                     | 8,650,000          | -                  |
| Software Development Leadssoft  |                     | 300,000            | 300,000            |
| Prepaid Insurance-Vehicle   |                     | 66,529             | 71,919             |
| Security Deposit:   |                     |                    |                    |
| Loan (advance installment)  |                     | 4,239,205          | 3,339,205          |
| CDBL  |                     | 100,000            | 100,000            |
| DSE   |                     | 75,000             | 75,000             |
| CSE   |                     | 30,000             | 30,000             |
| Investment in Share   |                     | 637,500            | -                  |
| Others  |                     | 659,105            | 587,482            |
|   |                     | <b>17,867,225</b>  | <b>8,585,883</b>   |

**15.00 Deferred tax Assets**

Opening balance

Adjustment for the year

**Closing balance****Deferred Tax Assets**

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 International Accounting Standard (IAS) 12.

|   |                                  | Carrying amount<br>at balance sheet<br>date | Tax base at<br>balance sheet<br>date | (Taxable)/<br>deductible<br>temporary<br>difference |
|---|----------------------------------|---|--------------------------------------|---|
| Assets  | Fixed assets net of depreciation | 2,893,700                                   | 16,419,057                           | 13,525,358  |
| Assets  | Right of Use of Lease Assets     | 12,999,268                                  | -                                    | (12,999,268)  |
| Liabilities   | Employee gratuity fund           | 13,617,986                                  | -                                    | 13,617,986  |
| Liabilities   | Lease Liability                  | 10,324,647                                  | -                                    | 10,324,647  |
|   |                                  | <b>29,510,953</b>                           | <b>16,419,057</b>                    | <b>24,468,723</b>                                   |
| Applicable tax rate   |                                  |   |                                      | 32.5%   |
| Deferred tax assets/(Liabilities) as on 31 December 2021                      |                                  |   |                                      | 7,952,335   |
| Deferred tax assets/(liabilities) as on 31 December 2020                      |                                  |   |                                      | 7,996,148   |
| <b>Deferred tax expense/(income) during the period as on 31 December 2021</b> |                                  |   |                                      | <b>43,813</b>                                       |

**16.00 Advance income tax**

Balance at the beginning of the year

Add: Addition during the year

Less: Adjustment made during the year

**17.00 Share capital**

Authorized capital

5,000,000 Ordinary Shares of Tk. 100/- each.

Issued, subscribed and paid-up capital

Ordinary Share capital

Paid-up Capital 5,000,000 shares of Tk.100/- each, fully paid.

**Name of shareholder****No of share**

Union Capital Limited

Barrister Moniruzzaman Khan

**18.00 Long term loan**

Opening balance

Add: Addition during the year

Less: Repayment during the year

**Closing balance**

This represents loan taken from various banks and financial institutions repayable in monthly/quarterly installments.

**19.00 Lease Liability**

Lease Liability of Rent

|   | 2021<br>Taka       | 2020<br>Taka       |
|---|--------------------|--------------------|
| <b>20.00 Deferred liabilities - employee gratuity</b>   |                    |                    |
| Opening balance   | 11,477,588         | 8,928,991          |
| Add: Addition during the year   | 1,800,000          | 4,277,230          |
|   | 13,277,588         | 13,206,221         |
| Less: Paid during the year  | (340,398)          | 1,728,633          |
| Closing balance   | <b>13,617,986</b>  | <b>11,477,588</b>  |
| <b>21.00 Payable to clients</b>   |                    |                    |
| Clients Account Payable   | 261,101,206        | 108,633,330        |
| Client Account Payable for IPO  | 19,205,000         | 11,028,600         |
|   | <b>280,306,206</b> | <b>119,661,930</b> |
| <b>22.00 Short term business liabilities</b>  |                    |                    |
| Opening balance   | 100,000,000        | 112,379,406        |
| Add: Addition during the year   | -                  | -                  |
|   | 100,000,000        | 112,379,406        |
| Less: Repayment during the year   | -                  | 12,379,406         |
| Closing balance   | <b>100,000,000</b> | <b>100,000,000</b> |
| <b>Short term loan comprise the following:</b>  |                    |                    |
| This represents amount payable to clients against sale of shares on behalf of those clients including amount deposited by clients for purchase of shares in those accounts. |                    |                    |
| <b>23.00 Payable to exchanges (DSE,CSE)</b>   |                    |                    |
| Dhaka Stock Exchange  | 556,675            | 320,978            |
| Chittagong Stock Exchange   | 2,614,992          | -                  |
|   | <b>3,171,668</b>   | <b>320,978</b>     |
| <b>24.00 Accruals and payables</b>  |                    |                    |
| Interest expense  | 4,507,598          | 15,043,661         |
| Office rent   | -                  | -                  |
| Audit fee   | 253,000            | 126,500            |
| CDBL charges  | 625,495            | 1,723,667          |
| Tax and VAT deducted at source  | 2,288,637          | 2,528,185          |
| Excise duty-payable   | 2,700              | 2,700              |
| Interest suspense   | -                  | -                  |
| Other payables  | 4,215,585          | 2,473,764          |
|   | <b>11,893,015</b>  | <b>21,898,476</b>  |
| <b>25.00 Other liabilities and provisions</b>   |                    |                    |
| Provision for diminution in value of investments (Note- 25.01)  | 12,788,812         | 12,788,812         |
| Provision for negative equity (Note- 25.02)   | 45,984,381         | 37,984,381         |
| Provision for corporate income tax (Note- 25.03)  | 421,858,083        | 378,118,083        |
| Deferred tax liabilities (Note- 25.04)  | -                  | -                  |
|   | <b>480,631,276</b> | <b>428,891,276</b> |
| <b>25.01 Provision for diminution in value of investments</b>   |                    |                    |
| Opening balance   | 12,788,812         | 12,788,812         |
| Add: Addition during the year   | -                  | -                  |
| Closing balance   | <b>12,788,812</b>  | <b>12,788,812</b>  |
| <b>25.02 Provision for negative equity</b>  |                    |                    |
| Opening balance   | 37,984,381         | 37,984,381         |
| Add: Addition during the year   | 8,000,000          | -                  |
| Less: Adjustment during the year  | -                  | -                  |
| Closing balance   | <b>45,984,381</b>  | <b>37,984,381</b>  |
| <b>25.03 Provision for corporate income tax</b>   |                    |                    |
| Opening balance   | 378,118,083        | 355,711,083        |
| Add: Provision for the year   | 43,740,000         | 22,407,000         |
| Closing balance   | <b>421,858,083</b> | <b>378,118,083</b> |

|   | 2021<br>Taka       | 2020<br>Taka       |
|---|--------------------|--------------------|
| <b>25.04 Deferred tax liabilities</b>   |                    |                    |
| Opening balance   | -                  | 271,455            |
| Adjustment for the year   | -                  | (271,455)          |
| Closing balance   | -                  | -                  |
| <b>26.00 Brokerage commission</b>   |                    |                    |
| Brokerage commission from DSE   | 202,541,686        | 106,573,017        |
| Brokerage commission from CSE   | 1,514,004          | 456,872            |
| Commission From Dealer Account (DSE)  | -                  | -                  |
|   | <b>204,055,690</b> | <b>107,029,889</b> |
| <b>27.00 Dividend income</b>  |                    |                    |
| From Investment in Shares(Dealer A/C)   | 11,939,122         | 9,644,159          |
| From Strategic Investment for Selling 25% of shares   | 1,955,477          | 737,175            |
| From Investment in shares-ICB Fund  | 230,000            | 202,325            |
|   | <b>14,124,599</b>  | <b>10,583,659</b>  |
| <b>28.00 Margin Interest from Client</b>  |                    |                    |
|   | 58,252,127         | 54,387,689         |
|   | <b>58,252,127</b>  | <b>54,387,689</b>  |
| <b>Interest on margin loan</b>  |                    |                    |
| This represents interest income earned on margin loan extended both individual and corporate clients as per BSEC Margin Rules 1999 for purchase of listed securities. The interest rate on margin loan ranges from 14.00%-16.50%. |                    |                    |
| <b>29.00 Other Income</b>   |                    |                    |
| BO A/C opening fee  | 582,500            | 138,500            |
| BO A/C maintenance fee  | 464,900            | 455,500            |
| Income from IPO Application   | 110,535            | 58,820             |
| Miscellaneous income  | (869,229)          | 1,895,778          |
| Interest on staff loan  | 355,493            | 284,408            |
| Interest on bank deposit  | 166,573            | 358,900            |
| Gain/(Loss) on Disposal of Fixed Assets   | (3,240)            | -                  |
|   | <b>807,532</b>     | <b>3,191,906</b>   |
| <b>30.00 Cost of Services</b>   |                    |                    |
| Laga charges  | 19,509,046         | 9,631,198          |
| Howla charges   | -                  | -                  |
| CDBL expense  | 7,126,372          | 3,726,011          |
|   | <b>26,635,418</b>  | <b>13,357,209</b>  |
| <b>31.00 Realized gain/(loss) on Sale of Securities</b>   |                    |                    |
| Gain/(Loss) from Investment in Shares(Dealer A/C)   | 16,383,390         | (1,971,328)        |
| Gain/(Loss) from Strategic Investment for Selling 25% of shares   | 11,728,263         | 8,289,155          |
| Gain/(Loss) from investment in shares-ICB Fund  | 4,328,869          | 1,506,348          |
|   | <b>32,440,522</b>  | <b>7,824,174</b>   |
| <b>32.00 Administrative and General Expenses</b>  |                    |                    |
| Salaries and other employees benefits (Note-32.01)  | 59,054,294         | 61,090,183         |
| Rent, taxes, insurance and electricity (Note-32.02)   | 1,734,144          | (1,688,385)        |
| Postage, stamp and telecommunication (Note-32.03)   | 2,302,145          | 2,591,847          |
| Stationery, printing, advertisements, etc (Note-32.04)  | 595,133            | 457,831            |
| Auditors' fee (Note-32.05)  | 126,500            | 126,500            |
| Depreciation and repair of assets (Note-32.06)  | 14,502,713         | 20,061,548         |
| Other expenses (Note-32.07)   | 8,692,605          | 7,007,543          |
|   | <b>87,007,535</b>  | <b>89,647,066</b>  |
| <b>32.01 Salaries and other employees benefits</b>  |                    |                    |
| Salaries and allowances   | 49,438,557         | 51,209,226         |
| Other benefits  | 9,615,737          | 9,880,957          |
|   | <b>59,054,294</b>  | <b>61,090,183</b>  |

|   | 2021<br>Taka      | 2020<br>Taka       |
|---|-------------------|--------------------|
| <b>32.02 Rent, taxes, insurance and electricity</b>       |                   |                    |
| Office rent, rates and taxes                              | -                 | (3,079,928)        |
| Insurance   | 86,952            | 113,892            |
| Power and electricity                                     | 1,647,192         | 1,277,651          |
|   | <b>1,734,144</b>  | <b>(1,688,385)</b> |
| <b>DISCLOSURE RELATED TO RENT, RATE AND TAXES:</b>        |                   |                    |
| Actual rent expenses                                      | -                 | -                  |
| Less: Reclassification of rent expenses (as per IFRS 16:) | -                 | -                  |
| Rent, taxes, insurance and electricity                    | 13,505,340        | 16,447,221         |
| <b>Total</b>  | <b>13,505,340</b> | <b>16,447,221</b>  |
| <b>32.03 Postage, stamp and telecommunication</b>         |                   |                    |
| Postage and stamp   | 32,808            | 13,701             |
| Telegram, telex, fax and e-mail                           | 1,508,212         | 1,525,260          |
| Telephone and mobile                                      | 761,125           | 1,052,886          |
|   | <b>2,302,145</b>  | <b>2,591,847</b>   |
| <b>32.04 Stationery, printing, advertisement, etc</b>     |                   |                    |
| Printing and stationery                                   | 359,988           | 423,331            |
| Advertisement and publicity                               | 235,145           | 34,500             |
|   | <b>595,133</b>    | <b>457,831</b>     |
| <b>32.05 Auditors' fee</b>                                |                   |                    |
| Audit Fee   | 110,000           | 110,000            |
| VAT on fee  | 16,500            | 16,500             |
|   | <b>126,500</b>    | <b>126,500</b>     |
| <b>32.06 Depreciation and repair of assets</b>            |                   |                    |
| Depreciation of fixed assets-freehold                     | 3,726,959         | 6,572,681          |
| Depreciation on Lease Rent                                | 10,775,754        | 13,488,867         |
| Amortisation of intangible assets                         | -                 | -                  |
|   | <b>14,502,713</b> | <b>20,061,548</b>  |
| <b>32.07 Other expenses</b>                               |                   |                    |
| Travelling and conveyance                                 | 2,352,997         | 2,136,180          |
| Office maintenance  | 2,132,991         | 2,344,345          |
| Service charge-Bloomberg                                  | 1,475,347         | -                  |
| Entertainment   | 876,718           | 725,998            |
| Bank Charges and Excise Duty                              | 209,437           | 198,824            |
| Subscription, renewal and registration fees               | 946,884           | 1,272,506          |
| Motor vehicle expenses                                    | 536,282           | 305,038            |
| Board meeting   | 25,000            | -                  |
| Documentation Charges                                     | 116,230           | -                  |
| Books, magazines, newspapers, etc                         | 20,719            | 24,652             |
|   | <b>8,692,605</b>  | <b>7,007,543</b>   |
| <b>33.00 Financial expenses</b>                           |                   |                    |
| Interest Expenses   | 96,404,049        | 97,193,493         |
| Interest on Lease Liability                               | 2,098,973         | 1,206,900          |
|   | <b>98,503,022</b> | <b>98,400,393</b>  |



**UNICAP SECURITIES LIMITED**  
Statement of Property, Plant & Equipment  
As at 31 December 2021

Annexure- A

| Particulars                         | Cost                        |                          |                            | Rate | Depreciation            |                            |                    | Written down value as at 31.12.2021 |
|-------------------------------------|-----------------------------|--------------------------|----------------------------|------|-------------------------|----------------------------|--------------------|-------------------------------------|
|                                     | Opening balance 01 Jan 2021 | Addition during the year | Adjustment during the year |      | Charged during the year | Adjustment during the year | Total depreciation |                                     |
| Office decoration and renovation    | 23,622,135                  | -                        | -                          | 33%  | 1,725,948               | -                          | 23,005,549         | 616,586                             |
| Furniture and fixtures              | 1,726,993                   | 90,000                   | -                          | 20%  | 236,962                 | -                          | 1,482,708          | 334,285                             |
| Office equipment                    | 16,485,489                  | 561,188                  | 1,365,300                  | 20%  | 1,764,049               | 978,060                    | 13,738,567         | 1,942,810                           |
| Cell phone                          | 59,900                      | -                        | -                          | 20%  | -                       | -                          | 59,880             | 20                                  |
| Motor vehicle                       | 5,500,000                   | -                        | -                          | 20%  | -                       | -                          | 5,500,001          | (1)                                 |
| <b>Total as at 30 December 2021</b> | <b>47,394,517</b>           | <b>651,188</b>           | <b>1,365,300</b>           |      | <b>3,726,959</b>        | <b>978,060</b>             | <b>43,786,705</b>  | <b>2,893,700</b>                    |

|                                     |                   |                |                |  |                  |                |                   |                  |
|-------------------------------------|-------------------|----------------|----------------|--|------------------|----------------|-------------------|------------------|
| <b>Total as at 31 December 2020</b> | <b>47,428,986</b> | <b>329,531</b> | <b>364,000</b> |  | <b>6,572,681</b> | <b>364,000</b> | <b>41,037,806</b> | <b>6,356,711</b> |
|-------------------------------------|-------------------|----------------|----------------|--|------------------|----------------|-------------------|------------------|

Schedule of Lease Rent Asset  
As at 31 December 2021

| Particulars                         | Cost                        |                          |                            | Rate | Depreciation            |                            |                    | Written down value as at 31.12.2021 |
|-------------------------------------|-----------------------------|--------------------------|----------------------------|------|-------------------------|----------------------------|--------------------|-------------------------------------|
|                                     | Opening balance 01 Jan 2021 | Addition during the year | Adjustment during the year |      | Charged during the year | Adjustment during the year | Total depreciation |                                     |
| Right of Use of Lease Assets        | 37,263,888                  | -                        | -                          |      | 10,775,754              | -                          | 24,264,621         | 12,999,267                          |
| <b>Total as at 30 December 2021</b> | <b>37,263,888</b>           | <b>-</b>                 | <b>-</b>                   |      | <b>10,775,754</b>       | <b>-</b>                   | <b>24,264,621</b>  | <b>12,999,267</b>                   |

|                                     |          |                   |          |  |                   |          |                   |                   |
|-------------------------------------|----------|-------------------|----------|--|-------------------|----------|-------------------|-------------------|
| <b>Total as at 31 December 2020</b> | <b>-</b> | <b>37,263,888</b> | <b>-</b> |  | <b>13,488,867</b> | <b>-</b> | <b>13,488,867</b> | <b>23,775,021</b> |
|-------------------------------------|----------|-------------------|----------|--|-------------------|----------|-------------------|-------------------|

Schedule of Intangible Asset  
As at 31 December 2021

| Particulars                         | Cost                        |                          |                            | Rate | Amortization            |                            |                    | Written down value as at 31.12.2021 |
|-------------------------------------|-----------------------------|--------------------------|----------------------------|------|-------------------------|----------------------------|--------------------|-------------------------------------|
|                                     | Opening balance 01 Jan 2021 | Addition during the year | Adjustment during the year |      | Charged during the year | Adjustment during the year | Total amortization |                                     |
| Systems & Software                  | 1,924,800                   | -                        | -                          | 33%  | -                       | -                          | 1,924,800          | -                                   |
| <b>Total as at 31 December 2021</b> | <b>1,924,800</b>            | <b>-</b>                 | <b>-</b>                   |      | <b>-</b>                | <b>-</b>                   | <b>1,924,800</b>   | <b>-</b>                            |

|                                     |                  |          |          |  |          |          |                  |          |
|-------------------------------------|------------------|----------|----------|--|----------|----------|------------------|----------|
| <b>Total as at 31 December 2020</b> | <b>1,924,800</b> | <b>-</b> | <b>-</b> |  | <b>-</b> | <b>-</b> | <b>1,924,800</b> | <b>-</b> |
|-------------------------------------|------------------|----------|----------|--|----------|----------|------------------|----------|

## UNICAP SECURITIES LIMITED

Proprietary position in securities & other investments  
As at 31 December 2021

Annexure- B

## Proprietary position in securities &amp; other investments

| Particulars   | Cost value         | Market value       |
|---|--------------------|--------------------|
| Investment in Shares (Dealer)   | 198,639,393        | 131,449,436        |
| Investment in Shares (Strategic Investment-Dhaka Stock Exchange Ltd.) | 53,039,079         | 44,354,120         |
| Investment in Shares Fund of ICB                                      | 11,145,343         | 9,001,650          |
| <b>Total</b>  | <b>262,823,814</b> | <b>184,805,206</b> |

Receivable from proprietary Fund

|  |          | 2021 (BDT)       |
|--|----------|------------------|
| Receivable From Startegic Investment (DSE) | -        | 3,323,445        |
| Receivable From ICB Fund                   | -        | 5,318,330        |
| <b>Total</b>                               | <b>-</b> | <b>8,641,775</b> |

# SHAREHOLDER'S ADDITIONAL INFORMATION

In This Section

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## Notice of the 24<sup>th</sup> Annual General Meeting


**Union Capital Limited**

(Incorporated in Bangladesh)

(Registration number: C-36021 (321/98))

(Share code: UNIONCAP)

Notice is hereby given that the 24<sup>th</sup> Annual General Meeting of the Company will be held on Sunday, 17 July 2022 at 11:00 a.m. via live webcast by using Digital Platform to deal with the following businesses:

**ORDINARY BUSINESS**

- |              |   |  |
|--------------|---|--|
| AGM 22-24-01 | : | Receive and adopt the Audited Financial Statements of the Company as of and for the year ended 31 December 2021 together with the reports of the Auditors and Directors thereon; |
| AGM 22-24-02 | : | Approval of dividend for the year 2021;  |
| AGM 22-24-03 | : | Retirement & re-appointment of Directors;  |
| AGM 22-24-04 | : | Appointment of the Auditors of the Company for the year 2022 and fixation of their remuneration;   |
| AGM 22-24-05 | : | Appointment of Auditors for certification on the compliance on conditions of Corporate Governance Code (CGC) and fixation of their remuneration for the year 2022.               |

By order of the Board

Sd/-

**Md. Abdul Hannan**

Manager & Company Secretary (CC)

Dated: 23 June 2022

**NOTES**

- 29 May 2022 is the 'Record Date' to determine the Shareholders' entitlement for eligibility to attend and vote at the 24<sup>th</sup> Annual General Meeting.
- Pursuant to the Bangladesh Securities Exchange Commission's (BSEC) Order No. SEC/SRMIC/94-231/91 dated 31 March 2021, the imminent 24<sup>th</sup> Annual General Meeting of the Company shall be conducted via live webcast by using Digital Platform.
- Link for joining in AGM through Digital Platform and details login process will be notified to the shareholders email address. Full login/participation process for the Digital Platform meeting will also be available in the website of the Company: [www.unicap-bd.com](http://www.unicap-bd.com).
- 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 submitted at the Registered Office of the Company not later than 72 hours before the time set for holding the meeting. Revenue Stamp of Tk. 20/- (Taka Twenty) only shall have to be affixed on the Proxy Form.
- As per Bangladesh Securities and Exchange Commission notification No. BSEC/CMRRCD/2006-158/208/Admin/81, dated 20 June 2018 soft copies of the Annual Report along with the Attendance Slip, Proxy Form and the Notice of the meeting have already forwarded to all the Members at their respective email address available with us as per CDBL record. These will also be available in the website of the company: [www.unicap-bd.com](http://www.unicap-bd.com). The printed annual report may be available if any shareholder requires in writing beforehand.

## EXPLANATORY NOTES TO THE NOTICE OF AGM

### Agendum One

#### Presentation of Annual Financial Statements and Reports

In terms of the Companies Act, 1994, the Directors are required to present the Annual Financial Statements, incorporating the Directors' Report and Auditors' Report, for the year ended 31 December 2021 to the Shareholders at the Annual General Meeting. The Directors' Report, the Financial Statements and the Auditors' Report for the year ended 31 December 2021 are contained in this Annual Report.

### Agendum Two

#### Approval of Dividend

The Board of Directors in its meeting held on 27 April 2022 did not recommend any Dividend for the year 2021 subject to the approval of the shareholders in the Annual General Meeting.

### Agendum Three

#### Re-Appointment of Directors

In terms of the Company's Articles of Association, one third of the Directors are required to retire at each Annual General Meeting and may make themselves available for re-election. Accordingly, the following Directors shall retire by rotation and being eligible offered themselves for reappointment in the next Annual General Meeting:

- a) Chowdhury Tanzim Karim  
(Nominated by EC Securities Limited)
- b) Mr. Waqar A. Choudhury
- c) Mr. Nadeem A. Chaudhury  
(Nominated by ENRILCO Limited)
- d) Dr. Sabita Rezwana Rahman

Since the Retiring Directors are eligible for reappointment, they have offered themselves for reappointment, and hence the Board recommended to the shareholders for approval of their re-appointment in the 24<sup>th</sup> Annual General Meeting. Biographical details of the Directors of the Company retiring at the AGM are set out on pages 32 to 33 of this annual report.

### Agendum Four

#### Appointment of External Auditors

The Financial Institutions Act, 1993 and BSEC's Notification dated 20 June 2018 stipulated that an Auditor of a Financial Institution cannot be appointed for more than three consecutive years. Moreover, section 210(10) of the Companies Act, 1994 also gives authority to shareholders of the company to fix the Auditor's remuneration.

Ahmed Zaker & Co., Chartered Accountants have completed their first year as statutory auditors of the company and hence eligible for re-appointment, they have expressed their willingness to be re-appointed as the

statutory auditor of the company for the year 2022. The Board in its meeting held on 27 April 2022 recommended the shareholders to appoint Ahmed Zaker & Co., Chartered Accountants at a remuneration of BDT 200,000/- plus VAT for the year 2022 subject to the approval of Bangladesh Bank.

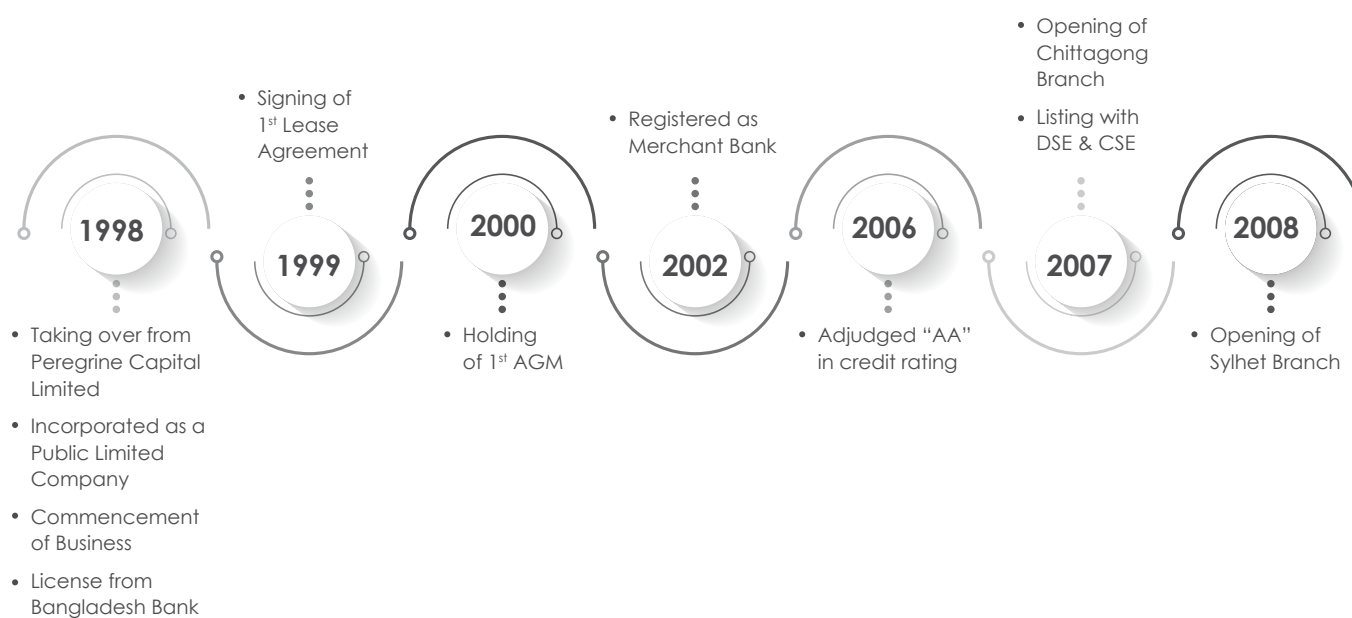
### Agendum Five

#### Appointment of practicing Professional Accountants/ Secretary firm on compliance of conditions of Corporate Governance Code

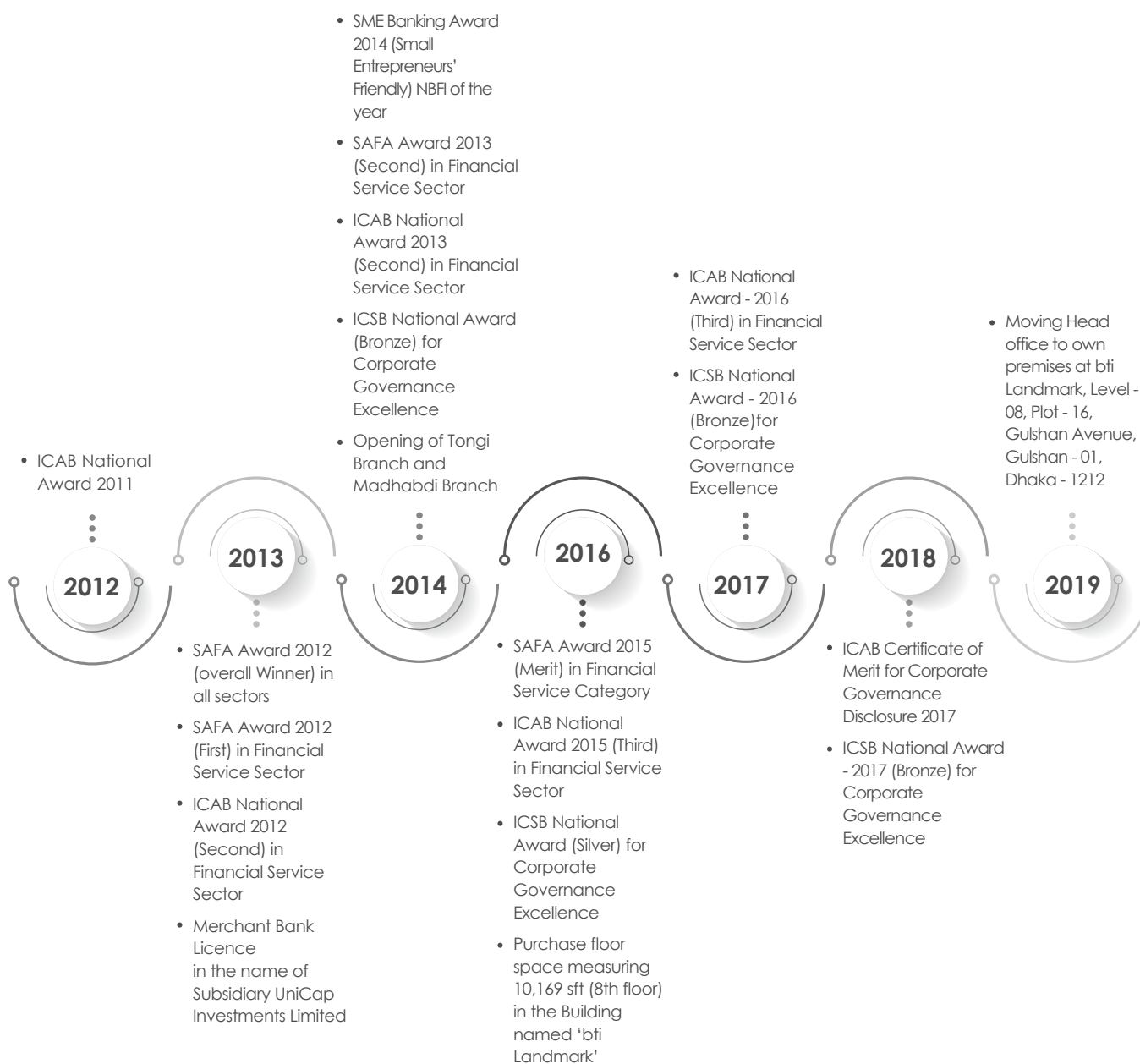
Pursuant to clause 9(1) of the notification of Corporate Governance Code of Bangladesh Securities and Exchange Commission ref: BSEC/CMRRCD/2006-158/207 Admin/80 dated 03 June 2018, the Company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and such certificate shall be disclosed in the Annual Report. As per clause 9(2) of the aforesaid notification, the Professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the Annual General Meeting.

The Board recommended K. M. Hasan & Co., Chartered Accountants having its office at Hometown Apartments, 87 New Eskaton Road, Dhaka - 1000 as the Auditors of the Company to conduct compliance audit for certification on the compliance on conditions of Corporate Governance Code for the year 2022 at a fee of Tk. 30,000 (thirty thousand) excluding VAT for approval of the Shareholders in the 24<sup>th</sup> Annual General Meeting.

## COMPANY MILESTONES







## INVESTORS RELATIONS

### INVESTOR RELATION AND CORPORATE COMMUNICATIONS

Transparent reporting on our operations and performance is the key to the credibility of our public reporting and Investor Relation's activities. We are therefore committed to keep the market informed of relevant information, allowing both existing and potential shareholders to evaluate our business, our performance and our prospects. We believe this commitment to communicating with the public not only reinforce investors' understanding of UCL and its development, but also enhance shareholder value. Our Shareholder Communications Policy is available on our website and is regularly reviewed to ensure its effectiveness.

### STAKEHOLDER ENGAGEMENT

At a broad level, Company proactively engages with institutional and retail investors as well as media and other interested groups. Our stakeholders have easy access to our Online Annual Report and we revamped our website to better reach to our investors, customers and other stakeholders.

### COMMUNICATION CHANNELS

We believe that the transparency encouraged by active stakeholder engagement builds recognition of our brand and ultimately enhances shareholders value. We facilitate engagement through the following channels:

#### Financial Reporting

- Annual and Interim Reports;
- Online Annual Report; and
- Press releases on business activities.

### INVESTOR PERCEPTION STUDIES

We consulted investors and analysts for feedback on our group strategy, executive management team, Annual Report and our corporate communications, investor relations and corporate governance issues by way of telephonic and one to one discussion.

### Hotline and e-mail:

Tel: +8802 48811505-09

E-mail: mailbox@unicap-bd.com

Fax: +880 (2) 48811510

### Our integrated online report

Our HTML-based online annual report offers our stakeholders an alternative format for accessing our annual report with downloadable data in an environmentally friendly manner that a growing number of people find more convenient. This initiative reflects another evolution in the transparency and accessibility of our reporting, which are key to the credibility of our investor relations activities. Advantages of our online report are:

- Downloadable financial data tables and other information in spreadsheet format;
- Hyperlinks to key supporting figures, breakdown analyses and further explanations; and
- Environmentally-friendly medium.

### SOCIAL MEDIA COMMUNICATIONS

Company news, video clips, photos and events are published through social media sites like Facebook. Please find our official facebook page at: <http://facebook.com/union.capital.limited>.

### COMPANY WEBSITE

Our corporate website and external communications now complement our intergraded reporting format. Information includes:

- Profiles of Group's main businesses;
- Board and senior management biographical data;
- Corporate Governance;
- Risk Management and CSR;
- Board Committees' Terms of Reference; and
- Financial information.

## REDRESSAL OF INVESTORS' COMPLAINT

### Investors' Redressal Policy

We at UCL 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 for 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, thus minimizes 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; and
- 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](mailto:investorsrelation@unicap-bd.com) on which an investor can make a complaint;

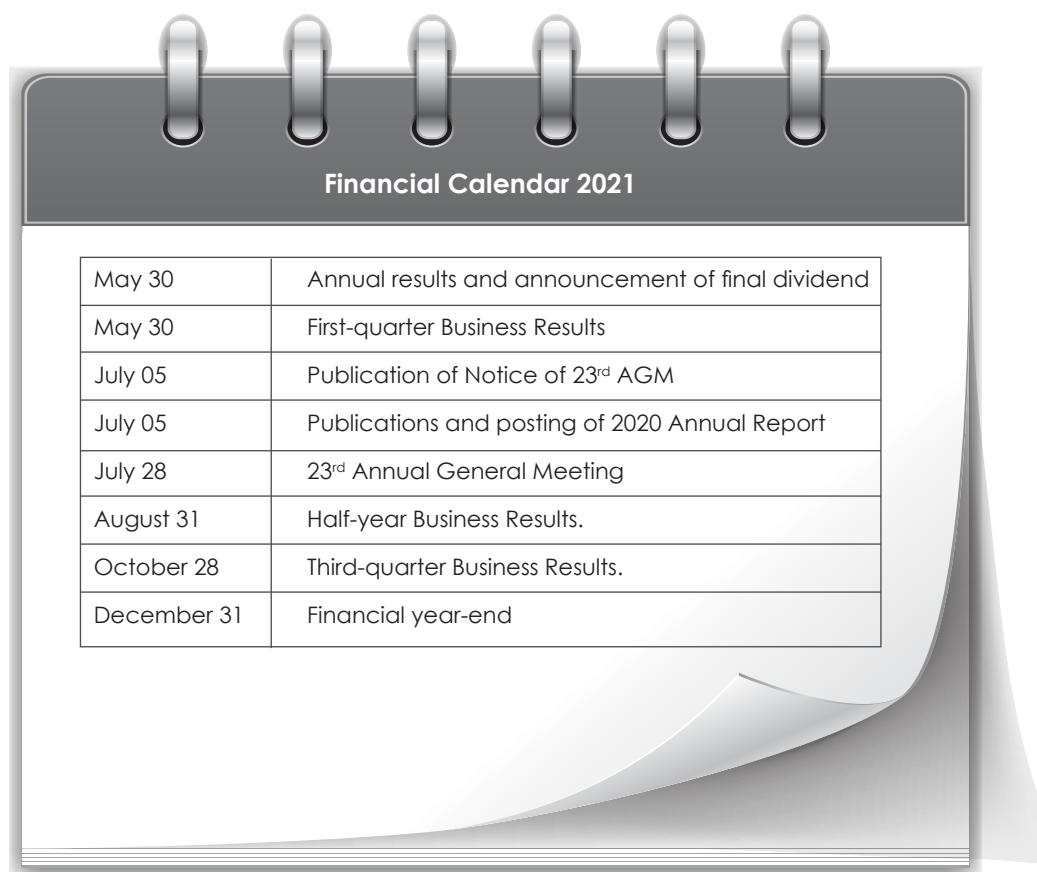
- An Investor can also lodge complaint in writing;
- The Company maintains investor grievance register in which full detail of every written complaint shall enter;
- Designated person shall login to look after the investor grievances on daily basis;
- The full detail of the written complaint must be 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 cases;
- A serious complaint must be referred to the CEO and even to Directors of the Company if so warrants; and
- 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.

## FINANCIAL CALENDAR



Financial Calendar 2022

|             |   |
|-------------|---|
| April 27    | Annual results and announcement of final dividend |
| April 27    | First-quarter Business Results                    |
| June 23     | Publication of Notice of 24 <sup>th</sup> AGM     |
| June 25     | Publications and posting of Annual Report - 2021  |
| July 17     | 24 <sup>th</sup> Annual General Meeting           |
| July 28     | Half-year Business Results. -- Tentative          |
| October 30  | Third-quarter Business Results. -- Tentative      |
| December 31 | Financial year-end                                |



Financial Calendar 2021

|             |   |
|-------------|---|
| May 30      | Annual results and announcement of final dividend |
| May 30      | First-quarter Business Results                    |
| July 05     | Publication of Notice of 23 <sup>rd</sup> AGM     |
| July 05     | Publications and posting of 2020 Annual Report    |
| July 28     | 23 <sup>rd</sup> Annual General Meeting           |
| August 31   | Half-year Business Results.                       |
| October 28  | Third-quarter Business Results.                   |
| December 31 | Financial year-end                                |

## Other Investors' Friendly Information

### 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    | 75,00,000          | 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          |
| 31 March 2015          | 10% Bonus Share         | 12,090,026         | 120,900,260          |
| 28 April 2016          | 7% Bonus Share          | 9,309,319          | 93,093,190           |
| 15 June 2017           | 10% Bonus Share         | 14,229,960         | 142,299,600          |
| 28 June 2018           | 5% Bonus Share          | 7,826,478          | 78,264,780           |
| 20 June 2019           | 5% Bonus Share          | 8,217,802          | 82,178,020           |
| <b>End of the year</b> |                         | <b>172,573,843</b> | <b>1,725,738,430</b> |

### Composition of Shareholdings

| Category                           | No. of Shareholders | No. of Shares      | Percentage    |
|------------------------------------|---------------------|--------------------|---------------|
| Sponsor & Directors (Institutions) | 3                   | 37,154,558         | 21.53         |
| Sponsor & Directors (Individuals)  | 10                  | 23,594,944         | 13.67         |
| General Shareholder (Institutions) | 213                 | 28,422,912         | 16.47         |
| General Shareholder (Individuals)  | 8,878               | 83,401,429         | 48.33         |
| <b>Total</b>                       | <b>9,104</b>        | <b>172,573,843</b> | <b>100.00</b> |

### Key share information

| (As on 31 December)                     | 2021        | 2020        | 2019        |
|---|-------------|-------------|-------------|
| Total no. of shareholders               | 9,104       | 7,927       | 7,833       |
| Share Price (Taka)                      | 9.90        | 8.40        | 6.30        |
| No. of outstanding shares               | 172,573,843 | 172,573,843 | 172,573,843 |
| Market Capitalization (Taka in million) | 1,708.48    | 1,449.62    | 1,087.22    |

### SHAREHOLDERS

At the end of 2021, there were 9,104 shareholders in UCL as against 7,927 shareholders at the end of 2020. The Sponsor & Directors hold 60,749,502 no shares of Tk.10.00 each which represent 35.20 percent of the total paid up shares of the Company.

### STOCK LISTING

| Bourse | Symbol   | Date of Listing |
|--------|----------|-----------------|
| DSE    | UNIONCAP | 24 July 2007    |
| CSE    | UNIONCAP | 24 July 2007    |

### 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

bti Landmark, Level - 08, Plot - 16,  
Gulshan Avenue, Gulshan - 01, Dhaka - 1212

Tel: +88 02 48811505-09

Fax: +88 02 48811510

### WEBSITE

www.unicap-bd.com

**BRANCH NETWORK****Head Office**

bti Landmark, Level - 08, Plot - 16,  
Gulshan Avenue, Gulshan - 01, Dhaka - 1212.  
Tel: +88 02 48811505-09, Fax: +88 02 48811510  
www.unicap-bd.com

**Principal Branch**

bti Landmark, Level - 08, Plot - 16,  
Gulshan Avenue, Gulshan - 01, Dhaka - 1212.  
Tel: +88 02 48811505-09, Fax: +88 02 48811510  
www.unicap-bd.com

**Chattogram Branch**

Ayub Trade Centre  
1269/B Sk. Mujib Road, Agrabad C/A  
Chattogram-4100, Bangladesh  
Tel: +880 (31) 251 3353 - 54, Fax: +880 (31) 251 3356

**Sylhet Branch**

J.R Tower (2nd Floor)  
23 Abas, Jail Road, Sylhet -3100, Bangladesh  
Tel: +880 (821) 728438-9, Fax: +880 (821) 728437

**Bogura Branch**

Rabu Tower (3rd Floor)  
739A Borogola, Bogura - 5800, Bangladesh  
Tel: +880 (51) 71041-43, Fax: +880 (51) 71044

**Tongi Branch**

Parkway Trade Center (1st Floor)  
4/13 Shalikchura, Uttara Dattapara  
Ershad Ngor, Tongi, Gazipur-1712, Bangladesh.  
Tel: +880 (2) 9810471-2, Fax: +880 (2) 9810473

**SUBSIDIARY COMPANY**

UniCap Securities Limited  
UniCap Investments Limited

**STOCK BROKER/DEALER**

UniCap Securities Limited  
(Membership DSE - 163; CSE - 82)

**LEGAL ADVISOR**

A. Hossain & Associates  
3/B Outer Circular Road  
Moghbazar, Dhaka.

**AUDITORS**

Ahmed Zaker & Co.  
Chartered Accountants  
Green City Edge (Level - 10  
83, Kakrail, Dhaka -1000  
Phone: +880 (2) 8300501-8  
Fax: +880 (2) 8300509  
E-mail: azcbangladesh@ahmed-zaker.com  
Web: www.ahmed-zaker.com

**TAX CONSULTANTS**

K. M. Hasan & Co.  
Chartered Accountants  
Hometown Apartment  
87 New Eskaton Road, Dhaka-1000  
Phone: +880 (2) 9351457, 9351564  
Fax: +880 (2) 9345792  
E-mail: kmh\_co@yahoo.com  
Web: www.kmhasan.com

**AGM SCRUTINIZER**

Suraiya Parveen & Associates  
Chartered Secretaries

**PRINCIPAL BANKERS**

Bank Asia Limited  
Mutual Trust Bank Limited  
Southeast Bank Limited  
Dutch Bangla Bank Limited  
United Commercial Bank Limited  
IFIC Bank Limited

**MEMBERSHIP**

Bangladesh Leasing & Finance Companies Association (BLFCA)  
Dhaka Chamber of Commerce and Industry (DCCI)  
Bangladesh Association of Publicly Listed Companies (BAPLC)  
Federation of Bangladesh Chamber of Commerce & Industry (FBCCI)  
The Institute of Bankers, Bangladesh (IBB)

**INVESTORS INQUIRIES**

Department of Corporate Affairs  
Tel: +88 02 48811505-09  
Email: investorsrelation@unicap-bd.com



# FORM OF PROXY



## Union Capital Limited

(Incorporated in Bangladesh)

(Registration number: C-36021 (321/98))

(Share code: UNIONCAP)

I ..... of .....  
..... being member of **Union Capital Limited**, hereby  
appoint Mr./Ms.....of  
.....  
as my proxy to attend and vote for me and on my behalf at the 24<sup>th</sup> Annual General Meeting of the Company to be held  
virtually by using digital platform on Sunday, 17 July 2022 at 11:00 a.m. or at any adjustment thereof.

Signed this .....

Signature of Proxy .....

Day of ....., 2022

Revenue Stamp  
Tk. 20.00

Signature of Shareholder .....

BO ID 

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

No. of Shares .....

### Note:

- i) This Proxy Form, duly completed, must be deposited at least 72 hours before the meeting at the Company's Registered Office. Proxy is invalid if not signed and stamped as explained above.
- ii) Signature of the shareholders should agree with the specimen signature registered with the Company.

# ATTENDANCE SLIP



## Union Capital Limited

(Incorporated in Bangladesh)

(Registration number: C-36021 (321/98))

(Share code: UNIONCAP)

I hereby record my attendance at the 24<sup>th</sup> Annual General Meeting of the Shareholders of Union Capital Limited will be held  
virtually by using digital platform on Sunday, 17 July 2022 at 11:00 a.m.

Name of Member/Proxy .....

BO ID 

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

Signature .....

Date: .....

**Note:** Shareholders attending in the meeting in person or by proxy are requested to complete the attendance slip and deposit the same at the registration counter on the day of the meeting.

# NOTES TO FORM OF PROXY

*Summary of the 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 favor 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/ Smart Card, a valid driving license or a valid passport.
6. Any alterations or corrections to this form of proxy must be initiated 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, bti Landmark, Level - 08, Plot - 16, Gulshan Avenue, Gulshan - 01, Dhaka - 1212 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 p.m. on 14 July 2022.
9. Holders attending the Annual General Meeting will be offered the opportunity of putting questions to the Directors and Management.



## Union Capital Limited

### Corporate Head Office:

bti Landmark, Level - 08, Plot - 16, Gulshan Avenue, Gulshan - 01, Dhaka - 1212.  
Tel: +88 02 48811505-09, Fax: +88 02 48811510, [www.unicap-bd.com](http://www.unicap-bd.com)